THE IMPACT OF A DIVORCE OR SEPARATION ON YOUR FINANCIAL LIFE

You know that divorce will have a significant effect on your life, including your finances. And that's a reality for a large number of people. INSIDER and the CDC's National Center for Health Statistics, Oklahoma ranks second—to Nevada—in highest divorce rates in the country.

If you're on the verge of separation or divorce, here are some tips for adjusting your finances for this major life change.

1. **Anticipate the costs.** Legal and other fees related to divorce can be expensive, which is why it's never too early to begin to understand how much you'll need to cover the costs of a split. If you plan in advance, you'll be in a better financial situation once the divorce is finalized. It's also a good idea to gather as much documentation as possible—such as tax returns, bank, investment and retirement account statements, and loan and credit card information—so you have the details you need to sort out your finances and negotiate any financial concerns.

2. **Be aware of a significant tax change.** Couples who are separating or divorcing should take into account a major change in the tax treatment of alimony that applies to divorce or separation instruments that are executed after Dec. 31, 2018. Under the old federal tax law, the person paying alimony was able to deduct those payments from his or her income and the person receiving alimony was required to include those payments in his or her income. Under recent tax reform, those rules have changed. For divorce or separation agreements beginning in 2019, the person paying alimony will no longer be able to deduct it, and the recipient will no longer have to include the alimony in his or her taxable income. It's critical for divorcing couples to consider the impact of this change in their tax and financial planning and to determine the best options for them.

3. **Revise your monthly budget.** Instead of pooling two incomes, after a divorce you'll be relying on your own earnings. You'll also be setting up your own financial life, opening new checking and savings accounts and possibly moving into and furnishing a new residence. To keep yourself on track amid all these changes, be sure to create a new monthly budget based on your income and expenses as a single person, so that you can start with a sound financial foundation. Within your budget, don't forget to include continued payments to savings and retirement accounts to ensure you have a financial cushion now and a nest egg when you retire.

4. **Build a new big picture plan.** Divorce can drive many changes that will influence your finances, including getting or changing jobs, downsizing your residence, relocating or revising retirement or other near- or long-term plans. After you've taken some time to adjust to your new life, step back and reconsider what larger changes may make sense to you. Do you still need the same big house? Do you still have the health care coverage you need? Are you on track for retirement? These are the kinds of issues you should examine in building a new plan for your future.

5. **Know your emotional needs.** There is a lot to think about when going through a separation, and it can be easy to get so focused on the concrete tasks, like paperwork, that you neglect the emotional aspects. Taking the time to plan out your finances can ultimately help prevent future stress, but it's also important to make time for yourself.

Source: https://www.insider.com/states-most-divorces-2019-1