



FINANCIAL ASPECTS OF A DIVORCE

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Despite personal intentions and professional counseling, divorce occurs frequently in our culture. Sometimes incompatibility emerges over many years until spouses find themselves unable to reconcile. Perhaps you are in such a spot, and prior attempts to resolve relational issues unfortunately acted only as temporary band-aids. If the decision to divorce has been made, and you find yourself parting ways, we suggest you consider the following recommendations.

SEEK PROPER ADVICE

Divorce laws vary from state to state. Your rights could be affected if you have moved from another state during your marriage. Seek a professional with a specialty in divorce rather than a jack-of-all-trades. If your employer offers a pre-paid legal plan, consider enrolling to take advantage of a potential discount through the plan's referral network. A financial planner or financial divorce practitioner can be invaluable in addressing the financial complexities of divorce proceedings.

ITEMIZE MARITAL ACCOUNTS

Gather and organize statements from bank accounts, retirement plans, employer-related plans and cash value life insurance policies. Identify assets like stock certificates and savings bonds that do not issue statements, noting all available cost basis and account titles. Record video images of your home and its contents and, if applicable, your second home. Document the contents of your safety deposit box. List personal possessions such as automobiles, boats, trailers, etc.

PREPARE CASH FLOW STATEMENTS

Compile a list of your current joint income and expenses as well as prospective separate

income and expenses. This will help you ascertain income needed during the divorce as well as afterward when managing a household on your own.

ITEMIZE LIABILITIES

Run a credit report for both parties to determine outstanding balances on credit cards,



auto payments, home equity and mortgage. Determine if debt is joint, or if not, which individual is responsible for each account. Also consider establishing new credit under your own name. You could both agree to pay off certain joint debt before you part ways, or else an individual could take on a debt in exchange for an asset.

MAKE COPIES

Retain copies for your records of all assets and liabilities mentioned above. Also copy income tax returns and estate planning documents. If your spouse is self-employed you may find it challenging to determine and document all facets of his/her business. You may have to "dig deep" for receipts and income statements, and/or you may need to interview the appropriate accountant, etc.

KNOW TAX CONSEQUENCES

Consult a tax professional. Your new single status following a divorce will necessitate numerous tax adjustments. A few common changes are mentioned in the following paragraphs:

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- Before demanding certain assets, know the correlating liability. Those McDonald's shares you might desire, for example, were acquired in the mid-1980's and could have significant value – but also a hefty tax consequence! Consider opting for a comparable asset with a higher tax basis.

- Alimony may be fully taxable as income to the recipient and a deduction for the payer, assuming certain conditions are met. Child support, on the other hand, is not tax deductible for the payer nor is it income to the recipient.

- A parent assuming the physical custody of a child generally receives the exemption and Head of Household status. This exemption can be negotiated and assigned to the non-custodial parent by signing the proper tax waiver form.

BUY LIFE INSURANCE

Make sure the final agreement stipulates your future ex-spouse will obtain life insurance with a term that meets or exceeds that of his/her alimony or child support obligation. Don't forget to designate yourself as the owner of the policy.

RESEARCH PENSION PLANS

Is your future ex-spouse entitled to one or more pension plans at retirement? Although his/her retirement may be years away, you may be eligible to benefits accrued during your marriage. Most plans may pay pension benefits directly to you based on a Qualified Domestic Relations Order (QDRO). As an option, you may agree to a tradeoff based on calculating the present value of your future benefits.

The physical and emotional strain of a divorce can be significant. Laws relating to custody and division of assets are often both specific and challenging. Make sure you plan well and acquire competent guidance to minimize later regret. ☞

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VANTAGE NEWS

Happy New Year! The new year can bring hope for the future and gratitude for the past. The staff at Vantage would like to share some things about 2008 that make us grateful.

"I am grateful..."

- ◆ for my two new healthy granddaughters. (Terry)
- ◆ for graduating from college and getting engaged. (Jonathan)
- ◆ that 2008 is over! (Nikhil) *We understand where you're coming from, Nikhil.*
- ◆ for having the privilege to work with a group of incredibly sincere, upstanding and talented individuals who make my days very enjoyable. (Kim)
- ◆ for receiving my bachelor's degree in Biblical Studies from Moody Bible Institute. (Dan K)
- ◆ for the health of my father and for my son's successful transition into college. (Michael)
- ◆ for our family's time at Harvest Church's Bible Camp. (Tom)
- ◆ for being introduced to Pam. (Sam S)
- ◆ for health, close family and friends, for my clients & colleagues. 2008 was not for the faint-hearted and I'm most thankful it's behind us. (Sam B)
- ◆ for finding a job with the Vantage Family (Dan Z)