

Tips for Managing Your Finances after a Divorce

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Divorce is often a stressful event, both emotionally and financially. If you're in the process of a divorce proceeding (or have recently been through one), it's normal to be worried about your financial situation. Settling into a new financial life takes time, but there are things you can do today to help prevent divorce from taking a bigger toll than necessary. Here, we offer guidelines to help you stay financially secure, today and into the future.

Your financial picture:

Create a personal financial statement. A personal financial statement is a great way to keep track of your monthly income and expenses. Try separating basic, have-to-pay expenses from discretionary items so you can see where you have flexibility to make changes. Do you earn enough to continue your pre-divorce lifestyle? If the answer is no, figure out ways to trim your expenses, such as cutting back on dining out and looking for ways to save on groceries.

Continue to save. Even if your goal is to pay down debt, it's important to set aside some money for an emergency fund and long-term savings. If you contribute to a 401(k) plan, be sure to take advantage of any employer match, which is essentially "free money."

Check on your credit. A divorce can play havoc with your credit through no fault of your own. You can request a free copy of your credit report from the three major credit reporting agencies—TransUnion, Experian, and Equifax—through www.annualcreditreport.com. If you notice problems that were caused by your ex-spouse, submit an explanation to the credit bureau.

Getting organized:

Review the status of the divorce settlement. It's a good idea to verify that both parties have completed their obligations, such as refinancing a mortgage into one name or removing the other's name from credit cards. If a portion of your ex-spouse's retirement assets was supposed to be segregated for you through a qualified domestic relations order, verify with the plan administrator that it has been done.

Retitle property. If you haven't done so already, change the ownership of property according to the terms of your divorce settlement.

Inform the social security office of your new status. One of the few things that can't be done online, a name change requires a visit to your local social security office. Don't forget to bring originals of your proof of citizenship and identity, as well as the divorce decree. After you receive a new social security card, you can update other identification, such as your driver's license.

Organize your financial records. Whether they're scanned and stored in your computer or locked in a safety deposit box, it's important to keep your documents organized and at the ready. Give a list of their locations to someone you trust, along with a list of contact numbers for people who should be notified in an emergency.

Simplify your payments. Many banks offer online bill payment services that can help you automate your money management. Just set the future payment dates online and let the bank pay your bills automatically.

Insurance considerations:

Review your policies and update beneficiaries. If you're working, look into your employer's disability benefits and consider a supplemental policy to replace your income in the event you become disabled. If you're not working, explore long-term care insurance, which will allow you to receive care in your home if you can't care for yourself.

Now that you're single, be wary of letting your life insurance policy lapse, especially if you have family members who depend on you. Also check on your homeowners and auto insurance, and make any necessary adjustments.

In addition, don't neglect to select new beneficiaries for your life insurance, retirement accounts, and transfer-on-death brokerage accounts (unless your divorce settlement prevents you from doing so).

Consider applying for COBRA health benefits. Under COBRA, you may be eligible to continue health insurance through your former spouse's employer for at least 36 months. Keep in mind that there is a deadline to apply for these benefits.

Financial planning:

Execute new estate planning documents. Your ex-spouse's fiduciary appointments or beneficial interests are not necessarily terminated upon your divorce. Consider updating your will, trusts, powers of attorney, health care proxies, and living will.

Reassess your investing risk tolerance. We can review your investment plan with you and help you determine if it suits your new goals.

Taking control of your future

After the stress of a divorce, it never hurts to explore options for the future. This might mean considering a change of scenery, exploring a new career path, or maybe even going back to school. Whatever you decide to do once the dust clears; we're here to help you create a financial strategy for your next phase in life.

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