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The Divorce Roadmap: Your Path to a New Beginning

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Discovering Your Financial Reality

Under normal circumstances, gaining an understanding of your financial situation will help you feel in control of your life.

In the midst of a divorce, taking control of your financial situation is one of the most important and empowering steps you can take. The experience itself often brings intense stress as the fears and uncertainties mount and you come to grips with a new paradigm. To manage this, it's essential to stay rooted in the reality of your financial landscape before, during, and after the divorce. This approach will help reduce anxiety and allow you to feel more in control of your life as you move forward. Start by breaking down your financial picture into four key areas: assets, liabilities, income, and expenses. Knowing where you stand in each category will provide clarity and confidence as you navigate your next steps.



SAFEGUARDING YOUR ASSETS DURING DIVORCE

Here today, gone the next... Sometimes, a divorce comes as a surprise, but in many instances, it's pretty clear where the relationship is going. Assets can sometimes disappear once divorce proceedings begin, so it never hurts to have an up-to-date inventory of things whether you are in a healthy marriage or not. If you haven't got a good handle on this, when the time comes, it's essential to act quickly and document what you and your spouse own. There is a worksheet at the end of this book titled **Charting Assets** which can help you compile this list. Here is a breakdown of assets to include:

- **Cash:** Note any cash kept at home or in a safety deposit box.
- **Checking Accounts:** List all accounts, including personal, joint, business, and trust accounts.
- **Savings Accounts:** Don't overlook accounts dedicated to specific purposes, like holiday funds or annual expenses. These accounts may be funded by payroll deductions and set up for large, infrequent expenses (such as insurance premiums, real estate taxes, or vacations).
- **Certificates of Deposit:** Term securities that offer a higher rate than your ordinary checking account; they may not be at the institution where you do most of your banking

- **Series EE or I Bonds:** Government securities, the Series EE bonds may still circulate in paper form, whereas I bonds are bought and held directly with the US Treasury through TreasuryDirect.gov

Precious metals or cryptocurrencies like gold bullions or bitcoin

- **Retirement Accounts:** Include IRAs, 401(k)s, defined contribution plans, and pension plans. Remember any retirement plans from previous employers that haven't been consolidated.
- **Non-Retirement Investment Accounts:** Document mutual funds, brokerage accounts, annuities, cash value of life insurance, private or alternative investments, Health Savings Accounts (HSAs), and stocks or bonds held in certificate form.
- **Real Estate:** List the family home and any additional property, such as cottages or rental properties.
- **Employer-Funded Incentive Programs:** Include stock options, accumulated travel points, future bonuses, educational perks, etc.

After you are done cataloging your assets, start gathering statements for each asset. Investment companies typically send statements monthly or quarterly, depending on the account and trading activity. Employer-sponsored plans often provide a year-end statement in the first quarter of the following year, so don't worry if not all statements are immediately available. It may require looking at the prior year's tax returns if the statements are not easy to locate or have never been mailed.

If you have a safety deposit box, visit the bank to make a list of its contents. Also, locate the paperwork from your last mortgage closing, as it will include a record of all assets, liabilities, and income disclosed during the mortgage process. Finally, obtain copies of your last five years' tax returns, which will provide important information about income sources, especially if your spouse is self-employed.

Taking these steps early in the divorce process will help you secure a clear picture of your financial situation and protect your assets.

Identifying Liabilities, Income, and Expenses During Divorce



LIABILITIES

Unlike assets, liabilities often surface unexpectedly as divorce proceedings approach. In addition to listing all liabilities, monitor for any unusual increases in debt. If you notice significant or unexplained debt accumulation, notify your attorney immediately. It is worthwhile to run your free credit report through each of the reporting agencies: Equifax, Transunion, and Experian. It's not uncommon for a spouse to have requested a line of credit or card without the other one's knowledge. If you haven't already frozen your credit file, it may be worth doing so.

As a general rule, debt tied to an asset should follow that asset after the divorce. For instance, whoever retains the car should also take on the car loan. If a business is involved, scrutinize any debts claimed to be owed to relatives, friends, employees, or especially the spouse. For any such loan, request a signed loan agreement, details on the loan's purpose, and the repayment plan.



INCOME

Next, identify all sources of income, which may include earnings from full- or part-time employment, passive sources like investments or real estate, and self-employment. Summing up these sources provides your total income, which is an essential figure for calculating child support and determining spousal support eligibility and amount.



EXPENSES

Determine both your current and projected post-divorce budgets. Remember that the same level of income will need to sustain two separate household's post-divorce.

Start by gathering documentation, such as bank and credit card statements, to create an objective view of your expenses. Be cautious of "double-dipping," for instance, if your cell phone bill is automatically charged to your credit card, don't list both the cell phone bill and the credit card payment. Also, don't overlook cash withdrawals; you should be able to account for where these funds were spent.

Building a clear picture of your liabilities, income, and expenses will give you valuable insight and help create a stable financial plan for the future.



CREATING A DIVORCE BUDGET

It's crucial to view your marriage as a financial contract just as much as an emotional one.

Approach budgeting with a clear, analytical mindset. As you work on your budget, start by filling in each category using the worksheet below with realistic estimates, then ask a trusted and objective professional like a CDFA to review and offer constructive feedback. This requires real intellectual honesty, most people struggle with this exercise, but it will help your attorney in making your case and determine what lifestyle adjustments will be necessary.

Begin with the pre-divorce budget, using the worksheet provided as a guide. Complete one copy for your current (pre-divorce) expenses and

a second for projected post-divorce expenses. For each item, carry over the expense to the post-divorce worksheet, adjusting values up or down as necessary. For instance, childcare might increase if you need to hire someone, while grocery costs might decrease.

With these worksheets, you'll have a clear picture of your assets, liabilities, income, and expenses. These are essential details to share with your attorney as you move forward in the process.

It is important that you determine how defined benefit plans will be divided between you and your spouse. It is also imperative for the agreement to state if the employee's spouse will be entitled to survivor's benefits if the employee dies. It is important to make sure that the non-employee, in fact, qualifies for survivor benefits; otherwise, he or she may be better off with another asset.

Complex Issues require real rigor; let's look at common issues to expect



NAVIGATING PROPERTY ISSUES IN YOUR DIVORCE

Understanding how to handle property division is essential when negotiating your divorce agreement. Attempting to reach a mutual agreement rather than going to court has many advantages: it often saves time, reduces financial and emotional costs, and increases the likelihood that both parties will uphold the agreement's terms.

Your divorce agreement should be thorough, particularly when it comes to property division. While it may not be necessary to list every single personal item, you should include the possessions that matter most to you. It's essential to specify all significant financial assets, including retirement accounts and real estate.

This eBook focuses on property issues only, but your final agreement should also cover spousal and child support, custody, and visitation arrangements. Clearly outline who will retain each asset or how

proceeds from a sale will be divided. Let's explore the most common asset categories:

Financial Assets

Financial assets include checking and savings accounts, certificates of deposit, stocks, bonds, investment accounts, CDs, real estate investments, trusts, REITs, mutual funds, ETFs, alternative investments, and more. These assets can be particularly valuable for a non-working or lower-income spouse who may rely on them for living expenses.

Retirement Assets

Keep in mind that not all assets carry the same tax implications. Retirement accounts are typically pre-tax, meaning that taxes will be owed on distributions. For example, if Jane takes a \$750,000 savings account and Mark keeps a \$750,000 retirement account, it may appear equal. However, once Mark retires and begins withdrawals, he'll pay taxes on that money. At a 30% tax rate, his actual post-tax retirement balance would be \$525,000 — considerably less than Jane's tax-free savings.

Retirement assets come in various forms, such as pensions, 401(k)s, IRAs, and Roth IRAs, 403bs, 457s, and more.

Defined benefit and defined contribution plans each have specific guidelines on contributions and distributions. It's critical to determine how a defined benefit plan will be divided and whether the non-employee spouse will receive survivor benefits if the employee dies. Ensure that the non-employee

spouse qualifies for these benefits; otherwise, it may be better to consider a different asset.

1. Defined Contribution Plans:

Plans like 401(k)s, profit-sharing plans, SIMPLE IRAs, 403(b)s, and 457s can often be divided immediately. The non-employee spouse can roll over their share into an IRA or open a separate account within the same company-sponsored plan.

2. IRAs and Roth IRAs:

These accounts are also easily divisible. Remember that as long as certain criteria are met, Roth IRA distributions are typically tax-free, while traditional IRA distributions are taxed, making \$100,000 in a Roth IRA likely more valuable than the same amount in a traditional IRA.

It's also important to recognize that a pension may be worth more than a house. Consider consulting with a Certified Divorce Financial Analyst (CDFA) like myself to determine whether a formal pension valuation would benefit your division strategy.

By carefully structuring the division of property, you'll be better positioned to achieve a fair and effective divorce agreement.

Employee Benefits

Beyond retirement plans, many employers offer a range of fringe benefits and incentives to their employees. These benefits can include year-end bonuses, accrued vacation and sick days, health insurance, employer HSA contributions, life and disability insurance, expense accounts, stock options, and sometimes less common perks like phantom stock, stock appreciation rights, and restricted stock.

Some of these benefits may count as assets, others as income, and some may not be included in the divorce settlement at all. Determining whether a benefit is treated as a marital asset, income, or excluded depends on the benefit type and the jurisdiction. Generally, if a benefit is guaranteed, it is more likely to be considered an asset or income.

Real Estate

Real estate includes the marital home and any other properties such as vacation homes, timeshares, rental properties (both commercial and residential), and business properties. Each property should be clearly listed, with details on how it will be divided. If a property will be sold, but for whatever reason, one spouse is going to live there for a defined period of time, it's essential to address the following:

1. Who will cover expenses (like maintenance, utilities, and mortgage payments) until the property is sold?
2. How will proceeds or debts from the sale be divided?
3. If one spouse is covering the expenses, will they be reimbursed from the sale proceeds before the remaining balance is divided?

In some cases, spouses agree to co-own the family home temporarily – perhaps until the children graduate – with one spouse continuing to live there. In such situations, both parties need to negotiate how costs will be shared until the property is sold. If the mortgage payment aligns with what the other spouse would pay in rent, you might agree that the lower-earning spouse remains in the home, especially considering current interest rates and housing costs.

Major repairs are typically divided between both parties. This may involve splitting costs at the time of repair or reimbursing the spouse who paid when the home is eventually sold.

Personal Property

Create a list of your personal possessions, especially those that hold significant value or meaning to you, and outline how they will be divided. Be sure to include high-value items like cars, boats, and motorcycles, along with smaller possessions such as jewelry, furniture, and electronics. Keep in mind that courts typically assess these items based on their current, actual value rather than their replacement cost — which means used furniture, for example, may be valued at garage-sale prices, and electronics may have minimal worth just a few years after purchase.

As you evaluate these assets, keep perspective and know when it's time to move on. All too often, people end up spending thousands on legal fees over items worth far less. Staying focused on the overall financial picture can help you make decisions that support your long-term well-being.

Debts

In most cases, the spouse who retains ownership of a property is expected to take on the responsibility of paying the mortgage or any associated debt. However, this doesn't mean the other spouse is automatically free from financial liability on joint debts. Unless the spouse keeping the property refinances the mortgage in their own name, both spouses remain legally responsible for the debt. It's important to remember that a divorce agreement does not relieve either party of obligations to creditors.

If one spouse fails to make payments, the other may be held accountable. Refinancing the debt solely in one spouse's name is the only way to release the other from responsibility, which can have positive or negative implications for future purchasing power and will impact credit reports. Including a refinancing requirement in the divorce agreement is essential. If refinancing doesn't happen within an agreed-upon time, selling the asset and paying off the loan with the sale proceeds may be the next best option.

For debts incurred solely by one spouse during the marriage, such as individual credit card debt, the other spouse isn't liable. However, joint debts, like co-signed credit card accounts, hold both spouses liable, regardless of what the divorce decree states. If possible, the simplest approach to joint credit card debt is to pay it off and close the account.

Being clear on debt responsibilities in your divorce agreement can help avoid future financial complications and ensure each party's obligations are manageable and well-defined.

Property Settlement Note

A property settlement note is one option to achieve asset equalization in a divorce settlement. Alternatives include a cash payment or transferring specific property. For example, if one spouse is entitled to a \$100,000 equalization payment for their share of marital assets, and the family home has \$100,000 in equity, that spouse could be awarded sole ownership of the home to meet this obligation. Property settlement notes are generally structured as a loan payable by one spouse to the other, with an agreed-upon interest rate over a defined term. However, they come with certain risks, such as dependence on the other spouse's ability to pay.

If the note is unsecured, it could be discharged in bankruptcy or become uncollectible if the paying spouse becomes disabled or passes away.

Life Insurance

Some life insurance policies accumulate cash value, allowing the owner to either borrow against the policy or exchange the future death benefit for the current cash value, minus any fees or adjustments. In contrast, term life insurance policies have no cash value, although they can still hold value, particularly if the insured person is no longer insurable.

In a divorce agreement, it's essential to clarify who will own any existing life insurance policies. If the non-insured spouse is intended to be the beneficiary, the most secure arrangement is for them to hold ownership of the policy.

For example, if Jane owns a policy in her own life, and she and her spouse, John, agree that he should be the beneficiary, then transferring ownership of the policy to John would best protect his interests. To ensure consistency, they could arrange for Jane to cover the premiums as part of her spousal support obligations. This setup ensures that John remains the beneficiary and that premiums are paid on time, safeguarding him from the risk of Jane changing the beneficiary or allowing the policy to lapse.

Additional Assets to Address

When finalizing your divorce agreement, remember to consider other valuable assets that may not be as obvious. These can include frequent flyer miles, lottery or prize winnings, club dues and annual memberships, inheritances and gifts, and any trusts where one spouse is a current beneficiary.

Keep in mind this eBook doesn't cover every

possible asset. You and your spouse may have other assets that are equally important. Carefully listing and discussing these assets can significantly impact your financial well-being post-divorce, so take the time to document them thoroughly before reaching a final settlement.

Remember, by collaborating with a CDFA, individuals going through a divorce gain access to a wealth of financial expertise tailored specifically to their unique circumstances. These professionals can assist in organizing and analyzing financial information, identifying potential tax implications, and developing comprehensive budgets. With their guidance, clients can make informed decisions regarding property division, retirement accounts, and other financial matters, ensuring a fair and equitable settlement. If you want a financial advocate on your side, [schedule your free consultation today](#).

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This means our advice is based solely on what's best for you, whether you're planning for your family during working years, selling a business, or securing a comfortable, secure retirement.

We understand everyone has unique needs, so we don't just manage your assets; we build lasting relationships and provide wealth management solutions based solely on your current circumstances, timelines, goals, and tolerance for risk.

In other words, we do not recommend one-size-fits-all solutions.

Let's talk about your plans for a secure financial future.

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