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YOUR MONEY

Financial Decisions to Make as You Divorce

By RON LIEBER

Divorce may be one of the most damaging financial events in the lives of those who go through it, but that isn’t always immediately clear to a couple about to split up.

In fact, the first response is probably emotional — whether exhaustion and sadness at having failed to save the relationship after years of struggle or shock when your spouse walks out. Then, perhaps, comes the resolve to shield the children.

It seems almost tone-deaf at that point to suggest that you write a new budget.

But as you get swept up in the rage, the disappointment and the worries, money will intrude whether you like it or not. You should expect that choices with huge financial implications will come at you with intense speed during a divorce, and they’re probably not the sort of decisions you’re used to making.

One of the first will affect how much you spend on legal fees. Should you try mediation, which can be relatively low-cost, or a newer process known as collaborative divorce? Or should you just go for the bare-knuckles approach?

And as you get sucked into the legal vortex and the cost and complications of setting up a second household, it becomes easy to lose sight of longer-term financial concerns. The list of things to think about ahead of time, from health insurance to your credit history to taxes, turns out to be much larger than you might think. People often neglect or fail to consider many of them beforehand.

So this week, I assembled that list, with help from readers and members of the Institute for Divorce Financial Analysts. The institute certifies financial planners and other professionals who specialize in helping people whose marriages have ended.

You may be willing to pay any price to remove yourself from a toxic marriage with the least amount of haggling. Many more of you, however, are probably seeking an equitable split, but have no idea what to budget for or evaluate.

So this list is a place to start. Please post additions to it in the comments with the related post on the Bucks blog.

HEALTH INSURANCE If you are on your spouse’s health insurance plan, you won’t be able to use it once you’re no longer married. The government’s Cobra rules allow you to continue coverage for up to three years, but you have to pay the premium yourself, which may not be affordable once you’re shouldering rent or a mortgage alone.

“I thought, ‘This isn’t going to be difficult,’ ” said Shira Silverman, 34, of the Bronx, who is getting divorced. “And then I looked it up and realized it was almost impossible.” Ms. Silverman works as a freelancer and doesn’t have access to insurance through work.

Some people who are older or have pre-existing conditions find that they can’t get health insurance at all. Whatever your situation, it’s best to know what insurance will cost you before the divorce is final. That way, you can negotiate a settlement that covers the premium or find cheaper housing so that you don’t have to do without health insurance.

MENTAL HEALTH Barbara Shapiro, a financial planner and divorce specialist with the HMS Financial Group in Dedham, Mass., refers to the dissolution of marriage as death without a body. The mourning and trauma that results for you (and your children, if you have any) may make therapy necessary.

David Wanderman, who got divorced earlier this decade and has seen a therapist for many of the years since, said this was not a place to skimp. “The reality is, I kind of have no choice,” he said. “These are things that are bigger than myself, and I’m not equipped to understand them.”

Mr. Wanderman, 45, a wedding and event photographer in Manhattan, went without health insurance for a while and hunted down low-cost therapists in public clinics and elsewhere. Other people with higher income, however, may need to pay $100 or more for sessions if their health insurance doesn’t cover them or has a high deductible.

CREDIT It’s easy to let the bills slip when you’re huddled with lawyers and no longer speaking to your spouse. But letting things slide can do lasting damage to your credit, and it can happen in a number of ways.

Liz Pulliam Weston, author of “Your Credit Score: Your Money & What’s at Stake,” suggests canceling jointly held credit cards and transferring any balance that a spouse is responsible for to a card in that spouse’s name.

You should also try to get your name removed from the mortgage if you are no longer responsible for the payments. If your spouse pays late, accidentally or on purpose, it will hurt your credit. That will complicate your ability to refinance, get a new mortgage or apply for an auto loan when you’re on your own.

HIRED HELP Once there are no longer two of you around, you may have to hire others for everything from yard maintenance and home repair to babysitting. This cost ought to be part of your budget — and negotiations.

KEEPING HOUSE When a couple splits, one member of the household often has a strong desire to keep the family home, perhaps to provide some continuity for the children. After a few years of being house rich and cash poor, however, reality sets in and the house goes up for sale.

The problem at that point, according to Donna Cheswick of BPU Investment Management in Greensburg, Pa., is that you’re solely responsible for all the costs of selling, including paying the real estate agent and sprucing up the house. So it’s best to be brutally realistic before the divorce is final about the costs of staying in your house.

TAXES Once someone buys that house, there may be capital gains taxes to pay if it has appreciated more than $250,000. This may seem like a high-class problem in this market. But if you had decided to sell it before the divorce was final, you and your spouse might have had a $500,000 exemption from capital gains instead of just half that.

In general, it's crucial to consider the after-tax value of everything, from retirement accounts to deferred compensation when splitting up assets. Annette Brown, a divorce specialist in San Francisco, also noted that judges sometimes failed to consider which spouse could best benefit when awarding the right to future tax deductions and credits relating to the couple's children.

SPOUSAL EDUCATION Haven't worked for a while? You may need retraining or a new degree entirely. Gary L. Zaugg, a financial planner and divorce specialist in Virginia Beach, noted that some divorce settlements assumed that a few years of alimony ought to be enough to pay for this. If you expect the costs to be steep, however, they probably ought to be a separate line item in the settlement or at least part of the negotiation.

TEENAGERS If you have joint custody of your children, you may end up buying computers, clothes and other items for their second residence. What many couples don't anticipate or budget for if their children are small, however, are the extra costs of the teenage years.

Disagreements about what is truly necessary are practically inevitable. If you don't want your child to do without, you may end up paying the full bill for all sorts of new costs, according to Lori Dolan Frymark of Morgan Stanley Smith Barney in Pasadena, Calif.

She ticked off the following list for starters: prom expenses, cheerleading, sports gear, cars and car insurance, allowance and college visits and applications. The actual cost of college is a big one, too. And don't forget cellphones.

FUTURE LEGAL COSTS Even after tallying up all of the above, you still have to consider that years later, your spouse may come after you for more money or try to pay less after a job loss. Then you're liable for another four or five figures in legal bills.

While you may not want to earmark emergency funds just for that, the larger point is this: Long after you move on emotionally, divorce may haunt you financially.

This is not a reason to stay in a marriage that is making you miserable. It's just a reminder that without a lot of planning while you're in the middle of it, divorce may never have a happy financial ending.

This article has been revised to reflect the following correction:

Correction: December 3, 2009
The Your Money column on Nov. 14, about protecting your financial interests while divorcing, omitted the surname of a financial analyst who advised couples with joint custody of children to agree in advance what expenses would be shared. She is Lori Dolan Frymark, not Lori Dolan.