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The Financial Impact of Divorce

by Debby Fowles

You've probably heard that 50 percent of all marriages end in divorce. If yours is one of them, it helps to be aware of some of the financial issues. For example, if you and your spouse agree to a division of your debt, be sure to make this a formal arrangement by contacting each creditor and asking them to legally transfer the debt to you or your spouse and release the other from liability. If you're going to be responsible for a debt, your spouse's name shouldn't be listed as an authorized user (for example, on a credit card) and he or she shouldn't be held responsible if you fail to pay it off — and vice versa. Some couples obtain individual consolidation loans and pay off their portion of the joint debts so the accounts can be closed. This is ideal for a clean split, but if it's not possible and your spouse incurs large amounts of debt, inform the lender in writing that you're no longer responsible for any new charges.

Good references on divorce include *Divorce & Money: How to Make the Best Financial Decisions During Divorce* by Violet Woodhouse and Dale Fetherling, and *Using Divorce Mediation* by Katherine E. Stoner, a complete manual on how to mediate your divorce and avoid prolonged court battles and huge legal expenses that you'll spend years paying off.

Certified divorce planners are professionals who give financial advice that lawyers aren't qualified to give, such as the short- and long-term financial impact of a proposed divorce settlement, tax consequences, dividing retirement plans, and stock option or insurance issues. They serve as your advocate in achieving a financially equitable divorce settlement.

Be sure to consider how divorce will impact your health insurance. If you're covered under your spouse's policy and he or she works for a company with more than twenty employees, you're eligible to continue under the same plan for up to thirty-six months by electing COBRA coverage. You'll have to pay the amount the coverage costs the employer plus an administrative fee of 2 percent. If you don't notify your spouse's employer of the divorce within sixty days, you lose your right to coverage, so don't rely on your spouse to do this — call the employer's human resources department yourself and follow up with a written notification. They will then send you the legally required COBRA notifications and forms. COBRA coverage can get very expensive, so look into any available alternatives.

Child Support

If your marriage is headed for divorce and you're the custodial parent, file for child support as soon as you and your spouse separate. Despite the obvious moral obligation, your spouse has no legal obligation to pay child support unless there's a court order from a divorce, marriage dissolution, establishment of paternity, or legal separation. An attorney or your local child support agency can help you get a court order. Child support judgments are issued as of the date of filing and are not retroactive.

Unfortunately, having a court order is not always enough. The Association for Children for Enforcement of Support (ACES) estimates that there's \$41 billion in unpaid child support for over 30 million children in the United States. If your ex-spouse is delinquent in child support, the Child Support Enforcement Agency (CSEA) in your state is required to help you collect payment by serving your ex-spouse with papers requiring him or her to meet with the district attorney and arrange a payment schedule. If your ex-spouse refuses, he or she could serve jail time. The CSEA will provide you with a free attorney if necessary.

Other measures include taking the parent's tax refund, garnishing wages, taking unemployment insurance proceeds, seizing assets, suspending a professional or business license, and in some states, revoking a driver's license. The government can even take your lottery winnings if you owe back child support.

If you're not the custodial parent, remember that you can break the bond of marriage but you can never break the bond of parenthood. Your responsibility to your children continues even after your marriage ends. Child support payments should be one of your highest financial priorities.

If your spouse lives out of state, there are methods of locating him or her and having the courts in the two states work together to enforce the child support judgment. Despite all these efforts, you may not be able to collect the child support due you, but child support is a liability that never goes away, so don't ever give up.