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DIVORCE – A Rough Time

Divorce is an emotional and financial time of stress. In a divorce case, the parties should be thinking at least of P.E.A.C.E. This acronym outlines some areas that should be addressed by agreement or litigation. The following is a brief discussion of a very complex topic.

Parenting plan and child support. The parenting plan tries to lay out a plan of action for a child and their support for future years.

Equitable distribution. Equitable does not necessarily mean equal. You will get what you and your spouse agree to. If you can't agree, attorneys may be called upon to represent each party and arrive at a plan. The plan is given to a judge in court for dissolution of the marriage.

Alimony. Alimony is the payment by one spouse to the other following a divorce. Factors include the standard of living, age, physical condition, earning abilities today and tomorrow, the contribution of each part to the marriage, inflation, etc. There are many factors to consider.

Contesting. Divorce can range from a relatively simple splitting of the marital assets to great disagreement. This may require each spouse to be represented by an attorney to finally arrive at a plan that may or may not be acceptable by each spouse. However, the plan is needed to give it to a judge.

Everything Else. Each party has different priorities and concerns in a divorce. There are many factors to consider. Knowledgeable people on your side can be comforting during this emotional and challenging time.

The following is a simplistic summary about the divorce process. It tries to indicate the flow from simple to complex.

1. Collaborative. The spouses decide how they want to divide their property, assets, etc. The spouses write the plan given to a judge who dissolves the marriage. One of the spouses can work with an attorney who will write the plan for review by the other spouse. If acceptable to both spouses, the attorney can deliver the plan to a judge.
2. Mediation + attorney. The spouses discuss with a mediator who helps them arrive at a plan to divide their property. The attorney usually presents the plan to the judge.
3. Two attorneys. Each spouse hires their own attorney. The attorneys representing their clients arrive at a plan to divide their property. Both attorneys usually present the plan to the judge.

Generally speaking, you should have a team on your side and consult with the even if you are thinking about divorce. They could be some of the following members of your team.

ATTORNEY: It is wise to hire an attorney. Divorce is a complicated legal process and you want someone to legally represent your interests.

ACCOUNTANT: There are many items for review. They include stocks, bonds, 401(k), pensions plans, homes, insurance, etc. These items frequently involve taxation, gains and losses, determining the new cost basis, and other tax matters. It is wise to hire an accountant, CPA, or Enrolled Agent to handle these tax matters. Failure to do so could result in an IRS audit.

FINANCIAL PLANNER: The paperwork of splitting up stocks and other financial matters are handled by a Financial Planner. The Planner follows the instructions for division as detailed in the court-ordered plan. The plan often requires setting up accounts. There may be accounts for a 529 College Savings Plans for the kids. Life insurance or other similar investments may be used in case one of the spouses dies prematurely. An annuity could help ensure that the promised alimony, child support, and other payments are made.

Divorce is rarely a fun time. With helpful friends and your team in place, you will get through it.

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