

# Dealing with Divorce

## DOLLARS + CENTS

Story by S. Kay Bell

EVERY YEAR AS VALENTINE'S DAY approaches, Melanie Johnson's business increases. No, she doesn't own a flower shop or a jewelry store.

Johnson's Austin firm is Divorce Financial Solutions, where, as a Certified Divorce Financial Analyst (CDFA), she helps people through the financial aspects of a dissolving marriage.

"During Valentine's is when we see more women, primarily because of emotions," said Johnson. "Emotion is what causes many women to end up not thinking clearly."

Lisa Fox, senior investment advisor at the Austin office of South Texas Money Management, Ltd., agrees. "It's such an emotional time. You just want to get through it, get it over and behind you so you can focus on the future," said Fox, who also is a Certified Financial Planner and CDFA.

A laudable goal, but both women note that such an attitude could lead to costly mistakes. Making purely emotional divorce decisions often creates financial problems that last long after the divorce decree is issued.

"We all plan for our wedding really well, and at that point we have no assets," said Johnson. "But after 10, 20, 30 years of marriage, we have accu-

mulated some assets, so we need to plan for divorce equally well."

Such planning is particularly important for women. Fox and Johnson cite some unsettling numbers: After a divorce, 45% of women see their standards of living decrease by about 27%. Men, meanwhile, typically see their standards of living increase by 10% post-divorce.

There are many reasons for the disparity, but women can take steps to keep from becoming just another number on the losing side of the divorce ledger.

### LEARN EVERYTHING ABOUT YOUR MARITAL MONEY.

"Many times women have no idea what they have financially," said Fox. "You want to make sure you're aware of every investment. Read every financial statement. If there's anything you don't understand or something seems out of whack, then you need to really investigate it. If you've got \$30,000 in income and \$25,000 is being paid out in college education costs, something's wrong there."

Don't just examine the financial statements. "Make the copy machine your best friend," added Fox.

"Document, document, document," agreed Johnson. "Everything. Stock

options. Frequent flyer miles. You may not want it, but make sure you know it exists. I hear all the time, 'He took the records. I don't have anything.' Make copies for yourself and give them to a friend, a relative, put them in a safety deposit box."

Not only will the information put you in a better negotiating position, it should save you money since your attorney won't have to bill you for time spent tracking down the documents.

### DON'T AUTOMATICALLY ACCEPT A 50-50 SPLIT.

An equal division of marital assets is not necessarily a fair distribution. "It depends on a lot of factors, your income potential moving forward being a big one," said Fox.

Consider the woman who quit college when she married. "It will take her a lot longer, and she may never reach the income potential of her husband who, for the last 20 years, has been working and moving up the ladder while she's stayed home to take care of the house and raise the kids," said Fox. "She has no skills, no experience in the work world. She didn't finish college. A 50-50 split wouldn't be fair because she's definitely going to need more to sustain her

or at least try to provide her close to the lifestyle she's gotten used to living."

And about those children. The mother usually is the custodial parent, and she often focuses on a settlement that puts the kids first. Such was Johnson's case.

"I didn't ask the right questions," she said. "I thought I knew everything financial and I wanted to keep divorce amicable. I ultimately cost myself. And I made decisions for the children, but that ultimately hurt them."

### CREATE A REALISTIC BUDGET.

Go into the divorce with a sound post-marriage budget in mind. Without one, you won't have any way to gauge whether a settlement proposal will meet your new needs.

Many soon-to-be ex-wives underestimate just how much it costs to live. "Divorce does not equal half the expenses," said Johnson.

"Sometimes there are hard decisions that have to be made," said Fox. "You might want to stay in that big house where you've been raising your kids for the last 15 years, but realistically, can you afford to keep it?"

That's where advice from an expert can help. A divorce financial analyst

## What Women Need to Know About Divorce

- The Divorce Process
- Child Custody & Support
- Dealing with a Hostile Spouse
- Helping your Family Cope
- Dividing Property
- Tax Consequences



### Second Saturday Workshop Monthly 8am – 12:00pm

DeVry University  
Stratum Executive Center  
11044 Research Blvd., Bldg. B

To register today or for more information, please visit  
[www.divorce-financial-solutions.com](http://www.divorce-financial-solutions.com)

\*\*\*

"I especially appreciated the holistic approach to understanding divorce — the legal, emotional and financial aspects all discussed together."

— N.E.

This workshop is designed to help women take the next step, no matter where they are in the process of untying the knot.

*Divorce Financial Solutions*

For all your questions, we have answers.  
512.732.1244

## Tamara McReynolds, D.O.

Board Certified Physician

- ☞ Osteopathic & Cranial-Sacral Treatment
- ☞ Spiritual-Medical Healing
- ☞ Cleansing and Detoxification

Learn more at...  
[www.drmmcreeynolds.com](http://www.drmmcreeynolds.com)

512.863.4722  
916 Walnut Street  
Georgetown, Texas

Conveniently located between downtown Georgetown and Southwestern University



can run the numbers to help you decide, in this case, whether selling the property and using the proceeds to buy a smaller house would also provide you some money in reserve.

### **PAY ATTENTION TO THE TAX IMPLICATIONS.**

When considering an asset as part of a settlement, don't just look at its dollar value. An asset's tax consequences could make a big difference to whether you want it as part of the property division.

Fox cites a couple whose assets include a retirement account and a regular investment account, each worth \$100,000. She takes the retirement fund; he keeps the other account. But when she starts taking retirement distributions, she's likely to face a large tax bill on the tax-deferred money. He, however, is in much better financial shape because the regular account has been paying taxes incrementally over the years.

Also consider the cost basis of property. It could make a huge difference when an asset is sold. Our couple also has two stocks, worth \$30,000 each. One has a basis of \$5,000, meaning \$25,000 would be taxable upon liquidation. The other, however, might have a larger basis, meaning a smaller gain or possibly a loss that can be written off.

"Divide the asset itself," said Fox. "Don't just say you take this stock and I'll take that one. Divide however many shares of each stock you have so that you both keep the same cost basis within the asset."

And don't forget your largest asset: your house. If you sell it as a couple, you don't have to pay taxes on up to \$500,000 in profit. But a single seller only gets half that exclusion amount. Given real estate appreciation in the Austin area, a single seller might exceed that tax-free amount and end up with an unexpected tax bill.

### **FOLLOW THROUGH ON THE FINANCIAL DETAILS.**

The devil is definitely in the financial details when it comes to divorce.

"Before the divorce is final, make sure that you get life insurance to guarantee any child support or alimony and make sure the recipient of that payment is the owner of that policy," said Fox. "If a husband is supposed to be supporting the family and something happens and there's no life insurance to replace that, what already was a hardship is only going to get that much harder."

And don't forget to redo your will and update your beneficiaries. "You wouldn't believe how many times, years later, an ex-spouse is still beneficiary of an IRA or a 401(k). It's just something that slips through." ★

**Divorce Financial Solutions**  
[www.divorce-financial-solutions.com](http://www.divorce-financial-solutions.com)  
512.732.1244

**"Second Saturday"**  
**Divorce Workshop**  
[www.austindivorceworkshop.com](http://www.austindivorceworkshop.com)  
512.732.1244

**South Texas Money**  
**Management, Ltd.**  
[www.STMMLTD.com](http://www.STMMLTD.com)  
512.342.2272 or 1.888.248.6557

**Institute for Divorce**  
**Financial Analysts**  
[www.institutedfa.com](http://www.institutedfa.com)

**Association of Divorce**  
**Financial Planners**  
[www.divorceandfinance.com](http://www.divorceandfinance.com)

**Texas Bar Association**  
[www.texasbar.com](http://www.texasbar.com)  
1.800.252.9690 or 1.877.9TEXBAR

## **COULD WE BE A MATCH FOR YOU THIS VALENTINE'S DAY?**

What if you could find someone with industry knowledge and experience, who knew the terminology, jargon and "tools of the trade?" What if you could find someone that represented only quality carriers with proven track records, and by the way, someone who had the heart of a teacher? Would you trust that person to help you with your insurance needs? If so, look no further.

### **You've just found your one and only!**

Garland Cole and Leigh Ashley are a mother-daughter team specializing in health, life and disability insurance for individuals and businesses. Our passion is to create a positive experience for even the toughest skeptic. We'll put your mind at ease and give you the guidance you desire.

**Take advantage of a complimentary consultation by calling 512-327-3456 today or go online for a free comparison quote at [www.acbenefits.com](http://www.acbenefits.com).**



A Mother - Daughter team offering insurance with integrity for businesses & individuals.

512-327-3456  
[www.acbenefits.com](http://www.acbenefits.com)



Securities offered through Resource Horizons Group, LLC, Member NASD, SIPC, MSRB



Garland Cole & Leigh Ashley

## **Save Money. Save the Planet!**



**Exceptional Rates**  
**Outstanding Service**

**1/3 Profits to the Environment\***

## **Why Wouldn't You?**

Good credit or bad, we can help you with your:  
**Home Purchase • Investment Properties • Refinancing and More**

Please Give Us a Call Today!

512-535-7893

\*See our website for details – [www.oneearthmortgage.com](http://www.oneearthmortgage.com)