

Divorce can be a scary prospect for many but fear can be reduced if you are prepared. Your inquiry may start with confiding in a friend, a therapist or family member about what to do, how to do it and when to get started. Some people are able to have a meaningful and productive conversation with his/her spouse on how to settle issues while others need to go to court to have a judge intervene. Many are choosing other forms of alternate dispute resolution by going through mediation or the collaborative process which can often times be less expensive than litigation.

One of the most important things you can do is get as educated as you can on your family's finances (incomes, assets, debts). You should gather as much financial information as you can before moving forward with the divorce because you may end up having trouble accessing financial statements from the bank or financial investments once the case begins. Documents like W-2's, tax returns and paystubs can also be very helpful moving forward.

Next, you will want to figure out how decisions will be made while proceeding with the divorce process. Will you both remain in the marital residence? Who will be paying which bills? If you have joint accounts, will you continue to deposit funds into these accounts? Some people choose to maintain a "status quo" and essentially continue managing the finances as they always had while working through the divorce.

Determining the Separation Date is also an important issue. The date of separation can determine the value of marital assets vs. separate assets and can often make a big difference in any ultimate settlement or court award. Income earned or assets acquired post-separation may be yours, and yours alone and may not be able to be claimed by your spouse.

From a financial perspective, there are a number of issues you will need to think about. Parties often forget that joint accounts may need to be re-titled or closed out. You will also want



PREPARING FOR DIVORCE

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to discuss how to value retirement and investment accounts, as there are typically tax consequences associated with these types of accounts. Any debt must also be considered when proceeding. You should discuss who will be responsible for paying what. Keep in mind that if one party assumes more of the debt, that spouse may receive more assets to make up for it.

Another hot topic is taxes. Will you continue to file jointly while you are going through the divorce process? Who will claim any children once you have divorced and begin filing separately? Alimony payments are taxable as income to the spouse who receives the support, and tax deductible for the paying spouse. For some, these types of decisions can have a big impact on ultimate tax liability. It may be helpful to consult with your accountant to better understand these issues and the effect they may have.

Alimony, spousal support and child support are crucial to consider if you are going to be the payor or the recipient of the support. It may be helpful to create a budget for yourself and your children to determine what an appropriate amount of support would be. For children, items like tuition, unreimbursed medical expenses, child care, and extracurricular activities are all factored in when calculating child support. Retrieving relevant documentation for these expenses can make calculations that much easier and accurate.

Being prepared is empowering which is key when you are going through a major life transition like divorce.

This **Industry Insight** was written by Brooke B. McMorrow.

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