

Financial Strategies and Divorce – A House Divided?

Divorce ranks as one of the most stressful of life's events, affecting not only the emotions, but also the wallets, of those involved. Because it may involve change at almost every level of life (e.g., social relationships, family, and work), it usually requires a fundamental reexamination of life goals and expectations.

Once divorce has moved from a "possibility" to a "reality," it is essential that you learn how to protect your legal rights. From a financial perspective, divorce involves three things: division of marital property, child support, and alimony. Understanding the divorce process will help position you to have the law work to your advantage on all three fronts.

While by no means a complete list, the following steps should help you anticipate what might lie ahead, instead of merely reacting to events as they occur:

Consult an Attorney. As soon as divorce has become a possibility, learn your legal rights. An initial consultation does not obligate you to file for divorce; it lets you preview the proceedings and can help reaffirm your personal sense of control. You may want to explore the pros and cons of both litigation and mediation.

Draft a Chronology. Start detailing the "when, where, and what" of your marriage. Dates are important, including the date of your marriage and date of separation, as well as the birth dates of your children.

Inventory Everything. Compile a complete list of what you own and what you owe. Gathering recent tax returns, insurance policies, retirement plan documents, and financial statements should help you organize a comprehensive financial picture. Begin thinking about which possessions you would like to keep and which you wouldn't mind relinquishing.

Determine Your Cash Flow Needs. Working from a checkbook ledger and monthly credit card statements, break down all of your expenses while married and try to estimate their cost once you are on your own. This information will help you prepare a cash flow statement that will become the basis for negotiating your financial support needs. Remember to consider potential new expenses, such as counseling or childcare. Also evaluate your future insurance needs.

Explore Your Career Options. Whether you have been working full-time, part-time, or not at all, now may be a good time to assess your career options. If you have put your own career on hold for the sake of your spouse's career or your family, you might want to think in terms of additional support for any training you will need to get back on a career path. Clearly, your financial situation will play a large role in determining if you are going to further your education, or possibly work a second job. Keep in mind that a crisis can be a great motivator toward planning a more satisfying future.

The emotional shock of divorce may tempt you to place all of the responsibility for the details on your attorney. However, you should keep in mind that once the divorce is final, you, not your attorney, will have to live with the consequences. Staying in control of your divorce through active participation may be the best way to help achieve an outcome that protects your interests and meets your needs.

