Preparing Your Finances for Divorce

Often when considering or in the midst of divorce, the absolute last thing you want to open is your financial "can of worms" and what changes are likely taking place as a result of the dissolution of your marriage. But it is critical that you proactively understand your financial situation and make any necessary changes to ensure you're set up successfully for your future.

Here are 6 ways you can assess your financial status

Know Your Income

Many people are oblivious to what they are actually bringing home each month.

- How much is being taken out of your pay check for things like insurance, taxes and 401(k) contributions?
- What is really being directly deposited in the bank account?
- Will that change after the divorce?
- Will you be paying or receiving support?
- What are your tax liabilities?

Gather Paperwork for Your Accounts

Find all your account status reports; make sure you know the login and password for each of them so you can access them easily. If one person in the married couple managed the accounts, it can be difficult for the other person to gather that information.

Discuss your accounts before the divorce papers are drafted so you know what assets you have to negotiate and what portion you will end up with post-divorce.

Review Your Insurance Coverage

Whether health or life insurance, you are likely sharing coverage with your spouse. Most people take out shared insurance policies on themselves and their spouse when they get married, buy a house, or start a family, or renew health insurance.

If that was a process you went through, you are paying premiums each year to carry that coverage. Review them to see if the coverage is worth carrying anymore. Along with that review, make sure you are updating the beneficiary on your retirement accounts and insurance policies.

Consider Hiring a Financial Professional

Divorce is a messy process and when coupled with your financial footprint, it can be overwhelming, confusing, and difficult to sort through. It is worth exploring whether you would benefit from a financial advisor / planner and an accountant to get you on track.

Save & Review Your Past Tax Returns

Your returns and supporting documentation are important tools for understanding your finances. Revisit the past few years and share them with your accountant, attorney and/or financial professional to help build out your full financial picture.

Track Your Monthly Expenses

Most of us spend money on products and services that we don't even realize add up to large amounts by the end of each month.

Apps and banks are making it a lot easier to track spending by offering digital downloads to spreadsheets to aid you in tracking.

Learning how to build a cashflow for yourself can help you see clearly how the monthly expenses are getting paid. Some expenses may change post-divorce too, so this can serve as a baseline for managing expenses once you are on your own.

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