

6 Financial Rules for Divorce

A Financial Roadmap
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Going through a divorce can be a difficult time in many ways. Considering all of the things that will likely occupy your mind during such a transition, it is easy to understand how navigating the financial aspects of divorce could easily be a priority that gets 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 - Take Care of Yourself

It is normal to experience the feelings that you have, so don't be afraid to share them. Take care of yourself and try to stay positive. Be willing to be flexible, but as soon as you are ready you should begin to take care of your financial future.

Rule #2 - Minimize Legal Expenses

The best advice that anyone can receive with regards to divorce, may be to try to control your costs related to legal fees. Often times, these bills can add up to the **single biggest cost related to divorce**. For this reason, you should attempt to avoid conflict as much as possible. The alternative to all parties exercising civility can be a very costly series of disagreements. If you are getting along and can proceed with an uncontested divorce, some low-cost options may become available to you. These may include flat fee solutions from attorneys or even doing most of the administrative tasks yourself.

Rule #3 - Consider Liquidity

It is not uncommon for one spouse to end up with primarily illiquid assets. It may feel nice to keep the house and the car, but it may not make sense if you don't have the money you will need to make ends meet. A second downside to large illiquid assets like homes and automobiles is that they bring with them recurring costs such as maintenance, insurance, and taxes. Before determining what should become of the illiquid assets, a person should consider the answers to the following questions regarding liquidity.



- Do you have a reliable source of adequate cash flow?
- Do you have adequate emergency money saved?
- Will you need to borrow or sell hard assets to get by?

Rule #4 - Examine Retirement Accounts

Often times, retirement accounts are one of largest assets to be divided in a divorce, their value is frequently only second to the value of a home. It is important to consider taxation when discussing the division of retirement accounts. When at all possible, you should divide any tax deferred retirement accounts in such a way that the money maintains its tax-advantaged status.

If you must sell a home or spend retirement funds, it is important that you calculate the after-tax value of the assets. In these situations, the amount that you will eventually be able to spend is the key number.

Rule #5 - Get Prepared

1. Assemble Your Team

- Attorney
- Financial Advisor
- Accountant
- Support Network (friends, family, counselor)

2. Gather Your Key Documents

- Pay stubs
- Bank Statements
- Loan Documents
- Credit Card Statements
- Investment Account Statements
- Retirement Plan Statements



- Property Titles
 - Insurance Policies
 - Social Security Benefit Estimates
 - Annuity Contracts
 - Tax Returns
 - Health Insurance Details
3. Get a Current Copy of Your Credit Report
- See that any Errors are Corrected
 - Maintain Good Credit

Rule #6 - Release Some Baggage

Prior to the divorce is an ideal time to start cutting unnecessary financial ties. Close any inessential joint accounts and open individual ones. Similarly, take a look at any liabilities that you may share (including any unpaid medical bills or loans where you may have cosigned) and determine who should rightfully carry these going forward.

On the topic of liabilities, make sure that any property taxes, as well as your State and Federal Taxes are paid up-to-date. No one should have to start their new life with a tax lien!

Following the rules listed above should help you avoid some common pitfalls that can harm the financial future of a divorcee. Be sure to contact us if you would like to speak in more detail, or if you would like to receive future reports on specific topics like managing taxation through a divorce, managing personal finances after a divorce, and estate planning as a single parent.

