

ADJUSTING TO LIFE FINANCIALLY AFTER A DIVORCE

There's Wealth in Our Approach.™

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There's no doubt about it--going through a divorce can be an emotionally trying time. Ironing out a divorce settlement, attending various court hearings, and dealing with competing attorneys can all weigh heavily on the parties involved.

In addition to the emotional impact a divorce can have, it's important to be aware of how your financial position will be impacted. Now, more than ever, you need to make sure that your finances are on the right track. You will then be able to put the past behind you and set in place the building blocks that can be the foundation for your new financial future.

ASSESS YOUR CURRENT FINANCIAL SITUATION

Following a divorce, you'll need to get a handle on your finances and assess your current financial situation, taking into account the likely loss of your former spouse's income. In addition, you may now be responsible for paying for expenses that you were once able to share with your former spouse, such as housing, utilities, and car loans. Ultimately, you may come to the realization that you're no longer able to live the lifestyle you were accustomed to before your divorce.

ESTABLISH A BUDGET

A good place to start is to establish a budget that reflects your current monthly income and expenses. In addition to your regular salary and wages, be sure to include other types of income, such as dividends and interest. If you will be receiving alimony and/or child support, you'll want to include those payments as well.

As for expenses, you'll want to focus on dividing them into two categories: fixed and discretionary. Fixed expenses include things like housing, food, and transportation. Discretionary expenses include things like entertainment, vacations, etc. Keep in mind that you may need to cut back on some of your discretionary expenses until you adjust to living on less income. However, it's important not to deprive yourself entirely of any enjoyment. You'll want to build the occasional reward (for example, yoga class, dinner with friends) into your budget.

REEVALUATE/REPRIORITIZE YOUR FINANCIAL GOALS

Your next step should be to reevaluate your financial goals. While you were married, you may have set certain financial goals with your spouse. Now that you are on your own, these goals may have changed. Start out by making a list of the things that you now would like to achieve. Do you need to put more money towards retirement? Are you interested in going back to school? Would you like to save for a new home?

You'll want to be sure to reprioritize your financial goals as well. You and your spouse may have planned on buying a vacation home at the beach. After your divorce, however, you may find that other goals may become more important (for example, making sure your cash reserve is adequately funded).

TAKE CONTROL OF YOUR DEBT

While you're adjusting to your new budget, be sure that you take control of your debt and credit. You should try to avoid the temptation to rely on credit cards to provide extras. And if you do have debt, try to put a plan in place to pay it off as quickly as possible.

The following are some tips to help you pay off your debt:

- Keep track of balances and interest rates
- Develop a plan to manage payments and avoid late fees
- Pay off high-interest debt first
- Take advantage of debt consolidation/refinancing options

PROTECT/ESTABLISH CREDIT

Since divorce can have a negative impact on your credit rating, consider taking steps to try to protect your credit record and/or establish credit in your own name. A positive credit history is important since it will allow you to obtain credit when you need it, and at a lower interest rate. Good credit is even sometimes viewed by employers as a prerequisite for employment.

Review your credit report and check it for any inaccuracies. Are there joint accounts that have been closed or refinanced? Are there any names on the report that need to be changed? You're entitled to a free copy of your credit report once a year from each of the three major credit reporting agencies. You can go to www.annualcreditreport.com for more information.

To establish a good track record with creditors, be sure to make your monthly bill payments on time and try to avoid having too many credit inquiries on your report. Such inquiries are made every time you apply for new credit cards.

"A creditor has the right to report negative information about you to a credit reporting agency if your ex-spouse pays late on a joint account."

REVIEW YOUR INSURANCE NEEDS

Typically, insurance coverage for one or both spouses is negotiated as part of a divorce settlement. However, you may have additional insurance needs that go beyond that which you were able to obtain through your divorce settlement.

When it comes to health insurance, make having adequate coverage a priority. Unless your divorce settlement requires your spouse to provide you with health coverage, one option is to obtain temporary health insurance coverage (up to 36 months) through the Consolidated Omnibus Budget Reconciliation Act (COBRA). You can also look into purchasing individual coverage or, if you're employed, coverage through your employer.

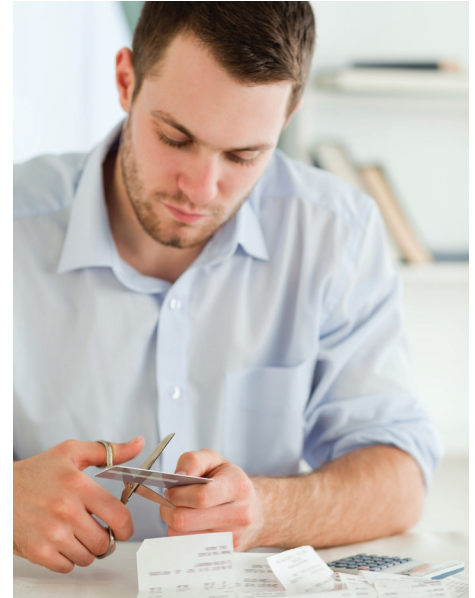
Now that you're on your own, you'll also want to make sure that your disability and life insurance coverage matches your current needs. This is especially true if you are reentering the workforce or if you're the custodial parent of your children.

Finally, make sure that your property insurance coverage is updated. Any applicable property insurance policies may need to be modified or rewritten in order to reflect property ownership changes that may have resulted from your divorce.

CHANGE YOUR BENEFICIARY DESIGNATIONS

After a divorce, you'll want to change the beneficiary designations on any life insurance policies, retirement accounts, and bank or credit union accounts you may have in place. Keep in mind that a divorce settlement may require you to keep a former spouse as a beneficiary on a policy, in which case you cannot change the beneficiary designation.

This is also a good time to make a will or update your existing one to reflect your new status. Make sure that your former spouse isn't still named as a personal representative, successor trustee, beneficiary, or holder of a power of attorney in any of your estate planning documents.



CONSIDER TAX IMPLICATIONS

You'll also need to consider the tax implications of your divorce. Your sources of income, filing status, and the credits and/or deductions for which you qualify may all be affected.

In addition to your regular salary and wages, you may have new sources of income after your divorce, such as alimony and/or child support. If you are receiving alimony, it will be considered taxable income to you. Child support, on the other hand, will not be considered taxable income.

Your tax filing status will also change. Filing status is determined as of the last day of the tax year (December 31). This means that even if you were divorced on December 31, you would, for tax purposes, be considered divorced for that entire year.

Finally, if you have children, and depending on whether you are the custodial parent, you may be eligible to claim certain credits and deductions. These could include dependency exemptions, the child tax credit, and the credit for child and dependent care expenses, along with student loan interest and tuition deductions.

HELPING YOU FINANCIALLY TRANSITION THROUGH DIVORCE

We understand that divorce doesn't just affect one aspect of your financial life. Instead, your comprehensive plan should address the complete story of your previous and new financial goals. Whether you need help evaluating settlement options, preparing for the financial transition of home ownership or transferring assets to accurately reflect your new marital status, we will work hard to address your new objectives as your life evolves throughout different stages of divorce and wealth.

To-Do List

ITEM	DEADLINE	COMPLETED
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
22.		

EXPENSE WORKSHEET

PRE-DIVORCE

POST DIVORCE

HOME EXPENSES

Rent/Mortgage \$ _____ \$ _____

Homeowners/Association Fee \$ _____ \$ _____

Home Equity Loan \$ _____ \$ _____

Property Taxes \$ _____ \$ _____

Telephone \$ _____ \$ _____

Cell phone \$ _____ \$ _____

Internet \$ _____ \$ _____

Security System \$ _____ \$ _____

Cable/Satellite \$ _____ \$ _____

Electricity \$ _____ \$ _____

Gas \$ _____ \$ _____

Water/Garbage \$ _____ \$ _____

Landscape Maintenance/Lawn \$ _____ \$ _____

Snow Removal \$ _____ \$ _____

Exterminator \$ _____ \$ _____

General Home Repairs/Maintenance \$ _____ \$ _____

Home Improvements/Upgrades \$ _____ \$ _____

Housecleaning \$ _____ \$ _____

Miscellaneous Household/Pool \$ _____ \$ _____

TOTAL HOME EXPENSES \$ _____ \$ _____

FOOD

Groceries \$ _____ \$ _____

Dining Out \$ _____ \$ _____

TOTAL FOOD EXPENSES \$ _____ \$ _____

CLOTHING EXPENSES

Clothing \$ _____ \$ _____

Laundry/Dry Cleaning \$ _____ \$ _____

TOTAL CLOTHING EXPENSES \$ _____ \$ _____

ENTERTAINMENT/RECREATION

Entertainment(Excludes Dining Out) \$ _____ \$ _____

Videos/CDs/DVDs \$ _____ \$ _____

Hobbies \$ _____ \$ _____

Movies and Theater \$ _____ \$ _____

Vacations/Travel \$ _____ \$ _____

Classes/Lessons \$ _____ \$ _____

**TOTAL ENTERTAINMENT/
RECREATION EXPENSES** \$ _____ \$ _____

MEDICAL (AFTER OR NOT COVERED BY INSURANCE; EXCLUDES CHILDREN)

Physicians \$ _____ \$ _____

Dental/Orthodontist \$ _____ \$ _____

Optometry/Glasses/Contacts \$ _____ \$ _____

Prescriptions \$ _____ \$ _____

TOTAL MEDICAL EXPENSES \$ _____ \$ _____

INSURANCE

Life Insurance \$ _____ \$ _____

Health \$ _____ \$ _____

Disability \$ _____ \$ _____

Long-Term Care \$ _____ \$ _____

Home \$ _____ \$ _____

Auto \$ _____ \$ _____

Other (Umbrella, Boat, Cottage, etc.) \$ _____ \$ _____

TOTAL INSURANCE EXPENSES \$ _____ \$ _____

TRANSPORTATION

Auto Payment \$ _____ \$ _____

Fuel \$ _____ \$ _____

Repair/Maintenance \$ _____ \$ _____

License \$ _____ \$ _____

Taxis & Public Transit \$ _____ \$ _____

TOTAL TRANSPORTATION EXPENSES \$ _____ \$ _____

MISCELLANEOUS

Postage	\$ _____	\$ _____
Gifts/Holiday Expenses	\$ _____	\$ _____
Vitamins/Non-Prescription Drugs	\$ _____	\$ _____
Toiletries	\$ _____	\$ _____
Beauty Salon/Hair/Nails	\$ _____	\$ _____
Pet Care (food, vet, etc.)	\$ _____	\$ _____
Books/Newspapers/Magazines	\$ _____	\$ _____
Donations	\$ _____	\$ _____
Memberships/Clubs	\$ _____	\$ _____
Miscellaneous	\$ _____	\$ _____
Credit Card	\$ _____	\$ _____
TOTAL MISCELLANEOUS EXPENSES	\$ _____	\$ _____

OTHER PAYMENTS

Quarterly Taxes & Add'l Tax Payments	\$ _____	\$ _____
Spousal Support Payments	\$ _____	\$ _____
Child Support Payments	\$ _____	\$ _____
Eldercare Expenses	\$ _____	\$ _____
Professional Fees (Accounting, Financial Planning, Legal, etc.)	\$ _____	\$ _____
Service Fees (Banks, Investments, etc.)	\$ _____	\$ _____
TOTAL OTHER PAYMENTS EXPENSES	\$ _____	\$ _____

TOTAL EXPENSES

(EXCLUDING CHILDREN)	\$ _____	\$ _____
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CHILD-RELATED EXPENSES

Education/Tuition	\$ _____	\$ _____
School Lunches	\$ _____	\$ _____
Counselor	\$ _____	\$ _____
Sports/Camps/Lessons	\$ _____	\$ _____
Hobbies/Field Trips/School Activities	\$ _____	\$ _____
Toys/Games	\$ _____	\$ _____
Boy-Scout/Girl-Guide Dues	\$ _____	\$ _____
Clothing	\$ _____	\$ _____
Medical	\$ _____	\$ _____
Dental/Orthodontics*	\$ _____	\$ _____
Optometry/Glasses/Contacts*	\$ _____	\$ _____
Prescriptions*	\$ _____	\$ _____
Allowances	\$ _____	\$ _____
Miscellaneous/Haircuts	\$ _____	\$ _____
TOTAL CHILD-RELATED EXPENSES	\$ _____	\$ _____

* Not Covered by Insurance

TOTAL EXPENSES

(INCLUDING CHILDREN)	\$ _____	\$ _____
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NOTE: Make two copies of this budget, one for "Pre-Divorce" and one for "Post-Divorce" expenses.

WORKSHEET: MY PRIORITIES

If you don't really know what your priorities are, you won't know what to ask for – and what to fight for, if necessary – and what you can live without. Saying “I want it all!” is useful neither to you nor your lawyer. Use this worksheet to help you identify your priorities before entering into serious negotiations, and share this information with your lawyer. If you need more space, copy this worksheet onto separate pages of a legal or letter sized pad; use the top half of each page to list your priorities, and the bottom half to list your spouse's. Add or delete items to suit your individual case.

PROPERTY DIVISION

MY PRIORITIES ARE:

- a. _____
- b. _____
- c. _____
- d. _____

MY SPOUSE'S PRIORITIES ARE:

- a. _____
- b. _____
- c. _____
- d. _____

FINANCES (SPOUSAL SUPPORT, DIVISION OF ASSETS AND DEBTS)

MY PRIORITIES ARE:

- a. _____
- b. _____
- c. _____
- d. _____

MY SPOUSE'S PRIORITIES ARE:

- a. _____
- b. _____
- c. _____
- d. _____

CHILDREN (SUPPORT, CUSTODY, VISITATION)

MY PRIORITIES ARE:

- a. _____
- b. _____
- c. _____
- d. _____

MY SPOUSE'S PRIORITIES ARE:

- a. _____
- b. _____
- c. _____
- d. _____

NOTE: if you and your spouse don't agree on custody, write down why you feel your custody arrangements are reasonable and in your children's best interest, and why your spouse's aren't.

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