Upleft

FINANCIAL WAYPOINT SERIES

A Financial Guide to Divorce

Experiencing Divorce is difficult in many ways.

With the list of things on your mind at such a time, it is easy to see how the financial aspects of divorce could be overlooked. This tendency might lead to any number of costly mistakes. For this reason, we are providing some rules that a person can follow to help protect their financial interests as they start the next phase of their life.

Rule # 1 – Self-Care is Vital

The feelings that you are experiencing are perfectly acceptable, so don't be afraid to share them.

Stay positive and try to take care of yourself. Be as flexible you need to be with your timeline. You should begin to take care of your financial future as soon as you can.

Rule # 2 – Control Legal Costs

The best advice that anyone can receive with regards to divorce, might be to control the costs related to legal fees.

Unchecked, these bills could be the single biggest divorce-related cost. Avoiding as much conflict as much as possible is very helpful. Very expensive disagreements may result if all parties aren't exercising civility. An uncontested divorce may be an option if you are getting along. Other lower-cost choices may include flat-fee legal packages or doing some administrative tasks yourself.

Rule #3 – Think About Liquidity

It is not unusual for one spouse to end up with mostly illiquid assets. Keeping the house and the car may feel good, but it may not be best if you don't have the money you will need to make ends meet.

Another drawback to large illiquid assets (like homes and automobiles) is that they come with costs. Recurring expenses, such as maintenance, insurance, and taxes may be involved.

Before deciding what to do with these assets, one should consider the answers to the following questions:

- Do you have enough income that you can count on?
- Are your emergency savings at an adequate level?
- Would you need to sell belongings or borrow money to get by?

Rule #4 – Consider Your Retirement Accounts

Among the largest assets divided in a divorce are often retirement accounts. Their value may be only second to the value of a home.

Calculate for taxation when discussing the division of retirement accounts. Divide retirement accounts in a way that the money maintains its tax-advantaged status if that is a possibility.

Be sure to calculate after-tax values if you must sell a home or spend retirement funds. The eventual amount that you will be able to spend is the key number.

Rule #5 – Get Ready

Proper preparation is a critical step to reducing future stress and potential difficulties. Here is a checklist of items to address.

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- Assemble Your Team
  - Attorney
  - Financial Advisor
  - Accountant
  - Support Network (friends, family, counselor)
- Locate Key Documents
  - Pay Stubs
  - Bank Statements
  - Loan Documents
  - Credit Card Statements
  - Investment Account Statements

- Retirement Plan Statements
- Property Titles
- Insurance Policies
- Annuity Contracts
- Tax Returns

- Obtain a Copy of Your Credit Report
  - See Any Errors Corrected
  - Maintain Good Credit

Rule #6 – Release "Baggage"

Before the divorce is a good time to start cutting unnecessary financial ties.

Close any unnecessary joint accounts and open individual ones.

Look at any liabilities that you share (including any unpaid medical bills or loans that you may have cosigned). Determine who should carry these going forward.

Make sure that your State and Federal Taxes are paid up-to-date. No one wants to start their new life with a tax lien!

These tips can help you avoid doing some harm to a divorcee's financial future. Contact Upleft if you would like to receive reports on other topics. Subjects include managing taxation through a divorce, personal financial management after a divorce, and estate planning as a single parent.

QUESTIONS?

If you would like more in-depth information specific to your individual circumstances please feel free to reach out:

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Upleft LLC

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