

Going Through Divorce Without Going Broke

The decision to separate from your spouse is a very difficult one. While divorce causes emotional changes, it also causes financial changes. You may suddenly find yourself a single mother or homemaker without any income. No matter what your situation, you need to know what to do to ensure that you (and your children) have a secure future. This tip sheet provides basic information about the things you need to do and consider before or at the beginning of a divorce. While you may be at the end of your marriage, this tip sheet can help ease your transition and move on to a new beginning in your life.

Before the Divorce

1. Cancel all joint credit cards, including charge, department store, and gasoline card accounts. Even if a court rules that you aren't responsible for charges made by your spouse after you separate, the credit card company can hold you responsible while you and your ex sort it out.
2. Remember that judges usually enforce the status quo, so start the processes now that you will want to continue after your divorce. For example, go back to school, get braces for the kids, begin medical treatments, etc.
3. Open a post office box that you can use for your mail before you separate and while you are in the process of divorce. Confidential information can be sent to you there, and it provides a stable mailing address as your life changes.
4. Before you separate, use joint funds to repair your automobile and home, buy clothes for yourself and your children, and other family expenses. Begin your divorce with these expenses already paid, rather than arguing with your spouse about who should pay them later.
5. Learn about the laws of your state. In Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin, all community property states, marital assets are divided equally between the spouses. In most other states, the judge can divide the assets in any way that seems fair.
6. Protect your separate assets. In most states, money you brought into the marriage, plus gifts and inheritances, is yours, if you can trace it to assets you now own. Save all the documents you will need to prove your separate property.

** This tip sheet is strictly for informational purposes and does not constitute legal advice or representation. For legal advice, consult an attorney who has thorough knowledge of current laws and your issues of concern. **

The information in this tipsheet is excerpted from Ginita Wall's booklet "150 Ways to Divorce Without Going Broke." This booklet contains helpful tips on every aspect of divorce. To order a copy of the booklet visit WISE.org or send a double-stamped self-addressed long envelope to:

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Child Support and Alimony

1. Do not waive your right to alimony except after close consideration of all of the facts and a thorough discussion with your attorney. Once waived, the right to alimony cannot be re-acquired.
2. Consider receiving your alimony as a lump sum payment instead of monthly checks. The default rate for monthly alimony payments is about 50%. A smaller lump sum that you actually receive is better than monthly payments that never arrive.
3. Fighting over child support in court is generally unnecessary. Most states have legal guidelines based on income and child sharing arrangements that do not allow for negotiation. Ask your attorney to compute support according to your local guidelines.
4. Document your living expenses. Use a budgeting form or software to create a list of past expenses and a budget for your future needs. Keep receipts, cancelled checks and other documentation so that you can back up your claims in court.
5. Include a cost of living adjustment clause in your child support agreement. This will avoid expensive and frustrating trips back to court to negotiate increases to child support payments.
6. Include late payment fees in your child support agreement. These fees provide an incentive for timely payment and may eliminate the need to go to court to enforce the agreement.

Gathering Records

1. Make a clear copy of all tax returns, loan applications, wills, trusts, financial statements, banking information, loan documents, credit card statements, deeds to real property, car registration, insurance inventories and all insurance policies. Copy all papers having to do with money now, so you won't have to subpoena them later.
2. Don't delay gathering financial information, even if you are not sure if you want to divorce. Knowledge about your finances will make you a better partner if the two of you stay together, and will help you get the best settlement possible if you don't.
3. Copy records that you can use to trace your separate property, such as an inheritance or a gift from your family. These assets will remain yours as long as you can document them.
4. Write a summary of important facts. Include the date you married, your children's birth dates, the date you separated, property brought into the marriage, and other events and information. This list will provide important information for your attorney, mediator, or paralegal.



Hiring a Lawyer

1. Read a book or take a class on do-it-yourself divorce even if you plan to use an lawyer. Knowing how the process works means that your lawyer won't have to explain it to you—at his normal hourly rate.
 2. Do some tasks yourself. You can gather documents, file papers, and do other tasks that secretaries, paralegals, or law clerks are paid to do, saving yourself the hourly rate of the legal support staff.
 3. Make sure your lawyer has not represented your spouse or your spouse's business, or has any other conflict of interest. To assure your lawyer has your best interests in mind, never use the same lawyer as your spouse.
 4. Keep a telephone log of every divorce-related conversation you have with your spouse, lawyer, or other advisors. Include the date and a brief summary of what was discussed. This log will help to avoid any misunderstandings about what was discussed.
- See the Women Work! tip sheet on Finding a Lawyer at www.womenwork.org for more information.

Accumulate Cash

1. Accumulate money in an easily accessible bank account in your name. Although eventually you will have to tell your soon-to-be ex-spouse about the funds, you will be able to use the money to get through the divorce.
2. Apply for credit cards in your own name. These cards have multiple uses: as an easy way to access money during the divorce, to establish credit in your own name, and to use when you cancel your joint accounts.
3. If you need quick access to cash, borrow funds from your parents, your 401(k), or a credit union. The cost of these sources of funds beats credit card interest rates by a wide margin.



Navigating the Divorce

1. Don't let guilt rule you. "Please release me, let me go" goes the country song, but don't give up everything to buy your release. Your spouse will still be unhappy, and you'll be equally unhappy when you find yourself impoverished by your foolish gesture.
2. Don't leave home until you have to, unless you fear for your safety or the safety of your children. Once you move, you may have trouble getting your personal items, and you'll also have difficulty gaining custody of the children you've left behind. And if you and your spouse both want to keep the house, the resident spouse is more likely to win.
3. Don't let your spouse turn off the utilities and phone. If your spouse moves out and asks the utility companies to cease billing him, they may turn out the lights. Contact the utility companies to be sure they will continue service in your name.
4. Pay your attorney fees personally. While it is tempting to pay legal fees from your business, don't. Most divorce costs are not tax deductible, and paying the expenses from your business may make it possible for your spouse's attorney to join the business in the lawsuit and scrutinize its records in detail.

Dividing Property

1. When deciding whether or not to keep the home, consider the cost of maintenance, repairs, homeowner's association fees, gardeners and other household expenses. Although you may be able to afford the mortgage, the other expenses may exceed your budget.
2. Consider the value of professional degrees and licenses. In some states, these assets are marital property and you are entitled to a share of their value.
3. Don't forget often overlooked assets. Frequent flyer miles, vacation and sick pay, season tickets, club memberships, timeshares, magazine subscriptions and prepaid insurance all are assets that have value and should be split.
4. If you allocate part of your retirement plans to the non-employee spouse, use a QDRO (Qualified Domestic Relations Order, pronounced "quadro"). A QDRO is a court order used to separate retirement property (except IRAs) and should be prepared by a family law lawyer or a QDRO specialist.
5. Retitle property that is in both of your names. Ask your spouse to remove your name from the mortgage for property you don't receive in settlements. If your spouse gets the house and doesn't make the payments, the lender can come after you if your name is still on the mortgage.
6. Take taxes into account when you divide property. Money in retirement accounts generally is worth less than money in bank accounts, since the retirement money will be taxable when you withdraw it. Reduce the value of such accounts by the taxes you will eventually pay to see if you are receiving a fair share. Ditto highly appreciated assets or depreciated rental property.

