DIVORCE: SEPARATING FROM YOUR MONEY, AS WELL AS YOUR SPOUSE (PART 2)

In the continuation of this article about the financial impacts of divorce, I will attempt to outline some of the lasting financial impacts that can occur. In the previous article, I discussed the initial financial impacts of divorce, such as the division of assets and legal fees.

Child Support is the first financial obligation that can arise from a divorce. The courts want to ensure that any children of a marriage are properly cared for, as child support is designed such that the parent with primary custody is compensated by the other parent. Each province has different guidelines for child support, but they are all generally based on a formula that takes the number of children, and the paying parent's income in account to determine the amount payable. The amount therefore fluctuates as the paying parent's income does year-over-year. There are no legal ways in which income can be reduced to pay less child support, with many legal cases as proof, but special circumstances, such as loss of employment, can cause the courts to modify the payment amounts.

Child support is generally payable until the child reaches the age of majority (18), but can be extended should circumstances require it. Payments made as child support are not tax-deductible by the payer, and not taxable by the receiver.

Spousal Support, or Alimony, is the second lasting financial obligation that can arise from a divorce. Unlike child support, there is no formal metric for the calculation of spousal support obligations, and instead the courts take many aspects into account for their determination. These include but are not limited to: the duration of the marriage, age of the spouses, income and education level of each spouse, and their ability to seek employment. Also unlike child support, alimony does not have a set duration, and could by payable over any amount of time and even become a permanent obligation. Since there is no formal calculation, proper legal advice is strongly recommended to ensure any agreement or support order that is reached is fair to both parties.

Payments made as spousal support are considered tax-deductible by the payer, and taxable for the receiver, so it is important to properly document any payments that are made, as Canada Revenue Agency will require proof of these, as well as verification of the support order when claiming the amounts on your income taxes.

The rebuilding of savings and financial assets could also be considered a lasting impact of divorce. As discussed in the previous article, a divorce can have serious impacts on the savings of one or both former spouses, and the rebuilding can take some time (especially if one spouse also has to make support payments).

Also of note, is that while one spouse may be receiving support payments, it is very unlikely they are left in a situation of greater financial stability than when still married. Certainly as the paying spouse it can seem that way, but keep in mind that payments are not designed to punish one spouse or reward another, they are designed to prevent either side from falling into hardship as a result of a divorce.

Through both of these articles, I hope I have shed some light on the financial impacts of divorce, but for anyone that may be going through the process, I strongly recommend seeking further advice from a lawyer, but you can also reach out to me as well for my insights on the matter.