

LIFE TRANSITIONS • FINANCIAL PLANNING

# The Financial Landmines of Divorce

What Changes the Moment the Decree Is Signed, and How to Prepare for the Landing

**John Koyle**, AIF® (Accredited Investment Fiduciary), Co-Founder, Red Cedar Wealth Advisors

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## Key Takeaways

- The most expensive part of divorce is often not the attorney. It is the outdated financial assumptions that quietly work against you after the decree is signed.
- Your retirement math, estate plan, Social Security options, risk profile, and tax situation all change at once, usually before anyone has updated the plan.
- Beneficiary designations override your will. If an ex remains listed on accounts, they can inherit regardless of what the decree says.
- A marriage of ten years or longer may entitle you to Social Security benefits based on an ex-spouse's record, without their permission or knowledge.

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## Why This Matters

Most people assume the most expensive part of a divorce is the attorney. Often it is not. The costlier part is the set of financial assumptions made as a couple that quietly cannibalize your retirement, your tax bracket, and your children's inheritance while you are distracted by the legal fight. By the time the judge signs the decree, the financial plan is not just split in half; it is broken. This paper walks through the landmines that sit in most people's blind spots, and it is educational rather than individualized legal or tax advice.

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## A Note on Timing

If you sense a marriage breaking down, there is a moment, much like getting bucked off a horse, when your focus has to shift from holding on to choosing where you land. You are going to hit the ground. The only real choice is how prepared you are for the impact. Almost every newly divorced person spent their energy on the holding-on phase, and nobody told them about the ground. This paper is about the landing.

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## Landmine One: The Retirement Math Just Broke

The first thing that changes is the math. You did not just split a pile of assets; you rewrote a formula. Two people retiring together run one household, one set of utilities, one set of fixed costs. Two people

retiring separately run two of everything. The assets were cut in half, but the cost of the retirement was not. If you were on track at fifty under the old plan, you are very likely off-track at fifty-one. The math does not care about feelings, and it is far better to confront this now than at sixty-five when the runway is gone. A new plan, likely with adjusted contributions and spending, is the starting point.

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## Landmine Two: Your Estate Plan Is Quietly Working Against You

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Here is a sentence that has undone more legacies than almost any other: beneficiary designations override your will. If your ex is still listed on your 401(k), your IRA, or your life insurance, and something happens to you, they receive the money. The decree does not matter. The will does not matter. The form with their name on it is what controls. The same applies to powers of attorney and healthcare directives; if you do not update them, your ex may remain the person making medical decisions for you. Updating these documents is among the first and most important steps after a divorce.

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## Landmine Three: Your Social Security Future Changed

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This is the piece almost nobody knows, and it is rare good news. If your marriage lasted ten years or longer, you may be able to claim Social Security benefits based on your ex-spouse's earnings record. You do not need their permission, it does not reduce their benefit, and they are not even notified. If the benefit based on their record is higher than your own, you take the higher number. It is one of the few ways the system genuinely helps you stick the landing.

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## Landmine Four: Your Risk Profile Is Now a Fiction

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Every piece of risk protection you own was built around a life you no longer live. Your life insurance was sized for a dual-income household; it may now be far too much, or far too little if you are the sole provider. Your investment risk may have been calibrated against a spouse who served as the conservative anchor, and that anchor is gone, leaving the volatility entirely on your shoulders. A portfolio that was perfectly appropriate for a married couple can become inappropriate the moment the decree is signed, without a single trade being made. The portfolio did not change; your life did.

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## Landmine Five: The Tax Code Rewrote Your Budget

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Your filing status changed and your brackets changed. For divorces finalized after 2018, the alimony rules also flipped. For the payer, alimony is no longer tax-deductible, so a given payment effectively costs more in gross earnings. For the recipient, it is no longer taxable income, which sounds favorable but can complicate eligibility for certain credits or IRA contributions. Out-of-date tax math is punished quickly.

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## The Hidden Landmine: The Cost of Year One

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The largest financial damage from divorce is often not the asset split itself but the decisions made in the eighteen months after. Grief is expensive and anger is more expensive. People sell homes at the wrong time or liquidate retirement accounts to pay legal bills. This is the part of the fall where the mind has not yet caught up to the body. Every major decision in the first year deserves a second opinion, a cooling-off period, and a witness.

*You're going to land awkwardly, and you might get hurt. The only real question is whether you saw the ground coming and prepared for it.*

## The Bottom Line

If you are going through a divorce, or you are on the other side and realize your financial architecture is still built for your old life, the work is to rebuild the foundation to match the life you are actually living now. The landmines are knowable and largely addressable, but only if someone walks the field with you before they go off.

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## References and Sources

The following sources support the figures, rules, and statements described in this paper. They are provided for verification and for compliance review.

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<https://www.irs.gov/publications/p504>

Tax Cuts and Jobs Act of 2017, §11051 (treatment of alimony for agreements executed after December 31, 2018).

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## Red Cedar Wealth Advisors

John Koyle, AIF® (Accredited Investment Fiduciary), Co-Founder, Red Cedar Wealth Advisors  
1414 East Center Street, Pocatello, Idaho 83201  
(208) 915-8400 | [johnkoyle.com](http://johnkoyle.com)  
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