Getting a divorce

Divorce can be daunting—but you'll get through it. Successfully navigating its emotional and financial challenges takes patience, planning, and a trusted team.

Divorce do's and don'ts

Going through a divorce takes planning, patience, and knowledge. Here are some do's and don'ts to help you make the best choices you can. A divorce can be draining—both emotionally and financially. It may feel like you'll never get to the other side. But you will. It will just take patience, planning, and a financial and legal team you can trust. Did you know Fidelity has tools and resources to help you get through a divorce? To get started, consider these divorce do's and don'ts as you prepare for divorce.

9 DIVORCE DO'S

1. **Start talking specifics.**
Educate yourself about the laws on asset division and spousal support or child support (if applicable) in your state. Then think about how you will live during the divorce and how you want to build your life after the divorce. Having a financial planner or accountant work with your divorce lawyer or mediator may help you make decisions about a divorce settlement that could help you develop and protect your plans for a comfortable retirement. A financial professional may also be able to help you determine your post-divorce budget and investment strategy.

2. **Gather all records.**
Make a clear copy of all tax returns, loan applications, wills, trusts, financial statements, banking information, brokerage statements, loan documents, credit card statements, deeds to real estate, and car registrations. Also consider current year-to-date pay stubs for both spouses, and tax-assessed values of property or current real estate appraisals (less than 6 months old). Business owners should produce year-end profit and loss and balance sheets. Be sure to copy records that can trace and verify separately owned property, such as an inheritance or family gifts. Try to gather at least 3 years, because you'll need that for the financial disclosure part of the legal proceedings. FidSafe® offers a safe, easy, no-cost way to store, access, and share digital copies of your family's most important documents.

3. **Know what is owed.**
Hidden debt is a common surprise among divorcing couples. Consult with a legal expert about the extent of your responsibilities for debt, including debt incurred through jointly issued credit cards or loans, even when you did not benefit from such debt. Obtain a full credit report to make sure there are no surprises on it. Annualcreditreport.com provides free credit reports every 12 months from each of the 3 credit bureaus.

   You'll want to close joint credit accounts and shift to single accounts so that an ex-spouse's credit score won't affect your credit rating.

4 **Document household goods.**
Take photos of valuables around the house—jewelry, art, antiques, and perhaps sentimental items that are valuable in other ways. It's not unheard of for divorcing spouses to hide assets from one another.

5 **Get your fair share.**
Depending on the laws of your state, and the length of your marriage, you may be entitled to half of all of the assets acquired during the marriage or brought into the marriage. Understand those laws. Even if there are assets you have no interest in, you may be able to use it to trade for something you do want. If you helped put your spouse through graduate school, law school, or medical school, you may be entitled to some reimbursement for the cost of tuition.

6 **Keep close tabs on legal and advisor fees.**
Keep close track of the work lawyers and advisors are doing on your behalf. Remember that your lawyer is a paid professional who is billing you at an hourly rate. Be mindful of the time your lawyer spends with and for you. Doing some of the prework ahead of time will save you time and money in the long run.

7 **Check Social Security benefits.**
Once you reach age 62 or your full retirement age, your ex's earnings history may provide a larger Social Security benefit than the one you are entitled to on your own earnings history. So, it can pay to check whether using your spouse's earning history is a better option for your Social Security benefits.

8 **Update registration types.**
Consider how you'll need to change the registrations on any financial accounts that are owned jointly. Such ownership changes typically require specific documentation. Consider speaking with a tax advisor or other financial professional before making any big moves.

9 **Update your legacy documents.**
Review your will and estate plan, including beneficiaries named on insurance policies and retirement accounts.

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6 DIVORCE DON'TS

1 **Don't necessarily hold onto the house.**
A home can have significant sentimental value for a lot of people. After all, it may be the place where most of your favorite memories have happened. But keeping it doesn't always make financial sense, especially if it's a stretch to pay for the upkeep, mortgage, and property taxes. A home is likely to have ongoing and unexpected expenses, and its future value isn't assured. So if you decide to keep the house, make sure you adjust your budget to account for all of the home-related expenses.

2 **Don't ignore potential tax consequences.**
Many decisions in a divorce may lead to a higher tax bill. You may need to consult an accountant or tax advisor to determine what makes sense for your situation. You should seek tax advice regarding the applicability of the Tax Cuts and Jobs Act 2018 to your case. This law will eliminate the tax deduction for alimony and certain other deductions and tax exemptions. Please make sure you understand how these changes could affect you.

3 **Don't forget about health insurance.**
If you've been covered by your spouse's policy, you may need to make other arrangements. Investigate all of your potential options, including using the Consolidated Omnibus Budget Reconciliation Act (COBRA) provisions of your health insurance to continue your current coverage for a period of time. You may also want to shop your state's health insurance exchange under the Affordable Care Act for a new policy.

4 **Don't attempt to split retirement accounts such as 401(k)s or IRAs without the correct documentation and court orders.**
It could result in a taxable distribution from the account.

5 **Don't roll over all of an ex's retirement account into an IRA if you need some of the money for divorce expenses.**
If your divorce settlement allocates assets under a qualified domestic relations order (QDRO), under current law any withdrawal a QDRO alternate payee takes from a 401(k) or 403(b) is exempt from the 10% tax—even if you're under age 59½.* If you think you'll need money for unavoidable divorce expenses, and you cannot pay them with any other money, you may want to make a withdrawal before you do a rollover. Of course, you will owe income tax on what you withdraw.

Otherwise, if you are under the age of 59½ and roll the money into an IRA and then need access for divorce costs, you'll be subject to income tax on the withdrawal amount, and on top of that, the standard 10% early withdrawal penalty.

Separate from any money you'll need to cover divorce expenses, do consider rolling the money into an IRA as soon as possible, as that may be advantageous for your retirement. It can help give this money a chance to grow.

6 **Don't spend lavishly during your divorce out of spite or vengeance.**
This could interfere with the asset allocation and be treated as an advance on your share of asset division.

*Provided the distribution is from a qualified retirement plan and not an IRA, the 10% penalty tax does not apply.

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