ENHANCE YOUR LIFE

Seven Critical Financial Issues to Address During Divorce

BY DONNA CHESWICK

During divorce people are often at their most vulnerable, both financially and emotionally. At such a time, knowledge about finances and avoidance of costly mistakes can be highly empowering. This article explores some common financial issues that must be addressed.

1> Realistically assess your financial position. Obtain copies of all financial documents pertaining to property and debt titled in individual and/or joint names. You need to have a clear understanding of what the marital estate consists of before you can decide how to divide it.

2> Understand the true value of assets. Before agreeing to retain, or give up, an asset you must know its current value, tax consequences, transaction costs, and original cost basis. What you get is not always what you keep. Once a property settlement has been signed and the divorce is final, it's too late to renegotiate an unfavorable deal.

3> Realize you may not be able to afford the family home. To keep the home, you need to have the means to support not only the mortgage payment, but the real estate taxes, maintenance, utilities and costs associated with refinancing the home into a single name. Assets are not created equal, so be aware of what you may be giving up should you keep the house.

4> Acknowledge the potential decline of your standard of living. In divorce, trying to stretch the same amount of income over two households is extremely challenging. The sooner you can cut spending and live below your means, the better off you'll be. It's critical to develop a realistic budget for forecasting current and future expense and income needs.

5> Understand the importance of retirement assets. All retirement accounts accumulated during the marriage are property subject to division. There is no such thing as "what's mine is mine." To ensure legal rights to these assets, a legal document called a QDRO (Qualified Domestic Relations Order) must be prepared and executed by the court.

6> Engage a CDFATM to model various settlement proposals. Professionals trained as Certified Divorce Financial Analysts can show the effects of various settlements to help determine whether they are equitable and financially achievable. Their specialized software illustrates comprehensive, realistic short and long-term financial effects of any given divorce settlement. This allows for a "what if" analysis to make sure the settlement makes sense. A CDFA's role is to educate the client by providing a thorough knowledge and understanding of the complicated financial decisions.

7> Explore alternatives to litigation. Battling out your divorce in court is lengthy, costly and emotionally draining. Methods that are more cooperative and less adversarial such as mediation or collaborative divorce often result in a more favorable outcome while saving time and money.

It's important to Think Financially, Not Emotionally® * because post-divorce you can't go back and re-negotiate an unfavorable settlement. Using legal and financial professionals who are specifically trained will help you along your journey. This will save time and money and help ensure an effective outcome.

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DIVORCE WORKSHOPS FOR WOMEN:

Four-hour educational workshops addressing the legal, financial and emotional issues of divorce to help participants gain a greater understanding of the divorce process to help save time and money.

Saturday, October 11 - 9:00 AM – 1:00 PM at the Cooper Siegel Community Library, 403 Fox Chapel Road, Pittsburgh, PA 15238

Saturday, November 8 - 8:30 AM – 12:30 PM at Medallion Wealth Management, 2605 Nicholson Road, Bldg 2, Franklin Park, PA 15143

Cost is $35 per person and pre-registration is required. Call Donna at 724-493-9695.