

Divorce, Recession Style

Creative Living Arrangements on the Rise

By Kevin Bourke

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Is divorce in jeopardy? Just yesterday it seemed so popular! The current economic climate is indeed having an impact on divorce in this country in some unexpected ways. While current divorce statistics are not readily available, a casual survey of family law attorneys and mediators indicates that many couples are choosing to stay together for financial reasons. Or they are divorcing, but getting very creative in their living arrangements.



Money Talks

Here's one actual scenario: Jim and Lisa (not their real names) decide to divorce in early 2007, agreeing to sell the house as part of the settlement process. At the time the house is valued at \$2,000,000 with a mortgage of \$1,300,000. The \$700,000 in equity will be divided equally, giving them each an opportunity to purchase smaller homes nearby with manageable payments.

Unfortunately, by the time the house sells, the home value has declined to \$1,600,000 giving them each only \$150,000 each toward the purchase of a new home. In their area, \$150,000 is not enough to purchase a home and have a manageable house payment. Jim and Lisa, who have owned their own home for nearly 20 years, find themselves renting for the foreseeable future.

Consider another real life situation: A divorcing couple owns a home that is worth less than they owe on the mortgage. If they sell it, who is responsible for making up the difference between the sale price and the amount owed on the mortgage? If they don't sell it, does the party keeping the house get compensated? Where does that money come from?

Or how about the family who rents? Assume they have a combined after-tax income of \$8,000 monthly. They could afford to rent a home for \$2,500 per month and have cash left over at the end of the month to pay bills, save for retirement, and even take the occasional vacation. But the same couple divorces and everything changes. Now, if each parent rents the same-sized house for \$2,500, there is not much left at the end of the month. With two homes, they're paying \$5,000 per month, with only \$3,000 left to pay the costs of transportation, groceries, clothing, and so forth. Figure in taxes, and you can see how radically their financial status has changed.

So, what's happening? It is not uncommon today for divorcing parties to continue to share the house even while beginning their separate lives. One party lives upstairs, the other downstairs, and rooms are being created in the garage. One Santa Barbara couple divided off the dining room with a curtain for one spouse, while the other kept the master bedroom.

Recently, the *New York Times* called and asked if any of my clients' divorces had been impacted by the drop in home values. An interview was arranged at my office and the resulting article can be read [here](#).

If you are considering a divorce, what should you be doing? We will address this in future columns. But for the moment remember the age old advice to look before you leap. The financial implications of divorce may be more than you bargained for.

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