



Divorcing in Maine

Financial Issues

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Role of the CDFA[®]/Financial Professional

Financial professionals do not replace attorneys and do not give legal advice

Help to prepare a net worth statement to assist with dividing property, looking at short and long term and tax effects

Can help to evaluate a proposed settlement

Assistance with budgeting post-divorce and possibly calculating spousal support

Preparation – Part I

- The more prepared you can be, the more confident you will be
- Get a trusted team together
- Run your credit report: <https://www.annualcreditreport.com/>
- Start to gather documents: tax returns, bank statements
- Inventory safe deposit boxes or home safes
- Take photos of items that might disappear

Preparation – Part II

- Do those things that you've been putting off – car repairs, dental work, school clothes for the kids – while assets are marital
- Access to cash – needed for attorneys, court fees, therapists, establishing a new household or replacing items
- Sources of cash:
 - Savings and investments
 - Loans from friends and family – formalize with promissory note
 - Credit cards
 - Loans from home equity (if jointly agreed) or from retirement plans
 - IRA distribution – last resort because of taxes and penalties

Dividing Property

- Prepare a list of all assets and debts
- Commonly forgotten items:
 - Frequent flier miles or credit card points
 - Business partnerships
 - Hobby collections or artwork
 - Executive benefits (stock options or deferred compensation)
 - Retirement plans from prior employers
 - Pensions – these have value and may be able to be split
 - Accumulated sick time or vacation
 - Joint tax debt

Splitting assets

When considering a possible split of assets, consider your needs:

- If you'd like to keep the house, consider the reality – will you qualify to refinance and also afford the upkeep?
- If you won't keep the house, where will you live?
- Are you thinking long-term as well as your immediate needs?

Splitting Retirement Plans

- Employer plans (“qualified plans”) are split using a QDRO (Qualified Domestic Relations Order) – make sure the plan allows the split you’re agreeing to!!
- You can take out a lump sum penalty-free (but not tax-free) from a qualified plan upon a divorce
- IRAs are split using a copy of the divorce decree instead of a QDRO, but there’s no ability to take a distribution under the age of 59 ½ without taxes and penalties
- Federal and military plans have special rules – make sure you find out what’s possible before agreeing to anything.



Tax effects of different assets

- If you sell the home pursuant to the divorce each spouse may exclude \$250k in capital gains
- Taking the home now and selling it down the road will allow you \$250k in exclusion, unless you are remarried, and can exclude \$500k
- Tax effects of cash are very different from that of stocks or retirement funds – make sure you understand the difference. Consult a tax professional if you're not sure. It's worth the cost – it may save you thousands of dollars in taxes!

Future Income and Expenses

Prepare a budget estimating your post-divorce expenses.

- Do you need to add health insurance as a new cost?
- Estimate child support using calculator
- Don't forget the kids' needs – child support doesn't take extra-curricular costs into consideration
- Is spousal support on the table? One party's needs vs. the other party's ability to pay
- If possible, consider taking a lump sum instead of monthly spousal support payments – there are many benefits, but it may not be affordable
- Think hard before waiving spousal support
- If you are getting any kind of support, make sure it's protected with life insurance

Looking Ahead / Retirement

- Consider your future income – will your career change or will you need to add job skills to be able to support yourself (especially after spousal support ends)?
- Social Security: if the marriage lasted at least 10 years and you have not remarried, you're entitled to the GREATER of (a) your own benefit or (b) ½ of your former spouse's benefit – collecting on the other person's benefit does not affect what they collect, and they don't even have to know.
- Think about what other sources of income you will have (retirement plans, pensions, etc) and also what your expenses will look like.

Remember to Tie Up Loose Ends!

- Change titles to any joint assets you're taking
- Change your will
- Update beneficiaries to life insurance and any retirement accounts
- Make sure any QDROs are finalized