



# Five Things You Need to Know Before Getting a Divorce

By Joe Connor

As wonderful as marriage can be, there's no denying the fact that nearly half of them end in divorce. Regardless of the reason for the separation, a divorce can be painful, emotionally draining, overwhelming, and expensive. While there's no avoiding the emotions that come with such a big life event, you can reduce some of the stress and financial implications if you prepare ahead of time. Before you file papers for a divorce, make sure you've reviewed these five tips.

Divorce is an emotionally heightened time when you're forced to make pivotal decisions regarding your future. With a myriad of issues to sort out, it can affect every aspect of your life — especially your finances. Uninformed choices can have consequences long after the ink dries on the divorce decree.

Because there are so many difficult decisions to be made, don't rush the process. As unenjoyable as a divorce is, you want to carefully consider each decision. The choices you make will have long-term impacts.

Pre-planning is a critical step in every settlement and begins the moment you choose to part ways with your spouse. This includes gathering important legal, tax, and financial documents, considering your living situation, understanding the impact this will have on your children, and potentially parting with beloved belongings. When you do move forward with a divorce, these are all things you and your spouse will have to discuss. The more you can settle outside of court the better. By starting this planning process as early as possible, you may be able to avoid some of the common mistakes people make and help ensure a smoother transition as you begin your new life.

Before deciding you want a divorce, make sure you understand the timeline and the extended process it may take.

### Get Organized

Before you take any action, it's important to get a clear picture of where you stand financially. One of the primary purposes of a divorce is to create an equitable division of assets and debts. To prepare for your divorce, you'll want an accurate record of the assets you own and the debts you owe.

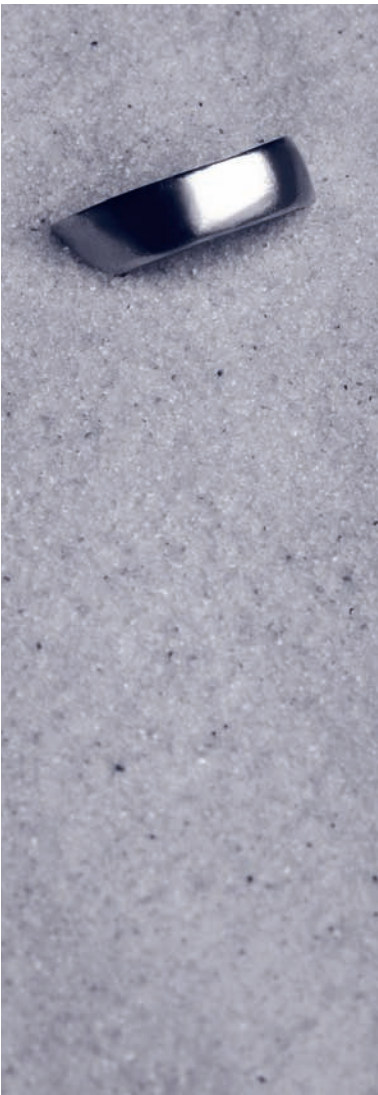
Start a list of all marital assets. Of course items like your home and cars are important to include, but remember to list other assets including artwork, pensions, inheritances, second homes, and other valuables.

“No matter how great the talent or efforts, some things just take time.”

### Divorce by the Numbers<sup>1</sup>

- **41%** of first marriages end in divorce
- **60%** of second marriages end in divorce
- **73%** of third marriages end in divorce
- The average length of a marriage that ends in divorce is **8 years**
- You can't rush a divorce

<sup>1</sup> <https://www.mckinleyirvin.com/Family-Law-Blog/2012/October/32-Shocking-Divorce-Statistics.aspx>



An uncontested divorce can take anywhere between six weeks to 12 months.<sup>2</sup> Contested or complicated divorces can take upwards of two years.<sup>3</sup>

<sup>2</sup> <http://divorce.lovetoknow.com/how-long-does-uncontested-divorce-take>

<sup>3</sup> <http://info.legalzoom.com/long-complicated-divorce-take-24893.html>

During a divorce, debt will be split between the two spouses as well, so you'll want to make sure all debts are considered. Make a list of everything owed by both spouses and order a copy of both credit reports to make sure there are no debts you're not aware of.

Finally, you'll want to gather all financial records that prove your income level, spending, and assets. This includes items like tax returns, bank and credit card statements, and investment account information. For a complete list, please refer to the sidebar.

### **Have a Handle on Your Finances**

If you don't manage your household's finances, you'll want to review accounts and get a handle on everything you and your spouse own before starting the divorce process. It's important that you understand your current income, savings, regular bills, and debts. You may be assuming you have more or less than you actually do, or you may discover a loan or account you weren't aware of.

You need an accurate picture of your assets and debts to help you create your financial goals for the divorce. You can start by creating a basic balance sheet that shows all of your assets and debts. This balance sheet will serve as the first step in working on your desired division of the marital estate. You'll have an idea of what you and your spouse will split, how you'll handle your children's expenses, and other financial decisions that will have to be made.

You can also use this balance sheet to help you set a budget for your new life post-divorce. For many people, it can be a shock having to adjust to a new lifestyle and a different budget. Understanding your finances now and what they'll potentially be post-divorce will help you plan ahead and make adjustments as needed. This is particularly important for women. Studies show that a man's income rises by a third after a divorce whereas a woman's income falls by more than a fifth and remains low for many years.<sup>4</sup>

### **Plan Ahead for Life Post-Divorce**

Going through a divorce is hard enough; you want to get back on your feet as quickly as possible without another series of hurdles and roadblocks. Although many people will experience a divorce in their lifetime, few are prepared for all the details that need to be handled after the divorce settlement is in place, to restore your peace of mind and independence.

Anything you can gather before you meet with either an attorney, a mediator, or Certified Divorce Financial Analyst® will reduce the amount you ultimately have to spend out-of-pocket. Here's a quick list of the must-have documents:

- Three years of tax returns
- Six months of bank and credit card statement
- Six months of statements on any and all investment accounts including 401(k)s, deferred comp, ESPP, ESOP, 403Bs, 529s, IRAs, etc.
- Last four pay stubs for you and your spouse
- Most recent mortgage statement on any properties owned
- Copies of all insurance policies or annuities
- VIN numbers and mileage on all vehicles owned
- Most recent statements on any debts, credit cards, car loans, etc.
- Details of any business interests like LLCs or partnerships
- Copies of credit reports and outstanding debts



Before you embark on a divorce, consider how you'll transition into your new phase of life after divorce. For example, if you have children, you won't be able to escape your spouse. How will the two of you handle being in each other's lives?

- You'll also want to consider how you'll control your new financial future. If you didn't previously manage your home's finances, this will include:
  - Understanding insurance policies and making sure you have appropriate coverage levels for health, disability, life, and auto insurance.
  - Learning about debt and credit scores, and how to form good habits to protect these important financial components.
  - Setting up a filing system to keep tax records, investment documents, insurance policies, and legal documents organized and on-hand.
  - Making a legal name change, and updating all assets, documents, and liabilities accordingly.
  - Changing beneficiaries and emergency contact information on your retirement account, insurance, etc.
  - Setting a budget for your new income and lifestyle.
- Beyond finances, you'll also need to evaluate where you'll live, whether your work situation will change, who will take care of the kids, and more. Your settlement will just be the start of your next life journey. A lot in your life will change after a divorce. Don't wait to make these important decisions after the divorce.

"Divorce is painful, but it doesn't have to be financially devastating."



**When creating your financial balance sheet, don't forget to include:**

- Income
- Real property
- Businesses
- Cars
- Retirement accounts
- Bank accounts
- Mortgages
- Investments
- Credit cards
- Loans
- Recurring bills
- Your children's expenses (such as school tuition, student loans, etc.)

### **You May Want More Than a Lawyer**

Many people assume that you just need a lawyer to handle everything in a divorce. However, this can result in a very expensive divorce that doesn't end amicably. According to a 2006 Forbes.com article, the average cost of a litigated divorce is between \$15,000 and \$30,000 and can go well over \$100,000. Luckily, you have other options.

For one, you can get a mediator involved. If you and your spouse are reasonably on good terms, a mediator can help you address a lot of the divorce components outside of court, saving you a lot of money.

But what about the financial components of the divorce? Attorneys and mediators typically aren't trained in the financial complexities of divorce. Beyond that, a mediator is not permitted to offer you advice, and an attorney often will avoid getting into the financial details.

This is where a Certified Divorce Financial Analyst® (CDFA™) can help you financially in several ways. A CDFATM has extensive training and background in divorce finance and can provide advice and solutions regarding all the financial complexities of your divorce.

Whether you choose to work with a lawyer, mediator, CDFATM, or all three, make sure you do your research before choosing one. You'll want a professional with whom you feel comfortable and who you feel understands your goals. Avoid anyone who tries to offer you solutions before listening to the specifics of your situation. You may want to interview a few options before deciding on the best professional for you.

### **How a CDFATM Can Help**

As a Certified Divorce Financial Analyst®, I specialize in helping people experiencing a divorce. If you are going through or preparing for a divorce, I understand your pain. A divorce is one of the most stressful and difficult events that a person will endure. I became a CDFATM to help people financially navigate this emotional time in life.

"The marriage may be over but the rest of your life is still ahead."

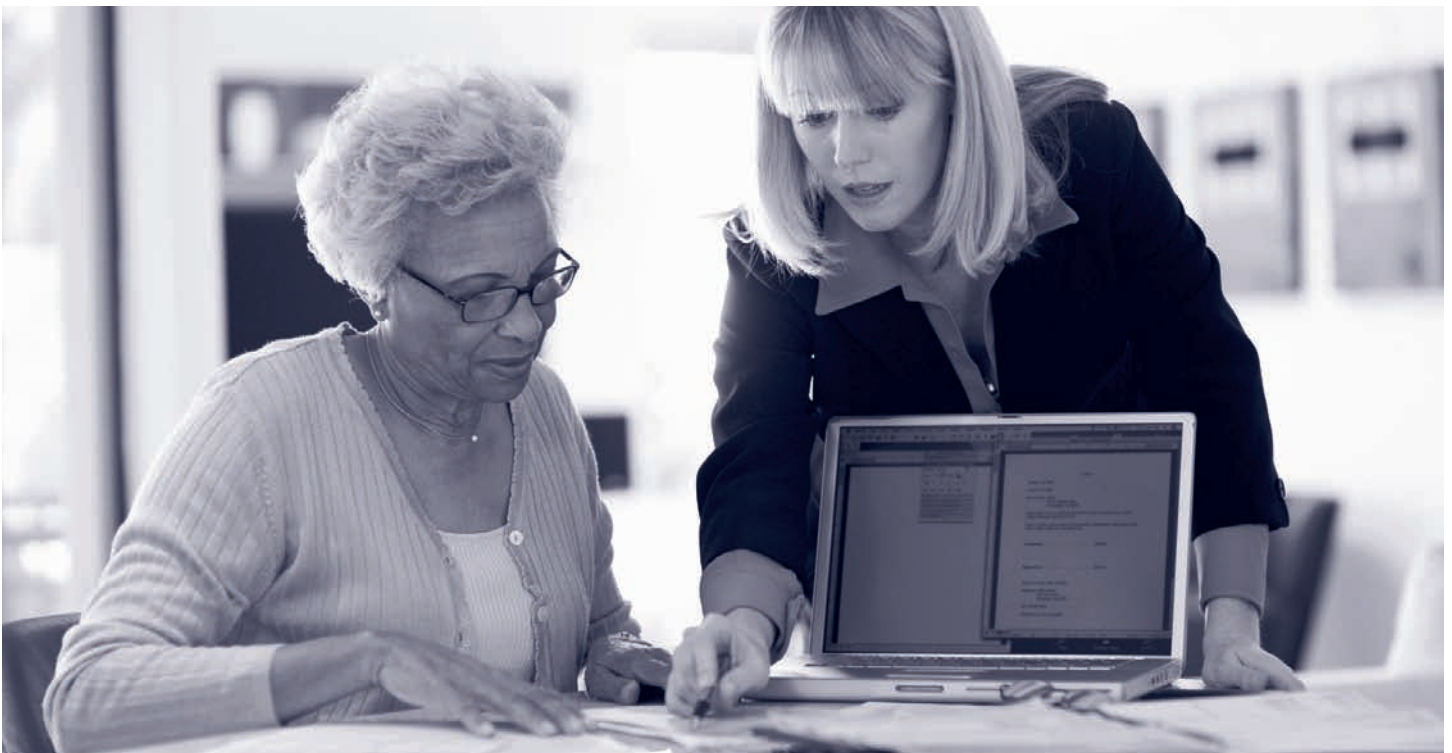
If you're unfamiliar with the role of a CDFATM, here are a few of the ways they can help:

- Assets and liabilities assessment
- Review of income and expenses and tax implications
- Preparing financial affidavits and pre/post-divorce budgets
- Financial settlement options, comparisons, and suggestions
- Personal vs. marital property
- Valuing and dividing property (including the marital home)
- Determining the cost basis and capital gains on the sale of the marital home
- Cash flow projections for the next year, five years and 10+ years
- Retirement and pension plans
- Child support and spousal support calculations
- Evaluating insurance needs

"A kinder,  
gentler, more  
affordable  
divorce is  
possible."

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<sup>4</sup> <https://www.theguardian.com/lifeandstyle/2009/jan/25/divorce-women-research>



## Managing Expectations

Many couples cannot afford their standard of living with one household, let alone support two households following divorce. A CDFA™ can counsel divorcing couples to manage their expectations about their lifestyle following a divorce, as well as help with the nuts-and-bolts of budgeting. Often it is more advantageous to work with a CDFA™ to help set realistic expectations than it is to evaluate these options alone.

## Consulting with a CDFA™

A CDFA™ knowledge of financial issues specific to divorce is a great benefit to people going through divorce. As a CDFA™, I use my knowledge and experience to help people resolve their financial issues during and after divorce. If you are considering or are currently going through a divorce and have questions about your finances, I encourage you to reach out to me. I can help you review your current situation and evaluate the steps to take now and in the future.

Life during and after a divorce involves a lot of change, but it doesn't have to have a negative impact on your finances if you plan ahead. For a complimentary 30-minute consultation on your financial situation, contact my office by calling (703) 297-4524 or emailing [info@intelligentdivorcesolutions.com](mailto:info@intelligentdivorcesolutions.com).

## About Joe

Joe Connor is the president of Intelligent Divorce Solutions, LLC. He holds the Certified Divorce Financial Analyst® (CDFA™) designation from the Institute for Divorce Financial Analysts.

He is also the president of Connor Capital Management LLC, an independent wealth management firm in Vienna, Virginia. For more than 20 years, Joe has been actively engaged as a financial advisor helping his clients make good decisions with their money. As the founder of his own firm, he seeks to provide a truly client-focused culture that has the flexibility and independent thinking required to address the unique financial

and life goals of each client. Along with extensive industry experience, he also holds the Chartered Retirement Planning Counselor® (CRPC®) designation.

Joe graduated from the University of Maryland earning a degree from the College of Business and Management with a concentration in Finance. He is also a board member of Superleaders ([www.super-leaders.com](http://www.super-leaders.com)), a non-profit youth leadership and drug prevention program for at-risk students in metropolitan Washington, DC.

To learn more, connect with Joe on [LinkedIn](#) or visit [www.intelligentdivorcesolutions.com](http://www.intelligentdivorcesolutions.com)