

## **In a divorce settlement, all marital assets are not created equal**

*By Patricia Barrett, CFP, CDFA*

Most people respond emotionally to divorce, and with good reason. This can be one of the most difficult life transitions anyone makes. As a Certified Divorce Financial Analyst (CDFA), however, my job is to help clients focus on the financial aspects of divorce, especially when it comes to dividing the marital estate. I encourage everyone to take a breath and put emotions aside, because financial decisions made now can have long-term repercussions for everyone involved.

The State of Texas requires a "just and equitable" division of property. A 50/50 settlement is rarely appropriate and should never be agreed upon without the advice of an attorney, and ideally, a CDFA who has carefully evaluated the situation. (Attorneys are trained in divorce law, but in today's complex financial landscape, it pays to have a financial expert on your side during the divorce process.)

The first thing I tell clients is that not all assets are created equal. Some assets may have a more positive effect on one's financial future than others. A dollar of value in the family home doesn't necessarily translate to a dollar invested in a 401(k). Retirement accounts, for example, usually continue to appreciate in value and offer the individual income for retirement. A home or a car, however, may depreciate and require a financial outlay for maintenance.

All divorcing couples must come up with a financial plan for their futures when facing divorce. One household will soon become two, so developing separate budgets help set realistic expectations of what lies ahead. Calculating child support, dividing property, detailing tax ramifications and cash flow for the coming 20 years and beyond is usually eye-opening, but highly valuable for most divorcing couples.

Since each divorce situation is unique, there's no way to know how the specifics will shake out until all pertinent information is pulled together and analyzed per the needs

of the couple and any children of the marriage. There are many factors to consider as the couple moves toward a settlement agreement -- Are both spouses gainfully employed? Are there special needs children under age 18? Can the wife afford to keep the home or should she downsize to preserve her financial future?

I have developed spreadsheets that assist me and my clients crunch numbers to answer questions like these and many others throughout the process. In numerous cases, I accompany my client, along with an attorney, to mediation where these spreadsheets are invaluable. When one spouse throws out a number, we can quickly calculate how it will affect my client's long-term finances.

Knowledge is power, especially in divorce. Hiring the most appropriate professionals for your team will help you get all the facts you need to make the best financial decision possible.