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How to Financially Prepare for Divorce

When your life is changing, hiring a financial advisor can be just as important as finding the right divorce lawyer.

Divorce can be one of the most challenging events in a person's life. Recent data from the CDC shows that an average of about 2 out of every 1,000 people in the U.S. have gone through a divorce. Adults over 50 are divorcing more than their younger counterparts. Since 1990, divorce rates for those over 50 have doubled, and for those over 65, divorce has tripled. Today, one in ten people getting divorced is 65 or older.[1]

One of the biggest challenges people can face is how to financially prepare for divorce, sorting through your finances, and figuring out how to divide them. The longer a couple is married, the more their finances are entwined. Each person has a unique set of circumstances and needs expert divorce financial planning advice to help prepare and plan for the future. Hiring a financial advisor can be just as important as finding the right divorce lawyer.

What to Do Financially Before Asking for a Divorce

You should start financially preparing for divorce before you discuss separation with your spouse. As you prepare to seek legal counsel,

[1] https://www.usatoday.com/story/money/2024/01/28/gray-divorce-more-americans-split-after-50/72337078007/

you'll want to assess your current financial situation, including income, expenses, and debt. Key questions to consider include:

- Where will you live after divorce? Do you want to try to stay in your current home or move out?
- How will you pay bills and family expenses while in the process of negotiating a divorce settlement with your spouse?
- How will you divide jointly held accounts and mortgage, auto, and credit card debt?
- If you have younger children, who will have primary custody, and how will you and your spouse share financial responsibility for their well-being and education?
- What are the tax implications of divorce?

Here are some critical steps to help you prepare financially for divorce:

1. Locate Important Financial Records

The first thing you need to do is fully assess the state of your finances. How much have you saved? What do you owe? To better assist a discussion with your wealth advisor, you'll need to present them with your most up-to-date financial records. By organizing these records, you can get a better look at the entirety of your financial picture.

Make sure to collect and share the following documents with your financial advisor:

- ●Tax returns
- ●Bank statements
- ●Loan information
- ●Copies of titles/mortgages to real estate owned
- ●Car lease/ownership papers

- ●List of personal property
- ●Retirement account information
- ●Investment account statements
- ●Employment information and Social Security statements

Having these documents will help you prepare for discussions with your attorney and financial advisor.

2. Order the Most Up-to-Date Copy of Your Credit Report

Credit reports, which can be obtained for free every 12 months, provide a detailed examination of how banks and lenders see your creditworthiness. It will outline any delinquencies and provide your credit score. Check your report carefully for any false information and resolve any issues immediately. Post-divorce, you'll want to establish your own credit history separate from your spouse. Starting with a clean record will help.

3. Update and Change Documents

If you and your spouse have prepared a will or a trust, you'll want to discuss it with your wealth advisor and attorney to determine how best to update it. If you haven't drafted a will or a trust, now is the time to prepare one that protects your assets and directs them to new beneficiaries other than your spouse.

4. Name New Account Beneficiaries

Divorce affects your entire immediate family, not just you and your spouse. If you have younger children, you'll not only need to determine who will have custody of them in the event of your death; you'll also likely want to change beneficiaries of any accounts where your spouse is currently named, perhaps making your heirs beneficiaries on accounts such as:

- 401(k)s or other retirement accounts
- Life insurance policies
- Brokerage accounts
- Checking and savings accounts

Seeking Professional Financial Guidance

While no couple enters a marriage with the intention of divorce, there are ways to minimize the financial impacts of divorce. A wealth advisor can help you financially prepare for divorce by assessing your financial needs, making a plan to address them, and helping you protect your assets for the future. KAR has a team of expert advisors ready to help you with your wealth management prior to, during, and after divorce. Contact us today.

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