

DIVORCE: Some Common Misconceptions

By Jody D'Agostini, CFP®, CDFA™ and Craig Hyldahl, CFP®, CDFA™

Often women going through divorce believe that everything is split 50/50. This, however, is rarely the case. The goal is to establish an equitable, not necessarily equal, settlement that can vary greatly per state and per judge. Some of the considerations include the length of the marriage, the income of each spouse, their relative health and age at the time of divorce, their education and earning capacity, as well as childcare concerns. The primary considerations are based upon the needs of both parties and the ability of each to pay. Sometimes only rehabilitative maintenance is awarded, giving the spouse the ability to reeducate him or herself, or provide some time to improve their earning power. Many divorces offer no spousal support at all and if awarded, it is generally modifiable with changes in health, loss of job, inheritance, or the like. Property division is nearly always final, while child support is always modifiable. All states have child support guidelines, which help determine the amount of support to be paid. The courts may deviate from these guidelines, but generally as alimony increases, child support decreases.

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Craig Hyldahl, CFP®, CDFA™

Not all assets are considered to be equal. Assets that came into the marriage separately or were received separately by one spouse such as a gift or inheritance are not considered to be marital property and do not figure into the settlement, unless they were retitled or commingled. Tax consequences, sales fees, investment returns, and liquidity must be considered as well. (You can't pay your bills with a home, but you can with a money market fund!) Furthermore, the tax basis and tax consequence of the split assets should also be considered.



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