

# Chicago Daily Law Bulletin®

Volume 163, No. 90

Serving Chicago's legal community for 162 years

## Knowing how to plan, budget important during and after divorce

Every person should feel empowered financially. A thoughtful approach to pairing clients going through a divorce with financial advisers based on their individual needs, desires and long-term goals for financial independence is crucial. The right fit ensures clients make sound decisions during and after divorce in order to lead a fuller, more secure life.

The divorce process requires all women to become more involved in their individual finances. Heather Locus shares her perspective as an owner at wealth management firm Balasa Dinverno Foltz LLC, where she leads the divorce practice group. She has 25 years of experience working with women on becoming more financially independent and responsible.

### Making conscious decisions

Locus defines a financially responsible woman as “one who makes conscious choices about using her finances to reflect her own unique values.” She recognizes core financial planning strategies are often the same for men and women. However, she believes women are impacted by factors that men simply are not.

For example, women statistically live longer than men and are far more likely to live alone post-divorce. Additionally, women often take on more of the caretaking role, which means their workplace participation is more intermittent. The same often results in less income over a woman's lifetime.

All women have a different knowledge base about their finances before divorce.

“No matter the experience in helping women navigate life's joys and challenges,” Locus said, “I have learned every financially responsible woman follows these five key financial strategies:

- (1) funds her bucket list;
- (2) has courage to talk about money;
- (3) invests with wisdom;
- (4) minimizes her tax bill;
- (5) has a Plan B.”

When the divorce process begins, a financially responsible

woman must identify and quantify her specific goals. She must crunch numbers and plan to fund her bucket list based upon her true financial circumstances.

“While every woman starts at a different place, the concepts are always the same. I recommend women start with what they own — their assets. Women should list their bank accounts, CDs (certificates of deposit), checking accounts and emergency reserves,” Locus said.

Next, she encourages women to look at their investments and retirement assets. The resulting figure reveals total assets.

Locus will ask women to list debts, like their mortgage, student loans and credit card debt. By subtracting liabilities from assets, women are capable of better understanding their net worth.

“Whether she has significant assets accumulated or her most valuable asset is her human capital — her earning potential — it is critical for every woman to update her net worth once per year,” Locus said.

### Five strategies for financial responsibility

The first financial strategy centers on a bucket list. Locus works with women to organize bucket lists into three categories: (1) necessary; (2) would like to have; (3)

*During a divorce, a breakdown in trust has occurred, making discussions about money difficult. The attorney and financial adviser must work together with female clients on not backing down from difficult conversations ...*

would like, if possible. She encourages women to thoughtfully decide what items or experiences will define her personal version of a full life.

“For some women, this entails tangible items. For others, experiences such as traveling, retiring early, furthering education or helping children with college are most important,” Locus said.

Confronting retirement during divorce is challenging but necessary. Many studies show a safe



*Beth Fawver McCormack is a partner at Beermann. She practices exclusively in family law matters and is a collaborative law fellow, mediator and child representative.*

withdrawal rate in retirement is approximately 4 percent of assets. Accordingly, a detailed calculation must be done by a financial adviser: A woman who retires at age 65 should plan for 30 years into the future.

“If she has \$1 million saved for retirement, she should plan on limiting her withdrawals to approximately \$45,000 per year to ensure her retirement portfolio lasts,” Locus said.

The second financial strategy is to encourage women to have the courage to talk about money.

“Twenty-five years in the financial industry has taught me one absolute truth: Everyone has hang-ups about money,” Locus said. “A financially responsible

clients on not backing down from difficult conversations to ensure she receives what she is entitled to.

The third financial strategy is to help women invest with wisdom. For some women, this means investing in herself through education or training. For others, this means working with a financial adviser to have an appropriate allocation of stocks and bonds and to globally diversify her portfolio.

Particularly after a divorce, Locus works with women to rethink their financial portfolios. She teaches women commonly used terms in the financial industry to take control of their investment goals.

“I work with my female clients to remove the stigmas from trading,” Locus said. “It is true that men trade more than women. However, women typically outperform men by approximately one percent per year.”

The fourth financial strategy is to minimize tax bills.

“A financially responsible woman knows she cannot control the markets and will focus on what she has earned to minimize taxes,” Locus said. “I encourage women to structure their portfolios in the most tax efficient manner and to consider a Roth 401K or IRA.”

Finally, every financially responsible woman has a Plan B. Women must keep assets earned before the marriage and inherited assets separate. Additionally, “a financially responsible woman plans for the unexpected by assessing risks,” Locus said. “I encourage women to manage risk through insurance early in her career or when her family is young.”

The ultimate goal is for women to balance ownership with outsourcing. A financially responsible woman should feel confident to handle some tasks on her own and capable of handing off her biggest worries to her attorney and financial adviser.

*The author would like to acknowledge the substantial contributions to this article by attorney Missy Turk.*