

## **Don't be Fooled by Equal Numbers... Look at the Long-Term Effect of a Proposal Before Agreeing to Any Financial Settlement**

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The financial ramifications of divorce can be quite devastating! However, with proper planning and expert help from a Divorce Financial Planner<sup>1</sup>, a divorcing couple can create a financially equitable divorce settlement *and* make sure they have the knowledge and tools to rebuild their financial security after the divorce is final.

Without fully understanding the complex financial and tax implications of dividing assets, it could be very easy for two parties to agree on a settlement that would seriously risk their future financial security.

In most divorce processes, the financial planning expertise that can accurately forecast both the short and long-term effects of different financial settlement options is missing. Illustrating the future financial picture of each spouse is an objective process that creates reality, which in turn, reduces much of the emotion and anger involved in a divorce. Let's take a look at a case study:

Mike offers the following division of assets:

<b>ASSET</b>	<b>MIKE</b>	<b>MOLLY</b>
Marital Residence Equity		\$150,000
Mike's 401(k)	\$90,000	\$90,000
Cash and Savings	\$25,000	\$25,000
Mike's business	\$150,000	
<b>TOTAL</b>	<b>\$265,000</b>	<b>\$265,000</b>

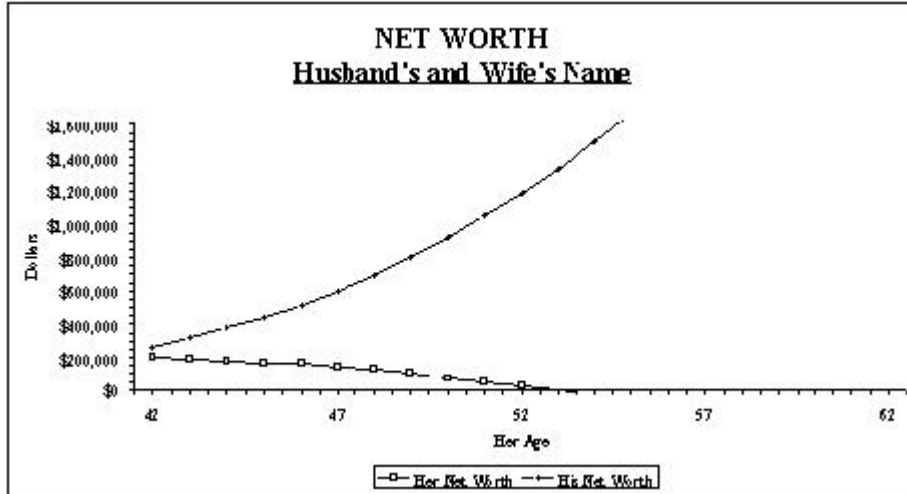
In addition to this equal division of the assets; Mike will pay Molly \$1,500 per month in alimony for 5 years and \$500 per month in child support. Mike earns \$95,000 per year and Molly \$25,000.

Sound fair?

Here is the result of Mike's proposal:

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<sup>1</sup> A Divorce Financial Planner can be a financial planner, accountant, lawyer or any other financial professional who has completed specialized training in the area of finances and taxes as they relate to divorce.

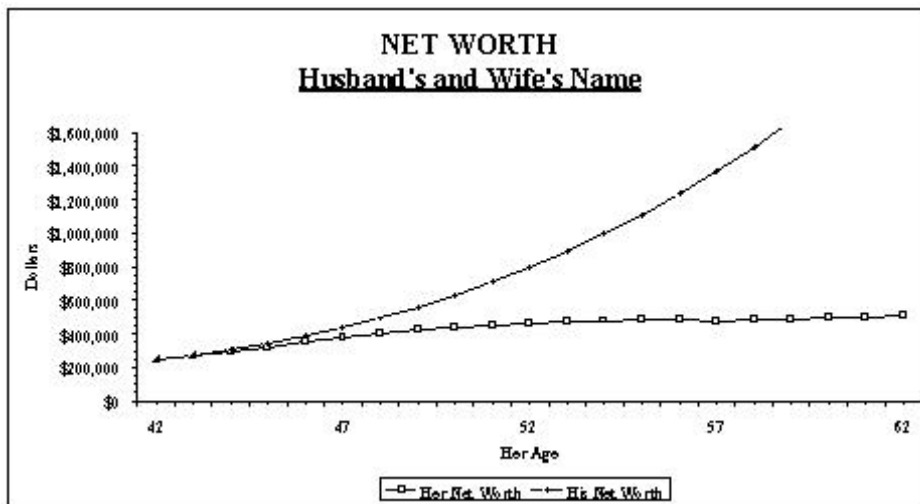


This graph shows that within 10 years Molly's assets are gone (including her home) while Mike's net worth has increased.

Often times, what appears to be equal at the time of divorce can eventually cause serious financial trouble for one of the parties. As you can see in Molly's case, even maintaining an austere lifestyle, the lower wage earner is often forced to deplete savings and retirement assets and perhaps sell their home just to survive.

Divorce Financial Planners have software programs that can project settlement proposals into the future. This helps everyone make informed decisions based on accurate data.

In our case study, by minimally increasing the amount and duration of alimony, as you can see by the graph below, Molly avoids depleting all assets within 10 years and Mike is still able to increase his net worth.



A 50/50 division of property may not produce equal results or equal standards of living after the divorce, if the two spouses are not situated financially equal at the time of divorce. By including a Divorce Financial Planner on the divorce team, they will benefit by hearing an objective viewpoint in an emotionally charged situation and have the peace of mind that their settlement is financially equitable.

Although the marriage may be over, the rest of their lives are still ahead and it is prudent to take care of their short and long-term financial needs by working with their team of professionals to create the most financially equitable divorce settlement possible.

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