

Life AFTER DIVORCE



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10 MYTHS ABOUT DIVORCEES & MONEY INTRODUCTION

Divorce is often considered one of the most stressful events in life. Some of the stress comes from wondering how divorce will impact your financial life.

Regardless of your financial status, whether you're wealthy or not, a divorce can cause a major setback in your financial life. How can you emerge from a divorce in the best financial shape possible? Planning based on an accurate understanding of what you are up against is key.¹

Unfortunately, there are so many myths about divorce in circulation that it's often difficult to tell what's real and what's not. Below are ten of the more common myths to watch out for. If you need additional information about these or other issues, helpful sources would be an attorney as well as financial advisors who include the financial aspects of divorce among the services they offer.

1. "20 Common — but False — Beliefs About Divorce and Money" – by Emmet Pierce, Money Talks News, August 3, 2021: <https://www.moneytalksnews.com/slideshows/20-commonly-held-but-false-beliefs-about-divorce-and-money/>



MYTH #1:

KEEPING CASH IN A SEPARATE ACCOUNT PROTECTS IT FROM THE OTHER SPOUSE.

Not true. In reality, all assets that are acquired during a marriage may be divided equitably.

During a divorce, each party must provide a financial statement disclosing all assets and swear that it's all complete and true. So even if your spouse stashed money in a private bank account, your divorce judge might decide that he either owes you half of that money or a portion of it, depending on the circumstances of your case.¹

When it comes to disclosing assets, it's best to be honest, for two reasons:

- Most divorce settlement agreements provide that if one spouse hides an asset and the other subsequently finds out about it, the entire asset is forfeited. For example, if your spouse places \$100,000 in a hidden account and you learn about it, you could get the entire amount.

- People who lie about assets face jail time for contempt of court.²

To ensure an accurate accounting, some people hire a specialist (such as an investigative accountant, a forensic lawyer or a Certified Divorce Financial Analyst) to conduct an in-depth examination of a spouse's finances to determine if there's any wealth not being disclosed.³

1. "4 Myths About Divorce and Money, Debunked" – by Dan Rafter, Wise Bread: <https://www.wisebread.com/4-myths-about-divorce-and-money-debunked>

2. "20 Common — but False — Beliefs About Divorce and Money" – by Emmet Pierce, Money Talks News, August 3, 2021: <https://www.moneytalksnews.com/slideshows/20-commonly-held-but-false-beliefs-about-divorce-and-money/>

3. "Financial Myths About Getting A Divorce" – by Polly Tatum, Personal Family Lawyer, Oct. 15, 2020: <https://www.linkedin.com/pulse/financial-myths-getting-divorce-polly-tatum>



MYTH #2: YOUR SPOUSE'S CREDIT CARD DEBT DOESN'T AFFECT YOU.

Actually, it can affect you, especially if you and your spouse hold a credit card in both your names.

Joint Accounts. If you share a joint account in both your names, you are both responsible for repayment. If no one makes payments on the balance or the payments are late, then both of your credit scores are negatively affected. Therefore, if you have joint accounts, you should close them quickly to avoid any potential damage going forward.¹

Accounts in Spouse's Name Only. Your responsibility depends on where you live.

If you live in a community property state, you can be held responsible for 50% of the debt your spouse ran up on a credit card during your marriage, even if the card's account was never in your

name. Any debt run up before or after your marriage is not your responsibility.²

If you don't live in a community property state, you are usually not responsible for the debt your spouse runs up on a credit card that's in your spouse's name only. However, there is an exception. You will be responsible for half of the debt your spouse ran up to pay for any family expense, such as your child's dental work or an essential home repair.²

1. "Divorce and Your Debt" – by Debt.com, April 29, 2020: <https://www.debt.com/divorce-and-your-debt/>

2. "4 Myths About Divorce and Money, Debunked" – by Dan Rafter, Wise Bread: <https://www.wisebread.com/4-myths-about-divorce-and-money-debunked>



MYTH #3: THE HOME IS THE PRIME ASSET TO SEEK IN A DIVORCE SETTLEMENT.

**Yes, the home is probably valuable, but
financially it may not be the best asset to seek.**

"It all depends on the people and how they spent, saved or invested their money," says Justin Wood, a mediator and arbitrator serving the central Oklahoma area. "Nothing should ever be taken for granted, and questions should always be asked and evaluations made." An evaluation, for instance, may find that a vacation property, retirement account or business is more valuable than the home.

There are other factors to be considered as well. For instance, what if the spouse who "wins" the home cannot keep up with the mortgage pay-

ments? If not, he or she could lose the home to foreclosure.

There's also the fickle nature of the real estate market to be considered. If someone had to sell the home during a market downturn, the home could be worth less than at the time of the divorce settlement.

Source: "20 Common — but False — Beliefs About Divorce and Money" — by Emmet Pierce, Money Talks News, August 3, 2021: <https://www.moneytalksnews.com/slideshows/20-commonly-held-but-false-beliefs-about-divorce-and-money/>



MYTH #4:

CHANGING THE BENEFICIARY OF A LIFE INSURANCE POLICY IS NOT AN URGENT MATTER.

During the emotional turmoil of divorce, life insurance policies often get neglected while the ex-spouses fight over everything else. But it's something you don't want to forget.

Life is too unpredictable, and it's virtually impossible to know when your life will come to an end. That's why you want to tend to your policy as soon as possible. If you don't and your former spouse is named as beneficiary, he or she will likely receive the insurance's proceeds. That can happen even if you have remarried.

Kansas attorney Ken McRae advises that after a divorce, people should review their life insurance policy and any other accounts where they have named a beneficiary.

"Often, people will make a beneficiary designation and forget about it," McRae says. "You may have forgotten to add your younger children, or you may still have ex-spouses listed as beneficiaries."¹

1. "20 Common — but False — Beliefs About Divorce and Money" — by Emmet Pierce, Money Talks News, August 3, 2021: <https://www.moneytalksnews.com/slideshows/20-commonly-held-but-false-beliefs-about-divorce-and-money/>



MYTH #5:

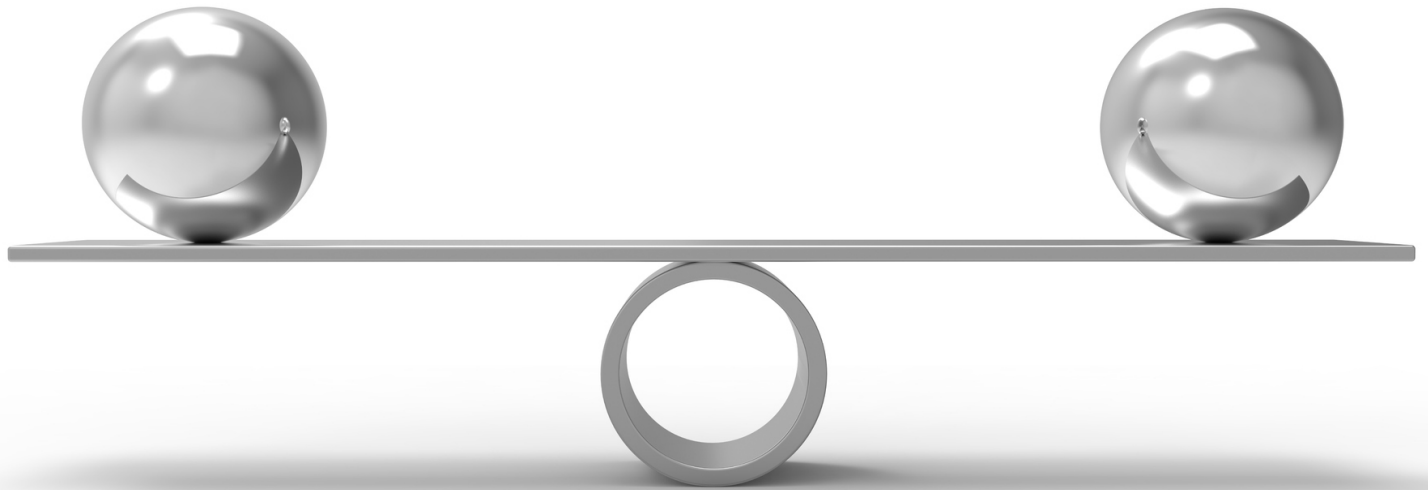
IF YOUR SPOUSE CHEATED, IT CAN HELP YOU TO GET MORE IN THE DIVORCE SETTLEMENT.

It's wishful thinking if you buy into this myth. Why? Because most states provide a "no-fault divorce" – which means that a spouse's adultery is not a factor in the proceedings.

The focus in a no-fault divorce is strictly on dividing up the spouses' assets. One of the spouse's adulterous behavior does not affect who gets what or how much either spouse gets.

The only time infidelity might play into the proceedings is if the adultery affected your finances – for instance, if your spouse spent a bunch of money buying gifts for his illicit partner or renting a hideaway for their rendezvous. In that case, a judge might order your spouse to reimburse you for your share of the assets he expended.¹

1. "10 Divorce Myths Debunked" – by Goldberg Jones, December 17, 2020: <https://www.goldbergjones-sandiego.com/divorce/divorce-myths/>



MYTH #6:

COMMUNITY ASSETS ARE EVENLY DIVIDED.

This is rarely true even in a community property state like California, where courts view all assets and debts acquired during a marriage as belonging equally to both spouses. Many people think this means everything gets shared equally during the division of property, but this is not the case in most situations. Courts are generally concerned with equitable division of assets, not necessarily equal division of everything.¹

Many factors go into determining the equitable division of assets. The court's goal is for each spouse to emerge from divorce on relatively even footing and to maintain a standard of living similar to that enjoyed during the marriage. The length of a marriage, resources, health, future earning potential, and numerous other elements play into the ultimate divorce settlement.¹

One of those elements, making a 50/50 divorce settlement rarely appropriate, is the nature of the assets to be divided. For instance, a dollar invested

in a 401(k) is not equal to the value of a dollar in home equity. Funds invested in retirement plans offer the potential for growth and cannot be withdrawn before a certain age. The potential for home equity assets to grow depends largely on the marketplace and the economy. Also, home-ownership comes with related costs of maintenance, repairs, utilities and property taxes.²

Ultimately, each marital asset should be examined carefully in light of each recipient's financial situation and goals. Once assets are valued, they are tallied for each spouse, and then divided, often with "offsets" to achieve an equitable division of assets based on each couple's unique situation.²

1. "10 Divorce Myths Debunked" – by Goldberg Jones, December 17, 2020: <https://www.goldbergjones-sandiego.com/divorce/divorce-myths/>

2. "The five most common myths regarding divorce finances in Texas" – by Patricia Barrett, Certified Divorce Financial Analyst: <https://www.lifetimeplanning.cc/five-common-myths-regarding-divorce-finances-texas/>



MYTH #7: YOUR SPOUSE MUST AGREE TO THE DIVORCE.

This is not true. The reason is that the government will not force a person to remain in a marriage if he or she doesn't want to.

The divorce process is easier if your spouse consents to the divorce. However, your spouse's consent is not necessary for you to proceed.

Even without your spouse's cooperation, you can go ahead and "file the necessary paperwork and start the process," says California divorce lawyers Goldberg Jones. "If your spouse doesn't respond in

the given time frame, you can then file a motion for default. When you are granted a default judgment, this essentially gives you a divorce on the terms you request because your spouse did not object."

Source: "10 Divorce Myths Debunked" – by Goldberg Jones, December 17, 2020: <https://www.goldbergjones-sandiego.com/divorce/divorce-myths/>



MYTH #8: MOST DIVORCES GO TO TRIAL.

This is a myth.

In reality, about 90% of divorce cases never go to trial.¹

One reason divorces rarely go to trial is to save emotional wear and tear. “What most people don’t want is a drawn-out and difficult process,” says Kentucky attorney Courtney M. Hampton, “and a good attorney should work to prevent that by stressing positive, collaborative means to accomplish the unwinding of the marriage, such as mediation, negotiation and other non-litigious tools. Divorce doesn’t have to be warfare.”²

Another reason most divorces don’t go to trial is expense. North Carolina attorney Sam Margulies has found that most divorcing couples “can mediate the same settlement that is ultimately produced by the lawyers after two years of back and forth” – where he estimates the average legal fee for divorce is about \$20,000 per client.

In Margulies’ experience, the average middle class divorce mediation requires 6 to 8 hours of mediation to produce a settlement – for a total cost of \$1,500 to \$2,000. Add another \$1,000 or so to finalize the

documents and get the divorce, and you get a total cost of \$3,000 to \$5,000 for most divorces.

“If you spend more than that, you are wasting your money,” Margulies says.³

Although it is usually less costly to settle a divorce out of court, there are times when a trial is either necessary or advisable. For instance, one spouse may want to settle the case, but the other doesn’t want to. Or, maybe it appears that your spouse is hiding wealth. If so, you may need to take your case to court in order to receive your fair share of the assets.⁴

1. “How Many Divorce Cases Actually Go to Trial?” – by J. Benjamin Stevens, February 4, 2020: <https://www.offitkurman.com/blog/2020/02/04/how-many-divorce-cases-actually-go-to-trial/>

2. “Five Common Misconceptions About Divorce” – by Courtney M. Hampton: <https://www.mcbrayerfirm.com/blogs-family-law-blog/five-common-misconceptions-about-divorce>

3. “Myth #6: Divorce has to Cost a Lot of Money” – by Sam Margulies, Ph.D., J.D.: <https://sammargulies.com/the-seven-myths-about-divorce/myth-6-divorce-has-to-cost-a-lot-of-money/>

4. “20 Common — but False — Beliefs About Divorce and Money” – by Emmet Pierce, Money Talks News, August 3, 2021: <https://www.moneytalksnews.com/slideshows/20-commonly-held-but-false-beliefs-about-divorce-and-money/>



MYTH #9: A SPOUSE WHO DIDN'T WORK WILL GET ALIMONY FOR LIFE.

This is a common misconception. You should not count on receiving an endless stream of financial support from a former spouse.

According to Massachusetts attorney Polly Tatum, it is usually true that a court will allow a nonworking spouse to receive some amount of alimony, but the time period is often limited to whatever is necessary to help the person get back on his or her feet. This type of alimony is usually known as “spousal support,” and it is defined by the laws of the state where the divorce occurs.

“Unless the marriage was very long and one of the spouses was not working,” Tatum says, “it is unlikely that permanent spousal support will be awarded. Usually, a judge will award temporary or transitional alimony to allow a nonworking spouse to obtain a job or an education with which he or she can become self-supporting.” In short, court-ordered spousal support cannot be relied upon forever.

Source: “Financial Myths About Getting A Divorce” – by Polly Tatum, Personal Family Lawyer, Oct. 15, 2020: <https://www.linkedin.com/pulse/financial-myths-getting-divorce-polly-tatum>



MYTH #10:

WOMEN DON'T NEED TO BE CONCERNED ABOUT MANAGING THEIR FINANCES UNTIL AFTER THEY'RE DIVORCED.

This is not true. Even divorcees who do receive a large divorce settlement need to be able to manage their assets so they can make them last their lifetime. Unfortunately, many women have never gained the knowledge or experience to do so.

According to a UBS Global Wealth Management report, almost all women globally (91%) are highly involved in everyday finances, like expenses and bill paying. But almost 60% of women do not engage in the most important aspects of their financial well-being: investing, insurance, retirement and other long-term planning.¹

Why do so many women focus on the present but ignore the future? In the U.S., women opt out of long-term financial decisions for reasons ranging from “my spouse never encouraged me” to “my spouse knows more” about the topic. As a result, many women are not introduced to the important

financial decisions that have been made for them until critical moments in their life, such as divorce or the death of a spouse. The study found that an overwhelming number of widows and divorcees (74%) discovered negative financial surprises when they were forced to take control.¹

In view of how inexperienced most women are in handling important aspects of their finances, it's surprising that 95% of women do not turn to a financial advisor to help them during a divorce. Why? The biggest problem is a lack of awareness. Most women don't know how a financial advisor can benefit them, according to CERTIFIED FINANCIAL PLANNER™ professional Marguerita Cheng.²

They aren't aware that a financial advisor can help them think through their lifestyle to gain a better understanding of their expenses both before and after a divorce. “This is especially important

for women who haven't been involved in paying the bills, managing investments, buying insurance, or budgeting," says Cheng.²

According to Cheng, financial advisors can also help divorcees obtain their fair share in a divorce by uncovering and dealing with many financial assets the divorcees may not have fully thought about, including:

- The marital home
- Engagement and wedding rings
- Fine jewelry
- Heirlooms and antiques
- Bank and retirement accounts
- College savings accounts

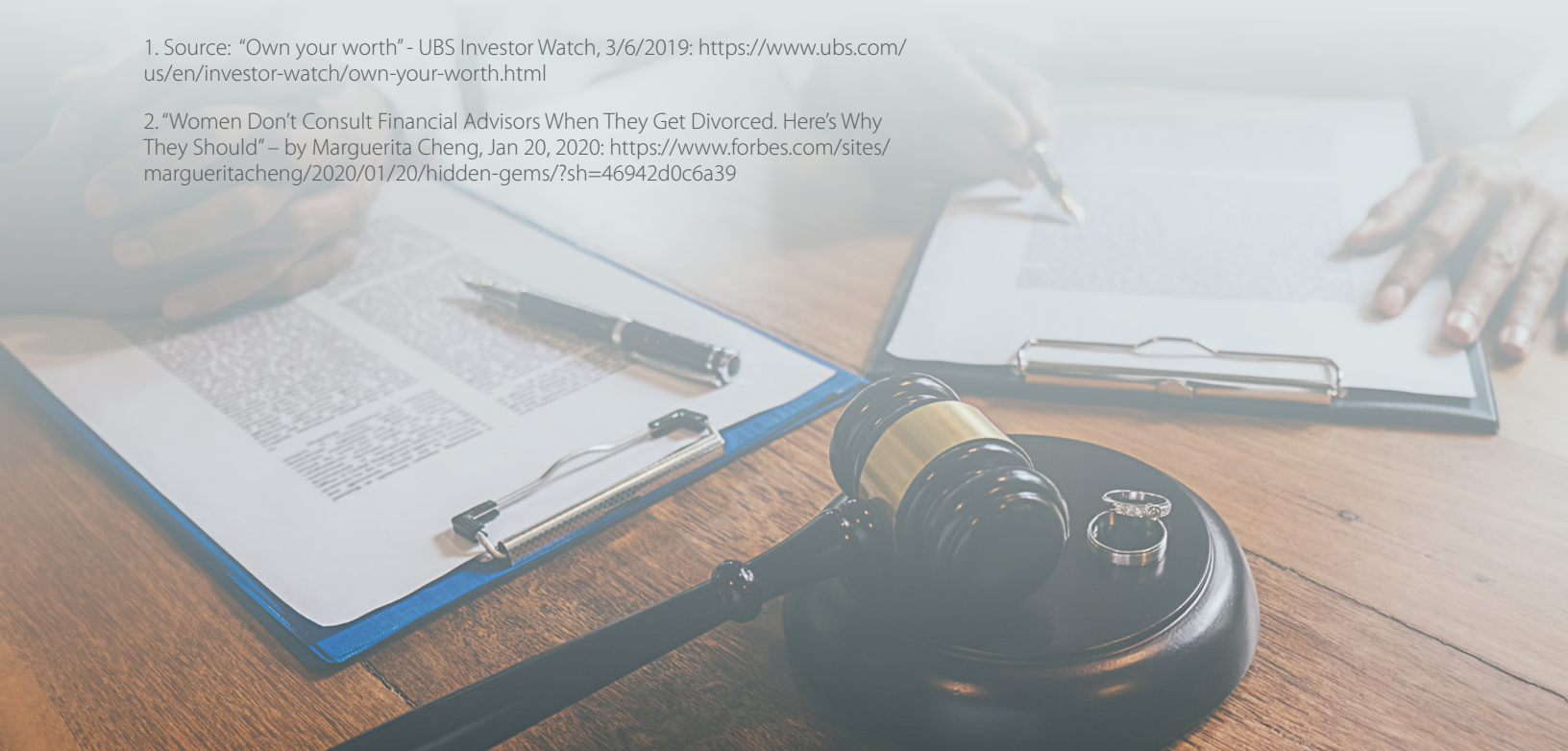
Plus, financial advisors can help divorcees with their post-divorce financial goals, such as:

- paying off debt
- saving for retirement
- building an emergency fund
- purchasing a new home
- creating new streams of income
- building their wealth through investments²

With women living longer, you should consider working with a financial advisor to help you map out your financial future and guide you along the way. In the process, a financial advisor can help you gain the knowledge and experience you need to play an active role in maintaining your life-long financial well-being.

1. Source: "Own your worth" - UBS Investor Watch, 3/6/2019: <https://www.ubs.com/us/en/investor-watch/own-your-worth.html>

2. "Women Don't Consult Financial Advisors When They Get Divorced. Here's Why They Should" – by Marguerita Cheng, Jan 20, 2020: <https://www.forbes.com/sites/margueritacheng/2020/01/20/hidden-gems/?sh=46942d0c6a39>



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