When Facing Separation or Divorce, Be Prepared to Negotiate

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Maintaining your financial security remains one of the toughest challenges you are likely to encounter when facing separation and divorce. Because most states require that assets be split equitably, not equally, the unfortunate reality is that many divorced women usually end up losing economically. And if you have dependent children, the quality of life for you and your children could be severely compromised.

It is important that prior to your separation and divorce proceedings you, your spouse, your attorneys and financial consultants get together and negotiate the best possible agreement. Following are a few issues to consider.

Resolve how college tuition will be paid. Both parents' contributions to college expenses will need to be addressed in the divorce agreement. Be cautious about using your retirement assets as a source of education funding as these assets could take a very long time to replace. College costs can be met through a patchwork arrangement of low-interest loans, financial aid and part-time student jobs. Unfortunately, most women will have fewer financial resources in retirement than their children will have in college.

Reevaluate your retirement plan. You may be unaware of the phased increase in normal Social Security retirement age from 65 to 67. In other words, don't expect to be eligible for full benefits earlier than you actually will. Hopefully, your Social Security will be supplementary income, not a major source of retirement wealth.

To significantly complement your retirement savings, you may need to rely on an investment portfolio. While some investments may involve your assuming greater risks than others (i.e., investing in stocks versus Treasury bonds), they may be more likely to produce higher returns, particularly if you are years away from retirement.

Negotiate the best health insurance coverage for you and your children.
If one parent has access to health insurance at a reasonable cost, most states have laws permitting or requiring the court to order that parent to keep the children on the plan. Children are typically covered until they reach age 18. If health insurance becomes an expense, it should be factored into the child support award.

Take note that under COBRA (the Consolidated Omnibus Budget Reconciliation Act of 1986), if a spouse's employer has 20 employees or more, the spouse's employer must allow the other spouse to have a policy with its health insurer for three years after the divorce.

Calculate the long-term costs of keeping the house.
Keeping the house may make sense if you are hoping to maintain custody of your children and preserve some continuity in their lives. It is also a very valuable asset. But a home is an illiquid asset that can be very expensive to maintain in the long term. A

mortgage, taxes, utilities, maintenance and general day-to-day upkeep add up. Down the road, will you still be able to maintain the house once the marriage is dissolved? Make sure you run the numbers ahead of time—and determine your ability to acquire a new residence—before you stake your claim and fight to keep your home.

Keep in mind that any reduction in your standard of living during this transition period may be used as grounds for providing less support in the future. Tuition, extracurricular costs, childcare, health care, recreation, transportation, housing and food should all be accounted for as part of your expense package. Therefore, when negotiating the terms of your separation agreement, think carefully about the priorities you set and the decisions you make, as these choices will most likely serve as the basis for your final divorce decree.