



## **FINANCIAL ISSUES AFFECTING DIVORCE**

According to a recent article in MSN Money, five financial events can significantly impact a divorce:

1. Unstable real-estate market

When the real estate market is soft and a lot of houses are on the market, you can burn through the equity in your home if you have to sell it in a divorce situation. On the other hand, in a hot market, you can capitalize on the value of your house and sell it quickly. The least-expensive solution is to work the divorce settlement so that one spouse gets to stay in the house and the other spouse takes other assets to compensate for his or her share of the equity. This avoids real-estate fees, land-transfer taxes and other costs of selling and moving.

2. Shaky Economy

The overall state of the economy can affect the financial blow a divorce can deliver. A divorce can mean one or both spouses may have to rent or buy houses, purchase cars or even change jobs. In a shaky economy, all of these things can be difficult. Credit is harder to obtain, and jobs may be scarce. In a robust economy, all of these necessities may be easier, but large items, such as houses and cars, may be more expensive.

3. Damaged Credit Score

If you have a bad credit history, a divorce is apt to make it worse. Good credit scores are often needed to rent an apartment, apply for a job or even open a credit card. You may be unable to afford to live the way you were accustomed to living. If the split is amicable, it may be worthwhile to wait several months to a year until you can work on raising your credit score. If you are the spouse with the credit damage, try to negotiate keeping the existing house and car so that you do not have to face creditors in the near future.

4. Having Children Under 18

Divorce becomes exponentially more complicated when minor children are involved. Custody issues must be worked out, and financial support arrangements need to be put in place. You and your former spouse will have less combined income with which to support the children, as your living costs will no longer be shared. If you have children heading off to college, one benefit of your divorce is that they may be eligible for student loans and grants for which they might otherwise have been ineligible. Many student aid plans consider only the income of the custodial parent when assessing eligibility for financial aid.

5. Receiving an inheritance

State laws vary on how community property must be divided in a divorce. Most, however, do not look forward. That means that future assets or income of either spouse cannot be divided and treated as part of the divorce assets – although they might change a child-support order. If you inherit money before your divorce is final, it may become part of the marital assets. If however, you inherit money after your divorce is final, you will likely get to keep it all.