Divorce Aftershock: Good Planning Helps Financial Settlement

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Although it may seem like you're alone, divorce affects one in five marriages. The "honeymoon period" seems so long ago as you stand on the doorstep, divorce papers in hand. So many emotions…fear, anxiety, sadness. Now what? Allow yourself to take a deep breath. Let yourself cry. Accept a quiet hug from a dear friend.

As soon as the decision to divorce is made and your emotions settle, you can think clearly, and build your team of professional advisors. In addition to your divorce attorney, hire a CPA or financial planner knowledgeable about divorce planning. Because marital dissolution can be managed in various ways, many couples choose arbitration or mediation to avoid the fees associated with litigation. One model, collaborative law is a process in which each party hires its own team of advisors (attorneys, therapists, financial specialists, etc.), and all parties agree to focus on a mutually agreeable settlement.

No matter the legal situation, your financial planner should walk you through these important first steps toward establishing financial freedom:

1. If you do not already have a budget, develop an estimate of your current necessary monthly expenses.
2. Open a separate post office box to ensure delivery of confidential documents.
3. Establish separate checking, savings, brokerage, and credit card accounts, all of which will allow you to begin building individual credit. Be aware that on a joint credit account, all named individuals are liable for debts incurred.
4. Order a free credit report from each of the three major credit agencies (Equifax, Experian, and Transunion). Check the reports for accuracy and identify all joint accounts that will need to be closed.

Your team of financial advisors will often request specific documents to support your assets and expenses. It will be necessary to access prior tax documents (including income, gift, and business returns), bank account statements, brokerage statements (including IRAs and 401k accounts), credit card statements, and mortgage statements. You will also want to contact your insurance agent for copies of your insurance policies (e.g., medical, life, auto/home, etc.), gather vehicle registrations, property deeds, and any recent property appraisals. Finally, copies of payroll stubs, W-2s filed with your previous tax returns, a marriage certificate, and employment contracts may also be requested.

Your attorney will likely advise you to consider which marital assets are especially important or have sentimental value. Your team of advisors should evaluate the tax consequences of keeping certain assets. Often overlooked marital assets include season tickets, club memberships, and timeshares. If you have minor children, consider the financial implications of various custody arrangements, including education expenses and the effect of inflation.

Depending on your current career, various steps should also be taken, and decisions considered. Small business owners should inform any partners of the pending divorce. If you and your spouse are involved with a family business, examine the roles of each spouse and how they will be affected. Stay-at-home moms should weigh via cash flow analysis the financial implications of continuing this role versus going back to work.

Georgia applies a doctrine of "equitable division of marital property" in divorce. This doctrine is designed to ensure that property accumulated during the marriage is fairly distributed and can frequently override the current legal rule of property owned by both parties in the divorce. As a result, the spouse who does the best job of planning in advance of the divorce hearing is often the party who stands to gain the best settlement. For this reason, be sure to select a team that has experience with your special needs during this transition.

To learn more or get help with your finances, please visit us at homrichberg.com, send an email to info@homrichberg.com, or call 404.264.1400.

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