5 Financial Priorities for the Newly Divorced

By Anna Sharratt / July 2019

Getting divorced can be all-consuming. Whether it's the pain of seeing your union dissolve, or letting go of your former way of life, there are many possible issues to navigate, such as relocation, custody issues and distribution of wealth. "There is a lot of emotion involved," says Christine Van Cauwenberghe, vice-president, tax & estate planning with IG Wealth Management. "People are in a period of uncertainty for a long time."

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After the emotional fallout, though, you'll need to make a number of key financial decisions to protect your assets and to help you carve out a new path toward financial independence.

It's a good idea to talk to a financial advisor who can help you determine exactly what you have and what you require, but there are a few things you can think about now. Here's a checklist to get you started.

1. Sell key assets

Once you've formally filed for divorce, you'll likely need to sell some assets, whether it's a house that both people own, or stuff that you want to get rid of before moving to a new abode. Determine what you plan to sell and those items each of you want to keep for yourselves, says Van Cauwenberghe. This should be done in consultation with a family lawyer and your financial planner. Examples of what you may want to sell include the matrimonial home, vacation properties, jewelry, art and vehicles. It's important, though, to not waste time, as this process can delay divorce proceedings. "You need to start discussing these issues right away," she says.

2. Sever all joint accounts

Cancel all joint credit cards, lines of credit and mortgages. You don't want to be paying for a spouse's golf club membership or a spa weekend, says Van Cauwenberghe. Laura Paris, a family lawyer with Toronto's Shulman Law, says if there are joint expenses, maintain one account that you each transfer money into for the purpose of such expenses. "This can give both parties a certain amount of privacy with respect to how they use their money post-separation, and allows for early adjustment to their new reality," she notes.

3. Start saving in your name

Now that you have closed your other accounts, you should start saving in your name. "You need to start saving now based on your new situation," says Van Cauwenberghe. Not only that, but you may need to apply for new credit cards, open new RRSPs, TFSAs or other investment accounts, and get new life or health insurance, especially if your health insurance was on your ex's plan.

You might have to consider a new lifestyle as well, explains Paris. "Set a new budget and accept that you may have to cut back on certain luxuries you once had available to you."

4. Review your will and other beneficiaries

One of the first things you'll want to do is update your will. If you don't want your spouse to receive any of your assets, then take their name off it (although understand they may still be entitled to receive a portion of your estate if your family property claims are not resolved before the time of your death). The same goes for life insurance and investment beneficiaries. It is generally not recommended that young children be designated as direct beneficiaries on an insurance or investment plan, but you should change the designation to "estate" and update your will to indicate who should receive your estate. Review your powers of attorney, too, to ensure that the right person is taking care of your finances if you can't oversee your money yourself.

5. Create an emergency fund

"There is significant security in having a spouse," says Paris, as their income may have provided a financial cushion in the event of an illness or accident. "When you separate, you lose that security blanket," she notes. Start setting up an emergency fund by putting a portion of your pay into a savings account as soon as you can. You'll want that money in case something unforeseeable happens.

Getting through divorce proceedings can take time – and it's draining, says Van Cauwenberghe. But if you focus on the issues that affect your financial security, you can slowly forge your financial independence. "Try to control what's happening on your side of things," she advises.