

Financial Steps to Take Before a Divorce

Wise moves to make before things are finalized.

Provided by The William Newby Agency

Before your divorce goes through, it would be wise to check up on financial matters. It would be better to assess the state of your financial life before the split rather than after.

Find out where you stand financially. Beyond your salary and your bank accounts, how much do you have in the way of retirement savings? What will your monthly income be? What investments do you hold? Will you retain ownership of any real estate and assume the mortgage payments yourself? Will you be selling any assets or ownership interests?

Document everything about your personal finances. Whether you scan it or copy it, create as complete a picture of your financial life as possible.

Compile details about your credit and insurance. Do you know your credit score? Today, a good credit score is considered anything north of 690.¹

Track your credit before and after your divorce. Making regular credit checks can be very helpful. If your ex-spouse attempts to add some unauthorized debt in your name, this is one way to know, and potentially dispute, any incorrect information.¹

What sort of coverage will you have after the divorce? Covering insurance payments for life, health, home, and auto will likely become your sole responsibility after the divorce. Think about how you will most likely resolve the insurance you use to protect other people and important items in your household. Who owns the policies you held during the marriage? The beneficiary designations on the policies will undoubtedly need to change.

What should you do about taxes? If you are divorcing after April, should you and your spouse file one more joint return? This calls for a chat with your tax professional. Filing jointly could of course save you money compared to filing singly, but it also means you are jointly responsible for everything on that 1040 form. Working with a tax professional may help you answer the many questions you will have, as well as those you have not yet considered.²

Most importantly, assess what your financial potential will be after the divorce. An “equal” settlement is not always an equitable one, as one spouse may be left with much greater potential to build and retain wealth than the other. That is the most important long-term issue to address, so carefully weigh that potential well before a divorce is finalized.

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Citations

- 1 - nerdwallet.com/blog/finance/what-is-a-good-credit-score/ [5/23/18]
- 2 - irs.com/articles/filing-your-taxes-after-divorce [2018]