

*Splitting Up Is Complicated -
Dividing Your Assets Does Not Have To Be*



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COMMON SENSE DIVORCE

By Fred Dunbar

Splitting up is complicated, but dividing your assets doesn't have to be. In 2009, Meryl Streep, Alec Baldwin and Steve Martin starred in a romantic comedy, "It's Complicated." The movie tagline was, "First comes marriage, then comes divorce, and then divorce ... with benefits." A humorous movie, but it doesn't show the ugliness that many experience with divorce.

Divorce is extremely difficult — just ask anyone who has gone through it. Almost 50% of marriages today will end in divorce or separation. Maybe I'm a hopeless romantic, but I believe that every time I hear someone is getting married, they'll live happily ever after. Then, I realize that sometimes life is just complicated.

Since March 11, 2020, when the World Health Organization declared COVID-19 a pandemic, life has changed for many of us, and the number of divorces has increased. Search the internet to see how the divorce rate has spiked since COVID started, and you will find many statistics. However, we truly won't know the numbers for a couple of years. It seems that just about everyone I speak with has a horror story to share. Is this true with your inner circle of friends and family?

When COVID hit, we had a vibrant economy, and the pandemic shut it down. All nonessential businesses were told to close their doors, and initially most felt anxious about the unknown but took comfort that they were sheltered in place with loved ones.

That sentiment certainly changed with the length of time people had to work from home. For most, there was no personal interaction with anyone outside of their home, so arguments started about COVID restrictions and vaccinations.

We all lived through the shutdown but dealt with it differently — some people appreciated the time at home, some tolerated the experience, and some couldn't stand the isolation, adding to already heightened anxieties. This could have led to an increase in separations and divorces. I spoke with a local divorce attorney who mentioned that during the height of the pandemic, his firm was receiving three to four calls daily inquiring about divorce and the cost.

It's the end of April as I write, and twice in the last three weeks my office received calls asking for advice about assets and income splitting before telling their spouses that they were filing for divorce. One found us on the internet while searching for a fee-based financial planning company with a Certified Divorce Financial Analyst (CDFA) on staff. The other one was a referral from an existing client.

The former was a gentleman, looking for a strategy about splitting assets prior to telling his wife. The latter was a woman, calling to ask us pretty much the same thing. It was coincidental that both were married for about the same length of time, and both planned on telling their spouse before their wedding anniversary in mid-May. When I got off the phone with the second prospect calling about an upcoming divorce, I had to check our records to make sure it wasn't the same couple.

Both were just trying to get their ducks in a row before telling their spouse it was over. For both couples, it will be emotional, but since their children were grown, they felt that would make it a little less painful. Involving young children makes the situation even more difficult. Today I'm focusing on the financial side of divorce.

The idea of contacting a financial planner before speaking to one's spouse may seem cold and calculating, but when you step back, it's practical thinking. If you are contemplating the same thing, you are going to experience one of the most painful conversations you have ever had. Most of the time people can see it coming, but every situation is different.

After the initial shock, develop a plan together, if possible, so you can both discuss a division of your assets and possessions. All of your expenses will increase because you will now each have your own house, basically doubling your living cost. If you do this prior to meeting with a family law attorney, specializing in divorce and legal separations, it could possibly save you each tens of thousands of dollars. Remember, divorce attorneys charge by the hour, so there is no incentive for a quick settlement. PAOnlineDivorce.com states that the average cost of divorce in Pennsylvania is approximately \$14,300, but if there are children involved the expenses can reach \$21,500. Depending on the circumstances, the cost of divorce can be substantially higher.

We have a couple in their 30s with two small children. They have been separated since May 2020. In speaking with them, they both just seemed miserable and described the dwindling state of their marriage to me. It didn't help that they moved out of state to live close to her parents, who were constantly meddling in their marriage, and the husband was from a different state and didn't have his family or friends close by. To date, they have not reached an agreement, and their attorney fees are already north of \$40,000 each.

Did COVID play a part, or were they simply a bad match from the beginning? The pandemic definitely prolonged the litigation because the courts were closed with the shutdown. Since reopening, they have moved at a snail's pace with the backlog of court cases and limited availability. Who is right and who is wrong is not my concern, but emotions can result in enormous expenses. If they had sat down with a CDFA in the beginning, they might have been able to settle the financial side of divorce for a couple of thousand dollars versus the \$80,000-and-climbing attorney fees that they are facing.

Over the years, another couple comes to mind who asked to meet with us to discuss splitting their assets and income prior to meeting with an attorney. Knowing the clients certainly helped, since they just asked one thing of me: to be fair. Once this particular couple's assets were split, I informed the husband that he would need to pay alimony. He became irate. I reminded him that they asked me to be fair, and he remembered and agreed. The reason I recommended alimony was because of the disparity in their Social Security payment amounts. He was receiving \$2,942 per month, and she was receiving half that much. I said splitting the difference would mean that they both receive the same monthly income. They could put their emotions on the back burner, think rationally, and split their assets without incurring excessive attorney fees.

It is sad that increasing divorce rates have become more of a reality over the last few years. If you find yourself in this difficult situation, try to be practical about the money. The emotions will be raw, but if you can stomach being in each other's presence, sit down with a fee-based financial planner — better yet, a CDFA. A financial professional may save each of you tens of thousands of dollars.

Whether or not you or someone you love is going through separation or divorce, hopefully you can take the time to enjoy small things like some time at the beach with your favorite book.

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