

Financial Mistakes in a Divorce - Transcript

Tom Mullooly: Do you know how expensive it is to get divorced? Especially when it comes to retirement accounts, you can make some big mistakes. Stick around and tune in to episode 168.

Welcome to the Mullooly asset show. I'm your host, Tom Mullooly, and this is episode number 168. Thanks for tuning in. I want to talk for a moment about divorce and your retirement accounts. You have to be careful when it comes to these things, because you can be unleashing a lot of problems that you don't need to go through with this. It's funny, not really funny when you're talking about divorce, but it is kind of interesting to note that a top reason for many divorces is money, but yet people just seem to have a difficult time talking about money. It's a big, big stress point for most people, especially when they're first getting together, but going through a divorce will force two spouses to discuss money topics, even while they may not really be on speaking terms. So, they're finally going to talk about money with lawyers involved.

It's very expensive going through a divorce. Lawyers are not cheap, and if you want to see how expensive a divorce can be, try doing one without an attorney. There was a Forbes article that we saw and talked about here in the office that recently talked about a couple of going through a divorce, and they had a transfer of retirement accounts. It wound up costing someone a ton of fees, because they were under 59 and a half and a lot of money in taxes unnecessarily didn't need to happen.

See, in most cases, most divorce cases, there's something called a QDRO. Now, that sounds weird. The letters are Q-D-R-O, and people call it QDRO. It's a Qualified Domestic Relations Order, which allows assets to move due to a divorce or separation, and it's something that comes up in almost every single instance, especially if you've got retirement assets on the line. Even with lawyers, in the case that was cited in Forbes, the guy still did it wrong, and the whole thing blew up on, and wound up losing money in taxes and fees.

If you're going through a divorce, first of all, I'm sorry, but do exactly what your lawyer, your financial planner, your CPA tell you to do. It's so critical. If you think, "Hey, I know better than my attorney. I'm just going to do it this way," I'm telling you, you're in for a big mistake. We've seen a couple of disasters come into our office, because they didn't follow the instructions that their accountant gave them, or their attorney gave them, or their previous planner gave them. So important. Anyway, that wraps up 168. Thanks again for tuning in. Catch you next time.