

# Financial Steps to Take Following a Divorce

## Assess Your Current Financial Situation

Following a divorce you will need to take into account the likely loss of your former spouse's income. In addition, you may now be responsible for paying for expenses that you were once able to share such as housing, utilities, and car loans. Ultimately, you may come to realize that you're no longer able to live the lifestyle you were accustomed to before divorce.

## Consider Tax Implications

You will need to consider the tax implications of your divorce. Your sources of income, filing status, and the credits and/or deductions for which you qualify may all be affected. In addition to your regular salary and wages, you may have new sources of income after your divorce, such as alimony and/or child support. Your tax filing status will also change. Filing status is determined as of the last day of the tax year (December 31). If you have children, and depending on whether you are the custodial parent, you may be eligible to claim certain credits and deductions. Ask a tax professional for information on your individual situation.

## Establish a Budget

A good place to start is to establish a budget that reflects your current monthly income and expenses. In addition to your regular salary and wages, be sure to include other types of income such as dividends and interest. As for expenses, you will want to focus on dividing them into two categories: fixed and discretionary. Fixed expenses include things like housing, food and transportation. Discretionary expenses include things like entertainment, vacations, etc. Keep in mind you may need to cut back on some of your discretionary expenses until you adjust to living on less income. However, it is important to not deprive yourself entirely of enjoyment.

## Take Control of Your Debt

You should try to avoid the temptation to rely on credit cards to provide extras. If you have debt, try to put a plan in place to pay off the debts as quickly as possible. The following are some tips to pay off debt:

- Keep track of balances and interest rates
- Develop a plan to manage payments and avoid late fees
- Pay off high-interest debt first
- Take advantage of consolidation/refinancing options

## Protect/Establish Your Credit

Consider taking steps to protect your credit record and/or establish credit in your own name. Review your credit report and check it for any inaccuracies. Are there joint accounts that have closed or refinanced? Are there any names on the report that need to be changed? You can go to [www.annualcreditreport.com](http://www.annualcreditreport.com) for more information.

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## Re-Evaluate/Re-Prioritize Your Financial Goals

Start out by making a list of the things that you now would like to achieve. Do you need to put more money towards retirement? Are you interested in going back to school? Would you like to save for a new home? After divorce you may find that other goals are now more important.

## Review Your Insurance Needs

You may have additional insurance needs that go beyond that which you were able to obtain through your divorce settlement. When it comes to health insurance, make having adequate coverage a priority. Unless your divorce settlement requires your spouse to provide you with health coverage, one option is to obtain temporary health insurance coverage (up to 36 months) through the Consolidated Omnibus Budget Reconciliation Act (COBRA). Now that you are on your own, you will also want to make sure that your disability income and life insurance coverage matches your current needs. Finally, make sure your property insurance coverage is updated. Any applicable property insurance policies may need to be modified or rewritten in order to reflect property ownership changes that may have resulted from your divorce.

## Change Your Beneficiary Designations

After divorce you will want to change beneficiary designations on any life insurance policies, retirement accounts, bank or credit union accounts you may have in place. Keep in mind that a divorce settlement may require you to keep a former spouse as a beneficiary on a policy in which you cannot change.

## Estate Plan

After divorce you will want to update any estate planning documents you may have such as will, trusts, and power of attorney paperwork. Make sure that your former spouse is not listed as a personal representative, successor trustee, beneficiary holder of a power of attorney in any of your estate planning documents.

## Consult a Financial Professional

Consult with a financial professional to assist you in adjusting to your new financial life. In addition to helping you assess your needs, a financial professional can work with you to develop a plan designed to help you address your financial goals, make recommendations, about specific products and services and monitor and adjust your plan as needed.

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