

What is a Certified Divorce Financial Analyst and When Do You Need One?

By Steve McBride, CDFA, Mediator

WHILE DIVORCE IS PRIMARILY an emotional event, money issues often fuel those emotions. Whether the divorce is carried out with or without attorneys, valuing and dividing assets and determining maintenance and child support are regularly the focus of much discussion and angst. Precisely because the emotions are so heated, making good decisions about the financial aspects of the divorce settlement can be one of the most challenging aspects of the process.

Certified divorce financial analysts (CDFAs) are the financial specialists in the world of divorce, trained and certified through examinations by the Institute of Divorce Financial Analysts. They support clients (and their attorneys) in collecting the financial data, presenting the data clearly, helping everyone to understand it, and helping to craft solutions that meet the needs of the parties and minimize the tax impact of decisions. CDFAs help clients develop realistic budgets and assess their future financial needs by preparing after-tax cash flow and net-worth forecasts. Many CDFAs will value pensions and review and draft Qualified Domestic Relations Orders (the documents that are needed to divide pensions and 401(k) accounts.)

CDFAs can work for one of the parties, providing them with specific advice, or can be the independent financial expert, jointly appointed by both parties to provide independent financial analysis and support to the mediation, collaborative, and even litigation process. Many CDFAs help interface between clients and other financial professionals, such as real-estate appraisers, realtors, mortgage bankers, business valuation specialists, and investment advisers to help clients make and implement

decisions that will most likely have a huge impact on their financial future.

While many situations are more complicated financially and definitely require the help of a trained divorce financial professional, the typical family has a home with a mortgage, two vehicles, some retirement funds, credit-card debt, and a variety of physical assets. One or both of the parties may work, but often there is a difference in their earning power. The challenge in divorce is dividing the assets and income over a period of time to meet the needs of the parties and their children so that two households can exist in a way that is perceived to be equitable (not necessarily equal). Preferably, the parties divide the assets, or if necessary, the court will. The questions that often need to be answered include:

- Can I keep the house, and if so, can I qualify for and afford a refinanced mortgage? Can I afford the upkeep and live in it until the kids are through school? Will I be able to afford a down payment on another house, or will I be renting an apartment?
- Will I have enough money to live reasonably, taking into account my income, debt payments, maintenance payments, and child-support payments? Do I need to enhance my skills and education to get a better job that provides more income or flexibility? How much will that cost, and how long will it take?
- What will my retirement look like financially, taking into account Social Security and our divided retirement funds?
- How can we obtain an agreement so that we minimize the amount of tax we pay and have more money for our two households?
- What do we do with all the debt we have?

Who should take how much, and how does the other party protect itself from the ongoing liability? Should we liquidate assets to pay off our debt, or refinance real estate to lower the cost of our borrowing?

Divorce is one of life's most stressful events, but it can be less stressful if you have the support to help you understand clearly the financial implications of the decisions you will be making. Often attorneys are not able to help clients see all the financial implications of their decisions and provide them with the detailed financial support needed during the process. CDFAs provide that expertise and support to clients and attorneys.

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