

“The Seven Financial Mistakes to Avoid in a Divorce”

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When it comes to divorce, knowledge is power and you want to have knowledge about your whole financial situation. Here are the seven things not to do when considering or involved in the divorce process.

Do not leave everything up to the other spouse: Understand your financial picture. Prepare yourself for the divorce by gathering all of the financial records you can. You should have copies of brokerage account statements, retirement accounts, insurance, social security, and tax returns. Make sure you get copies of all statements, close credit card accounts with a zero balance, start establishing your own credit, etc. Take care of all those things you have been putting off: doctor appointments, car maintenance, stocking up your place full of groceries, clothing for interviews, etc. Do anything and everything so that you are not financially vulnerable.

Do not become “house poor” – this is taking the house and nothing else. You want to find the balance that will work for you and your financial plan for the future. Understand the assets involved in your divorce and how they work. Remember that some assets are more liquid than other assets. There are four things you need to financially survive a divorce and you want a balance of each: a place to live, little or no debt, retirement assets and liquid money. It does not make sense to stay in the home if you cannot afford the mortgage or lifestyle and give up retirement accounts, which may be more valuable.

Do not make decisions based on emotions. Separate your emotions from your finances. This is one of the hardest things you will have to deal with going through a divorce. Understand the value of each asset and keep that in your mind. Understand that the Barbie doll collection that you have had since you were a young child is a Barbie doll collection worth a certain dollar amount. It is not worth fighting over items because of an emotional issue.

Listen to your friends, family and kids but make decisions that you feel are the right ones, do not make decisions based solely on what your friends and family feel you should do. Use professionals to help you understand your options, but rely on your own judgment to make the final decision. Trust your instincts not what your friends say. Pick an attorney that is right for YOU, not your friend. This is your life, not your friends' life.

Do not think you can do this alone - educate yourself. Utilize the community resources and professionals that deal with divorces every single day. These attorneys, psychologists, financial advisors, CPA's that specialize in divorce know the ins and outs. Utilize them.

Don't forget your future - project your settlement out into the future to see the effects of the decisions you make today. Look at how your divorce settlement will affect you immediately, but also five, ten, fifteen and twenty years from now. This is where a financial planner focusing on divorce can help you understand your financial future.

Do not forget to change the beneficiaries on your IRA's, 401(k), etc. When the divorce is over that is when the work starts. Once you have your decree in hand, the work of your divorce is not over. This is where it starts. Do not just let things go to the wayside. Take initiative to have the assets that are yours as part of the divorce be divided. Take any retirement assets and roll them over into your own IRA. Change the beneficiaries of any accounts that you have open. Make sure all beneficiaries are changed immediately on insurance, work retirement plans, wills, etc.

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