



## Navigating Divorce

It's important to recognize that divorce impacts so many aspects of life, not just the legal ones. Divorce is often thought of as an emotional event, but it is also a major financial event. These 17 points can help you take control of this aspect of your divorce and plan for a more secure future.

1. File a separation - so any debt they incur is not your responsibility
2. Cancel Joint Accounts
3. Update your Estate Planning Documents - Change your beneficiaries: but wait until the divorce is finalized
4. Update your personal insurance coverage - make sure you are only paying for assets you own
5. Cell phone coverage - does that need to be looked at
6. You must know the complete financial picture - everything, that includes debts, assets, bank accounts, insurance policies
  - Don't be afraid to dig around - ask tough questions
  - Be careful of spending - Retail therapy can be fun but dangerous
7. If you change your name
  - Retitle assets in your name
  - Update the Soc. Sec. Administration
8. Track expenses - and anticipate future ones
  - You had dual income, now will be single source, but expenses may not be less in many cases
  - As soon as you know divorce is inevitable, begin tracking your household income and expenses. This will not only help build a budget post-divorce, but it is also crucial for your attorney and later the judge in deciding how to split assets and debts, and whether to award spousal or child support.
  - Calculate those expenses that are mandatory vs discretionary—Get our [Cash Flow Analysis](#) here.
9. Dividing retirement accounts
  - Equitable distribution of retirement assets. Retirement savings are typically split on an equal basis, although not in all cases. Funds saved before marriage might be considered separate property. An equal distribution is particularly important for those divorcing at age 50 or older, where retirement plan savings may represent a significant percentage of a couple's combined wealth. (Remember, all assets are not created equal - taxable retirement accounts are not 100% yours - IRS wants their cut. Find out the true value of your asset at [www.NavigateYourTaxes.com](http://www.NavigateYourTaxes.com))



## 9. Dividing retirement accounts (Cont.)

- ROTH IRAs are tax free, consider those assets differently than IRAs and 401Ks
- A Qualified Domestic Relations Order (QDRO). QDROs arrange the transfer of part of the assets in a workplace plan or IRA to an ex-spouse's retirement account. The transfer can be made directly from one account to another to help avoid a 20% withholding tax on the transaction. The person receiving retirement assets in this manner has a one-time opportunity to withdraw any amount of this money without a 10% early withdrawal penalty.

## 10. Understand Social Security benefits

- Spousal benefits. Once you reach retirement age, you can claim spousal Social Security benefits based on your ex-spouse's earnings, provided that you were married for at least 10 years. This is allowed as long as the benefit you are entitled to is larger than the benefit you would receive on your own work record. You also must have been divorced for at least two years and remain unmarried.
- Calculating benefits. The spousal benefit will equal one-half of the benefit of the ex-spouse if both have reached full retirement age (full retirement age ranges from 65 to 67, depending on date of birth.) If you start receiving benefits prior to full retirement age, your benefits will be reduced. Review all options to maximize your Social Security benefits.

11. If you're relying on support, the payer should have insurance.

12. Be realistic about the value of the Retirement Accounts - They are still taxable

13. Remember if you keep the home, you have expenses but also Mortgage deductions

14. Know when your bills are due, protect your credit

15. Alimony is no longer a deductible expense

16. Child Support is not tax deductible - but Child Support is not considered income

17. Custodial Credit - you both don't get to claim

## What's Next?

Divorce is a major life transition, but you don't have to navigate it alone — especially when it comes to your financial future. At Compass Financial, we partner with individuals to empower them and their financial potential, helping them make informed decisions with confidence. With personalized tools and strategies, we ensure you have the clarity and resources to build a strong foundation for your next chapter. We're here to help you take control and move forward with financial peace of mind.