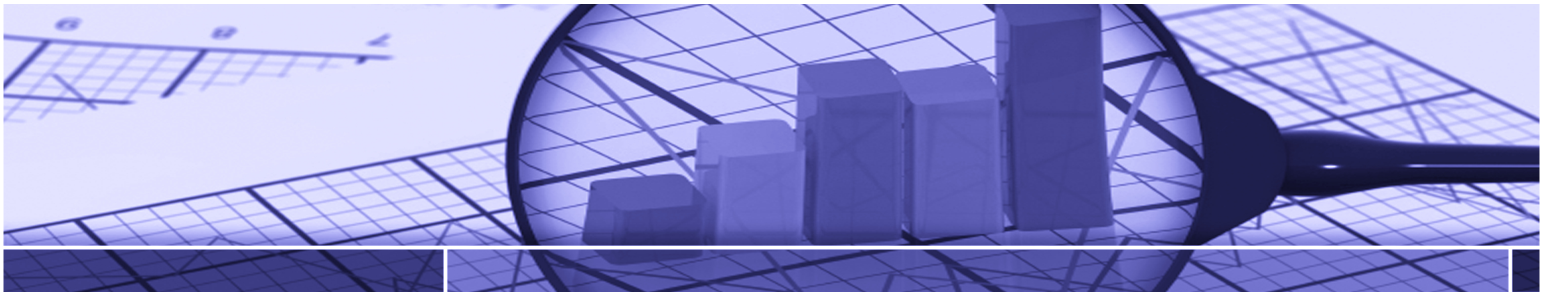

Nicholson Financial Services, Inc.
David S. Nicholson
Financial Advisor
89 Access Road
Ste. C
Norwood, MA 02062
781-255-1101
866-668-1101
david@nicholsonfs.com
www.nicholsonfs.com

Adjusting to Life Financially after a Divorce

There's no doubt about it — going through a divorce can be an emotionally trying time. Ironing out a divorce settlement, attending various court hearings, and dealing with competing attorneys can all weigh heavily on the parties involved.

In addition to the emotional impact a divorce can have, it's important to be aware of how your financial position will be impacted. Now, more than ever, you need to make sure that your finances are on the right track. You will then be able to put the past behind you and set in place the building blocks that can be the foundation for your new financial future.

Assess your current financial situation

Following a divorce, you'll need to get a handle on your finances and assess your current financial situation, taking into account the likely loss of your former spouse's income. In addition, you may now be responsible for paying for expenses that you were once able to share with your former spouse, such as housing, utilities, and car loans. Ultimately, you may come to the realization that you're no longer able to live the lifestyle you were accustomed to before your divorce.

Establish a budget

A good place to start is to establish a budget that reflects your current monthly income and expenses. In addition to your regular salary and wages, be sure to include other types of income, such as dividends and interest. If you will be receiving alimony and/or child support, you'll want to include those payments as well.

As for expenses, you'll want to focus on dividing them into two categories: fixed and discretionary. Fixed expenses include things like housing, food, and transportation. Discretionary expenses include things like entertainment, vacations, etc. Keep in mind that you may need to cut back on some of your discretionary expenses until you adjust to living on less income. However, it's important not to deprive yourself entirely of any enjoyment. You'll want to build the occasional reward (for example, yoga class, dinner with friends) into your budget.

Reevaluate/reprioritize your financial goals

Your next step should be to reevaluate your financial goals. While you were married, you may have set certain financial goals with your spouse. Now that you are on your own, these goals may have changed. Start out by making a list of the things that you now would like to achieve. Do you need to put more money towards retirement? Are you interested in going back to school? Would you like to save for a new home?

You'll want to be sure to reprioritize your financial goals as well. You and your spouse may have planned on buying a vacation home at the beach. After your divorce, however, you may find that other goals may become more important (for example, making sure your cash reserve is adequately funded).

Take control of your debt

While you're adjusting to your new budget, be sure that you take control of your debt and credit. You should try to avoid the temptation to rely on credit cards to provide extras. And if you do have debt, try to put a plan in place to pay it off as quickly as possible. The following are some tips to help you pay off your debt:

- Keep track of balances and interest rates
- Develop a plan to manage payments and avoid late fees
- Pay off high-interest debt first
- Take advantage of debt consolidation/refinancing options

Protect/establish credit

Since divorce can have a negative impact on your credit rating, consider taking steps to try to protect your credit record and/or establish credit in your own

The cost and availability of an individual health insurance policy can depend on factors such as age, location, and the type of insurance plan purchased.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

Disability income insurance premiums are based on factors such as your age, gender, occupation, and the amount of potential lost income you are trying to protect, as well as the specifics of the policy and any benefits added.

name. A positive credit history is important since it will allow you to obtain credit when you need it, and at a lower interest rate. Good credit is even sometimes viewed by employers as a prerequisite for employment.

Review your credit report and check it for any inaccuracies. Are there joint accounts that have been closed or refinanced? Are there any names on the report that need to be changed? You're entitled to a free copy of your credit report once a year from each of the three major credit reporting agencies. You can go to annualcreditreport.com for more information.

To establish a good track record with creditors, be sure to make your monthly bill payments on time and try to avoid having too many credit inquiries on your report. Such inquiries are made every time you apply for new credit cards.

Review your insurance needs

Typically, insurance coverage for one or both spouses is negotiated as part of a divorce settlement. However, you may have additional insurance needs that go beyond that which you were able to obtain through your divorce settlement.

When it comes to health insurance, make having adequate coverage a priority. Unless your divorce settlement requires your spouse to provide you with health coverage, one option is to obtain temporary health insurance coverage (up to 36 months) through the Consolidated Omnibus Budget Reconciliation Act (COBRA). You can also look into purchasing individual coverage or, if you're employed, coverage through your employer.

Now that you're on your own, you'll also want to make sure that your disability income and life insurance coverage matches your current needs. This is especially true if you are reentering the workforce or if you're the custodial parent of your children.

Finally, make sure that your property insurance coverage is updated. Any applicable property insurance policies may need to be modified or rewritten in order to reflect property ownership changes that may have resulted from your divorce.

Change your beneficiary designations

After a divorce, you'll want to change the beneficiary designations on any life insurance policies, retirement accounts, and bank or credit union accounts you may have in place. Keep in mind that a divorce settlement may require you to keep a former spouse as a beneficiary on a policy, in which case you cannot change the beneficiary designation.

This is also a good time to make a will or update your existing one to reflect your new status. Make sure that your former spouse isn't still named as a personal representative, successor trustee, beneficiary, or holder of a power of attorney in any of your estate planning documents.

Consider tax implications

You'll also need to consider the tax implications of your divorce. Your sources of income, filing status, and the credits and/or deductions for which you qualify may all be affected.

In addition to your regular salary and wages, you may have new sources of income after your divorce, such as alimony and/or child support.

Your tax filing status will also change. Filing status is determined as of the last day of the tax year (December 31). This means that even if you were divorced on December 31, you would, for tax purposes, be considered divorced for that entire year.

Finally, if you have children, and depending on whether you are the custodial parent, you may be eligible to claim certain credits and deductions. These could include the child tax credit, and the credit for child and dependent care expenses, along with college-related tax credits and deductions. Ask a tax professional for information on your individual situation.

Consult a financial professional

Although it can certainly be done on your own, you may want to consider consulting a financial professional to assist you in adjusting to your new financial life. In addition to helping you assess your needs, a financial professional can work with you to develop a plan designed to help you address your financial goals, make recommendations about specific products and services, and monitor and adjust your plan as needed.