

A NECESSARY DIVORCE

Don and Sarah have been tax clients for nearly 20 years. Each year that I did their taxes, I urged them to fund retirement accounts. She had a 401K at work; he was self-employed with no employees and, accordingly, had some really nice options for socking money away tax-deductible. They were in a much better position than most people to achieve financial security and a very comfortable retirement.

But year after year they ignored my advice and overpaid their taxes. Finally, one year, Don agreed to fund a retirement account with the \$30,000 that he and Sarah had saved in a good year. But when Don went to access the money, he discovered that Sarah had bought an annuity from a local stock broker. That helped to fund the stockbroker's retirement account, but it cost Don and Sarah \$10,000 in extra taxes. This was the first inkling that I had that Don and Sarah were not on the same money page. The challenge was becoming clearer.

A few years later, both agreed to actually sit down with us to talk about putting together a financial plan. Don seemed interested, but Sarah was resistant and nothing came of the meeting.

At that time Don's business was good and they were able to buy a large house in Park City. Don was in his mid 50's and Sarah was in her mid 40's. Their son was not yet in his teens.

This was before the real estate crash. Money was easy to borrow, and borrow they did. Sarah poured hundreds of thousands of borrowed dollars into remodeling their home. They were contributing nothing to retirement accounts and, accordingly, were overpaying their taxes each year. I watched what they were doing with concern, but could not find the magic words to get them to stop and consider where they were going.

As Don approached his 60th birthday, they were deeply in debt, had no savings, and Don's business was faltering. They could no longer service their massive debt. They lost the house and divorced.

Recently I had a long talk with Don about what had happened. He told me that Sarah's spending had always been a sore point between them and that the only path to some kind of financial security for him was through a divorce decree. Although I normally counsel couples that divorce just makes things worse and that they should try to work out their money issues, I saw Don's point. Sarah was not going to change; Don's only option was to go it alone and try to rebuild some level of financial security before he could no longer work. We've just started to work together to do that.