

New Year, New You: 3 Financial Tips For The Newly Divorced



Mark Avallone, CONTRIBUTOR

I help people on their path to Financial Freedom. [FULL BIO](#) ▾

Opinions expressed by Forbes Contributors are their own.

With the New Year quickly approaching and everyone reflecting on their 2015, I find that it's the perfect time to talk about life transitions. As a financial adviser, my role in my clients' lives is even more critical during periods of heightened change and emotion. Be it that you are having your first child or buying your dream home, or sadly, entering widowhood or experiencing divorce, these specific life transitions require tailored financial approaches.

Over the years, I've worked with many individuals who are divorced. I've found that the below tips have helped them start out their new, independent financial lives on the right foot. Whether your separation is recent and you are looking for financial guidance, or you've been divorced for a while and are making a New Year's Resolution to get your financial house in order, these tips are for you.



Stocksnap.io, 11/29/2015

1. Write Down Your Goals

While going through a divorce, your mind can get hazy. It's unfortunate that during a time period where pivotal decisions and moves need to be made, your mind can be in a state of confusion and held captive by your emotions. This is why it's important that you take the time to write down your goals. Writing things down helps gain clarity.

To start, set aside time for you to think and connect with yourself. Turn off the iPod and other distractions. Whether you're on a treadmill, taking a long walk, or in your car, start to think about what is important to you. Then, be sure to write your ideas down! These goals don't have to only be financial goals; include your life goals as well. The two will be linked, and once you have an idea of what is important to you, you can better consider how you will afford your lifestyle.

2. Understand Your Cash Flow

Take a close look at alimony and your monthly earned income. Determine how much you are paying in taxes each month and how much you have taken out for health care insurance and your 401(k) plan. This is your net, after tax monthly income available for your expenses. Once you know this number, compare it to what you actually need to spend.

Tracking all your expenses and knowing where your money was spent isn't always easy to do. And, with just about everyone so busy these days, I find the easiest way you can track your expenses each month more is to use one or two credit cards (maximum) for as many purchases as possible. This will tally your expenses for you and you might also find a no fee card that winds up putting money back into your account! So, avoid using cash to more easily track your expenses. If your expenses are less than your take home pay, now you can consider some luxuries and some special purchases. Alternatively, if you have long term goals for after your alimony or work career ends, start to automatically save this amount instead. You could also engage in a combination of both extra spending and saving to keep a sound life balance.

3. Know Your Number

While it can be an intimidating process, you must figure out your “number” – the total amount of money you need to not worry about having enough money for the rest of your life. Ask yourself, what is my desired retirement age and how much money will I need at that age to retire with the lifestyle I want? Keep in mind that unless you dramatically downsize your lifestyle and/or move to an area with a much lower cost of living, your income in retirement may resemble what it is now.

I realize these are complex questions, but they are at the core of a solid long term plan. If examining your life in this regard is too overwhelming, then sit down with a financial or other qualified professional and have this conversation. Talking things through and planning is a good way to make realistic decisions. And other than receiving social security, a pension, or an inheritance, your retirement will likely be funded from your earnings and what you save. The sooner you know how much money you will need to accumulate, the sooner you can focus on reaching your goals.

So, get to know yourself better in your new life. Figure out what is important to you and what kind of lifestyle you want to have. Then, you can calculate how much money you will need to accomplish this. It's very important to get started now! The longer you wait; the more time you lose on your journey towards your financial independence.

Contributor's Bio

Mark Avallone is the author of *Countdown To Financial Freedom*, and founder and President of Potomac Wealth Advisors, LLC a financial advisory firm serving clients through holistic financial planning and wealth management. Avallone writes on a variety of financial topics, and his contributions have appeared in the *Wall Street Journal* as well as in *Forbes* where he is a regular contributor. He has appeared on CNBC and has been a repeat guest on the Fox Business Network. His insights have also appeared in *USA Today*, *U.S. News & World Report*, *The Washington Post*, and other leading publications.