CONCERTO FINANCIAL PARTNERS

LET'S TALK ABOUT DIVORCE

E-BOOK

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WHY I WROTE THIS BOOKLET

If you scan through the results of an Amazon search, you will find dozens of books on planning for divorce. Many of them are quite complicated. In my experience with clients, the bulk of these books end up half-read, sitting on an end table or serving as a costly substitute for a coaster.I have read dozens of books on the topic, and the information is typically quite thorough and can be very helpful, but let’s face it: by the time you trudge through hundreds of pages of case studies and charts on the complexities of the US tax code, you may have forgotten most of what you read.

My intent here is simple. I want to give you a concise overview of some things to consider before during and after divorce. I want it to be tactical so you can begin implementing it immediately.

Consider the following scenario:

Susan had been married to Steve for eighteen years. During that time, she stayed home and raised their three children while he built his business. One day, Steve decided that he was no longer happy and wanted a divorce. After long discussions, some yelling and a lot of tears, they decided that it would be better for both of them if it remained amicable.

A year and a half later, attorney's fees had wiped out the majority of their nest egg and the two could hardly speak to one another. They had allowed aggressive divorce lawyers to pit them against each other and drain their assets. The final settlement wasn't close to being equitable, and Susan found herself starting over with nothing at the age of 48.

Imagine yourself in this situation. If you feel that it could never happen to you, consider the following statistics:

IN THE UNITED STATES, THERE IS ONE DIVORCE APPROXIMATELY EVERY 36 SECONDS. THAT'S NEARLY 2,400 DIVORCES PER DAY, 16,800 DIVORCES PER WEEK AND 876,000 DIVORCES A YEAR.[1]

[1] HOLLINGSWORTH ROBERTS MEANS(2019) "Statistics of Divorce."

A wise person once said that the best way to accumulate wealth is to get married and stay married. There are certainly many personal and financial advantages to a good marriage, but if it goes bad, both parties will likely spend years trying to recoup their losses. If you get divorced, there is no way around it… you will have a significant crack in your nest egg. In financial terms, a good divorce is one that allows you to preserve your accumulated assets and to do it in a way that is fair to both parties.

Sadly, I have known many good people that endured bad divorces. No matter what your intentions, no matter how amicable you would like it to be, divorce will likely be far worse than you anticipate.

PLANNING FOR A DIVORCE MAY BE THE MOST IMPORTANT FINANCIAL PLANNING THAT YOU AND YOUR SPOUSE EVER ENGAGE IN.

It is important to set aside your emotions and give careful consideration to your future. If you are able to be reasonable, it will result in a settlement that is fairer to both of you and will hopefully minimize attorney’s fees.

I see divorce planning as a three-part process. You really shouldn’t short-change any of these steps.

Before the Divorce

This is the step that most people don’t weigh heavily enough. I am amazed when clients come into my office to pick up the pieces after a divorce, and I didn’t even see it coming.

It is important to get financial advice as far in advance as possible

. Too many people rely on their divorce attorneys for help with financial planning. Remember that divorce attorneys specialize in the law. You want to have a financial planner look at all of the issues and be involved every step of the way. Here are some things that they may want to look at:

- Tax returns for the past several years
- All bank statements including checking, savings, and CDs
- Brokerage statements
- Copies of all insurance policies
- Most recent paycheck stubs
- Benefit books from work
- Retirement plan statements

- Credit card bills
- A complete budget for both of you

A good financial planner will know the issues surrounding divorce and should guide both of you through the process.

You should also devote a significant amount of time to finding a good divorce attorney or paralegal. Here are some questions you may want to ask:

1. Is your practice devoted to family law?
2. How long have you been doing divorces?
3. Approximately how many divorces do you handle a year?
4. Are there others in your firm who would be involved in my case and if so, what would their roles be?
5. What is your hourly rate?
6. Are there any charges beyond the hourly rate for things like long distance, faxes, printing, etc.?

7. What is the average cost for a divorce done by your firm?
8. How many of your cases go all the way to trial versus those that are settled?

Keep in mind that lawyers are trained to be adversarial and combative. These are good traits for an attorney to have, but you may want to hold them in check. I have seen too many people emotionally devastated because their spouse's attorney got overzealous in court. The goal is to get a fair settlement for all parties, not to eviscerate your soon-to-be ex. Depending on the circumstances behind the divorce, it may feel good to see a little blood on the courtroom floor, but that feeling is short-lived. You may end up winning the battle, but losing the war. Those who feel they were treated unfairly tend to skip on maintenance and child support payments far more than those who feel they got a fair deal.

There are some very good paralegals out there that specialize in nothing but divorce. Messy divorces typically require attorneys, but in an amicable case, a paralegal may suffice. Many times, hiring a good paralegal/mediator can keep the process from getting messy.

Once you have made an irrevocable decision to move forward, there are some important steps that you may want to take:

- Open a new checking and savings account in your name only.
- Let your broker know that you must both approve any transactions in jointly held accounts.
- Notify all credit card companies that you will no longer be responsible for any charges on jointly held accounts.

-Freeze all existing savings accounts and lines of credit.

*** **Important: If you were married just under 10 years, and you don't have your own retirement plan, consider delaying the divorce! You may get the Social Security Spousal Benefit only if the marriage lasted 10 years or more. This has no impact on the other spouse. They will still get their full benefit, so they shouldn't mind delaying the official divorce date for a couple of months.**

During the Divorce Process

Never turn complete control of the process over to the attorneys. Be an active participant in any settlement agreements and ask a lot of questions. Keep your financial advisor in the picture and get his/her input on any and all proposals.

You will want to make sure that you keep short-term and long-term goals in perspective. Although it is good to pay attention to all of the details, you will also want to occasionally fly up to 30,000 feet and look at the process as a whole. Remember that you and your ex will have to live with the consequences for the rest of your lives.

If you left the workforce during your marriage, make sure that you are in a favorable position with regard to health insurance and retirement plans. You should make it a priority to get maintenance long enough for you to skill up and land a good-paying job.

Consider having your lawyer get a QDRO or Qualified Domestic Relations Order instructing the administrator of your spouse's retirement plan to divide your share of the assets and segregate them. If you are the one with the large 401(k), don’t do anything stupid. I have seen people aggressively trade stocks in their 401(k) after a settlement agreement has been reached- but before the plan administrator has been notified- and wind up with large losses. Even though they lost large amounts of money in their 401(k), they were still responsible for the dollar amount spelled out in the agreement going to their spouse.

Another crucial step that I have seen couples neglect is insurance. It may be wise to take out a policy that covers maintenance and child support in the event of death

After the Divorce

When your divorce is final, take the time to finalize the details and track your progress.

- If you haven’t already done so, transfer ownership of assets.
- Keep accurate records of all payments made or received.
- Change your W-4 at work to reflect any changes.

- Prepare a financial plan for the situation going forward.
- Keep a tight rein on your budget for the first few months to get an accurate picture of your needs.

There are so many things that you need to do before, during and after divorce to minimize damage. It is really beyond the scope of this booklet to cover all contingencies. Just remember to stay informed, take your time and get the help you need. The decisions you make now will follow you forever.

Summary

1. Find a good planner to help you prepare for all contingencies.
2. Interview several attorneys and make your intentions clear.
3. Don’t turn over control.
4. Pay close attention to the short-term details, but don’t get lost in them.
5. Keep great records.

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