Common Money Mistakes in Divorce

For most people, the divorce process is emotionally draining and mentally exhausting. Many people describe it as a time of being frozen, numb or moving in slow motions. Despite that emotional and mental trauma, you will be expected to go through your finances with a fine-tooth comb to ensure that your settlement agreement is fair and equitable. With divorce brain, that’s easier said than done!

Even if you feel like you are clear headed, here are a few of the most common money mistakes to look out for when getting divorced.

1. **Underestimating post-divorce expenses.** You will be asked to do a financial affidavit that reflects your expenses AFTER the divorce. It is critical that you are realistic and don’t leave anything out. This information will be used to determine if spousal maintenance is necessary or not. You must be sure to include everything from your health care deductibles to anticipated home repair charges for the roof you need to replace next year. If you underestimate your expenses by $200 per month, that’s $2400 per year. Where are you going to get that extra money? When you’re the primary breadwinner this mistake could lead you to agree to pay maintenance that you ultimately can’t afford. A Certified Divorce Financial Analyst™ will help you scrub your affidavit for errors and make sure that you don’t leave anything out.
2. **Believing that your attorney will handle everything.** Your attorney is an expert in the law, not finances. Would you ask your doctor for advice about your car? No, so why would you expect your attorney to be an expert in finances? The attorney’s job is to ask you to fill out your financial affidavit and take your word for it that it is correct. A good attorney will glance over it looking for any glaring errors but that’s about it. The most commonly miss-valued asset is a pension. And sometimes, the pension is the most valuable asset in a marriage. I often see attorneys accept a present value statement from a pension as the correct value to include as marital property. It’s not. Not by a long shot. A CDFA™ can value it properly and make sure that tax ramifications are considered as well.
3. **Not taking Tax Deductions.** Not everyone realizes that portions of your attorney or CDFA™ fees during divorce are tax deductible. In fact, very few people do. Any fees for obtaining alimony and/or retirement funds during your divorce proceedings are tax deductible. This means your QDRO fees are deductible. And even though this may be changing soon, right now, spousal maintenance is taxable to the recipient and tax deductible to the payer. This should be considered when the settlement is drafted.
4. **Letting attorneys do the talking for you.** The more you and your spouse can work out by just communicating, the more money you’ll save. I’ve seen many couples that could not bear to be in the same room, but consider the cost. If you have your attorney relay information to the other spouse’s attorney, you’re racking up bills upwards of $600 an hour because you refuse to talk. This makes sense to no one. Get over any anger and talk about what will work.
5. **Letting your emotions make your decisions.** So many people going through divorce just want to “get it over with.” This is not the time to just throw your hands up and agree to a settlement just to be done with it. This kind of thinking is why divorce so often leads to bankruptcy! A 50/50 split of assets is almost NEVER a truly equitable settlement. So, put the emotions aside, talk to your spouse. Take your time and make sure you thoroughly understand what your future will look like after your divorce and be sure to hire the right experts to help you.