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Financial Planning After Divorce

One of the biggest impacts from divorce hits in the area of family finances. Studies find that many parents (mothers especially) are either thrust into poverty or a substantially lower income bracket after divorce. Even non-custodial parents with fairly decent incomes can find themselves financially strained to a greater degree than they expected. A little financial planning can help you avoid this sticker shock and get a better idea of what to expect. Here are some things to consider:

Financial planning tip #1: Expect unexpected expenses
After a divorce, former spouses typically find themselves spending more than they otherwise would on everyday items. This is because they end up having to replace small little things that they used to take for granted; items such as camera, tools, towels or kitchen utensils. These small purchases for items that used to be shared can collectively add up to a big expense.

Financial planning tip #2: Determining child support
Have you determined the amount of money in child support you can expect to be paying or receiving? If not, you should do so. While the amount of support varies from state to state, you can find general guidelines on how child support is calculated by clicking on the free resource links included with the resource box for this article.

As a general rule, research shows that child support payments do not completely recoup the costs of raising a child on your own. So don't expect it to if you're the one receiving child support. You should also have a contingency plan in place to cover yourself in the event that child support doesn't arrive for several months.

Financial planning tip #3: Considering your credit score
It's possible that your credit score could take a hit after the divorce. This might make it harder to get car or home loans, and may also raise the interest rate on the credit you do have access to, which you should factor into your budget.

Financial planning tip #4: Expenses can fall yet rise at the same time
Many divorcing couples erroneously assume they'll have half the costs after divorce. This simply isn't true. While the cost of living per household may go down overall, it will actually rise substantially on a per-person basis, because you no longer enjoy the economy of scale. Each of you must maintain a separate residence, separate utilities, a separate panty, etc.

Your food bills will be reduced, but they will not go down by half, as many people assume. It's not all that much cheaper to cook for one person (with or without the kids) as opposed to the entire family. So expect to spend as much as 75% of your current grocery bill on food.

The same goes for things like car insurance. Rates will typically go up on a per-person basis as you're now dividing policies between two households, and many insurance companies offer an automatic discount for married couples. So you can't just divide your current policy by two. Prepare for some added cost on top of this.