



# After Divorce: Key Considerations to Protect and Grow Your Wealth

Finalizing a divorce marks a significant personal transition and an important financial one, as decision-making and planning can become your responsibility alone. While the emotional aspects of divorce may take some time to settle, early financial decisions often focus on protecting assets and thoughtfully structuring settlements and other sources of income to support long-term financial stability.

The first steps in knowing what to do after a divorce typically include securing your accounts previously shared, gaining a clear understanding of your net worth, and establishing an independent financial plan, often with the guidance of an experienced wealth advisor. Here's how to get started.

## Lock Down Your Financial Foundation Immediately

Financial planning after divorce can be stressful but remember this period of transition can also offer you an opportunity to establish financial independence and build a secure future for yourself. An early priority is taking clear ownership of your finances to establish stability for yourself and your family. It is important to remember to discuss all legal considerations with a divorce lawyer before acting on any course of action. Here are some key considerations for locking down your financial foundation:

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- **Work with your divorce lawyer, once the divorce is finalized and pursuant to your divorce agreement, to establish sole control over your financial accounts** by identifying any joint bank, investment, or credit accounts previously held with your ex-spouse and either closing them or formally removing your ex-spouse's name and access and retitling them in your name only. This step helps reduce lingering financial complexity and limits the risk of unintended activity in shared accounts, allowing future decisions to be made independently.
- **Proactively protect your financial identity** by placing a credit freeze with the three major credit bureaus (Experian, Equifax, and TransUnion). This will lock your credit file and prevent anyone from opening new accounts in your name. If you prefer ongoing vigilance, consider a fraud alert and enroll in a credit monitoring service. These measures may help reduce exposure to fraud or unauthorized account activity as you establish your own financial profile.
- **Build a strong cash reserve** with the aim of establishing an emergency fund that can cover three to six months of essential living expenses. Keep these emergency funds in a secure and easily accessible savings account that serves as your personal safety net. An emergency reserve may help cover unexpected expenses without relying on debt and provide flexibility as you make financial decisions during a period of transition.

## Reassess Your True Net Worth

Navigating divorce and finances often involves creating a financial picture that reflects your new circumstances. Establishing your financial independence after divorce begins with a frank appraisal of your present financial situation. Your net worth is no longer a shared number, and taking the time to understand it thoroughly is the first step toward a more secure financial future. Here's how to start:

- **Create a new, comprehensive balance sheet that reflects your sole financial ownership**, meticulously listing all assets now in your name, from bank and investment accounts to real estate and personal property, alongside every liability, including mortgages, car loans, or credit card debt assigned to you.
- **Establish a detailed monthly cash flow statement.** This is your income vs. your expenses. This helps clarify how income and expenses interact on an ongoing basis and whether adjustments may be needed.

- **Recalibrate your understanding of your tax situation**, transitioning your filing status from “Married Filing Jointly” to “Head of Household” or “Single.” Knowing which to choose may require the assistance of a tax professional since filing status can significantly alter your tax bracket, available deductions, and credits. You may also want to review salary withholdings to better align with your updated tax situation. You will also want to consider the implications of alimony, child support, and claiming dependents since any shift in your tax liability can have a major impact on your annual cash flow.
- **Stress-test your new financial structure** against potential future challenges to ensure its resilience. Ask yourself key questions: Could your budget absorb a sudden job loss or a significant medical bill? Would a market downturn derail your retirement timeline? This is where that emergency savings account comes in, creating an essential buffer against economic uncertainty without resorting to debt.
- **Integrate all child-related expenses into your financial plan.** Look beyond your children’s daily needs, and account for the full cost of childcare, extracurricular activities, school fees, and healthcare. You’ll also need to plan for future higher education costs, and review and update beneficiaries on any 529 College Savings Plans you’ve established. Work with your attorney to review any agreements you’ve made with your former spouse regarding college funding.

## Regain Confidence in Financial Decision-Making

Divorce can shake your confidence, especially when it comes to managing finances you once shared with a spouse. Regaining your financial footing takes time and can be developed through familiarity, experience, and structure. Here are some deliberate, informed steps you can take to not only grow your financial independence after divorce but build faith in your own abilities to manage your financial present and future:

- **Scheduling regular reviews with your wealth advisor** can help support more deliberate and informed decision-making. This simple habit can move you out of a state of reactivity and into a position of agency, allowing you to track progress and adjust your course as needed with intention instead of fear.
- **Learn to read your own financial dashboard** by understanding the key metrics in your investment reports, cash flow statements, and net worth tracker. This understanding may help you with demystifying investing, turning complex financial statements into a clear story of your progress as manager of your own wealth.

- **Working with wealth management professionals who prioritize** education and clear communication can help you better understand the reasoning behind financial decisions. We believe the right wealth advisor will prioritize teaching you the “why” behind investment strategies, ensuring you feel equipped to make informed choices about your financial future.

## Redesign Your Wealth Plan Around Your New Life Goals

Financial planning after divorce often involves revising assumptions and creating a strategy that reflects your individual priorities and financial needs. Here are some key wealth management strategies for women post-divorce:

- **Align your financial strategy with your personal priorities**, shaping your budget, savings, and investments to directly support your individual aspirations, whether that’s a career change, a relocation, a more fulfilling lifestyle, or providing for your family’s unique needs.
- **Rebuild your retirement projections as a single earner and investor**. The assumptions used for a dual-income household are no longer relevant. Revisiting assumptions and preparing an updated forecast based on your income, assets, and time horizon can help align expectations with your current situation.
- **Integrate child support or alimony into a long-term cash flow plan**, recognizing these are often temporary income streams. Keeping that in mind, proactively secure your children’s future by starting 529 plans for their education and funding trusts for more complex needs. Be prepared for the practical realities (and unexpected expenses) of co-parenting, which might include changes in living arrangements and shared expenses.
- **Explore wealth-building vehicles suited to your current stage of life**. This might include fully funding tax-advantaged retirement accounts like IRAs and 401(k)s, investing in a taxable brokerage account for more flexible goals, and considering trusts not just for legacy planning but also for asset protection and control.

## Position Yourself for Growth and Independence

Looking ahead, planning decisions should support both near-term needs and longer-term goals. Here's how to potentially position yourself for long-term wealth growth and financial independence:

- **Maintaining an appropriate level of diversification** across asset classes has the potential to help support long-term goals while accounting for risk tolerance and time horizon.
- **Prioritize tax efficiency** by working with your wealth advisor and tax professional to employ smart strategies like tax-loss harvesting and Roth conversions to help protect your returns and keep more of what you earn.
- **Plan your wealth management around your personal goals**, helping to ensure you actively align your assets to fund your specific goals, whether that's your children's education or pursuing your own passions, like charitable giving or world travel.

## Moving Forward with Confidence

By taking proactive steps for financial independence after divorce, you have the potential to transform your financial plan into a powerful blueprint for building wealth and autonomy. If you would like guidance as you navigate these financial decisions, our wealth advisors can help you think through the next steps in the context of your broader plan. [Schedule a call](#) with a KAR wealth advisor today.



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