How to Financially Recover from Divorce

10 Steps to Help Get You Back on Your Feet After Divorce

1) Build YOUR Financial Team of Professionals

Building a network of trusted professionals to help guide in you the way of your financials, investments, taxes, insurance, and wills/trusts is crucial to your financial recovery from divorce. This team should include, at a minimum, a Financial Advisor, a CPA/tax preparer and an Estate Plan Attorney.

Your Financial Advisor should serve as your base and link to clear communication with your other professionals in ensuring that YOUR priorities, concerns and goals are addressed as you work to build your new life. In this light, it is crucial to work with professionals that you are comfortable with and who listen to YOUR needs and hopes for your future. That may mean a change from a professional you previously worked jointly with alongside your ex.

CLICK HERE to find a checklist on *How to Choose the Right Financial Advisor…for YOU!*

2) Create Your Own Post-Divorce Summary and Checklist

Obtain a certified copy of your divorce decree and create an executive summary and implementation checklist. Your executive summary is simply an outline of the key terms of your agreement, surmised into a one-pager of the most important details. Use this to add important dates and deadlines to your calendar.

Your divorce checklist should contain any follow-up items to be completed. The checklist may seem exhaustive and overwhelming. Work alongside your attorney and financial advisor to help you prioritize any time-sensitive or urgent issues.

3) Update Last Name, Titles/Deeds, and Passwords

Upon the name change recording within your divorce decree (if you choose to update), you'll need to contact all organizations directly to request your records are updated to reflect any name change. This includes the Social Security Administration, the DMV, your passport, banks, credit cards, utility companies, insurance and investment companies, etc.

For each asset owned, determine who holds title (registered owner) and determine if that mirrors how the asset was divided in your divorce decree. If there are discrepancies, you have some work to do in updating titles/ownership on your various property and assets (home, autos, boats, land, etc).

When it comes to your jointly held home, there are often a number of loose ends to tie up. Follow guidance from your divorce decree in terms of who will maintain ownership of the home and how any mortgage and title should transfer. If the agreement is to sell the home, meet with a real estate agent and ensure that your decree language details what happens if you and your ex don't agree on certain details of selling the home.

Update all passwords, avoiding use of any passwords you previously used that your ex may be able to guess. Consider a password tool to assist with this.

Source: https://www.survivedivorce.com/post-divorce-checklist

4) Evaluate Your Home, Auto, Life and Health Insurance

If coverage through your ex's medical or other insurance will terminate as part of divorce, begin the search for other coverage ASAP! A more hands-on financial advisor can assist here, providing general guidance or contacts that can help in your search for new coverage.

5) Review Your Net Worth, Create a New Budget and Set New Financial Goals

Meet with your financial advisor to take control of your financial life via implementation of a financial plan. Your plan will help take stock of where you are today in terms of assets (things you own) and liabilities (your debts). Understand what you have, what you owe, and what you need to begin saving to reach new goals – short and longer-term. These analyses will entail a close look at your monthly income and expenses to determine if lifestyle changes are in order. There are various apps that can help you track your expenses to determine any habits that may be holding you back from attaining certain goals or needs.

6) Learning to Co-Parent

Learning to co-parent can be difficult and take some time. It is important to always keep this children's best interests at heart, and, ideally, work alongside your spouse to ensure a smooth transition. To help with this, use of apps such as Google Calendar, can avoid confusion or forgotten children at practices by means of shared schedules – heck, this is great to use whether divorced or married!

The key (whether you get along with your ex or not) is to work to provide consistency and a process for the when and how of managing kids physical and emotional lives. There's an app called Family Wizard that not only helps to coordinate schedules, but also documents all communications between you and your ex, which is helpful for resolving any disputes.

7) Protect Your Credit

Talk with your financial advisor about closing joint credit cards and/or removing your spouse as an authorized user. If credit card debt has mounted as a couple, it is crucial to include direction for payoff as part of your divorce decree prior to changing or closing.

Remember to transfer any automatic bill-pays setup on old or joint cards to your new card for those expenses you are responsible for. Ensure that those expenses you are not responsible for are transferred to your ex and removed from any cards you are responsible for.

Obtain your free credit report upon finalizing your divorce to verify any lingering joint accounts you may need to address.

Of course, only put expenses on credit cards that you are able to pay in full each month.

Source: https://www.survivedivorce.com/post-divorce-checklist

8) Bank, Brokerage, Retirement and Investment Accounts

Close joint accounts and open new accounts (checking, savings, brokerage, and/or retirement/investment) in your name alone. Your bank and financial institutions can assist with this, but will need a copy of your divorce decree to aid in processing these requests.

Follow guidance detailed in your Qualified Domestic Relations Order (QDRO) in dividing up pensions and/or retirement plans. Your financial advisor can aid in submitting your QDRO to appropriate plan administrators for approval and filing. QDRO's are necessary in order to split pensions and retirement plan assets (401ks, 457 plans, etc), however, many divorce attorney's steer clear of preparing them. That said, you'll need to seek a QDRO attorney to aid, and they can be expensive.

While each financial institution has their own process for following divorce decree instructions, not all assets require a QDRO. An IRA, for example, can simply following the divorce judgement without need for a QDRO.

9) Income Tax Planning

Meet with your CPA/tax preparer to discuss how your tax liability will change moving forward. A change from Married Filing Jointly to Single or Head of Household brings a new set of tax brackets and may cause added tax liability, even if your income is exactly the same. It is important to do this early-on, adjusting your withholdings or paying estimated tax payments as needed to avoid the possibility of incurring tax penalties for any underpayment of your tax liability throughout the year.

Where dependent children are involved, it is important to understand who will claim the children for tax purposes (deductions and credits), and if there is a schedule to follow for this.

10) Update Your Estate Plan and Beneficiary Designations

Review beneficiaries listed on property (home, autos), bank/brokerage/retirement accounts, and other assets and update to reflect who you would want to inherit upon your passing. If minor children are listed as primary beneficiaries, it is crucial to meet with an estate plan attorney to list who will aid in managing the assets on behalf of the children prior to their attaining the age of majority.

Ensure your will or trust details when and how you want assets to pass in the event of your death. Be specific and detailed in your requests and wishes.

In the event of incapacity/disability, have documents in place to ensure your wishes are relayed via a financial and healthcare power of attorney.

Source: https://www.survivedivorce.com/post-divorce-checklist