

PLANNING AHEAD: MONEY STRATEGIES FOR DIVORCING INDIVIDUALS

The financial consequences of divorce can often be as devastating as the emotional aspects. No one entering a marital contract expects to get divorced. Therefore, the prospect of having to divide assets does not come under consideration until one is in the throes of the divorce process. With divorce statistics in this country hovering around the 50% mark, one out of every two married individuals are likely to be faced with the reality of divorce. Associated with this major life transition comes the inevitable dismantling of the financial merger forged over the life of the marriage. This is a particularly overwhelming and stressful task for the spouse who has had the least amount of involvement in the couple's financial planning and money management. One's ability to navigate this phase is further compromised by the likelihood that emotional trauma will cloud one's better judgment at a time where sound decisions are pivotal for financial survival.

It is never inappropriate to consider the possibility that the marriage may terminate, and it is never too early to plan for it. Whatever the case, I strongly recommend that individuals develop the discipline and skill of using worksheets on an ongoing basis to compute one's net worth, plan budgets, and keep track of assets, expenses, investments, and financial advisors used in transactions. In addition, worksheets are advisable for planning and monitoring progress towards short and long term goals. These goals will probably shift with the financial changes resulting from the divorce.

Should divorce occur, I advise individuals to take stock of where they stand financially, and give themselves a "financial checkup." "Once the marriage ends, revise your net worth, cash flow and budget. You may now have expenses, such as alimony and child support, that you did not have to account for previously. Or you may bring in dramatically less income after the divorce, so you must adjust accordingly." Other suggestions for divorcing individuals include:

Taking a hard look at financial goals and resetting them realistically. "You may have been saving money to buy a home but now find that goal no longer attainable. Instead, your highest priority may be to pay off bills or build your emergency reserve fund." Eliminating the professional contacts used by your spouse. Find new financial planners, accountants, doctors and other professionals. Reassessing one's risk tolerance. "You may find that because of the divorce, you have become more conservative in your investment outlook. Or you might feel more able to take a risk now that you are not restrained by your former spouse." I strongly recommend this evaluation before making any investment decisions.