ROCHESTER BUSINESS JOURNAL
RBJ
WWW.RBJ.NET JULY 20, 2018

Reassess your finances now that you're flying solo

Cash flow should be first priority after divorce, death of spouse

By MATTHEW REITZ

Individuals often find themselves at a financial crossroad following a divorce, the death of a spouse or children moving out of the home and struggling to adapt to a new norm, but there are some simple steps and guidelines that can help make the transition less painful.

Reexamining finances can be a difficult lift, especially when dealing with the stress of a divorce or the death of a spouse, but unfortunately it's one more issue people often have to confront in the midst of a drastic, life-changing event. Though individuals should always reach out to a financial specialist for specific advice, there are some general guidelines for those who suddenly find themselves on their own financially.

Craig Gingerich, a financial advisor at Sage Rutty, said the very first thing to look at after a major life event is cash flow, noting access to cash can control nearly everything in life. Fixing any cash flow problems is the first step, he said, because the last thing you want is to be financially stressed in addition to navigating the emotional impact of divorce or the loss of a spouse.

Immediately after divorce or the death of a spouse, individuals need to examine their new budget, according to Donna Cator, vice president/wealth advisor at Canandaigua National Bank and Trust, noting losing an income can drastically impact finances.

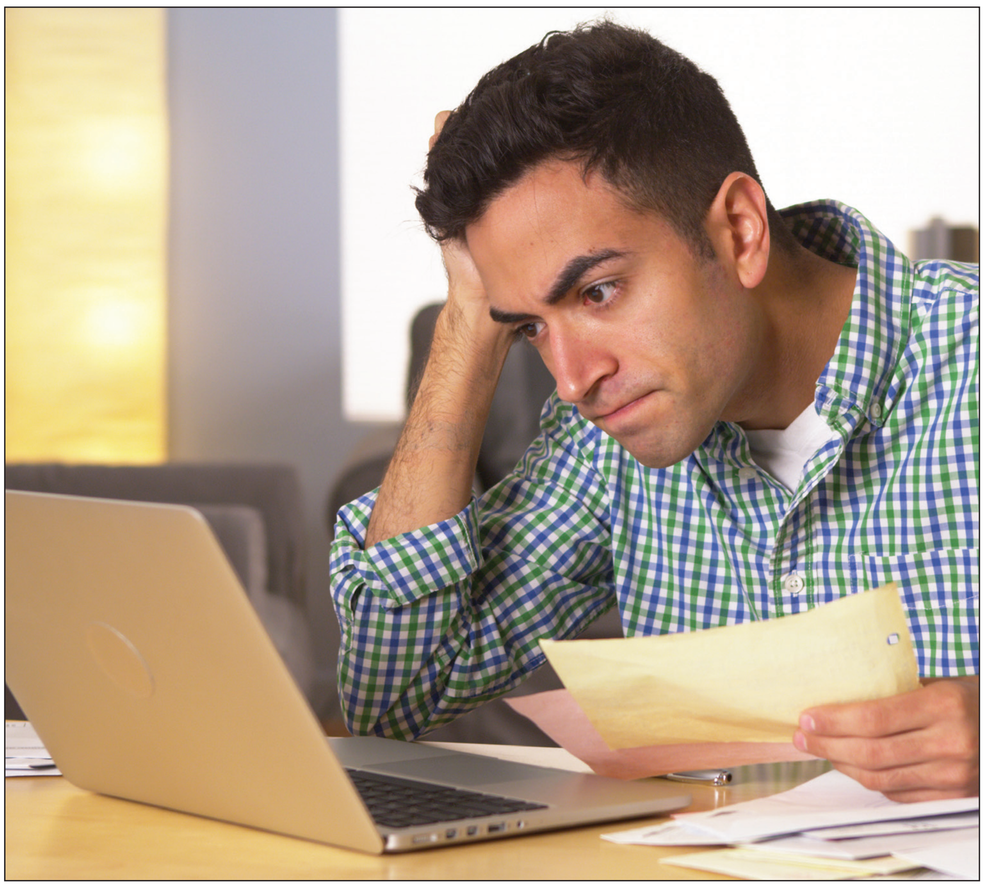
"You have to reevaluate your own budget based on your own new reality," Cator said. "People have to reprioritize their goals and objectives and make the necessary changes to their life."

Cator said most advice isn't gender specific, but noted women tend to outlive men and are more likely to end up in an inferior financial situation after divorce. She also noted women control about half the wealth in the country but often still take a backseat when it comes to making financial decisions.

"The message we really want women out there to know is to take control, seek expert advice and have confidence in your decisions," Cator said. "Take control of your financial future — it's key."

One of the most common mistakes made by divorced couples is done before the divorce is even finalized, Cator said, with individuals maintaining ownership of the family house for emotional reasons.

"Many times keeping the house is a big mistake, because when you sell a house while you're still married you're sharing the selling costs," she said.



Gingerich said one piece of advice for someone who suddenly becomes single is to not make any "big, irreversible decisions for the first 12 months." Gingerich said people often make emotional decisions and immediately sell their homes and cars or quit their jobs.

"It's probably a good idea to wait it out at least a year," he said.

Downsizing your house often makes sense, Gingerich said, but cautioned people to not make emotional decisions. He recommends sitting down with a professional and talking through the numbers, because downsizing doesn't guarantee a significant influx of available money.

"It's common we see people downsizing and ending up with the same mortgage or equity, or end up spending more money to end up in a smaller house," Gingerich said.

Married couples are often on the same page and discuss major purchases beforehand, Gingerich said, noting that's a healthy way to make financial decisions, and newly single people may want to consider finding somebody new to fill that role. He recommends setting a limit. His is $200, and if a purchase is more than $200 have a conversation with someone.

"Just having to explain your thought process can help," he said, noting people often will realize they're making an irrational decision if they have to explain it to someone else.

Anyone in a relationship should attend all financial meetings and understand their own financial situation, said Cator, who is a certified financial planner and certified divorce financial analyst. Ensuring you're prepared for the loss of a loved one is critical, she said, noting death is a part of life and it's often beneficial to look at what your financial situation may be without your spouse.

"Always be prepared for life happening," she said, adding if the pieces are in place before a death then individuals can mourn without having to worry about finances.

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In September 2016, Lisa Bortles, who had a child in college and another entering her final year of high school, found herself on her own financially after her husband died of cancer. Bortles, a retail service officer at Community Bank N.A.'s Dansville branch, was 48 years old and wouldn't qualify to receive Social Security benefits for more than a decade.

Life is going to change without your partner, Cator said, but if you're involved and knowledgeable about your financial situation, it's easier to make the transition if a spouse dies prematurely. If individuals take part in the financial planning from the start, Cator said they're more likely to know what their financial picture would look like without their partner.

At one point Bortles and her spouse had drawn up a will, but never signed it. She said if you haven't signed a will, now is always a good time to do it.

Following the death of a spouse or a divorce, Bortles said individuals must take a look at their insurance policies and other benefits to make certain the beneficiaries of such plans are updated to reflect their current wishes.

"Anything with a beneficiary you want to change that immediately, because if something happens you want to make sure your intentions are carried out," Bortles said.

Altering wills, powers of attorney and health care proxies is a major move that is often overlooked, with Cator noting most people aren't likely to want their ex-spouse in control of their estate or making medical decisions.

Life insurance is usually designed to protect loved ones, Gingerich said, and the amount of insurance can often be adjusted if you outlive your spouse. Following the death of a spouse, Gingerich said people are often over-insured. He said anytime people undergo a major change in life, insurance should be reassessed and line up with a need.

Bortles said there are a handful of smaller issues that are often overlooked, including credit card debt. If both partners are listed on the card then both are responsible for making those credit card payments, she said. If a widow is simply an authorized signer, they may not be responsible for paying those bills.

Pulling your own credit report to see what accounts you may have been listed on is recommended for divorced couples, Gingerich said, noting individuals want to be sure they're not listed as a co-signer on a loan for their ex-spouse.

Individuals should also keep open at least one joint checking account for a year, Gingerich said, because it's not uncommon for small payments or residual items to come through months after a person's death.

Matthew Reitz is a Rochester-area freelance writer.