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PERSONAL FINANCE

It's January, also known as divorce month. Here's how to cope

Kelli B. Grant | @kelligrant January 18, 2017

Couples starting the new year with a divorce may find untangling finances is no easy feat. Data from the University of Washington found that divorce filings start to pick up in January — a trend researchers theorized could be fueled by a rough holiday season. Filings peak in March and then again in August, they found, before declining in the fall.

The right time to start separating joint finances depends on the divorce, said John Slowiaczek, president of the American Academy of Matrimonial Lawyers. Some couples draw a line in the sand, preferring to obtain court orders to set out their obligations and separate their finances while the proceedings take place.

More commonly, couples adopt a "status quo" approach, keeping their finances entwined until the proceedings are final. "Most often, I think the benchmark you would say is at the decree," he said. "That's when most people start the unraveling." (Whichever approach you choose, check in with your lawyer before you make any big financial changes during the proceedings, he said.)

Once that's final, one of the first "to-dos" is reading your divorce agreement for a list of tasks to prioritize and deadlines to meet, said **Lili Vasileff, a certified financial planner and the president of Divorce and Money Matters in Greenwich, Connecticut**. Drag your feet on these, and you could end up back in court for failure to comply.

"You really need to read your agreement very carefully," said **Vasileff**, who provides clients with a post-divorce checklist to help them avoid missteps. If you're in the midst of a divorce, here's how — and when — to update your financial plan.

Remove your spouse from power

As soon as you file for divorce, update any powers of attorney or health-care directives you have that give your spouse the right to act on your behalf should you become incapacitated, said Slowiaczek, who is also the managing principal at Slowiaczek, Albers & Astley in Omaha, Nebraska. Name a trusted friend or family member to that position instead. "You don't want your [soon to be ex-]spouse to make life or death health-care decisions for you," he said.

Don't have such documents? Get them in place as soon as possible. Otherwise, your spouse may still have some control over your finances and healthcare if you become incapacitated before the divorce is finalized, said Slowiaczek.

Close joint accounts

"You close joint financial accounts when you pick a drop-dead date, and that's really between you and your spouse," **Vasileff** said**.**

Whether that's during or after the divorce, keep in mind that transitioning can take time — you'll need to make sure that all outstanding checks have cleared and all recurring debits (like student loan payments) have been successfully changed over to new accounts, she said. Protect yourself by asking the bank to require both spouses' signatures for withdrawals. "You want to be sure the account institution understands you have gone through a divorce and neither party is allowed to unilaterally transfer out money," she said.

Eliminate liabilities

"We encourage people to start shutting down credit cards as soon as possible after filing [for divorce] so that people become responsible for their own spending habits," Slowiaczek said.

Before you close joint credit accounts, establish new credit in just your name and redirect any recurring purchases, **Vasileff** said. You can also ask the issuer to close the card to new charges while you pay off any remaining balance, she said.

Monitor any joint debts. While your name is on that credit card account, mortgage or car loan, you still share in the liability, even if your divorce agreement stipulates your spouse is responsible for payments, she said. A spouse's bad payment behaviors on those debts could hurt your credit.

Tweak your portfolio

When you're married, it's common to have a strategy based on your collective investments, said Sam McPherson, a certified financial planner and president of McPherson Financial Advisors in Brooklyn, New York. Once your accounts have been divided — by agreement or court order — check to make sure your asset allocation is on target for your risk tolerance and timeline as an individual.

Revisit cash flow

What was affordable as a couple may not be as an individual. Take a hard look at how your budget and cash flow needs will change going forward, Slowiaczek said. "It can be a rude awakening," he said.

Tackle this task as soon as possible after filing for divorce, he said. That knowledge might influence decisions during the proceedings — such as whether you can afford to pay the mortgage if you fight to keep the house.

Update your estate plan

"You really have to revisit your whole estate plan and estate planning documents," said McPherson. It's not as simple as revising your will to remove your spouse as a beneficiary and to name someone else as executor. If your minor children are heirs, you may want to consider naming a financial guardian for them or explore having assets go to a trust for their benefit instead of directly to them, he said.

Update beneficiaries on life insurance policies and retirement accounts, which pass automatically to the named beneficiary, regardless of what's in your will. But read your divorce agreement before making changes, said **Vasileff** — you may not be allowed to change beneficiaries, for example, if the court has ordered you to maintain life insurance as collateral for support obligations.

Adjust insurance coverage

Update your homeowners, auto and health policies to reflect your new single status, so you aren't held responsible for an ex's medical bills or claims. You may also want to revisit your life and disability insurance coverage needs, McPherson said.

If you're going to need new health coverage, mind the deadlines, **Vasileff** said. Most plans give you just 60 days from the divorce to enroll for COBRA coverage.

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