

Divorce: Financial tips to help you prepare and stay organized

by Tiffany Irving, CFP®

Divorce is one of the many unexpected events that can happen on the road we call life. If your path leads you here, you will want to be prepared for the financial ramifications and confidently move forward with a new plan. As with any significant life change, a divorce can be an emotional and stressful period and the more organized and prepared you are, the better equipped you will be for this transition in your life.

Pre-planning

As you are planning your vows, divorce is not typically top of mind. However, before you say “I do” there are ways to begin planning to protect your assets as well as the assets of your future spouse.

Asset Protection

- Retain separate titling of pre-marital assets such as gifts, inheritance, or any other assets held prior to marriage
- Consider prenuptial agreements to establish potential settlement in the event of a divorce
- Establish a clear picture as to what assets were held prior to marriage and those assets accumulated during the marriage
- Discuss finances and expectations early as both spouses should be encouraged to understand the full financial picture and the joint financial responsibilities that lie ahead

Build your own team

Start by building your own team of trusted advisors — legal and financial experts (attorney, mediator, financial advisor, CPA). You will want a team of experienced advisors who are working together for your best interests. Even in the most amicable situations, it is advisable to find your own team rather than continue to share resources with your spouse or soon-to-be ex-spouse.

Surround yourself with a supportive network of family and friends. Divorce can be time-consuming and take up your energy, so you will need an outlet to take your mind off the seemingly never-ending to-do list.

Get financially prepared early

Gather all the financial information you have for the last few years (at least 3 years if you can) before you ask your spouse for a divorce, or if you suspect your spouse may ask you for one. Unfortunately, some spouses may try and hide assets once they know a divorce is inevitable. Getting your ducks in a row early will be beneficial as you move through the process and think about settlement options.

Important information to gather

- List of financial and non-financial holdings (bank accounts, investment assets, real estate holdings, business interests, retirement assets, homes, automobiles, etc.)
- Outstanding Debt (auto loans, mortgages, credit cards, student loans, etc.)
- Insurance information (health insurance, life insurance, etc.)
- Copies of personal and business tax returns
- Track current monthly expenses (included expenses related to any children/child support purposes)
- Long-term expenses (such college funding, retirement)
- Income (compensation details for both spouses, social security statements)
- Outline which assets (or debt) are marital property (acquired during the marriage) and which assets are non-marital property (assets or debt that you or your spouse owned prior to the marriage, inherited assets)
- Any pre- or post- nuptial agreements/prior divorce agreements
- Your estate plan (Wills, Trusts, Powers of Attorney for Healthcare and Property, etc.)
- Get a copy of your credit report

Begin to separate your life

When is the best time to begin building and safeguarding for your new financial future? The earlier the better. Creating a new

financial plan and budget will be vital as you review potential settlement options and the long-term impact of those various scenarios on your financial goals and priorities.

In reviewing the list below, you should consult with your advisory team as some of these steps can be taken early, while others may have to wait until the divorce is final.

Steps to take

- Open bank accounts in your name only if you do not have one already
- Open new credit card(s) in your name only if you do not have one already
- Re-evaluate your short- and long-term goals
- Consider what you want your life to look like post-divorce
- Create a new financial plan and budget
- Change your name and update all accounts to reflect that change
- Make sure to update all beneficiary designations (retirement plans, insurance policies, etc.)
- Update your estate plan

Life after divorce

You will want to leave yourself in a position for you and your family to move forward in the best possible way. If you are considering a divorce, think about the long term. What will life look like after your divorce is final? Getting as prepared and organized as you can before the process begins can save you time and energy in the long run. A well thought out financial plan can prepare you for the future and help guide your decisions along the way.

Published January 2024

Mesirow refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow name and logo are registered service marks of Mesirow Financial Holdings, Inc. ©2024, Mesirow Financial Holdings, Inc. All rights reserved. Any opinions expressed are subject to change without notice. Past performance is not indicative of future results. Advisory Fees are described in Mesirow Financial Investment Management, Inc.'s Form ADV Part 2A. Advisory services offered through Mesirow Financial Investment Management, Inc. an SEC registered investment advisor. Securities offered by Mesirow Financial, Inc. member FINRA and SIPC.