

Your Divorce is Final. Now What?

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You have hired a divorce attorney to get the fairest settlement possible but how will you ensure that it is the solid foundation you need for starting your new life?

Hiring a financial advisor before the divorce is final is a good start. If significant assets (especially retirement accounts) are involved, meeting with a professional early in the process to talk through all the relevant issues can be extremely beneficial. Regardless of whether your settlement is large or small, there will now be a host of financial planning issues for this new phase of your life.

One key consideration arises if there is a retirement plan involved. Next to your house, a 401(k) or IRA may be the biggest asset to split up. It is common today for attorneys to make sure that a Qualified Domestic Relations Order (QDRO) is used to divide any qualified retirement plans. This process allows the plan assets to be divided with no tax consequences. This means that the spouse who is not the plan participant can take his share out of the plan and roll it over to his IRA. He can then invest the funds to meet his own personal retirement goals.

Another consideration is Social Security. If you were married for at least 10 years and *you* do not remarry, you may be eligible for Social Security benefits based on your ex-spouse's earnings history. You should choose whichever is higher: 50% of your ex-spouse's benefits or 100% of your benefits. Whether your ex-spouse remarries does not affect your benefits. Another issue to consider is when do you start taking your Social Security benefits? This is dependent upon your own retirement goals, your financial assets, and your life expectancy.

Also, right after the final settlement is a good time to make sure that you change your will, powers of attorney, insurance beneficiaries, retirement account beneficiaries, and, if applicable, new insurance policies to reflect your wishes.

All of the basic principles of financial planning and portfolio management apply to a divorce settlement. While the emotional impact is different, the financial impact is the same as receiving a large inheritance or a retirement plan rollout. Both will now require you to take charge of your money.

You also need to establish a budget. You should determine if you will need to live off of your divorce settlement now or if it can be invested for the long term. You should determine what your risk tolerance is for investing. You need to build a low-cost, tax-efficient, diversified portfolio that will support your financial goals.

If you need help with these life changing matters, please call. We can help guide you through the first stage of the rest of your life.