

## **Avoid Unnecessary Unsecured Debt from a Divorce**

Going through a divorce can leave people with a lot of headaches. It's an emotional time where the last thing people want to do is make sure all their finances are in order. Unfortunately, a divorce is a time period when you need to take control of your finances to avoid causing even larger problems in the future.

Most divorced people assume that their divorce decree took care of splitting up any financial obligations they incurred during their past marriage. What no one tells them is that creditors do not care what agreements you and your ex-spouse have come to. To them you still owe that debt. Your agreement with the individual creditors predates the agreement you and your spouse have come to through a divorce decree.

Many divorced people learn the hard way that creditors don't care how property and bills are divided in a divorce. If a debt was incurred in a joint account, both spouses are responsible for paying it back.

### **What's the best way to avoid accruing unknown secured debt?**

#### **Identify All Vulnerable Accounts**

This situation can be avoided. First, all vulnerable accounts need to be identified. This includes all credit accounts your spouse could access, either as a joint borrower or as an authorized user. The difference here is that an "authorized user" can use the account, but unlike a "joint borrower," the user is not liable for the debts they incur. It's important to locate all of these joint accounts, even store accounts that may have been opened and not used years ago.

One way to find these old accounts is to search through all of your old records. If you keep a diligent eye on all of your finances, or are just a pack rat, then this may be the way to find every old account. Often, people don't keep all old records though, so a quicker way is to get a credit report. The three major credit reporting bureaus are Experian, Equifax and Trans Union. A free credit report can be obtained once a year from [www.annualcreditreport.com](http://www.annualcreditreport.com).

If you are using a credit report, then you need to pinpoint all susceptible accounts. First, list all accounts on the report that are listed as "open." From the credit report you should be able to tell if the

account is a joint or individual account. However, your credit report may not indicate if there are any authorized users on the account. This information can be obtained by the lender directly. Once you identify all accounts that may be joint or have authorized users, you will need to find the account numbers. You will also need the contact information for each creditor.

### **Decide What to Do With the Identified Accounts**

The next step is to decide what to do with the accounts. Ideally you want to close all joint accounts but you have several options. You can either, freeze the account, close the account, remove all authorized users, or leave the account alone. Closing the account is ideally what should happen, but if you owe a balance on the account you may only be able to freeze it until that gets paid down. Freezing the account will at least keep you from incurring any more debt on the account. Likewise, removing all authorized users will limit the people who can potentially create debt on the account. Try to be as diligent as possible when closing these accounts. Ask for written confirmation the accounts are closed and ask for it to be noted in your file with the lender why the account is being closed.

With all joint accounts closed or frozen, there's no way the account balances can grow without your knowledge. The next key is to make sure all the payments on these accounts stay current. Divorce negotiations can take a while, and only one late or missed payment can hurt your credit. Going through these steps can help prevent a large financial burden left by a spendthrift or vengeful ex-spouse.