

The Economic Consequences of Divorce

Although divorce is more common these days, socially the word “Divorce” has a negative connotation. It may be due to guilt, embarrassment or feeling of failure. Regardless if you are thinking of divorce, going through a divorce, or just divorced, it may not be too late to avoid costly, irreversible mistakes.

As a Certified Divorce Financial Analyst (CDFA), and my own personal experience of going through a divorce, I know first-hand the forever lasting damages of emotional decisions and bad advice.

The common initial reaction of a person divorcing, whether you are the divorcing spouse or spouse being divorced is, “I need to lawyer up, find the best, or most aggressive attorney”. Attorneys do have an impact on all legal aspects to finalize your divorce; however, an attorney will not have an impact on determining the success of your financial future post-divorce. I could share story after story of which the ultimate disastrous divorce settlement could have been avoided; however, below are just a few common mistakes of high net worth divorces to avoid:

First: Agreeing to something inequitable just because “you have to get out” or you are feeling guilt from filing for the divorce. As an example, people do not realize, often temporary spousal support can become the baseline for permanent spousal support. You may want to think twice before you accept a lesser amount of spousal support hoping your spouse will come back or offering a higher amount of spousal support out of guilt or remorse that is unsustainable for the future.

Second: Failure to properly account for assets and liabilities on your financial affidavit. The financial affidavit becomes the blueprint for division of assets and liabilities. In addition, the affidavit paints the overall financial picture for your attorney, financial advisor, judge etc. Not being detailed and/or upfront about all assets can lead to an inequitable distribution of assets/liabilities or more expensively, the need to get a forensic accountant involved to trace assets.

Third: Acting in retaliation as some people do out of pure emotion, which leads to higher legal costs and often times overly contested divorces. In my decade of experience, I’ve rarely seen a person get a more equitable distribution by having attorneys and judges make permanent decisions about their financial future.

Last, and most importantly: NOT seeking financial advice when going through a divorce. To secure the most equitable outcome and to have peace of my mind knowing you will be financially secure after your divorce has finalized, my recommendation is to arm yourself with a team of professionals consisting of a board-certified family law attorney, financial advisor with a divorce accreditation, a CPA, and a realtor with a divorce accreditation. Your attorney will guide the legal formalities, a financial advisor will help secure the most equitable settlement, CPA will provide tax advice often overlooked and the realtor will help to determine what are the best options with the marital home. Each professional brings their expertise, removing emotions looking at the big picture working together for you through your entire divorce process. Rarely divorce judgments have “re-dos”, which means you only have one chance to get it right!

Questions, comments, or need help navigating your divorce, [give me a call or send a message.](#)