Divorce and Credit Card Debt

When a marriage comes to an end, it's always a tragedy. Of course the rending of the family unit and the difficulty for the kids is the hardest thing about separating at divorce. But the difficulty of separating one house into two can be difficult and tedious to say the least. You have to go from one checking account to two, two homes instead of one and separate accounts for everything from credit cards to utilities.

The is an additional overhead to how to handle a divorce situation if in addition to splitting your assets, credit card debt that may have been a part of the shared family financial picture also must be split up. To the credit card company, that family credit card is the property of that shared entity which was the marriage. So when the union splits up, the transition from a financial point of view of your accounts separating is not over night.

So one of the many issues to be discussed and a plan made for is how to separate that credit card debt. Whoever continues to hold the family accounts will continue to get those bills and be expected to pay them. Now the least preferable way to handle the debt is to build the payments into any forced settlement agreement such as child support. So at the time the divorce is final, the amount of the debt and the payments that must be made could be calculated and half of that put into the amount that the income generating partner must provide.

But that leaves the management of those credit card debts to one partner and the other one just has to pay a set amount. And if the credit cards get used by either partner, that legal amount would have to constantly be changed and that would prove to be a constant headache of administration.

If the divorce is a shared responsibility so each spouse can work with the other to adjust the financial picture in an advantageous way, then how to separate the credit card debt should be part of that planning. Part of that planning is how to use shared assets to pay down that debt. You may have a home that will be sold, retirement accounts or other assets that were set aside for the future of the marriage. Before you sell those things, close those accounts and distribute the funds, look at using the outcome to retire that shared debt.

But it's likely some of that debt load will live on past the divorce. In those cases splitting into two individual accounts may be the way to go. In that way, if the family was carrying $10,000 in debt, if each marriage partner walks away with $5000 of the debt, that is at least fair and equitable and how each individual handles that debt is up to them.

There are two ways you can go about splitting the credit card debt. If the debt is with a carrier with whom you can negotiate and conduct a dialog, getting a meeting or having a conference call with the managers there would be productive. The credit card company would far rather negotiate with you how to handle this debt load then deal with it chaotically after the fact. So they may be willing to set up separate individual accounts and split the debt for you.

But you can always use the method many of us have used to manage credit card debt up until now. Each of you can set up some new separate credit card accounts. You no doubt have dozens of credit card offers coming in that you can use to kick off this process. Almost always part of the set up offers for these accounts are balance transfers. So if you take out individual accounts and use the balance transfers to move each partners shared part of the debt to those accounts, that would be a clean way to split the debt up.

There may be adjustments to be made to the 50-50 split idea based on who is the primary bread winner and maybe who ran up the debt and on what. But by negotiating the terms of how you are going to separate the credit card debt when you separate the marriage, that will be one more than that you are handling in a mature and responsible manner in the middle of a very tough situation.

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