

Tips for Divorcing Couples and Families

The Cost of Divorce© By Lili A. Vasileff, CFP®, CDFATM Divorce and Money Matters, LLC

What is the Nature of Divorce?

It is about:

1. Children
2. Financial Issues

What Do I Need to Know Upfront about the Divorce Process?

1. Typically parties fail to consider a budget for divorce, unlike planning for a wedding or funeral
2. Costs may be managed to some extent by the client – but not totally
3. Cost management should not be the motivating factor for how parties choose to divorce – risks are short sightedness with negative long term consequences.
4. Property division is a one shot deal only

What are the Contributing Factors to the Cost of Divorce?

1. Clients' behaviors – the good, bad and ugly.
2. The nature of the case itself – financial complexities; scope of financial discovery; valuations of businesses; appraisals of assets and debts; the practical, psychological and emotional analysis of all children related issues; etc.
3. The necessity of having to bring in other professional experts: to value a business, license, earning capacity, assets, and projections for future lifestyle.
4. Each legal professional and allied professional charge their own hourly rates and retainers – there is no consistency but what the market will bear based on expertise and experience.
5. Clients may try one legal avenue only to drop out and begin fresh with new retainers and new bills with different and new legal representation.
6. Legal professionals may fire their own clients. Clients bear the costs of hiring afresh and getting their new attorney up to speed plus updating stale file.

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7. Time spent scheduling court calendars, court motions, court fees, attorney travel, and availability for all parties to meet, negotiate, and / or, to appear in court. These factors will contribute to length and cost of the divorce process.

What are the Different Legal Avenues to Divorce?

1. Pro Se/ Do it Yourself
2. Mediation
3. Collaborative Law
4. Collaborative Divorce
5. Litigation

How to Avoid Costly Mistakes Typically Not Covered By Attorneys – A Critical Need for Financial Expert DURING the Divorce Process:

1. Health Care: Baby Boomers: health care: cost of private insurance
 - a. Gap until Medicare coverage
 - b. LTC insurance
 - c. uninsurable – out of pkt costs
2. Adult Children Living at Home: Baby Boomers are experiencing record number of boomerang adult children- how to afford it, how to downsize when children expect to return home, should children pay for returning home? Do parent use their retirement funds to support adult children? Do baby Boomers pay for their medical needs?
3. College Planning –current and future obligations, contributions to be made in the future, financial aid cooperation, tradeoff between own retirement savings or their college funding? Incur loans, use current income or deplete savings?
4. Second Marriages:
 - a. Potential Half Siblings and Blended families: adult children and young children – Estate planning concerns, inheritances, passing on business assets and trusts, preserving wealth for two sets of children, health care authority and planning.
 - b. Second Spouse: risk of losing ex-spouse's insurance, pension benefits, social security entitlement to benefits on ex-spouse's record.
5. Staying single for longer time periods. Risk of losing divorce support (cohabiting, death, remarriage), compromising or commingling of post divorce financial settlement, risk of low interest yield on retirement investments, outliving one's assets..