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From the Allentown Morning Call

SPENDING SMART

Keeping divorce civil holds down cost of breakup

By Gregory Karp
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Divorce is among the most emotional of life events, but once the decision to separate is final, it often becomes a business transaction to divvy up assets.

A lot of money can be frittered away in the divorce process. And that's the last thing you need, because your life is about to get a lot more costly.

"Divorce is much more expensive than you think," said Russell Wild, who co-authored with his ex-wife the book "Unofficial Guide to Getting a Divorce." Two rents, two sets of bedroom furniture for the kids, two sets of pots and pans--the list can go on and on.

"I know a lot of people are wholly unprepared for this," Wild said. "Often, both parties get whacked financially, and whacked hard."

About \$50 billion a year is spent in North America as a direct result of divorce, according to the Institute for Divorce Financial Analysts. Divorces can range from simple to complex, but saving money largely revolves around two strategies: paying less to your lawyer and paying less to Uncle Sam.

Here are a few ways to avoid wasting money as you go through the gut-wrenching process.

-- Cooperate. This is far easier said than done because feelings of bitterness and distrust are common. But most wasted money stems from emotional decisions and contentious divorces.

In fact, most divorces are not adversarial, said Lee Borden, a divorce lawyer in Birmingham, Ala.

"The culture thinks that everybody who goes through a divorce is at each other's throats," Borden said. "That's the exception rather than the rule. In any state, the number of people who finish their divorce in a cooperative way is vastly larger than the ones who have to hire separate lawyers and lob grenades at each other."

Your divorce will be very expensive if you need lawyers to help determine who gets the big-screen TV and flatware.

"I've seen court battles entirely wipe out a family's wealth," Wild said. "The first thing to realize is you're not going to get everything you want. Nobody walks away from a divorce happy. At some point, if kids are involved, you have to ask yourself: Do I want to send my kids to college or some lawyer's kids to college?"

-- Trim the lawyer bills. It's reasonable that price be one factor in choosing a lawyer, especially if the divorce is unlikely to end up in a court battle. If you have a simple divorce, you might not need a partner in the firm but an associate, who will be less costly.

Once you hire a lawyer, use him or her sparingly. An attorney should handle court paperwork and lay out your legal rights, duties and options.

"I'm a big believer in [clients] staying in control of the process from start to finish to the extent they can," Borden said. "In most cases, if the spouses are able to talk with each other, they'll save a whole lot of money and actually be more satisfied with the result if they will insist on staying in control."

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If you have few assets and no children, you could use one of the online divorce services to help you can get unhitched for a few hundred dollars, Borden said.

-- Be prepared. Write down questions for your attorney meetings to make efficient use of your time. Remember, any drawn-out conversations will be billed at the hourly rate of maybe \$250 an hour or more. When minor developments happen, don't call your lawyer each time. Instead, keep a journal and update your lawyer periodically.

-- Use other professionals. Your lawyer is for legal stuff. If you need a therapist, get one. If you need a financial planner, get one. Either will be far better at giving you what you need and far cheaper than billable attorney time.

Truthfully, your lawyer is not your friend. They would be doing well just to remember their clients' names, and they are not experts on taxes and financial strategies, Borden said.

"The idea is to use your lawyer for what only your lawyer can do," he said.

-- Use free resources. Library shelves are full of books on divorce, and the Internet has a slew of Web sites. A helpful one is operated by Borden, at www.divorceinfo.com. A new inexpensive book is "The IDFA Divorce Survival Guide" (\$9.95), written by two leaders of the Institute for Divorce Financial Analysts.

-- Tax considerations. The old joke is there are three parties to a divorce: the husband, the wife and the Internal Revenue Service. Cooperating spouses can structure a divorce to pay as little tax as possible, but you might need help from a tax pro.

"You can actually get Uncle Sam to help pay for your divorce if you do it smartly," Wild said.

The way you split up stocks that have appreciated by different amounts could have big capital gains tax consequence. It may not be an easy decision on who receives the child tax deduction and head-of-household tax filing status. You even may try to time your divorce to happen late in the calendar year or early in the next year, depending on the tax impact of filing jointly or as singles. And it's important to know that structuring payments as child support or alimony can have a big tax impact.

-- Don't rebound. People who have been in a stagnant marriage sometimes go wild with money, dating every night and spending money frivolously.

"Spend some time getting your head together," Wild said. "Beware of rebound relationships, because it will cost you a lot more money if you end up getting divorced again."

Gregory Karp is a personal finance writer for The Morning Call, Allentown, Pa., a Tribune Co. newspaper. E-mail him at yourmoney@tribune.com. For additional discussion on spending wisely, see the Spending Smart blog at <http://blogs.mcall.com/spendingSMART/>.

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