



Helping Women Through the Financial Minefield of Divorce

By Debbie Vallejo

THE ROAD OF DIVORCE is paved with many problematic issues; one of the thorniest is money. Even if money is not a contentious issue during a marriage, it often becomes one during a divorce. Statistics demonstrate that when alimony becomes more of a reality, married couples have a stronger probability of sticking it out. No-fault divorces have made it easier to break-up a marriage and divide assets, producing an increase in the number of women finding themselves at a loss as to how to manage on a smaller income.

There are still many households, especially in the south, where a woman fills the traditional role of homemaker and is unaware of the financial status of her marriage. Completing a divorce settlement before fully understanding the repercussions is common among women

just wanting out of a relationship and can lead to painful sticker shock when the dust settles.

Divorce is a touchy and exceptionally difficult topic. It is not to be entered into lightly and often involves ramifications beyond financial, including the damaging of relationships, families and friendships beyond repair. While it is not possible to soothe or eliminate the pain of divorce, there is value in understanding the financial issues that can occur as a result.

FINANCIAL STEPS

The end of a marriage has so many emotional aspects related to it that many women just want the ordeal to end and find themselves agreeing to divorce settlements that may not be in their best interest. Karen, who asked that her last

name be withheld, says she is the perfect example of what not to do when in the middle of a divorce. Married for thirty-five years, Karen wanted the experience over and done with, so she readily agreed to hand over 60 percent of her retirement savings to her husband. "I went against the advice of my attorney and didn't listen to others telling me I was making a big mistake," Karen said.

What is the first step a woman should take when in the middle of a divorce settlement? First and foremost, go to an objective third party. Lloyd Lowe is the president of LD Lowe Sr., Financial Advisory. "It is critical to meet with an objective third party to go over finances before any papers are signed. After the divorce is finalized all the assets have already been divided and there is no going

back,” explains Mr. Lowe. It is essential that individuals involved know exactly how much everything is worth; real estate, retirement funds, investments, etc.

A financial advisor will also ensure there is an accurate picture of how the division of assets will impact the bottom line of each party. There will be penalties assessed for withdrawing money from certain investments and there are property and capital gains taxes to think about. “Make sure ‘50/50’ means ‘50/50 after taxes,’” says Mr. Lowe.

When interviewing a financial advisor it is important that a woman thoroughly check the candidates’ credentials. “It is very important to check out the tenure, training and track record of any person involved in the process,” says Mr. Lowe. In other words, how long have they been in the business, what is their educational background and does the individual have a reputation for making good financial decisions for his or her clients? It is difficult to make this kind of thorough check during a time of emotional turmoil, but it is often imperative to her financial future. Karen’s husband had taken care of all the finances in the past, so she had limited knowledge of how her settlement would impact her financial well-being. She had an attorney, but did not seek the help of a financial advisor.

Divorce also means a change in a woman’s insurance needs. The insurance needs of all members of the family should be determined before a divorce is finalized. Insurance becomes especially important when there are children involved. Typically the major breadwinner in the relationship carries medical insurance for any children, and carries the most life insurance coverage. Where the major wage earner is the father, Mr. Lowe recommends a life insurance policy on Dad that is owned by Mom. “If Dad should get remarried or have a change of heart, he can’t alter the beneficiary of the policy,” explains Mr. Lowe. A stay-at-home mom who was previously covered under her husband’s medical insurance will now need to consider other options. The Consolidated Omnibus Budget Reconciliation Act (COBRA) now provides a variety of insurance packages with several choices regarding coverage. COBRA also offers life insurance for those eligible.



AFTER THE PAPERS ARE SIGNED

After the divorce is final it is important that a woman set a realistic budget for her new lifestyle. Karen found sticking to a budget much easier than she anticipated. “It’s basic math,” says Karen. “Don’t spend more than you make.” Karen found a financial advisor she trusted and met with him to discuss a budget and the state of her finances. “I didn’t know how much I could withdraw from my retirement account every month without touching principle,” explains Karen. “I needed to learn how to manage the money I had, how much I needed to live on and how much more I was going to need in order to make up the difference.”

“When a client uses a realistic budget, we almost always produce a saver,” says Mr. Lowe. The budget is a living document requiring an individual to record all sources of income, after taxes, and keep track of monthly expenses. A woman needs to know exactly what is coming in and how much is going out, and then adjust spending as needed. Instead of two incomes funding one house payment, utility bills and insurance, Karen now had to pay for rent, utilities and her insurance needs all on her own. “There wasn’t as much disposable income available to me each month,” explains Karen. “I couldn’t do all the things I wanted to do because the money wasn’t there.”

Saving for retirement is also an issue. “It’s not how much you make, it’s how much you keep,” says Karen. Mr. Lowe agrees with her. “You have to pay yourself first,” he explains. The idea is to sock a little away before using the money for other things. By paying into savings first there is a better understanding of what money is really there to spend and what is tied up for the future.

LEARNING EXPERIENCE

There are ways a woman can help lessen the stress on the financial front. Meeting with an impartial third party, keeping a budget, and having a realistic understanding of the state of her finances are all important factors in decreasing anxiety. “I’ve learned to be prudent and manage my money,” says Karen. “A very painful time has ended up being a learning experience for me.”

“Depend on yourself,” advises Mr. Lowe. “Watch, read-up, learn, visit websites and speak to advisors.” There are all sorts of resources out there for women going through a divorce. Even some financial advisors will work pro-bono for women with limited resources. The biggest advice Karen has? “Don’t let your emotions get in the way. Meet with someone who understands money and listen to them.”

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