Divorce can be devastating—both emotionally and financially—for the unprepared. However, getting some financial help early in the divorce process can make the ordeal easier on you and your loved ones. Pre-divorce financial planning can help lower legal costs and increase the likelihood that you and your former spouse can reach a workable settlement.

Issues to be decided

Divorcing spouses often focus on the division of property as the key issue in a divorce settlement, but there are many other issues that must be decided as well. These include:

- Child support. Who pays? What amount?
- College savings. Who contributes and in what amounts?
- Taxes. Who will claim the children on their tax return?
- Spousal maintenance. How much and for how long?
- Property. Who will live in the family home?
- Assets. How will assets be divided? Who gets what?
- Debts. How will debts be divided? Who pays what?
- Retirement accounts. How will retirement assets be divided?
- Business. How will business interests be divided?
- Insurance. What kinds and amounts of insurance will protect the interests of the parties, and who pays for it?
Depending on the state of residence and the complexity of your affairs, some of these issues may be relatively cut and dried, while others require a great deal of thought and planning. You and your financial advisor can prepare for settlement negotiations by reviewing these issues now and thinking through the long-term impact of the various possible outcomes.

**Information to be gathered**

Attorneys generally have their own document checklists and worksheets to elicit information from clients, but you can get the ball rolling by pulling together the necessary documents, including:

- Prenuptial agreement (if any)
- Employment information for each spouse
- Income sources for each spouse
- Job history and income potential for each spouse
- Employee benefits for each spouse
- Details of retirement plans for each spouse
- Joint assets, including real estate; stocks, bonds, and other securities; bank and savings accounts; IRAs
- Separate assets of each spouse (acquired before the marriage or by gift or inheritance during the marriage)
- Joint debts, including mortgages, home equity loans, auto loans, and credit card loans
- Liabilities of each spouse, such as student loans and debts incurred prior to marriage
- Insurance policies
- Business records
- Tax returns

**The financial affidavit**

All of this information will be necessary for the preparation of the financial affidavit, which serves as the foundation of the divorce settlement. This sworn, signed, and notarized statement lists all the pertinent financial details for a couple, including:

- All income and deductions from income
- All living expenses
- All debt
- All property, including retirement accounts

Completing the financial affidavit can be a grueling exercise. Each party will be forced to examine their financial affairs in more detail than ever and project income and living expenses for a post-divorce lifestyle that hasn’t even been determined yet. Accuracy is crucial for a fair settlement, yet many people estimate income and expenses off the top of their heads.
without thinking through how these things will change after the divorce.

For example, a wife who has previously been covered on her husband’s employer-sponsored health insurance may now have to pay her own premiums. A husband who just moved out of the family home may now be renting a cheap apartment until more permanent—and more expensive—housing can be arranged.

In other words, the amounts you and your spouse are paying now may not be the amounts you will face after the divorce. Also, it’s easy to underestimate spending on discretionary items or expenses that don’t come up very often, such as major home repairs. Think through the questions on the financial affidavit so you have a better chance of reaching a fair settlement.

Facing the future

It may seem premature to do a post-divorce financial plan when there are still so many issues to be resolved, but asking big-picture, financial-life-planning questions now will help you gain a broader perspective on your life going forward. It might help you stay calm and focused when you’re embroiled in the minutia of settlement negotiations. Knowing that you are working toward a longer-term financial plan will help you feel more in control of your life, even if the exact financial details can’t be worked out just yet.

Divorce is one of the most profound of all of life transitions. Unlike marriage or retirement or even the death of a spouse, no one expects it to happen to them and therefore people seldom plan for it. Because it happens unexpectedly, it causes people to take stock of their lives at a time when they are most vulnerable.

The fact that life can take such an unexpected turn may cause you to challenge long-held assumptions about who you are, what you want out of life, and what you are willing to sacrifice to have what you want. Although money is always a big issue in divorce, the soul searching that goes on during this time paradoxically may cause a shift in priorities so that you are less concerned with money—except as it relates to larger life goals.

So go ahead and visualize your post-divorce life and talk about what you see ahead. Thinking about your goals, values, and priorities might help you imagine the future. It will also help you begin working toward a more concrete financial plan once the assets are divided, the support payments ordered, and you know what you’ll be working with from a financial standpoint. “Life planning helps people restructure their lives,” says George Kinder of the Kinder Institute, a pioneer in the financial life-planning movement. Some of the questions Kinder asks are:

- What is standing between me and what I want?
- What is my plan for overcoming each of these obstacles?
• What skills and knowledge do I need to add to accomplish this change?

From this broad, holistic line of questioning you can begin to drill down into more specific questions that can help you set more concrete goals.

Life planning questions will not only help you get focused after the divorce is final, they may also provide good preparation for the settlement negotiations because they encourage you to prioritize on what is really important in your life.

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