

## Top 5 Money Decisions to make in Divorce

The money decisions you make in the first weeks of a marital separation can affect your financial security for the rest of your life.

And at a time of maximum emotional stress, the right decisions about money can be hard to come by on your own – that’s why financial planning advice is crucial the moment a separation happens. Waiting until divorce papers are filed may be too late.

Anyone filing divorce should seek the help of financial and tax advisers as well as attorneys skilled in divorce, experts say, because the financial issues that get pushed to the background eventually can take a surprising and disastrous toll on the newly single ex-spouse and his or her children.

Here are the five main money decisions that should be made in a divorce.

**1. Get financial advice immediately:** Good divorce attorneys will tell you to get decent financial, tax and estate advice in concert with your divorce action. Each of those financial parties will tell you to get a good attorney. Get the best referrals you can on each. The bottom line is to pick quality among all your advisors so you can preserve assets and plan your money going forward. It’s also important to be as honest as possible with each of these parties -- otherwise they can’t do their jobs properly.

Financial planners will help you start at ground zero with your money. A qualified financial planning professional can help you budget, save and invest for a new life. [The Lilac Tree](#), an Evanston, Ill. based not-for-profit organization for divorcing women, routinely stresses that the budgeting process is crucial, since women now outnumber men in filing for bankruptcy and their long-term earnings prospects are generally dimmer. You should also consider working with a CERTIFIED FINANCIAL PLANNER™ professional.

These advisers will help you determine how to file your taxes as well. There are always special situations in a divorce that will determine whether a couple will need to file jointly or separately during the last year that the marriage exists. This is definitely worth discussion since tax fraud can be a liability issue for the spouse who had no involvement or awareness of the fraud taking place.

Last thing. Even though it might be the last thing on your mind, start or restart your retirement planning and college planning for your kids at this stage. Why? Because if your soon-to-be ex-spouse controls more assets, you should negotiate for more of a settlement in these areas.

**2. Make sure your assets are valuable:** Unless you know what the assets in a marriage are really worth, how do you know what to demand in a property settlement? Keeping a house may be a great idea, but if it’s in poor repair, are you sure you can afford to keep it? Licensed appraisers in a variety of asset categories should be enlisted to make sure what joint property is truly valuable, from real estate to art. Divorcing spouses need to make sure they have enough money to finance repairs and replacement of any assets that they’ll be paying for as a single person.

**3. Protect your kids:** In many states, college-age children have the right to demand financial support or college funding at the state level so their education isn’t interrupted. While both parents should advocate in their kids’ best interest, this isn’t always the case. Be aware of your state’s divorce laws with respect to child support.

Child support guidelines vary from state to state. But generally the criteria for establishing child support amounts are typical throughout the United States and these guidelines are established by each state's legislature. If your state has a special program that allows a spouse to pay into a special account so child support is recorded every month, consider it. It provides a paper trail and enforcement system for assuring that children get the support money they're entitled to. Federal law requires all child support payments be made by wage assignment and health insurance by Health Insurance Orders. Child support collection statistics reflect that only 20 percent of non-custodial parents pay their court ordered child support monthly. That's why so many laws have been established to force compliance. Make sure you understand them.

**4. Watch your spending:** Overspending is a real issue in the early stages of divorce as couples set up private homes. But some individuals find that spending makes them feel better, and this is one of the biggest reasons ex-spouses face financial disaster after divorce. Strict budgeting should be one of the first things you do once you split.

**5. Protect your credit:** If your soon-to-be ex-spouse has tax or credit issues, you need to rely on your advisers to set up any legal firewalls you can before your divorce is final. And if you leave your marriage with clean credit, don't do anything to damage it. Whatever debt you have, pay it on time, and resolve to pay it off.

September 2010 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Jeffrey M. Garell, CFP® and Daniel D. Sands, CFP®, local members of the Orange County FPA.

Securities offered through Gēneos Wealth Management, Inc., Member FINRA/SIPC  
Advisory services offered through Silversage Advisors® and Gēneos Wealth Management, Inc., Registered Investment Advisors