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Four Steps to Financial Stability After Divorce

Joe Delaney

If you've recently undergone, or currently are going through, a divorce, it's natural to feel wounded. After all, your life was built around another person, one on which perhaps you can now no longer rely. That not only hurts, it's also bewildering. The experience often stops people in their tracks as they wonder what went wrong and what they're going to do next.

If you find yourself in this situation, it is absolutely vital that you immediately take some practical steps to protect yourself from further, unnecessary pain down the road. You may not want to think about it, but like it or not, your finances can be tied to your mental, physical and emotional well-being.

Step 1: If possible, plan the terms and timing of your divorce. Maximize the community assets to which you can lay partial claim by waiting for new income, such as your spouse's bonus or pension vestment. Plan whether either of you will be staying in the house, or whether you're going to sell it and split the profits. If you have children together, you must decide with which parent they will live, and to what degree each parent will be responsible to provide for their needs.

Step 2: Assess your financial situation. Determine what your assets and income streams are. Take a complete inventory that includes, but is not limited to:

- Salary and business income
- Bank and brokerage accounts
- Real estate, alternative investments and personal property
- Cash value life insurance

Make a liberal assessment of your expenses as an individual. Beyond regular expenses such as mortgage payments, insurance premiums and taxes, factor in irregular expenses that have become a part of your life. Consider including:

- Attorney fees
- Accountant consultation
- Mental health counseling

Step 3: Complete the financial separation from your spouse. Make a list of every asset document from which you need to remove your ex-spouse's name. This list includes, but again, is not limited to: your will, trusts, 401(k) accounts, IRAs, loans, insurance policies, mortgages and vehicle registrations. Where appropriate, name a new beneficiary on these documents now. It never pays to wait until the unthinkable happens.

Step 4: Build a sound financial plan tailored to your new lifestyle. Your standard of living may not be what it once was with a dual income and shared assets. If you completed the above steps, this may already be abundantly clear. Now you have to deal with this reality and do all you can to make your future secure (not only for yourself, but also for your children if you have them). This is where consulting a financial professional becomes critical, because a trusted advisor can help you create a plan that removes the anxiety of not knowing what will happen financially.

If you're still reading this article, it probably relates to you. The next step is to learn about how an advisor dedicated to the promise of true wealth management can help you down the path to peace and stability in the next chapter of your life.

About Joe Delaney, Managing Director, Lifeguard Wealth, San Rafael, CA

Joe Delaney founded Lifeguard Wealth to help others realize their goals and dreams. As a fee-only financial advisor, he is dedicated to putting clients first. Joe has more than 30 years of financial-industry experience as a CPA and CFO; he has held senior positions with institutional investment and wealth management firms. Since 2001, he has focused his career on creating and executing wealth management strategies for individuals and families. He is licensed to provide investment advisory services, and he holds a BA in economics from Stanford University and an MBA in finance from UCLA Anderson.