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| Text  Description automatically generated | Financial Transition During Divorce |
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| **“It takes as much energy to wish asit does to plan.”–Eleanor Roosevelt** |
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| **“Believe you can and you’re halfway there.” –Theodore Roosevelt** |
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| **“The four most expensive words in the English language are, ‘This time it’s different.”’–Sir John Templeton** |
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| **“Without continual growth and progress, such words as improvement, achievement, and success have no meaning.”–Benjamin Franklin** |
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| **“Persist – don’t take no for an answer. If you’re happy to sit at your desk and not take any risk, you’ll be sitting at your desk for the next 20 years.”–David Rubenstein** |
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| **“The best thing money can buy is financial freedom."–Rob Berger** |
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 | In a perfect world, after divorce each spouse would have enough income and assets to live the same lifestyle they had during marriage. In this imperfect world, careful planning must be done to achieve financial security. Remember: Knowledge and Documentation are Power* Is your new income enough money to live on?
* Will you need to change your spending habits?
* Can you afford to keep the house on your new budget?
* How long will you receive alimony or child support payments?
* Will there be a drastic change in lifestyle?
* How greatly will assets be diminished by legal fees and tax consequences? Will you need to get a loan to get through it?

If you are considering divorce, closely examine this checklist to help guide you through the process and make sure that you have adequately considered your finances:1. Before starting the divorce, make an inventory of your assets, property, and all pension / retirement plans.
2. Obtain copies of tax returns, bank statements, trust deeds, titles, investments, etc. Check your safety deposit boxes.
3. Get sound legal and financial advice to negotiate the property division, child support, and alimony.
4. Review your prenuptial agreement if you have one.
5. Make a realistic budget considering your new income.
6. Establish credit in your name. Apply for new credit cards in your name only and cancel your joint credit cards.
7. Open your own bank account. Set up your own mailing address.
8. Create a private email account. Use your own laptop computer.
9. Get a separate cell phone plan.
10. Get your credit report. Know what loans you have cosigned.
11. Consider health insurance needs & how to accommodate them.
12. Get sound tax advice. Divorce has major tax consequences for both spouses. Don’t transfer or give away jointly-owned assets.
13. Check with the IRS to make sure all of your joint tax returns have been filed and that all taxes have been paid.
14. Review your property settlement.
15. Consider purchasing life insurance on your ex-husband/wife if you will be receiving alimony or child support.
16. If you will be reinvesting a retirement plan distribution and have received financial assets as a result of a property settlement, consider advice from a financial management professional.
17. Change beneficiaries on life insurance policies and retirement accounts as soon as your state law permits.
18. Change your estate-planning documents, power of attorney, and medical directive.

**Four characteristics of divorce are:*** Financial disputes
* Potential drop in your standard of living; possible relocation
* Career considerations
* Child custody issues

Divorce provides its share of financial devastation for women and men. If divorce seems inevitable, try to move forward and protect yourself financially. In most cases, divorce has a negative effect on an individual’s financial well-being.Consider that one-quarter of all divorcees have an income that puts them at the poverty level. Young people tend to have an easier financial recovery from divorce -- they are generally better prepared financially for the working world. A growing number of divorcees have been married many years. These individuals may have the hardest time financially after divorce. They may be displaced homemakers – women who have been out of the work force for years and who do not have the training or education to secure a good-paying job. They could be men who are accustomed to their spouses handling the financial aspect of the marriage and are not quite sure where their credit stands. **Everyone needs to know about the financial consequences of divorce.*** **Property Settlement, Alimony, and Child Support**Take time deciding and consider consulting with financial management professionals, legal and tax experts. Alimony, or spousal support, can be temporary, rehabilitative, or permanent, so you need to make some sound decisions regarding these payments. Child support also may not be permanent. Wages can be garnished and tax refunds can be withheld for nonpayment. You can request these forms from the IRS. Collecting child support can be a real problem. If you are relying on this money to run your household, you may need to count on other sources of income at any time. **That is another reason why financial management for divorcees is essential.**
* **Social Security:***Survivor’s benefits -* If your ex-husband/wife dies, and he was insured under the Social Security system, you may be entitled to benefits if you have children under the age of 16 or if one of those children was disabled before age 22. Your children under 18 are also entitled to benefits. Some restrictions apply.

*Retirement benefits -D*on’t think that your ex-husband/wife must die in order for you to collect Social Security. If you were married at least 10 years and are not currently remarried, you are entitled at age 62 to up to one-half of your former spouse’s retirement benefits, provided your husband or wife is eligible for Social Security benefits. You can receive these benefits even if your spouse has not yet retired.* **Life Insurance on Your Ex-Spouse**May be needed to replace child support or alimony in the event of death. If you are receiving child support and/or alimony, you may have a critical need to ensure that those payments continue. If your ex-husband/wife should die uninsured, you and your children will suffer financially. You should be both owner and beneficiary of your spouse’s life insurance. That way, if premiums are not paid, the insurance company will inform you.
* **Taxes**Tax consequences are a big concern in divorce. Since most married couples file jointly, you immediately could be looking at a change in filing status. If you have a child, you may be able to file under the more favorable head of household status rather than single. Another tax consideration for divorced mothers is the dependent exemption for any children. Normally, the custodial parent would be entitled to the exemption.

However, if both parents agree, the non-custodial parent may claim the child by filing a form with the IRS. Property settlements are not taxable. Therefore, you might want to ask for more of your jointly-owned property and assets, and less alimony, which is fully taxable to you and may be more temporary than you think. Also, you might want to transfer appreciated property to each other, rather than sell the assets and split the proceeds, which could incur capital gains taxes. Seek the advice of a tax consultant when you are going through a divorce.One of the biggest taxable issues in divorce is alimony and child support. When negotiating in this area, remember that alimony required by a divorce decree is taxable to the recipient, child support is not. If you will be receiving alimony, you will probably need to make quarterly estimated tax payments. Also, if you receive a distribution from your spouse’s IRA, you may have to pay a 10% IRS penalty if you are under age 59 ½ in addition to regular income taxes on the amount unless you qualify for exemption. (see IRS publication 72t)* **Retirement Plans**If your spouse participated in a retirement plan during your marriage, you may be entitled to a share. At the time of the divorce, you may receive a cash settlement if it was required under a **Qualified Domestic Relations Order (QDRO)** or rights to a portion of future retirement benefits. This is a complex area and expert legal advice is essential. If you receive a cash settlement from a retirement plan at the time of your divorce, you will have to pay taxes. If you receive a distribution from the employer-sponsored retirement plan due to a divorce settlement, it generally will not be subject to the 10% IRS penalty for withdrawals prior to age 59 ½ . (refer to IRS publication 504)
* **College funds**If you have children, your divorce agreement should include specific provisions related to education expenses. Otherwise, you may find yourself using funds you had earmarked for retirement or other purposes. Many parents have 529 college plans.

Seeking professional assistance when facing divorce can empower you to achieve the financial security needed when income or assets are threatened. Your interests are best served when you have a strong team of experienced and confidential professionals working on your behalf -- a family law attorney, financial advisor, tax accountant, and perhaps a counselor/therapist. Don’t do it alone! Divorce is a legal, financial, and emotional process. Your personal board of advisors can provide critical guidance and support, helping you make more informed decisions while you look forward to the future with greater confidence.COMMON MISTAKES of Divorce Financial Planning* Making decisions one at time and not understanding how they affect each other.
* Not planning for your independent financial future.
* Not creating a realistic budget or sticking to it.
* Failing to include transaction costs that substantially reduce the value of assets in the property settlement.
* Keeping the house when you can’t afford to.
* Failing to include the present value of a pension among marital assets.
* Believing that spending retirement assets before age 59 ½ will always result in a 10% IRS penalty.
* Unrealistic assumptions about inflation and investment returns when splitting monetary accounts and real property.
* Thinking that a 50-50 division of property is the same thing as a fair division of property.
* Believing that your settlement must conform to what a judge would order if your case went to court.
* Not considering *“How will I be financially secure after my divorce?”* before signing the divorce papers.
* Not protecting alimony and child support with life insurance on the person who is supposed to pay.
* Not listing the receiver of alimony or child support payments as the owner of the life insurance policy.
* Seeking financial advice from someone whose expertise is the law.

**Who Can You Turn To For Emotional Support?*** Family members • Other divorced Women
* Counselors • Women’s Groups
* Therapy Groups • Members of the Clergy
* Lawyers • Church Groups
* Doctors • Singles’ Groups
* Occupational Groups

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