



# HOW SEPARATION AND DIVORCE CAN AFFECT YOUR CREDIT

Unfortunately, the mindset during separation or divorce often revolves around “winning” and “losing”. The reality is that there are no winners or losers in a separation or divorce, and people need to get into the mindset of how to get through the ordeal without getting financially ruined. The income that used to run one household will now have to run two households. In addition, the assets that both parties shared will likely be equally divided. In other words, it is often the case that people are walking out of their relationships with less income and half of their assets.

As a result, a separation or divorce necessarily means that people will have to find new places to live, purchase new furniture and make other major purchases, such as motor vehicles, etc. These purchases may be impossible if you and your lawyer are not diligent about making sure that a plan is put in place to protect your credit. You cannot ignore your financial obligations just because your relationship has broken down. Doing so will only keep you from being able to move on with your life.

It would be wise for both parties involved in a separation or divorce to make a plan on how to maintain or pay out debts. Ignoring this obligation in hopes that the other party will pay the debt will only end up hurting your credit in the end. Hurting your credit during a time when you will be required to make major purchases will quickly make your situation unmanageable.

If debts can be paid out, it is usually wise to do so. Credit cards, lines of credit, and overdraft accounts with high amounts of available credit must be guarded with caution. If these accounts are brought to their maximum limits by imprudent, emotional, or abusive spending, there may be no way to bring matters back into equilibrium. These accounts should be frozen, closed, or taken over by one party without access by the other.

During a separation or divorce it can be very difficult for two people to work together to guard their credit; however, if they are able to do so, it can be one time during a very painful process where the result could be looked upon as a “win-win” situation.

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