



DIVORCING? AVOID FINANCIAL DISASTERS

By Kathleen Niew

In these economic times, many marriages slide into trouble over money. When a marriage dissolves, any hint of financial difficulty before the divorce has the potential to plunge the split parties into disaster.

When money is tight and parties are distracted by the pain of a break-up, financial and tax planning are needed in divorce planning. Here are critical steps that should be taken while going through a divorce.

GET A BUDGET INTO PLACE. Do a basic financial budget for your new lifestyle. Address questions that will help you understand what life will be like when you're living with a single-job income or temporary income stream provided by an ex-spouse.

FIND AN EXPERIENCED DIVORCE ATTORNEY. The attorney should fit the challenges being faced on both sides. Good divorce attorneys pay for themselves by handling such major issues as division of marital property, exclusion of non-marital property, and how to structure ongoing financial contributions from one party to another. It's important to understand Qualified Domestic Relations Orders – known as QDROS (pronounced “quad-rows”) – to assure that pension assets will be shared fairly. Most of the legal cost in a divorce is based on the presumption that assets are being hidden. If divorcing couples draft a financial statement agreeable to both parties, legal fees can be dramatically reduced.

KNOW THE TAX RAMIFICATIONS OF ALIMONY. Some alimony payments are deductible. Seven requirements need to be met:

1. Payment must be made as part of a legally binding written agreement.
2. That agreement cannot state that the payment is not alimony.
3. Payment must be made to or on behalf of the ex-spouse unless there are payments diverted to others directed in writing by the ex.
4. When legally separated or divorced, either spouse cannot live in the same residence or file joint tax returns.
5. Payments must be made in cash or cash equivalents.
6. Alimony cannot be treated as child support.
7. The obligation to pay ceases if the ex-spouse dies.

VALUE ASSETS BEFORE YOU AGREE TO TAKE THEM. Does the home you're getting in the settlement have a 20-year-old furnace or a roof about to cave in? An inspection by a licensed inspector could help. Is the car past warranty? Consider the expense of automobile repairs. Hiring a valuation expert may be necessary to be sure both parties receive their fair share of a joint business venture. Divorcing spouses need to make sure they have enough money to finance re-

pairs or to replace assets under their new single status.

HELP DOCUMENTING CHILD SUPPORT. Child support guidelines vary from state to state. To establish a child support order in Illinois, the amount of child support considered for the order depends on the non-custodial parent's net income and the number of children for which he or she is responsible. The chart below represents the minimum of what may be ordered according to the Illinois Statutory Guideline (750 ILCS 5/505 Sec. 505).

Illinois has a program that allows a spouse to pay into a special account so child support is recorded monthly. This provides a paper trail and enforcement system for assuring kids get the money as needed. Federal law requires all child support payments to be made by wage assignment and health insurance by health insurance orders.

THINK OF THE KIDS. While child support terminates at age 18 or completion of high school, whichever occurs last, be aware of the statutory language contained in post high school support in 750 ILCS 5/573(2).

FILE TAXES WISELY. Special situations in a divorce will determine whether a couple will need to file jointly or separately during the last year the marriage exists. It's best for both sides to get some assistance filing their taxes during their divorce year and the year afterward.

ONCE THE DIVORCE IS OVER, WATCH THE SPENDING. Budgeting early in the process may cut down on the risk of overspending. Both necessary and unnecessary spending after a divorce is a key reason newly single people often tip into bankruptcy.

All financial details come under scrutiny when going through a divorce. Seek a competent attorney to insure that fairness and security are properly executed in your divorce decree.ⁿ

STATUTORY GUIDELINES OF CHILD SUPPORT

Number of Children	Percent of Non-Custodial Parent's Net Income
1	20%
2	28%
3	32%
4	40%
5	45%
6	50%

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