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## The Finances of Divorce

During their 18 years of marriage, Susie and Bruce had built a comfortable, stable life. Through hard work, they had achieved the American Dream: a four-bedroom home in a suburban community with safe, quality schools; a growing nest egg that included a college fund for the children; and enough discretionary cash left over to vacation several times a year.

Then they divorced. By the time the dust settled after two years of legal fisticuffs, the house was gone, as were most other assets. Bruce lived in a busy apartment complex, with noisy neighbors and a three-by-six foot balcony; Susie, at age 40, declared bankruptcy and moved back in with her mother. Their two teen-age daughters drift restlessly between Mom's and Dad's, having abandoned earlier plans for college.

Divorce can be a financial disaster. When a couple decides to call it quits, it is almost always for personal reasons such as incompatibility or infidelity. The issues quickly shift to money, however, and the result can be a slugfest, even in so-called amiable breakups. Everybody loses, except, perhaps, the attorneys.

It doesn't need to be that way. Few people would ever find the divorce process fun. Nonetheless, it need not turn your life into a financial wasteland. There are ways to reduce the costs.

Divorce is expensive. And while accurate divorce rates are difficult to calculate and often unreliable, many social scientists conclude that up to 40% of marriages are terminated.<sup>1</sup>

"It can be the worst thing you've ever gone through in your life," says Brette Sember, a former divorce lawyer and author of a series of divorce books, including *The Complete Divorce Handbook* (Sterling, 2009). "You're hurt, sad, frustrated, scared and can't think clearly."<sup>1</sup>

"But as many divorced couples learn the hard way, this is precisely the time you need to get a grip and pay close attention to your assets and your financial future, lest both slip away in the flood of emotion. First and foremost, it's a business deal," says Gayle Rosenwald Smith, a Philadelphia family lawyer and author of "Divorce and Money: Everything You Need to Know." "That means you've got to get rid of your emotion any way you need to, whether through therapy or going to a gym. Because your divorce should be based on one thing: your property settlement. It's a matter of numbers, that's all it is."

Indeed, one factor that is becoming recognized is the connection between the emotional pain of divorce and its impact on finances. Divorce can frequently lead to mental depression and emotional instability. If that occurs, job performance may suffer, which may mean a new job or relocation, perhaps at reduced compensation. Over time, financial pressures often mount. As a result, some people struggle to cope with a drastic drop in their standard of living. Women are more likely than men to face this problem, according to "Financial Tips for Women"<sup>2</sup>. Most women gain custody of children which often means spending more time with them along with a need to work more to earn more. Expenses incurred during the divorce also add up to the financial crunch. Various other related issues like moving to a new home, single handed responsibility of kids, and ex spouse not fulfilling financial obligations can also increase a woman's financial woes. Why does divorce cost so much? According to Lynne Diamond, president of a consulting firm called Divorce Wizards, the major reasons include:

- **Anger.** "They have an attitude of I-will-divorce-you-to-death," says Diamond. "They try to destroy each other. The result is mutual self-destruction."
- **Ignorance.** Not understanding the process, the couple makes expensive mistakes.
- **Speed.** They rush the process. Either husband, wife or both are so eager to end the marriage or end the pain of divorcing that they make rash, hurried decisions, often with terrible consequences down the road.
- **Delegation.** They let the lawyers run the show. Many attorneys will attempt to wage a paper war. This can pump

up their fees, at the expense of the divorcing couple

There are ways to help keep your costs under control. While divorce, almost by definition, creates an adversarial situation, it need not become a financial disaster:

1. "Try to cooperate with each other," says Diamond. "No matter how painful it may be, try to reach your own deal, which the attorneys simply implement."
2. At the same time, unless you have few assets and no children, don't try to do it yourself. Use attorneys, says Diamond. In some states, mediators can be hired. They can save you money.
3. Put everything in writing. Make no verbal side deals.
4. Add life insurance to the equation to reduce the sense of financial loss and increase mutual cooperation. For example, it is not uncommon for a divorce settlement to legally require one party to provide life insurance on one or both of their lives. This is especially common when there are minor children in the picture. In some cases, existing policies are signed over to one party. Or new coverage is purchased, with one party agreeing to pay premiums for a designated period of time.

After the divorce, there are things you can do to protect yourself financially. These may include:

1. **Revise your will.** In some states, a divorce automatically voids a will. Regardless, meet with your attorney and update your will so it reflects your current situation.
2. **You may want to talk to your New York Life agent** about any existing insurance coverage you have and possible adjustments to the coverage. Especially if you have children, your responsibilities to them continue, and you may need additional insurance.
3. **Get disentangled credit-wise.** It is surprising how many people leave their credit cards in an ex-spouse's possession. Be sure all joint credit cards have been cancelled and new ones issued in your name only. Otherwise, your liability for your ex-spouse's bills will continue.
4. **Review your retirement assets.** It is not uncommon for a judge to divide IRAs and pension money right down the middle. Over night, your retirement assets could be cut in half. You need to meet with a professional to discuss how to rebuild.

There are very few winners when a couple divorces. The cost in emotional pain and suffering, as well as dollars and cents, can be extreme. The process can also go on for years. Still, by cooperating and learning the "rules," you both can come out in reasonably good shape. Good luck.

<sup>1</sup>Five Things Every Married Woman Needs to Hear about Divorce by Kiri Blakeley June 3, 2009, [www.forbes.com/2009/06/03/divorce-marriage-money-forbes-woman-net-worth-affairs.html](http://www.forbes.com/2009/06/03/divorce-marriage-money-forbes-woman-net-worth-affairs.html)

<sup>2</sup>Financial Tips for Women by Kay Bell, March 6, 2008 <http://www.divorce360.com/divorce-articles/finance/general/financial-tips-for-women.aspx?artid=56&page=2>

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