

Your money after divorce

Set deadlines for completing these tasks and make them happen. Then take some time to focus on you and the next phase of your life.

1 Start with the basics.

Budget

Plan how you'll spend and save your money based on one income. Don't forget to set aside six months of living expenses in a bank account as a safety net. If you have unexpected expenses (hello, car repairs) or are temporarily without a job, the extra cash reserve will come in handy.

Banking, investments, and credit

Close joint accounts, open new ones in your name, and check your credit score after the divorce to resolve any errors. Discrepancies can impact your ability to get credit, or result in a higher interest rate. It's also good practice to change passwords for your online accounts.

Your team

Assemble a helpful network. You have a divorce lawyer. Now line up a financial advisor and tax professional.

2 Next, tackle QDRO and other complex stuff.

Life insurance and annuity policies

Often a simple form is all you need to update beneficiaries. Make sure coverage is adequate for your children.

Retirement accounts

Update beneficiaries on retirement accounts. To split a workplace retirement plan like a 401(k), 403(b), or a pension plan, you'll need a court-issued document called a qualified domestic relations order (QDRO). Retain a copy and follow up on payouts or transfer of assets according to the divorce agreement. To transfer IRAs or other retirement accounts, provide the financial institution with a copy of the settlement and any paperwork they request. If you need some of the money now, discuss any tax laws regarding withdrawals from a workplace retirement plan vs. an IRA with your tax advisor.

Mortgage

Retitle assets in your name. If you'll refinance, start the process.

Health insurance

File COBRA documents to extend your coverage if you don't have your own policy. COBRA helps ensure you don't have to use other savings for unexpected medical expenses. It's not a long-term solution though, so start planning now for health coverage once COBRA runs out.

Property/casualty policies

Look at what's on your homeowner's coverage, such as jewelry, collectibles, artwork, and other valuables. Do the same with your vehicles.

Will and estate planning documents

Talk to an estate-planning attorney to create or update your will, health care, and financial directives. You'll want your wishes carried out, and to take care of those who matter most to you.

3 Finally, plan for your future.

Taxes

Your accountant can run new projections based on your income and deductions, and help you decide if you need to change your withholding or make estimated tax payments. Remember: Since the start of 2019, alimony or separation payments made to a former spouse under a divorce agreement entered into after 2018 aren't tax deductible.

Financial plan

A financial professional can help you figure out how much to save for retirement, and which adjustments to make.