

# NAVIGATING THE FINANCIAL IMPACT OF DIVORCE

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Divorce is stressful. Not only emotionally, but financially, as well. Time can certainly help in the healing process, but in the midst of it all, there are several actions you can take to hopefully help ease any anxiety and unknowns once the decision to proceed with a divorce has been made.

## Action Items to Help You Through Divorce

**Don't Try to Do It Alone.** Our first suggestion is to handle the process with professional help. You need to be able to separate your emotions from what is financially and strategically right for you and your family. It is difficult to think rationally when you are on an emotional rollercoaster during a divorce. Seeking help doesn't make you the "bad guy" it simply means you need to look at the financial aspect of divorce as a business decision that will affect you and your family for the rest of your life.

Consider working with a CDFA® (Certified Divorce Financial Analyst). A CDFA® professional is trained to help analyze the financial outcome of a divorce. They can be an advocate whether you decide to use an attorney, mediation, or do it yourself. A CDFA® is trained in the various financial issues of divorce including tax issues, retirement plans, division of property and the financial effects of child and spousal support. The Beacon Pointe advisory team has several CDFA®s on staff - if you are in need of guidance, please do not hesitate to email us at [info@beaconpointe.com](mailto:info@beaconpointe.com).

Contact a divorce attorney as soon as possible. How do you find the right attorney? Ask for referrals from friends, your CPA, your estate attorney, your wealth advisor, etc. You will be amazed at the number of resources networking can provide. We encourage you to interview multiple attorneys as you are likely to make a connection with one or two, which will make your decision process a little bit easier. Take your time and select the person with whom you feel most comfortable discussing your issues. Keep in mind that the most expensive option may not always be the best! Beacon Pointe also has a checklist of considerations to think about when hiring a divorce attorney, which you can download at [beaconpointe.com/divorce-financial-planning/](https://beaconpointe.com/divorce-financial-planning/).

**Credit Counts.** Any credit commitments that either you or your spouse partake in become the responsibility of both of you even during divorce, so you want to make sure you continue to make payments to outstanding creditors.

**Address Jointly Owned Accounts.** Ask your attorney if you should call your bank and have them freeze any joint accounts. Accounts that are jointly owned allow either of you to have complete control over the funds. This is probably one of the hardest action items that needs to be done immediately. You both will need money, so if you freeze the account how will you access it? You can ask the bank for withdrawals to be signed off by both you and your spouse. This way the two of you can determine an amount that you each need to get you through until the divorce is underway.

If you think your spouse would never deplete the joint bank account, think again. It is better to play it safe. If your spouse does take more than his or her share, once the assets are divided the appropriate adjustment will usually be requested at that time. Your attorney will likely advise you to open your own individual account to hold your portion of the formerly jointly owned funds and to receive deposits of any future earnings if you are employed.

**Create a Budget.** If you don't have a complete understanding of your expenses, now is the time to change this. Visit [beaconpointe.com/divorce-financial-planning/](https://beaconpointe.com/divorce-financial-planning/) for our budget template that can assist you in identifying all or most

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of your expenses and get a complete understanding of what it takes to maintain your household. This will become helpful down the road when determining how much you may need for child support or spousal support, if any. Also, demonstrate control over your spending. Don't start spending more than you would normally spend. It will only come back to bite you!

**Create a Financial Plan for Your Future.** It is important to identify the steps you need to take to still be able to accomplish your retirement goals. Now, you just need to make sure you are ready for the future of (potentially) going at it alone rather than with the support of a spouse. Meet with a financial planner to develop a road map. It is very important to have a written plan that can guide you year after year, keeping you on track to minimize any road bumps along the way. This will give you the peace of mind and sense of stability you will need and want.

## **Don't Overlook These Important Financial Considerations:**

- Asking for the home when you can't afford to maintain it
- Understanding taxable vs. non-taxable division of assets
- Understanding the purpose of a QDRO- Qualified Domestic Relations Order
- Protecting spousal and child support payments through life insurance
- Making isolated financial decisions vs. looking at the big picture and analyzing how each financial decision impacts the other
- Thinking that a 50/50 division of property is an equitable division of property
- Failing to consider the income tax cost basis of property
- Not understanding how to divide debt

In summary, don't rush. The average divorce takes approximately one year. Many people get impatient and just want it to be over, so they start to make mistakes and compromises that they ordinarily would not make. Keep in mind that less than 10% of divorces actually go to trial.

Be ready to provide paperwork, paperwork, and more paperwork. You may be required to complete a financial affidavit which is a detailed description of all of your assets and liabilities. This affidavit asks questions ranging from how many paychecks you receive to what you spend on dry cleaning. It is a tedious process, but very necessary.

## **Navigating the Months After Divorce**

By this time, you are probably more than ready to get off the emotional rollercoaster you have been on for the past 12 months or more. Even after all the paperwork is signed, there are still financial considerations to keep in mind to help you move forward with your financial life after divorce.

### **Keep Calm and Carry On**

It is time to put the past behind you and focus on your financial future. Money often plays a significant role in divorce, so it's important to get a handle on how to move forward. For example, how are you going to handle a possible 35% monetary decrease in your standard of living? Let's look at a few simple steps to ensure the success of your post-divorce financial future.

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## Understand Your Spending

Consider getting a financial plan done right away. The sooner you can get a better understanding of how much you owe vs. how much you own, and how much you spend vs. how much you save, the sooner you can begin to enjoy your financial freedom. A proper financial plan will provide you with a road map of what your financial future could look like barring any obstacles along the way. It can also help keep you on track. As we all know, life changes, but having some guidance to better prepare you for the "construction" that life throws your way, will leave you better prepared to make the necessary adjustments. A financial plan can help answer questions like, *when should I take social security? When can I afford to retire? Will I be able to travel like I am expecting to after retiring? Am I spending too much?* If you are currently working with an advisor, check in with them first. Many wealth advisory firms may offer planning at no additional cost, or a reduced cost if you have a current working relationship. If you are looking for a trusted advisor, feel free to contact us at [info@beaconpointe.com](mailto:info@beaconpointe.com) to set up a complimentary meeting. At Beacon Pointe, we have Certified Divorce Financial Analysts (CDFA®s) and Certified Financial Planners (CFP®s) who work with clients to create custom financial plans to achieve their life and legacy goals and navigate life transitions such as divorce or the death of a spouse, for example.

## Plan for Your Future

Consider updating beneficiary information. If your former spouse is the beneficiary on your life insurance policy, you may want to get it changed right away. Consider changing it to your children, a parent, a sibling or a Trust. Set up a brand-new Trust for yourself and update your Trust documents (i.e., Power of Attorney for healthcare/financial matters). You may need to consider looking into healthcare and long-term care since you may no longer be covered if you weren't the primary on the account. If you are entitled to alimony or child support, consider guaranteeing coverage using life insurance. Usually, this should be completed prior to the final divorce decree. But, either way, consider being listed as the irrevocable beneficiary or as the owner and pay the premiums yourself. You will need to make sure these policies don't lapse in order to guarantee future payments.

## Update Insurance Policies

Consider adjusting your auto and homeowner's coverage. With potentially half of the assets you once had, you may need to adjust your current liability and/or deductibles. Be sure to take out your own umbrella policy to protect yourself from any potential lawsuits over and above what your home or auto insurance policies will cover. Umbrella policies are very inexpensive and can often save you from financial disaster. If you have small children, consider the need for life insurance and college funding.

## Begin to Monitor Your Credit

Get a baseline for what your new credit report looks like and start (re)building your credit. [Credit Karma](#) is a useful resource to get an idea of what your credit looks like post-divorce. Consider closing joint accounts and following through by making sure you have updated mortgage and titles that may need to be switched or updated. Remember to contact Social Security should you change your name.

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## Get Organized

Start a new filing system either online or by using a file cabinet. Whatever is your preference, get it done. If you wait too long after a divorce, getting organized can become increasingly difficult. Online tools like [Mint](#) can assist in tracking your spending. QuickBooks can assist in bill pay. At a minimum, take a look at your bank statements on a monthly basis. Confirm your spending is consistent each month to give you a better idea of your average expenses. Use an expense worksheet and net worth statement to make sure you don't overlook anything and flag any unnecessary spending. Make sure you have a positive balance each month after tracking your debits and credits. Find places you can cut back, like buying a Starbucks coffee every day, bringing a lunch instead of buying one, etc. If you have any outstanding balances on credit cards, look to pay those off as quickly as possible, and avoid late fees.

## Find Your Financial Team

Out with the old and in with the new is an approach to consider. Approximately 70% of women usually replace their current financial advisors after a death or divorce. However, if you have a strong, close and trustworthy relationship with your current advisor it may be the right decision for you to stay put. Whether you stay with your existing financial team or change to a different one, we recommend working with a team that will have your best interest at heart. Your team should consist of a CPA, an estate attorney and a financial planner/advisor at a minimum. Interview them first and make sure they address all your concerns. Ask questions like: *What is your investment philosophy? How will you protect my assets? What are your fees? Is creating a financial plan included in your services? Are there any other services included in the fee? How often will you meet with me to review my account(s)?* Finding the right team should help you better prepare for this new and exciting chapter of your life.

Lastly, be sure to look at the positives; when it is all said and done you will have a much better picture of what your future holds - a happier, healthier you - physically, emotionally, and financially. We know it is hard to believe, but there is a day when you will look outside, and the sky seems to be a little bluer. Until then, stay focused, get some exercise and those endorphins pumping, and stand confident in your decisions.

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