

6 STEPS to FINANCIAL HEALING AFTER DIVORCE



PATTI J. HANDY

Legal Disclaimer

Release of liability and legal disclaimer

Please note: This is general advice. You should consult with your own financial advisor before making any major financial decisions, including investments or changes to your portfolio.

Patti Handy, LLC dba Kids Cash Coach™/Teens Cash Coach™ and Patti Handy are neither stockbrokers, investment advisors, licensed therapists or psychologists and that no investment advice is given or implied. All information provided, including references to stocks, investment strategies or formulas, is for educational and illustrative purposes only. You should seek appropriate legal, financial, tax and other professional services as needed.

You agree to hold Patti Handy, LLC, dba Kids Cash Coach™/Teens Cash Coach™ and Patti Handy harmless from any and all loss, damages, liabilities, demands, claims, actions, or suits, incurred as a result of use of any information presented in this e-book or membership association that may be asserted against me by third parties by reason of your use of any information presented in products.

Taping, reproduction, distribution, or resale of material owned or delivered by Patti Handy, LLC dba Kids Cash Coach™/Teens Cash Coach™ or Patti Handy, without prior written authorization, is prohibited.

Patti Handy is not a registered investment advisor, licensed therapist or psychologist and the information provided in this e-book should be considered educational in nature, but it is not a substitute for legal or professional financial advice or that of a licensed therapist. If you believe you need the help of a Certified Financial Planner, therapist or other investment counselor, please seek a qualified professional. Patti Handy is not responsible for any losses, damages or claims that may result from your financial decisions or the information provided herein.

Please seek the advice of a tax professional for income reporting requirements.

6 Steps to Financial Healing After Divorce

I totally understand if this is the last thing you want to be reading about right now. Money is a stressful subject for most, especially if it's not comfortable for you to begin with.

During this emotionally challenging time, this is somewhat “heavy” material to read through. You may need to reread this later, when you're able to take it in, but you must deal with this crucial piece of your life.

I want this information to be at your fingertips when you need it, so I'll share some of the most important pieces of getting your finances on track.

I realize this topic can be boring and scary. I get that. Even so, I'm going to spend a lot of time on this piece. Although my world seemed out of control when I went through my divorce, a part of me felt a sense of peace knowing I knew how to manage my money and take care of myself financially. I want this for you, too.

I hope this information will help you realize money management is not scary, nor is it difficult.

1. Organize!

First things first: organize your world. If you don't have your papers in one central location, gather everything and put it on the floor. It's time to get organized! Get your bills, mortgage/rent information, legal papers, insurance papers, life insurance information, retirement/401K statements and any other financial documentation you have. Purchase a small fireproof box that can be locked, and place all this paperwork inside.

If you're already organized, this information may seem oversimplified, but I want to cover it regardless. Indulge me.

Start with a central location where you will put all your bills and monthly statements. This is an important step, as you don't want to forget, or miss, paying a bill because you misplaced it. Perhaps use a drawer at a desk or place it all in a large envelope. Don't just stack the bills on your desk, as you will probably misplace something and miss a payment. One late payment can possibly cost you dearly in the form of a lowered credit score, especially if it is a mortgage or credit card payment.

Purchase an accordion file that you will use to put all bills/receipts/statements, etc., once you pay your bills. Find an accordion file that already has the subject labeled, for example: auto expenses, credit cards, mortgage or rent, utilities, etc.

The control of your financial world gives you a sense of stability in an otherwise volatile stage of your life. If you need to seek help, do so. Talk with your tax preparer, a CPA, a mortgage professional or a financial planner. Take an inventory of your assets, liabilities, income and expenses.

Put a plan together to get back on track financially. Pull your credit report and see where your credit scores are. If they need improvement, get some help to bring those scores up. Having a good credit score can save you thousands of dollars, not only when it comes to buying a home, but also when purchasing a car, home and auto insurance.

2. Get a handle on credit card debt.

Getting out from under credit card debt is a vital step in achieving your long-term goal of financial freedom.

If you have credit card debt, you'll need to sit down with your statements. Write down the name of the card, the outstanding balance due and the interest rate. You must have a plan in place to pay that debt off as soon as possible.

First, contact each one of your credit card companies and try to negotiate a lower interest rate. If your credit scores are good, it's possible they will work with you. Shop online for lower interest rates and consider doing a balance transfer.

Several cards now offer a zero-percent interest rate. Your credit scores have to be excellent to qualify for these offers, but it's always worth a phone call.

Starting with the highest interest rate card, determine your minimum payment on each card. Make only the minimum payment on all cards, except your highest interest rate card (not your highest balance). On your card with the highest rate, pay an

additional \$50-\$100 per month. If you can do more, by all means, do so. Once that card is paid off, apply the payment that you were making to this debtor and pay down your next highest interest rate card.

Continue this process and before you know it, you'll be debt free.

If credit card debt is on ongoing challenge for you, I encourage you to ask yourself a very personal, direct question. Are your purchases a result of a “need” or a “desire”?

If it is a desire, ask yourself: what emotional trigger is playing a part? As a society, much of our credit card debt stems from “emotional purchases”. I know when I feel down or challenged in life, a new goodie of some kind always puts a smile on my face. Until I get the bill.

Especially after a divorce, when emotions run high, treating ourselves to something special gives us a sense of happiness. Don't get me wrong: I am all for taking good care of ourselves and indulging occasionally. Just be careful not to overdo it...the bills will catch up with you. A good rule of thumb is, if you can't pay your credit card bill in full, don't put anything on it.

Try to minimize using your credit cards going forward. Until you pay them down or off, I suggest using cash or debit cards.

It's also important, especially with a divorce, that you separate any credit cards immediately. You do not want to be responsible for any items purchased by your ex.

Contact your credit card companies and let them know you need to change the account and open a new one in your name only. If the credit cards are older cards, try to have your ex removed, rather than closing the account. Old history helps your credit score and closing out older credit cards could drop your scores.

The creditors should be able to see your credit history and open a new account for you. I suggest you tell your ex that the accounts need to be closed so there aren't any surprises.

3. Look at spending habits.

Let's talk about spending for just a minute. I mentioned "emotional spending" earlier. I know from my experience and from many people I have spoken with, that doing something special for ourselves during this difficult time makes us feel better. I absolutely agree, but please do so responsibly.

The last thing I want to see you dealing with is a pile of debt, or depleting your savings account, because of what you are going through emotionally. Please use the three-day rule...once you see something you want, wait three days before you make a decision to buy it. Oftentimes, you will reconsider and realize it may not be the best thing to do.

We've all heard the term "retail therapy" and we all participate in it at one point or another. But, when emotions are raw, it seems more prevalent, understandably so.

If you track your spending for two weeks, you may be surprised at what you discover. Many find they spend much more on fast food, coffee or snacks than they realize. If funds are tight, this is a place you can cut back.

Use this spending tracker, just for a week or so, to document what you spend and where. You may be surprised. It's simply meant to help create an *awareness* of where your money is going.

Daily spending tracker...

Date	What bought	How much \$\$	Why did I buy

The bottom line is this: it's not necessarily what you make that creates wealth, it's *what you keep*.

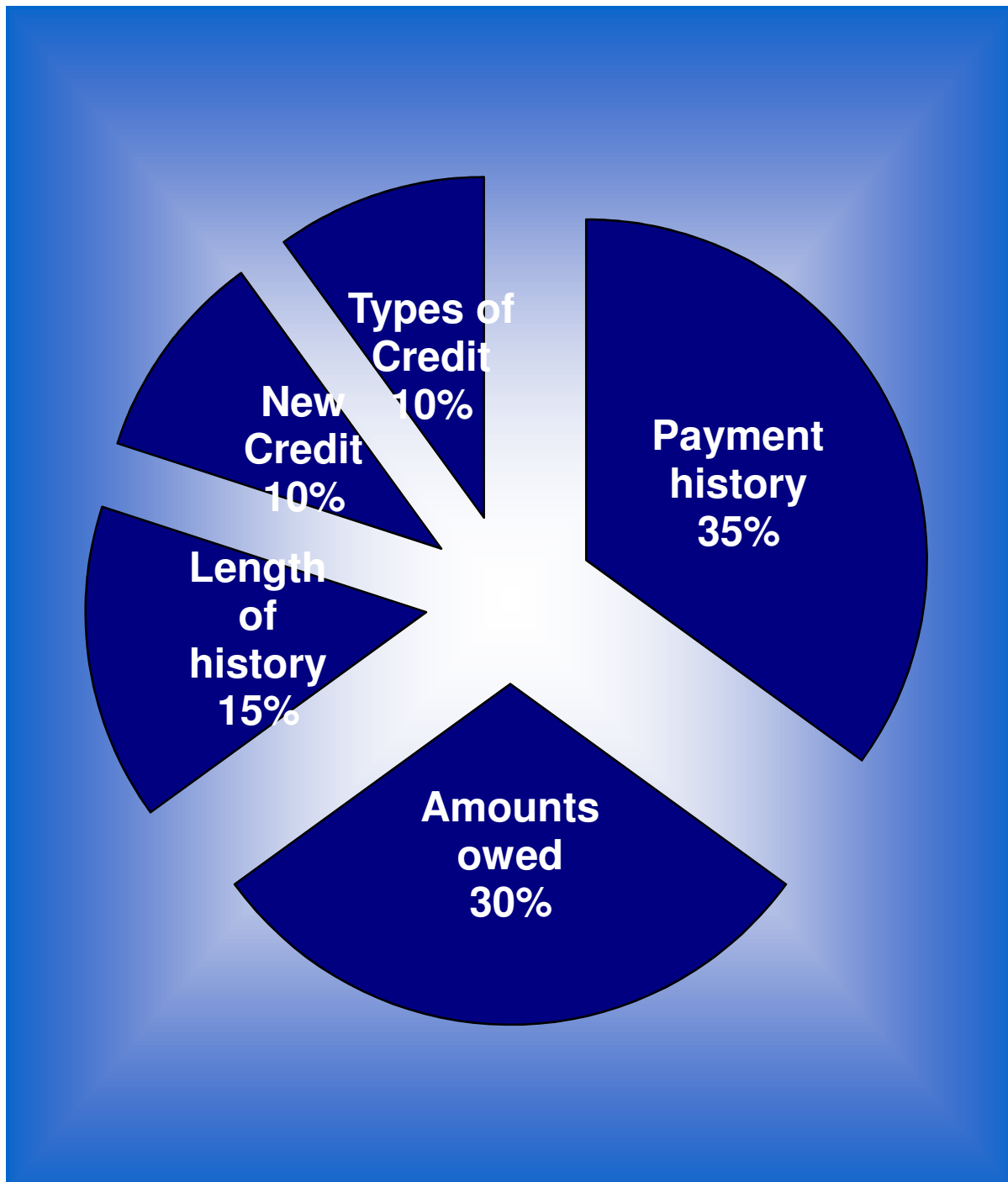
4. Credit Scores, and all that fun.

Understanding your credit score-- and more importantly, having a good score-- can make a significant difference in how much you pay for just about everything! This is powerful information, so I'm going to get into the nitty gritty.

As I mentioned earlier, having a good credit score can save you thousands of dollars, not only when it comes to buying a home, but also when purchasing a car, home insurance and auto insurance. Some employers will pull your credit as well, so spending time on this will be time well spent.

Boring? Yes! Invaluable information? A bigger Yes!

What factors go into your score?



Let's break this down while keeping it simple. I'll give you the basic, important information you need to know. Credit scoring is complicated, and the calculations remain a mystery. Like Coca-Cola, nobody can give you the exact recipe, but we can get enough information to get the job done. In this case, get your credit scores up and keep them up. I just can't tell you how it's calculated.

Payment History accounts for 35% of your credit score. This basically tells us whether you have made your payments on time. As you can see, this weighs heavily on the score, as it accounts for 35%. Lenders want to know how responsible you are with managing money and your payments. Making *one* late payment is not an automatic score killer, but it will drop your score, so it's important to keep your bills **organized** and make sure nothing is overlooked. These payments can be on credit cards, car loans, any finance company or mortgage loans. I suggest you keep all your bills in one location and pay them twice per month, usually the 1st and 15th of the month. But, watch the credit card due dates, as they will differ from card to card.

Amounts owed accounts for 30% of your credit score. Simply put, this looks at what you owe on credit as a percentage of the total credit available to you. To keep your scores up, maintain that percentage below 35%. For example, let's say you have a credit card with available credit of \$1000. If you use that card and your balance goes above approximately \$350, your scores will be affected. In this example, keep the balance below \$350. The credit bureaus don't like to see you "maxed out", as it implies you may not make your payment on time, if at all. Given this information, you may be tempted to run out and get a bunch of credit cards so you have a lot of *available* credit, but be careful. Too many cards can lower your score, as it increases risk. What's the magic number of cards? It depends. Start out with one or two major credit cards (Amex, VISA, Discover or MasterCard). You can add a gas card or department store card, but don't add more than one or two. With credit cards, more is not necessarily better!

Length of credit history accounts for 15% of your credit score. Basically, the longer you have a credit history the better. This is why you don't want to close older credit cards, even if you don't use them. Cut them up and stop using them; just don't close the account. On the flip side, don't fret if you are new to credit and don't have much of a history. You can have high scores without history if the rest of your credit report looks good.

New credit accounts for 10% of your credit score. Too much of a good thing is a bad thing. Basically, you shouldn't go out and open a bunch of new accounts at once. It signals that you may be overextending yourself, or worse, already in trouble. Also, newer accounts will lower your *average* account age, which will have a large impact if you don't have other credit information. This ties in with the previous section of length of credit history.

Types of credit accounts for 10% of your credit score. Simply stated: mix it up. Your score will improve if you have a "healthy mix" of credit. For example: credit cards, retail accounts, installment loans (car payment), and mortgage loans. Remember, more is not necessarily better.

So, why the big deal...

As I mentioned early on, the credit score calculations are complicated, and much goes into them. I have discussed the primary, most important aspects of your score. But why are they so important? What's the best way to get good scores?

For starters, your credit scores are looked at by many people, not just lenders or car financing dealers.

Some employers will look at your credit scores to determine how responsible you are. Doesn't it make sense that if you are responsible with managing your money, you would be responsible as an employee? I think it makes total sense! Some insurance companies will also look at scores to determine pricing on your policies. Talk about a costly mistake if you let your scores drop! If you decide to rent an apartment, landlords will pull credit to determine if they want to rent to you or not. It can be a risky proposition for them if your scores are poor. On the flip side, if you have excellent scores and are competing with another person for that rental, you just may win out.

When it comes time to buying a car, finance a big purchase or buying a home, your credit score will dictate the interest rate you pay. It will cost you dearly if you have poor credit. In some cases, you won't be able to get credit at all if the scores are too low. I can't stress enough how important it is to be "on your game" with your credit.

How to get a copy of your credit report...

As of this writing, you are allowed to pull your own credit report once per year for free. If you pull it yourself, it will not count as an “inquiry” on your report, which is preferable.

Go to www.annualcreditreport.com for the free report. This site does not give you your *credit score*, just the report. You can go to www.myfico.com to obtain your scores, but they charge a nominal fee. You can also order your credit report directly from the credit reporting agencies. Here is their contact info:

Equifax:	www.equifax.com	800-685-1111
Experian:	www.experian.com	888-397-3742
TransUnion:	www.transunion.com	800-888-4213

If you ever found an error on your report, you would need to contact the above agencies to dispute. If you report an error to the agency, they must investigate and respond to you within 30 days.

How to get them up and keep them up...

Here are a few suggestions for getting those scores up:

- Keep balances low on credit cards and other revolving credit. (Remember the amount owed I mentioned?)
- Don't close those cards that you don't use, especially if they are older cards. Cut them up and stop using them: just leave them open.
- Don't go out and open a bunch of new credit cards that you don't need just to increase available credit. That could backfire on you.
- Pay your bills on time
- When it's time to buy your car or home, shop for the loan within a short period of time, preferably 2-3 weeks. That way, each inquiry won't be considered a single inquiry.
- Using credit cards to pay for gas or food, knowing full well you will pay that off in full, will help raise your score. Showing that you can *use and pay* on a regular, consistent basis, will exhibit responsible behavior.
- If you have a credit limit on a card, never go over that limit. The credit card companies will allow you to do that

sometimes, but your scores will drop, as you will be “maxed out”.

- When the nice person at the department store offers you 10% off your purchase if you open a credit card, smile and say “no, thank you”. Unless you need the credit, don’t open just to open.
- If any of this is confusing and overwhelming, don’t fret; you are not alone. Just make sure you educate yourself before making any decisions, and don’t be pressured into anything.

I realize this was a lot of information to take in one sitting. Use this as a reference and reread it as necessary. Getting on top of your credit and staying on top of it will benefit you more than you realize.

As I mentioned earlier, I wanted to spend a lot more time on the money topic. I truly want you to feel empowered and in control of your finances; otherwise this can be a source of fear and anguish.

5. Investing nuggets.

The next thing I want to cover is investing. As I am not a financial planner, I cannot give you any specific investment advice. What I do suggest is that you do a lot of homework. Be sure to speak to a trusted financial planner or advisor. If possible, get a referral from a friend and interview several financial professionals to get a good sense of their experience and background. Don't let a pushy salesperson make you do anything that doesn't feel right.

Bottom line: you must be diversified. There are many factors that go into your investment choices: your age, risk tolerance and need for cash are just a few things to consider when choosing investment products. Please take your time and don't make any rash decisions.

Be sure to leave at least six months of monthly expenses in a liquid account, in case of an emergency. In the event you lose your job or have an unexpected large expenditure come up, you won't want to pull money from your mutual funds or stock portfolio. As we have seen, the stock market can be very volatile and you don't want to be dealing with pulling money out at an inopportune time.

The bottom line is this: **no one cares more about your money than you do**. Until you know for sure where to invest your money, it's best to leave it in a liquid money market account that gives you immediate access.

6. Pay YOU first!

One last nugget...one of the best things you can put into place, right now, is an automatic investment plan that pays you first. What do I mean? Every month, on whatever date works for you, automatically transfer money from your checking account (or wherever you normally deposit your paycheck) into an investment account. I don't care if it's \$25 or \$250, but start something now. Have the transfer set up automatically, something financial institutions will do for you. Normally, there is no fee for this, so be sure to negotiate this if your bank tries to charge you.

This is your longer-term savings that you should forget you have. Let the power of compounding interest work for you NOW!

The way I see it, compounding interest is free money. Your interest earns interest, which means your money is working for you. The sooner you put your money to work for you, the better.

I understand that coming out of a divorce, the cash flow may be tight. Do whatever you can, even if it's a small amount. Just do something!

Whew, that was a lot of money talk! This is typically a subject that people feel uncomfortable with and don't want to deal with. But, gaining control of your finances and learning how to manage your money will bring you a sense of financial peace and comfort.

I truly hope your financial journey is an empowering one. The process itself can oftentimes be challenging but also rewarding. Take it one step at a time and try not to get overwhelmed by doing everything at once.

You will not only survive your divorce, you will thrive! Know that to be true with every fiber in your body!

About the Author

After Patti's divorce, she realized she had to reinvent herself in order to raise her son on her own, and be the mom she wanted to be. Rather than go back to corporate America, where she spent many years, she chose the path of entrepreneurship.

With her background in the banking arena, she chose the path of mortgage lending, which allowed her the flexibility to work at home. After many years of this, she came to the realization that she wanted to make a bigger difference in the world and serve somehow. It was then that ***Teens Cash Coach*** was born.

Patti went on to become a Certified Life Coach, write a book and begin her journey of empowering teens with money smarts. Her book, ***How to Ditch Your Allowance and be Richer Than Your Parents***, was originally written for her own teenage son but was quickly requested from parents around the world. As a single mom, she understands the challenges, and joys, of raising a teen.

As a speaker, author and founder of Teens Cash Coach™, Patti is determined to teach one million teens how to master money. From school assemblies to boot camps for teens, she engages, entertains and empowers teens to create the life they deserve. Patti's quick wit and sense of humor make all her presentations interesting and fun experiences for teens.

She loves spending time with her son, family and friends, playing tennis, writing, spending time at the beach and playing with her two toy poodles.

For information on her products and services, visit www.teenscashcoach.com.

www.divorcesurvivaltips.com

Copyright 2011 ® Patti Handy, LLC