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BUSINESS DAY

Who Gets to Keep the Barry Manilow Records?

By HILLARY CHURA FEB. 17, 2007

For many couples, Valentine's Day brought Champagne, chocolates and long-stemmed bouquets. For others, it brought the realization that their relationship just, well, wasn't working.

With divorce as prevalent as ever, separating couples may not realize that the most significant ways to stave off financial problems probably come months before the lawyers start hashing out child support, alimony and other issues. Laws vary by state, but people can use myriad tools to protect themselves in advance of a divorce.

During nine years of marriage, Paige Romine of Austin, Tex., had not bothered to maintain her own credit history, so when she separated from her husband in 2001, she quickly got her own bank account and lined up her own credit cards. The bank account gave her a place to keep money separate from her husband. With that, she could hire a lawyer and pay living expenses until a judge decided her case.

"After being married since 1992, I didn't have anything in my name independent of him, so I had to start all over," said Ms. Romine, who took her maiden name as part of the divorce. "I still have companies sending me stuff under my old name."

Divorce mediators, financial planners and other specialists urge people considering divorce to request a copy of their credit report and to make copies of important financial documents — bank statements, retirement accounts and tax returns, as well as mortgage and loan applications — before they move out.

"In the worst-case scenario, papers disappear," said Sharon Rich, a fee-only financial planner in Belmont, Mass. "And once they disappear, it's much harder to get information. Scan or Xerox it."

In addition to updating wills and insurance beneficiaries, divorcing spouses should find their own advisers, including lawyers, accountants, financial planners and insurance providers. One of the most important exercises, however, is to anticipate a change in lifestyle, perhaps even find jobs, and get command of their budgets, especially if they have assigned Quicken to the spouse over the years.

"You can't make decisions unless you know what you have," said Roslyn Zinner, a divorce mediator in Odenton, Md.

The issues concern not just the wealthy, and they apply regardless of whether someone is the breadwinner, equal earner or stay-at-home parent.

"If a family doesn't have a lot of money, it may be just as important or even more important for them to pay attention to the financial issues because any mistakes represent a larger percentage of their assets," said Carol Ann Wilson, a certified financial divorce practitioner in Boulder, Colo.

Specialists also urge both husband and wife, regardless of who is the primary earner, to set up rainy-day funds to cover them for several months. Money also should be kept liquid rather than stashed in seemingly protected retirement accounts as those accounts may be subject to splitting anyway. Partners should also make an accounting of joint assets and get independent appraisals of real estate, jewelry, art and automobiles.

Richard Gordon, a San Diego divorce mediator, suggests putting the Fabergé eggs or other expensive assets in a vault to ensure that a spouse does not sell them on the sly. Even the smallest of things become significant.

"Suddenly, even the Barry Manilow records become important," Mr. Gordon said.

People who have been covered under a working spouse's health insurance should look into their own coverage as they probably will not be on their spouse's once the divorce is final. Conversely, a spouse who has been paying for the other's health, auto or other insurance coverage should not let it drop until a judge gives the approval to terminate. People with children or other dependents should also have life and disability insurance.

When Ryan Bilbrey and his wife decided to divorce in 2005, they decided to split their bank accounts and joint investments, as well as proceeds from the sale of their home. Mr. Bilbrey, who lives in New York, agreed to pay $3,000 a month in alimony for a year and even listed his wife as his life insurance beneficiary in case he died before the year ended.

Spouses who have not worked for a while should check into the cost of further education in case their current skills will not support them. Armed with this information, they could ask their former partners to finance schooling with the idea that they would request less alimony if they could take care of themselves, Ms. Zinner said.

Mani Shukla created an estate plan when she was divorcing in 2005.

"You really do have to plan for what will happen to your money should something happen to you," said Ms. Shukla who lives in suburban Chicago and has an 8-year-old daughter. "You don't want it to end up in your ex-spouse's hands because, ultimately if anything happened to him, it would go to his wife and not to your child at all."

Paula James, a divorce mediator in Austin, Tex., said minor children should not be made beneficiaries because insurance companies may refuse to pay until a child turns 18. She suggested either naming the other parent or someone else considered trustworthy to manage the money.

Parents also must take special provisions, including notifying schools so the other parent cannot take a child for use as leverage. Even though they might not want to sell a home for fear of disrupting a child's life, they should at least talk to a real estate agent to see how much the home has appreciated. John Henry McDonald, a certified financial planner and chief executive of Austin Asset Management Company in Austin, said that if a home had appreciated more than $500,000, it might be wise to sell it because each owner gets a $250,000 capital gains break. If it is sold when there are still two owners, then $500,000 is exempt. With just one owner, only half of that is exempt.

Ms. Romine was able to use proceeds from the sale of her and her husband’s home to buy another. She said her lack of credit would have been a problem had she needed a mortgage and that she is still unraveling the financial ties nearly three years after her divorce was completed.

People considering divorce are wise to assess their local support system — and not just for the moral encouragement they may need. When she divorced in 1995, Barbara Thompson was the primary earner in the relationship and she said she decided to let her husband keep their Chicago condo as long as he kept up the payments. She house-sat for friends while she figured out where she wanted to live and what kind of house she wanted.

Advisers also discourage clients from racing to the bank teller and draining joint accounts. At most, they say, people should remove just half of the funds or freeze the accounts so that both signatures are required to withdraw funds. Canceling joint credit cards is also smart because both parties may be responsible for debts even if they are run up by one spouse. June Walbert, a certified financial planner at USAA, said that once a card has been canceled, debts should be split.

“It could take years, or even decades, to recover financially from a divorce,” Ms. Walbert said.

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