

## **Suddenly Single –Making Appropriate Financial Decisions**

Life is full of changes. Sometimes we make changes and other times change happens by itself. Most people adapt to a lifestyle as a couple – our income, our spending even making our future money plans – and when that suddenly changes, whether because of a relationship breakup, divorce or widowhood, everything related to money needs to be adjusted also. For many couples, one person often handles the finances. If you are the non-money person finding yourself suddenly in charge, it can be overwhelming trying to make sense of it all. My advice is to get it down on paper. Take an inventory of what you have in terms of financial records and make a list. Hopefully the records will be in order, but if not, creating a paper trail is often easiest when it's broken down by company name. In other words, gather up all of your financial statements and for simplicity separate them by company name. Then organize them further by putting each company in date order with the most recent statement on the top.

Once you've gathered all of the records together, your next step will be to determine if you're financially solvent – are you in good money shape? To get a picture of your financial situation, you want to determine your net worth. Put simply – your net worth is what all your assets would sell for after your debts are paid (net worth = what you own minus what you owe). When you know that figure, you'll also want to know what all of your potential sources of income (cash inflows) are, i.e., your job, your investments, your retirement, your social security, and if your spouse had or was entitled to any of these that you might be able to receive as the surviving spouse.

While net worth and income are very important, absolutely no financial decisions can be made without one important number – your total monthly expenses (budget). A one-page, written budget will make it easier for planning and making decisions. It doesn't have to be a spreadsheet or a computerized report – just a simple listing of what income is coming in and what your expenses total each month. If changes need to be made in spending, you'll be able to recognize them more readily when you see the breakdown on paper.

When there are two incomes coming into a household, many people forego purchasing disability insurance, but it's even more important if you're dependent solely upon your income to cover your living expenses. If it's available through your employer, you should investigate both short and long-term disability insurance to protect yourself should you be unable to work. If not, get quotes from an independent insurance agent. Remember, Social Security Disability (SSDI) covers long-term disability and qualifying for long-term social security disability is difficult. If you're already retired, then disability income insurance is not relevant because disability insurance is designed to replace a portion of your employment income if you were disabled.

Managing consumer credit can also be a challenge for those finding themselves suddenly on their own. A review of all outstanding loans and credit card accounts is a good idea. You can obtain a copy of your and your spouse's credit reports through [www.equifax.com](http://www.equifax.com) or by calling (800) 685-1111. If your partner always had all of the

credit in their name, it is a good time to start building some credit of your own. You should start by applying for a low interest rate card with a small credit limit. You can establish a credit history by charging non-discretionary items (gas, food, etc.) and paying the balance in full each month and on time. Continue this process on a regular basis and you will be gradually building your credit history. I am not giving the green light to go out and run up a credit card balance.

On the other side of the credit coin is having too much credit. Many people don't realize that having a credit card from five different department stores, one Visa, one MasterCard, two specialty shops and a mail-order outfit can negatively impact your credit. You need one low interest rate Visa or one MasterCard – period. Department Store cards are usually not advisable because they lure you in with the promise of 10% off “today's purchases” and then you're stuck paying off those terrific sale items at 24% per year! The more open lines of credit you have, the more risky you are to a potential lender. Too many cards may actually cause you to be declined for a loan. You must write letters to the credit card companies or call the 800 numbers and ask for the accounts to be closed. (They can be closed – not open to new purchases – even if they have a balance!) If you plan on applying for a loan in the near future, do not close accounts just prior to applying as this too can negatively impact your credit score.

Divorce or widowhood brings the need for additions or updates to your estate planning. Changes may need to be made to beneficiaries on retirement accounts, life insurance policies and annuities and a will may need to be updated or drawn. Since most people don't like to consider that they won't be here some day, these tasks are often unpleasant, but by not drafting simple legal documents you're only causing problems that your loved ones will deal with later.

My final piece of advice is that you should avoid making any major decisions for a least a year. If you need assistance with decision-making, seek the advice of an attorney, accountant or financial planner that works on an hourly basis. Starting over is never easy no matter what the circumstances, but getting your financial matters in order by following some simple steps can help you pick up the pieces and be in control of your financial future.

*©2004 Robin Vaccai Yess is a CERTIFIED FINANCIAL PLANNER™ and a Certified Divorce Financial Analyst. She is an independent, fee-only financial consultant who helps clients achieve lifelong financial independence, grow and preserve wealth and enjoy a fulfilling retirement. She is a frequent lecturer and writer on personal financial topics. Visit [www.robinyess.com](http://www.robinyess.com) for a list of upcoming seminars or to schedule a speaking engagement for your group or organization.*