

Would you get divorced to save money?

by Hanna Horvath November 26th, 2019



There are plenty of reasons couples get divorced ([these money mistakes are a common cause](#)). But what if you could get divorced to save money?

The removal of the tax deduction for alimony payments in 2018 led to a push for couples to get divorced before the end of the year. But there may still be a financial advantage to divorcing before the new decade.

How tax changes affected divorce

Following the passage of the Tax Cuts and Jobs Act in 2017, the deduction for alimony payments no longer applied to divorces finalized after Dec. 31, 2018.

For divorces completed before 2019, the higher-income partner could deduct alimony payments from their income each year, while the lower-earning partner paid taxes on the payments.

Now that the deduction is gone, can couples still go through a “strategic divorce” to save money?

Why some couples may consider a strategic divorce

"Strategic divorce" can encompass both loving couples intentionally splitting up for the money benefits and couples ending their relationships but working together to maximize each other's finances. Strategically divorcing could help a couple receive **certain tax benefits**, said DeDe Jones, certified financial planner and managing director of Innovative Financial.

For example, the marriage penalty — when some high-income couples filing jointly face a higher tax liability than they would if they had each filed single — kicks in for taxpayers with taxable income in the 37% tax bracket, or those with a combined income of \$622,050 or more.

Jones recalled a case in which clients went through a divorce with two kids. The couple's relationship had dissolved, but they wanted to be financially strategic about their divorce.

Each partner planned to claim one child as a dependent on their taxes to claim “head of household” status and be able to take the standard deduction on their taxes. They would both end up saving thousands, she said.

There may be other benefits to a couple strategically divorcing, like helping a child qualify for financial aid. When filling out a Free Application for Federal Student Aid, the student must name one custodial parent. If that parent has a lower income and lower **assets**, their child may be granted more in federal financial aid, said **Lili Vasileff, a certified financial planner and certified divorce financial analyst.**

But the FAFSA process is fairly complicated, **Vasileff said**, and it's not guaranteed a divorce will mean additional aid.

"They look at things like child support, taxes. It's a holistic process," she said.

How to strategically divorce

But planning a strategic divorce takes communication.

"People have to be playing nicely for this to work out," said Jones. "If there's dissension, it's not going to work. They have to be very clear about it."

Couples should work to be on the same page financially, even if they don't manage money together. Financial transparency can prevent problems down the road. If the dissolution of a marriage is inevitable, staying as amiable as possible can benefit both parties.

"It's not a situation we wish on anyone," said Jones. "But it fosters personal growth and strategic thinking. People don't think about their taxes when filing for divorce."

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