



## After Cupid's Day Has Run Its Course, so Have Many Marriages

Important financial decisions need to be made after a couple initiate the move to go their separate ways.

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When the Valentine's Day rush is over, A. Natalie Nelson's rush starts.

Nelson, 48, is a certified divorce financial analyst. Couples hire her to help sort out the financial implications of their split-up.

"My phone rings off the hook every Feb. 15," she said. "It's not usually one thing. It's a cumulative breaking point."

About 1 million U.S. marriages end in divorce each year, according to the National Center for Health Statistics. No seasonal statistics are compiled, but divorce specialists say that mid-February is prime time for marital dissolutions.

"I think the holidays end up being the straw that breaks the camel's back, relationship-wise, said Fadi Baradihi, president and chief executive of the Institute for Divorce Financial Analysts in Southfield, Mich. "You spend a lot of time together. And any deficiencies in the relationship are highlighted on Valentine's Day."

Linda Whildin, a 55-year-old massage therapist in Boulder, Colo., said she started her divorce about this time three years ago, but it wasn't over a small disappointment like not getting candy and flowers.

"It wasn't as much Valentine's Day for me as it was the beginning of the year," she said. "You keep yourself together through the holidays. Come January, you start cleaning - not just your house, but your life."

Whatever the reason, divorce triggers a host of important - and potentially irrevocable - economic decisions.

Unfortunately, the emotionally charged nature of separation can make reasoned decisions difficult, causing many people to fall into costly traps. What should divorcing individuals consider and avoid? Here are some tips from experts.

- o Make a budget. The hard truth about divorce is that there's unlikely to be enough money to keep both parties in the lifestyles to which they've become accustomed, said Nelson, who works in Boulder.

"We cannot take the family income and support two households with the same efficiency as you supported one household," she said. "Lifestyles are going to change."

It's important to get a quick and accurate view of what each spouse spends, what spending is necessary and what's discretionary, so the couple can start making the tough choices that are likely to be necessary to keep both sides solvent, she said.

- o Get a credit report and gather credit card statements. A common retaliatory move by the spouse who didn't initiate the divorce is to splurge on credit, Baradihi said. "One spouse usually feels that's a good form of revenge."

If the other spouse can show that the post-split spending was not "usual and customary," a judge is likely to take that splurge out of the spender's assets when dividing up the marital estate. But without credit card statements, it's tough to prove what was normal. The credit report gives a snapshot of the couple's outstanding debt at the time the report was pulled, so it's smart to order the report as soon as possible after a split, Nelson said.

- o Tally assets, liabilities and earnings histories. Although divorce law varies from state to state, the presumption among most courts is that marital assets, liabilities and income will be split roughly in half, unless there are unusual circumstances to consider, experts said.

What's unusual? Baradihi said that one of his clients was ill and unable to work. Her former spouse was a doctor with significant earning power. The client believed that she needed all the marital assets to maintain her lifestyle. The court agreed, giving her a lifetime interest in the estate that would revert to her ex-husband on her death.

By the same token, Nelson said she had clients where the husband claimed that his wife, who had been a stay-at-home mom, could earn \$75,000 a year and shouldn't be entitled to spousal support, even though his income was vastly greater than hers. A look at her Social Security earnings statement showed that she had never earned more than \$19,000, making it simpler to dismiss his claim and secure spousal support.

- o Don't fall in love with an asset. The biggest mistake many people make is demanding an asset for emotional, rather than economic, reasons, said Mark Hill, managing partner of Pacific Divorce Management in San Diego.

"I know one couple who spent \$15,000 to \$20,000 [in legal bills] over who was going to get this painting that they'd purchased in Italy on their honeymoon," he said. "By the time it was over, they could have both flown to Italy, each bought new paintings, had a nice vacation and still come out ahead."

Many women demand the house without recognizing the sometimes burdensome demands of the mortgage, utilities, maintenance and taxes on that asset, Hill said. Men often demand the pension without recognizing that every dollar coming out will be fully taxable at ordinary income tax rates at retirement, whereas a stock account or bank account would have a significantly lower tax cost.

- o Don't rush to hire lawyers. Although some couples will need to hire attorneys, there are many ways to handle a divorce, and some of them are less costly and possibly less divisive, Hill said.

Many parties represent themselves, for instance, agreeing on an equitable split of assets and simply hiring attorneys by the hour to draw up the necessary paperwork. Berkeley-based Nolo Press ([www.nolo.com](http://www.nolo.com)) offers software to help with the support calculations.

Over the last decade, divorce mediation and so-called collaborative divorces also have become more common, Hill said.

Mediation puts the parties - and, sometimes, their attorneys - in one room where everyone agrees to a settlement. Mediation typically costs a third or less of the cost of a litigated divorce, and attorneys say it can also result in more cordial child-sharing relationships.

But some experts caution that mediation doesn't always work well when the parties have vastly different power positions in the marriage. Mediators can explain divorce law but can't give advice. So if the parties don't also have their own attorneys, mediators may be unable to prevent the weaker party from agreeing to an inequitable deal, Hill noted.

Collaborative divorces involve a team of attorneys, psychologists and financial professionals who gather to come up with an equitable settlement, Hill said. Despite the experts, a collaborative divorce may cost only half as much as a litigated divorce because there's less bickering, he added.

When financial shenanigans are suspected, or there's abuse or extreme disagreements between the parties, it might be wise for both parties to hire divorce attorneys, even if it is more costly, Hill acknowledged. Still, it's wise to consider the options first, he said.

"Consider what the issues are in your divorce. Are they child issues? Are they financial issues or are there emotional issues?" he said. "You may need an attorney, but some people go in to talk to an attorney and the next thing they've signed a retainer agreement and they're off to the races."

Kathy M. Kristof, author of "Investing 101" and "Taming the Tuition Tiger," welcomes your comments and suggestions but regrets that she cannot respond individually to letters or phone calls. Write to Personal Finance, Business Section, Los Angeles Times, 202 W. 1st St., Los Angeles, CA 90012, or e-mail [kathy.kristof@latimes.com](mailto:kathy.kristof@latimes.com). For previous columns, visit [latimes.com/kristof](http://latimes.com/kristof).