

# I Just Got Divorced. How Do I Rebuild My Finances?

Nearly half of all marriages end in divorce—and that can leave not only an emotional impact but a financial one. Host Stefanie O'Connell Rodriguez and attorney and wealth expert Tasha Cochran, who has made it through her own divorce, lay out a step-by-step plan to help those going through divorce get their financial lives in order.

**“Alicia”:** Even though I felt relief getting out of the marriage, there was a lot of feelings of overwhelm, juggling all these different things and maintaining my full-time job and trying to rediscover who I am as part of the divorce and it's become a little complicated.

**“Maggie”:** At that point we'd been together almost a decade. No one goes into it thinking like we'll probably split up, but anyone can split off as confident as you are.

**“Katie”:** I guess I just need encouragement and I need people to check in on me and to ask me, so how's everything going financially? Is there anything I can do to help?

**Stefanie O'Connell Rodriguez:** This is Money Confidential, a podcast from *Real Simple* about our money stories, struggles and secrets. I'm your host, Stefanie O'Connell Rodriguez. And today we're talking to a 49-year old school psychologist from New Jersey we're calling Alicia—not her real name.

**“Alicia”:** My relationship with money is a little bit complicated right now. I just went through a divorce. So I'm a single mom of two college-aged kids. I'm trying to save money for a rainy day fund on the top of paying off a lot of debt that I have incurred either from my marriage and or my divorce.

**Stefanie O'Connell Rodriguez:** Divorce, like other major moments of life transition, can be expensive. And the financial impacts tend to fall hardest on women, with [one study](#) finding that in heterosexual marriages, women's household income falls 41% after divorce, almost double the income loss experienced by men.

When you were married, what was your relationship with money like?

**“Alicia”:** It was a very stressful relationship. My ex-husband tended to buy things at whim and I took care of all the finances. I was the one paying the bill. I felt the crunch of, you know, what's coming in, seeing what's going out and not being able to save.

We did have a little bit of stock, so we sold that and we paid off a substantial amount of our debt. But we still had a lot left. We shared a mortgage. That kind of got complicated too, because we were still living together for a period of time before I moved out.

I didn't have a bed, I left the desktop computer. You know, things like that, that you wouldn't necessarily think about. So I've incurred a lot of expenses.

I have to basically create a billing statement as shared expenses between the two of us and what the kids incurred and things like that.

**Stefanie O'Connell Rodriguez:** The process of financially unraveling a marriage can be far more complicated than the process of actually getting married. The boundaries between 'yours,' 'mine' and 'ours' have a tendency to get blurry over time. From basics like bills and bank accounts to major assets and debts like homes and student loans—you're tasked with sifting through and splitting up financial lives that have merged together over the course of years, often within a matter of months, which can make the process overwhelming, complicated—and expensive.

So you have all of these one-off expenses. Also, you're now budgeting on your own income. And then on top of that, you have a debt from the divorce, correct?

**“Alicia”:** Yes. We divided our debt relatively equally. We worked with a mediator to help us look at those finances a little bit closer. So he left with his student loan debt and some other credit card debt, and then I have a car loan, for my car. We have a car loan for our boy's car.

One of the credit cards is a consolidation of previous debts. That one's about \$14,000. Also, there's another one that has about \$5,000 on it.

**Stefanie O'Connell Rodriguez:** Have you come up with a plan for how you want to deal with them?

**“Alicia”:** I'm still kind of tinkering with it. I applied for a new credit card that had allowed me no interest for 15 months.

So I got rid of my super high interest credit card that way. I'm trying to balance between paying that off before the interest starts accruing or paying off the high interest debt cards.

**Stefanie O'Connell Rodriguez:** Do you feel like you're making progress?

**“Alicia”:** I feel like I am, but it seems very slow in the process.

**Stefanie O'Connell Rodriguez:** And have you been able to, or have you tried to, to build a budget, taking all of those things into account?

**“Alicia”:** I've kind of kept a list of my monthly expenses so that I actually see where I'm spending. Budgeting I have never been really great at because you know, well, this week I'll spend, you know, X amount of money, and next week it's X plus another \$30 because something else happened.

Because I'm an educator I only get paid 10 months out of the year. My district does hire to do summer work, but some of the money I work in the summer, I don't get until September. So that's been another concern with saving for the rainy day and saving for summer when you know, being on my own and not having a consistently reliable income.

And that, that seemed to be part of our credit card debt was over the summer months when we had less cash coming in, our grocery money and gas money and that would go to the credit cards and then we just never caught up.

**Stefanie O'Connell Rodriguez:** How does thinking about your future play into it?

**"Alicia":** I am eligible to retire in about six years. I would love to be able to do that, but I know I have to work. So I might try to switch careers, but I would like to retire and enjoy life a little bit.

I have a pension with my current job, which is very generous. Um, I've saved a little bit in like a 403B, I think.

**Stefanie O'Connell Rodriguez:** Mhmm.

**"Alicia":** It's very minimal, but I know it's important to start doing that. You know, I should have done that a long, long time ago. I feel like I'm playing catch up.

**Stefanie O'Connell Rodriguez:** Are your retirement assets affected at all by the divorce?

**"Alicia":** That was the one thing I was able to save. I kept my pension and he kept the house. My lawyer says I'm house poor, but pension rich.

**Stefanie O'Connell Rodriguez:** When heterosexual parents divorce, women [typically](#) become the primary caregivers, which researchers found not only increases women's household costs, but also [hinders](#) their earning power.

Now, because your children are college age. Is that still a line item on your budget supporting them in any way?

**"Alicia":** Yes. One son lives at home with me. He's going to community college. My other son's away at school, but he does come home for breaks and over the summer. So yeah, I do have expenses for them. And then on top of that, I want to help them as much as I can.

My younger son, who is in a private school has already almost exhausted our 529 in his first semester of college. Whereas my other son who's in community college still has a decent chunk left. So I would like to help my son, my younger son also, you know, with his expenses. He's been taking out student loans for the rest.

If I can contribute just a little bit to ease some of that stress for him, cause I don't want him going in the same path as me. I want him to feel okay, coming out of college, I just paid off my student loans maybe seven years ago. So I know what that's like.

**Stefanie O'Connell Rodriguez:** How does it feel to follow the advice of prioritizing your own savings before helping your children financially with college?

**“Alicia”:** I feel like I'm betraying my kids. I know in the long run it will probably benefit them as well, you know. If I'm financially stable, they won't have to help me out. But my heart is bleeding for them saying like, I really want to help you guys.

**Stefanie O'Connell Rodriguez:** If you anticipate your son living with you for the next several years and he does get a job, can you imagine maybe having him contribute to the household financially?

**“Alicia”:** Yes. I've been thinking about that. I don't think I'd charge him like super high rates of anything, but I would like him to start taking some ownership because I think that will give him more fiscal responsibility. He does work part time and when he sees that money, it goes out like that.

And I'm like, okay, remember you have to pay half your car insurance, so I am anticipating, having him give a small contribution to help with some expenses.

**Stefanie O'Connell Rodriguez:** Going through this process were there any things that surprised you?

**“Alicia”:** I don't wish a divorce on anybody. But the strength and the courage it took for me to get to that place and then the feeling of empowerment having gone through it.

And now I feel like, okay, I'm in control now. It's also, there's a flip side to that. 'Cause I feel a little bit like nervous because now I'm in control and what if I mess something up.

**Stefanie O'Connell Rodriguez:** Where do you hope you'll be five years from now?

**“Alicia”:** I would like to be out of debt, and then start seeing my retirement savings or my rainy day savings growing.

**Stefanie O'Connell Rodriguez:** How do you imagine it would feel to have paid off all that debt?

**“Alicia”:** That would be such a burden lifted. That would be amazing. I would feel very free. Like I feel free now, like with the divorce, but that would be exponentially even more freeing, I think.

**Stefanie O'Connell Rodriguez:** Like Alicia mentioned, finalizing the process of divorce can be liberating, but simultaneously daunting, especially when it comes to money. So after the break we'll talk to a financial expert who's been through it herself—and she'll share her recommended strategies for Alicia and anyone else going through the process of rebuilding their financial lives.

Tasha Cochran is a lawyer and financial expert who helps families build wealth, no matter where they're starting, through her popular YouTube channel and blog [onebighappy.com](http://onebighappy.com). To get a better understanding of the financial impacts of divorce, Tasha and I first delved into the legal and financial implications of marriage.

**Tasha Cochran:** So when you get married, you are really hitching your financial horse to someone else. I am a huge proponent in people understanding that there is a difference between that emotional and the love and dedication and commitment that happens when you decide to partner with someone for life and the legal bundle of rights that happen when you sign a marriage license.

Understanding the legal bundle of rights, the legal entanglements that happen when you get married and understanding also what it looks like to try to disentangle those things, should you decide to end the partnership. It helps you make better financial decisions during the course of your relationship so that whether or not you and your partner end up staying together for life, you can both still be well off financially, no matter what happens.

So I got married for the first time when I was 21 years old. And for me it was very much at that time in my life an emotional thing. And especially as women, I think there is this societal push for us to get married because our worth as women is tied up in whether or not a man is willing to marry us. It's so unfortunate. And eventually, nine years into the marriage, the marriage broke down and we ended up getting divorced.

At this time now I'm a lawyer, so I did my own divorce and I realized just how entangled we were. And I realized so many of the financial decisions I had made were based entirely on the assumption that we would be together to help figure out our way out of that decision.

So, for example, when I went to law school, my ex-husband stopped working and he went back to school and my law student loans supported us and our daughter Alexis for three years. So I had almost \$200,000 worth of student loan debt, all in my name. And that's left with me after the divorce.

And that definitely came into play when I met my now life partner, Joseph. For the first nine years of our relationship we were fully committed to being life partners, but we were very strategic about our finances. We made the decision to delay getting legally married because we were paying more attention to those legal entanglements.

**Stefanie O'Connell Rodriguez:** When people talk about marriage, they often don't think about the realities of it not working out. And it really hurts women.

**Tasha Cochran:** It can feel like we have failed. It's never just about the finances for us. We spend a lot of time thinking, well, was it our fault that this relationship broke down? And then there's also that weight of thinking, am I going to find someone else?

I'm so thankful that I did the inner work to recognize that my value has absolutely nothing to do with whether or not I'm married to someone, whether or not I'm in a committed relationship.

I am valuable in and of myself and I can provide for myself financially.

**Stefanie O'Connell Rodriguez:** That's such an important point.

**Tasha Cochran:** We all want to think that our partnership is going to be forever. That's the vision that we have when we enter into that partnership. And if we don't have healthy money and relationship dynamics modeled for us by our parents or other people within our circle of influence, then it's really difficult for us to figure out, 'Hey, it's actually really important for me to understand what's going on with our finances.'

Even if my partner is the one that is primarily responsible for the execution. I still need to understand it. If we don't have anyone telling us this, then it's easy to fall into a default role where it's like, okay, I'll just make the money. He can take care of the day-to-day running of it.

I would say, just recognize that you made the best decision that you could with the information that you had at the time. And I like to call these, wouldn't do that agains, to take away the stigma around using words like mistake and regret. Let's just call them WDTAs.

Wouldn't do that again. And that makes it feel so lighthearted, like, okay, that was a lesson I've learned from it. Now I know the importance of understanding what's going on with my finances. And that's a powerful lesson that you can apply, even if even beyond your next relationship, you can apply it if you choose to work with a financial advisor.

Or a tax professional or an accountant, understanding that even if you work with a licensed professional, the buck still stops with you. You still need to be fully educated in how your finances work and what your financial goals are. You won't ever let someone else take control of that to where you are not aware of what's going on.

And that's a powerful lesson to learn. It's worth being thankful for.

**Stefanie O'Connell Rodriguez:** So where do you begin?

**Tasha Cochran:** Well, when you get divorced, it is a major life transition. It's basically like moving out of your parents' house for the first time, but without your parents' help. Now you've got to do everything by yourself. It feels very overwhelming, because there's so much going on all at once, but it's also a wonderful opportunity for her to rethink her life. Re-invent what her life looks like and really understand who she is and how she wants to spend her money.

So I would love for her to just find the joy in that self-introspection that she gets to do right now and give herself space and time. She doesn't need to make all of the decisions right away. She can just do a brain dump, list it all out and just allow herself to just be and live in this new

reality for a little while without feeling like she needs to start putting out fires immediately, because that is what leads to that sense of overwhelm.

Alicia has been managing the family finances. So she knows how to make sure that her rent is paid on time. She knows how to balance her budget so that she is paying her electric bill. But by the way, it's okay for some balls to drop because we also need to deal with the emotions that come along with getting divorced.

I know for me, when I went through my divorce, for the first time ever I forgot to pay bills. And now 10 years removed from that, I wished that I'd given myself a little bit more grace. It all worked out fine. You know, I paid the late fee to get my electricity turned back on. I paid the late fee on that 30 day, late for my credit card payment.

Just reminding ourselves that what is happening in our lives right now, doesn't define every aspect of our future. And it's okay if in this tumultuous time, some financial balls drop, we can pick them back up and we can build a life that is even better.

**Stefanie O'Connell Rodriguez:** I think that's a really important point because another one of Alicia's pain points is that her divorce is just being finalized. So this is going to be her first full year really starting to manage her own budget just on her own income.

And she's an educator. So she only gets paid 10 months out of the year. Do you have any strategies for how to kind of create some stability within that more unstable environment?

**Tasha Cochran:** Yes. So I recommend, regardless of where your income comes from that you budget using a one-year spending plan so you have your whole year laid out in front of you. And what that is, is a proactive form of budgeting. So instead of reacting to your bills, as they come in, you make some plans for what you're going to do with your money over the course of the next year.

And it also helps you really see as each month goes by how your financial decisions this month are affecting your finances, six or eight or 10 months down the line, which helps us make better financial decisions in the moment. But it's also a really powerful tool if you have an unpredictable income, because despite the fact that your income is unpredictable, your expenses are 100% predictable. Your electricity bill is still going to be due, your mortgage or your rent will still be due. So you know that those things are coming. So with an extended spending plan, where you're looking at multiple months at once, you can start setting aside money now for those months when you know that your income is going to drop.

I also recommend because she is in a financial transition period where some extra money would be useful that she see if she can start a little side hustle, make some extra money during those two months, because that will really help her as she's looking to build up her financial base and purchase the things that she needs for this new phase of her life.

**Stefanie O'Connell Rodriguez:** Well, speaking of some of the demands she's dealing with, one of the biggest is just the debt from the marriage and from the divorce. And a lot of it is credit card debt. What's your strategy for tackling that?

**Tasha Cochran:** Well, her first step is going to be, to know the balances and the payments for every single debt so that she knows what she is working with, because the only way that you can create a debt payoff plan is to understand what is currently going on with your finances.

Then her next thing is she's got to understand what's going on with her budget because her budget has changed dramatically. She can't rely on last year's budget because she was still married at the time.

And now she has a completely different budget. So she's got to understand, okay, how much is my income? What do my expenses look like? And what is my budget surplus? How much discretionary income does she have left over at the end of the month after she has met all of her required expenses? So that's number two, but number three, is balance...all of that discretionary income won't necessarily be available to go towards debt payoff because she's building a life at the same time.

So I want her to also list out the essential expenses that she needs to incur to finish building up her household. Does she need furniture? Does she need utensils? Does she need a hammer and a screwdriver, a drill, like things that we all kind of take for granted?

When we're in a combined household, but you split a household and suddenly those things that you used to have to grab as that you need to live aren't there anymore.

And then she can decide how much of her money she wants to put towards paying off her debt, how much she wants to put towards meeting current needs and how much she wants to put towards spending for joy right now, because [ some of your money should always be reserved for joy.

So many people get into a cycle of extreme frugality and then binge spending that then slows down their progress because they take on unexpected debt. And instead of just giving themselves permission to say, hey, you know, I do love to eat out once or twice a month. I don't want to go overboard and eat out every day because I know that that will increase my debt, but what if I decide, well, I'm willing to spend \$25 a week on eating out. And so whether I eat out have tiny little treats once a week, or I save all of that for a really nice restaurant dinner twice a month, once a month. That is okay.

It's okay to spend for the things that bring you joy, because that makes your spending plan something that you can stick to for the long run, because you get your small pleasures and you also get the joy of watching you hit your financial goals, watching your debt decrease, watching your nest egg increase.

**Stefanie O'Connell Rodriguez:** So that's another piece of this I think we need to talk about, which is that Alicia is 49. So she is thinking about retirement. So how can she incorporate some of that savings into everything else?

**Tasha Cochran:** I know that she was hoping to retire fairly soon in her fifties, but that assumption may have been based off of her joint financial situation with her partner. So I think she'll have to take a step back and assess what financial resources she has available to her now in her new life and start to evaluate, okay.

When can I actually retire based on my current savings and based on the pension that I have, because she is a teacher. She's going to want to get some clarity around exactly what that pension looks like, exactly how much money it will give her and how much money she needs to have in retirement in order to live the lifestyle that she wants.

She may find that she will have to work a little bit longer than she thought in order to hit both her retirement goals and her debt payoff goals. But the only way for her to know that is for her to really get clarity on how much her pension will give her and how much she wants to have in retirement.

**Stefanie O'Connell Rodriguez:** So another piece of this is the fact that her sons are both college age. And I asked her, if she's heard this advice about prioritizing your own savings over your children's college education or their expenses as they start to try to like make it on their own. And she said in her words that it felt like a betrayal to prioritize her own savings. What do you think about that?

**Tasha Cochran:** If the parent is wiped out, then the kid has no one to help them. So you've got to put on your own safety mask first. I think one of the questions that she should ask herself is which would feel worse to her—not being able to support herself financially so her children are then on the hook for helping her support herself for the rest of her life, or getting her financial mask on now so that she can provide them with additional support once she has taken care of her own financial situation?

I also think that speaking as someone who has a 19 year old. She lives at home right now because of the pandemic. She didn't go away to college this year, but I want to teach her some amount of financial responsibility. So she does pay for some things around the house, but we do cover her college expenses.

I have always prioritized my own retirement savings first. So for my financial goals, number one is hitting my minimum savings rate. So I know that I'm covered for my nest egg. And then later on down the line, like number three or number four would be maxing out her college account and paying for college for her, because I know that one of the best things that I can do for her is to make sure that my financial future is fully taken care of and then move on to assisting her in any way that I can.

**Stefanie O'Connell Rodriguez:** So you talked about the fact that you have your daughter contributing a little bit around the household financially. How can Alicia in this case, but anyone start that conversation with their kids?

**Tasha Cochran:** I just treated my daughter like an adult. I'm like, okay, you're an adult. We're roommates. How do roommates treat each other? We started having conversations about, okay, this is how much the house costs to keep running. This is how much food costs. Here's what we think is fair for your contribution, and it's really well below what it costs to run the household.

The point is for her to get a feeling of what it feels like to start paying your own way of what things actually cost, just really helping her set that expectation for what the life that she wants actually costs.

And I think when parents don't do that, that's what then sets their kids up to think they can live a certain lifestyle and then take advantage of debt to live that lifestyle and then have to, spend time catching back up, building that those better financial habits.

So I think it's worth having a conversation, sitting down with him, helping him come up with a spending plan, setting his own financial goals for his financial future and help him seeing her do that as well so that you normalize having those kinds of financial conversations.

**Stefanie O'Connell Rodriguez:** Alicia is at the end of the process of divorce and managing all of the expenses that have come out of it and her marriage. But what would you say to someone who is just starting the process?

**Tasha Cochran:** Well first of all, I would recommend getting a lawyer, and it's going to be expensive, but it's such an important thing to get right. And even if you try to do it yourself, there are so many things that you might miss. There's so many things that you might give up without even realizing it. For example, let's say you were a stay-at-home mom and your partner is the one who was working and they have the retirement accounts and it's all in their name. And you think, well, it's in their name. It's theirs. I guess there's nothing I can do about it when in reality, you could be entitled to half of it. That's why it's so important to have a lawyer that can let you know what your legal rights are.

A lawyer can also help you navigate the most difficult financial entanglements, like what's going to happen to the house. How long do you have to get debts out of each other's names so that you're no longer responsible for it. Number two, start educating yourself about personal finances, how that stuff works so that you can ask the right questions so that you understand when your full financial picture is being laid out in front of you by your lawyer, by a mediator, by the court that you understand what is happening. So you can ask for what you need. So, so important.

And, you know, maybe I would also recommend if you can, getting a therapist to help you through this very difficult emotional time, to help you navigate the decisions that you have to make and to help you heal as you're transitioning into this new vision for your life.

**Stefanie O'Connell Rodriguez:** While this week's listener is already in the process of finalizing her divorce and building her financial life around the future, it's important that anyone going through the process of ending their marriage, have an understanding of what that legal agreement means for their money based on the laws in their state. The more you understand how these laws work, the more proactive you can be about protecting your own financial well being should you, at any point, decide to end your marriage.

Of course soliciting professional help—legally and financially—when you start that process can be enormously valuable. While the particulars will depend on your specific circumstances and situation, these are just a few financial action steps to consider as you start the process: set up a checking, savings and credit card in your own name, if you don't have them already, so you can start building your own credit and gain some financial autonomy. Change beneficiaries as needed on insurance policies, wills, trusts, brokerage accounts, etc. Take inventory of all your assets—including college savings and retirement accounts—and take a full accounting of all your debts, like your mortgage and credit cards, so that you have a clear picture of what you need to disentangle from your partner—collecting documentation like tax returns, and as many details, like account numbers, as possible.

When, like Alicia, you've finalized your divorce, you can start the process of financially rebuilding by taking stock of what is now yours and yours alone—both the assets and debts—making a spending plan grounded in the reality of your new income, assets and liabilities, and built around your new priorities. Keeping in mind that while you might be going back to basics on some things like figuring out what kind of health insurance you qualify for, or furnishing your own apartment for the first time—life isn't linear and it's okay for some balls to drop while working through everything else that comes along with the process of getting divorced.

But remember that the process is also an opportunity for reinvention and figuring out what you want your money to make possible for you. Spend some time really reveling in those possibilities and writing them all down before stepping back and mapping out a detailed plan for what it's going to take financially to make it all happen. And whatever the plan is—even if it's not perfect, even if it means letting some things go like funding your kids' college education so you can prioritize your retirement savings or spending an additional few years in the workforce so you can rebuild your financial security—you can always take pride in making those plans and decisions on your own terms.

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