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Published April 11th, 2012

Lynn's Top Five The Good Divorce Means Financial Preparedness

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There is a lot of debate about how many marriages end in divorce and at what ages we are particularly vulnerable. I think all of us either know someone who has divorced or have experienced it ourselves. As you might guess, financial advisors typically find themselves intimately involved in the planning process of support and asset division as part of the crafting of the settlement agreement or at the conclusion when it's time to pick up the pieces and move on.

Here are a few things that I've learned over the years in my practice that might help those of you experiencing this journey yourselves or nurturing others who are. Even better, maybe these ideas will be helpful to you in strengthening your own marriage by staying in touch on important financial topics before things become too contentious to fix.

1) Understand what you have to work with. In most marriages we divvy up the tasks. Often the wife is in charge of all matters pertaining to raising the children, and the husband takes care of the finances. But what results from this clean cut division is a lack of knowledge on the part of one spouse or the other about key and important financial matters. Spouses who are "out of the loop" are especially vulnerable in a divorce because not only are they grieving the loss of their marriage, they quickly must get up to speed on a lot of complex financial matters and make often irrevocable decisions under great pressure and stress.

2) Know what you need, try to stay true to your core values, but be prepared to be flexible in your thinking. Most spouses cannot afford to continue the lifestyle enjoyed jointly as a couple as they move on to their new single status. In our community a core value is often the preservation of a Lamorinda education and lifestyle, but at what cost? Be prepared to face what is affordable and make choices that might involve, for example, renting in Lamorinda rather than owning, or moving to a less expensive home while the children finish school.

3) Anticipate shortfalls. Be brave and work on your own or with an advisor to craft a financially viable future for yourself and when involved, children. Pretending that everything is fine when financially things are not sustainable will only result in disaster later on. And when children are involved, as tough as it is to skinny things down now, it only gets worse if everyone is penniless later on. If you need to revitalize a career path or pare down the living situation, tackling that head on and not ignoring it sends a strong and important life lesson and message to your children that solutions can be found and that ignoring problems does not solve them.

4) Determine where you are willing and able to negotiate and where you feel you cannot. Perhaps your prior life included exotic vacations, frequent new cars and expensive colleges for the children. You probably can live without much of this, but want to draw the line at giving up on college funding. So, this is where you might have to negotiate. Perhaps you take a four year private college off the table and instead figure out how to ensure a four year public college education that might include two years of community college. Not easy choices, but better to plan ahead than be blindsided later on. Again better for you and better for your children to know ahead of time than to be promised something unrealistic and be shocked later.

5) Be prepared to have your insurances, estate plan, tax advisor, financial advisor in place and ready to go once the divorce is final. A few things to do in advance: Do you need a life insurance policy to be in place to ensure that any support will continue to be paid if your former spouse dies? What happens to your health insurance? Should you go on COBRA or obtain your own policy now? Once assets are transferred to you do you have your own estate plan set up to ensure that your choices and plans will be met? Are you receiving taxable or paying deductible spousal support? Will you need to pay estimated taxes? Get answers to these issues before your divorce is final and have your team lined up and ready to go!

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