

## COMMON DIVORCE SETTLEMENT MISTAKES

The most common financial mistakes made in divorce settlements include, but are not limited to:

- Negotiating to retain the marital home when the client cannot afford it.
- Not obtaining complete information on all retirement plans, employee benefits and stock options.
- Not evaluating the defined benefit pension plan correctly.
- Thinking that retirement assets have the same value as an equal dollar amount of non-retirement assets.
- Not understanding the different division methods of a retirement asset and not knowing which one is in your client's best interest.
- Not understanding the purpose of a Qualified Domestic Relations Order (QDRO) or the need to get it completed and filed at the time of the divorce or immediately after the divorce is final.
- Not looking at the long-term impact of a financial settlement.
- Failure to factor in inflation and investment returns when looking at the long-term impact of a settlement, or using unrealistic numbers in the evaluation.
- Not being aware that it is possible to take a distribution from a retirement plan prior to age 59 1/2 and avoid the 10% penalty.
- Not protecting the survivor benefits for the non-employee spouse.
- Not protecting spousal and child support payments through life insurance.
- Not understanding the importance of making the spouse, who receives the spousal and child support payments the owner of a life insurance contract.
- Improperly structuring spousal or child support payments.
- Using a QDRO to divide an IRA.
- Making isolated financial decisions versus looking at the big picture and analyzing how each financial decision impacts other decisions.
- Not taking into account transaction costs when evaluating a settlement offer.
- Failing to understand the tax implications of alimony payments versus child support payments.
- Believing that a 50/50 division of property is an equitable division of property.
- Not understanding methods of dividing stock options or the tax implications.
- Failing to consider the cost basis of property.
- Not understanding the capital gain taxes upon the sale of the marital home, or how the sale can impact each party.
- Not understanding how to divide debt.
- Not taking into account the effect of deferred taxes when dividing the assets.