

# Kobylar CPA

## Preparing Financially for Divorce

Perhaps the most important financial decisions in one's lifetime are the decisions made during a divorce. The difference in making a right or wrong decision could have a tremendous life-altering effect for the rest of one's life.

Whether you are preparing for a divorce or have recently been served, following is an important checklist of what you need to do, some as soon as possible:

1. Understand all sources of income, where the money is being deposited and how all bills are being paid
2. Prepare a summary of your current household income and expenses and use it to create an honest, post-divorce budget
3. Make a list of all assets owned and all debts owed
  - a. Don't forget the little things like lawnmowers, snowmobiles, etc. When you get out on your own, it gets expensive to have to replace them. Take pictures of all assets and equipment for appraisal purposes.
4. Know the location of all your important financial documents and make copies of items such as:

<input type="checkbox"/>	Prior year tax returns (last 3-5 years)
<input type="checkbox"/>	Bank statements
<input type="checkbox"/>	PayPal/Venmo account information
<input type="checkbox"/>	Cryptocurrency information
<input type="checkbox"/>	Current paystubs
<input type="checkbox"/>	Personal Financial Statement/Statement of Net Worth
<input type="checkbox"/>	Business Financial Statements & tax returns
<input type="checkbox"/>	Investment account statements
<input type="checkbox"/>	Retirement account statements
<input type="checkbox"/>	Real estate deeds - marital home, 2nd home

<input type="checkbox"/>	Employee benefit information
<input type="checkbox"/>	Vehicle & boat titles/registrations
<input type="checkbox"/>	Rental property records
<input type="checkbox"/>	Life insurance policies
<input type="checkbox"/>	Credit card statements
<input type="checkbox"/>	Mortgage statements
<input type="checkbox"/>	Line of credit statements
<input type="checkbox"/>	Promissory notes
<input type="checkbox"/>	Loan applications
<input type="checkbox"/>	Student loan statements

5. Know the location of valuable assets
  - a. Take pictures of everything tangible, i.e. jewelry, vehicles, antiques, boats, equipment, expensive electronics. Go around your house and videotape or take pictures in every room.
  - b. In addition to securing copies of any registrations, make copies of the final bill of sale of any assets that have been paid off. You may need documentation to prove there are no liens reported if you try to re-register a vehicle or boat in your own name.
6. Check your credit report
7. Establish credit in your own name

- a. Credit card(s)
- b. Vehicle loan
  - i. Have the bills sent electronically, not through the mail. Then log in to one of the three major credit reporting companies and freeze your credit until you need it.
  - ii. Remember that your ex will always have your Social Security number. Freezing your credit will block anyone from applying for anything in your name.
- 8. Open a separate bank account
- 9. If you need a new car, now may be the time, especially if you are the non-monied spouse. If a new car is not needed, take your car in for service and get new tires if needed!
- 10. If your health insurance will change, go to the doctor and get all of your check-ups and eye exams while you still have insurance coverage. If there is surgery you have been putting off, now is the time to schedule it.

In addition to the above financial steps, the following are also extremely important and should be considered:

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | Have a new Will prepared; name new Executor/Executrix and update beneficiaries        |
| <input type="checkbox"/> | Change beneficiaries on life insurance, brokerage accounts, retirement accounts, etc. |
| <input type="checkbox"/> | Update Medical Directives/Living Wills  |
| <input type="checkbox"/> | Update or rescind a prior Power of Attorney   |
| <input type="checkbox"/> | Update your "In Case of Emergency" contact  |
| <input type="checkbox"/> | Change your computer passwords and security questions for forgotten passwords         |
| <input type="checkbox"/> | Change your mailing address to family or friend's address or obtain a PO Box          |

Regarding prior year tax returns – have a professional look over any previous years' joint returns to check for income or assets you may not be aware of, i.e. rental income or investment income. Tax returns tell a story and a good tax professional may uncover some interesting items.

For your current year tax return, your filing status is dictated by your marital status on December 31. If you aren't divorced by year-end, you may want to consider filing married but separately. There may be advantages that outweigh the usual tax savings of filing jointly. Establishing independence now for a smooth transition next year may be what is needed.

Taking the above steps may seem daunting but the consequences of neglecting them can be significant, especially if the divorce is not an amicable one.

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