



FINANCIAL PLANNING DURING DIVORCE

Helping you make a difficult time a little bit easier.

 Integrity
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A divorce can affect all aspects of your life, not just your family relationships. Seeking expert advice can help you to form a settlement in the early stages, and focus on the longer-term financial implications of a separation.

A separation or divorce can be an incredibly emotional time for you and your family, and untangling your finances during this period can be a difficult process.

From tax considerations, protection, mortgages and pensions, there are a host of complex areas to think about at an already strenuous time, and so seeking expert advice is key.

An Independent Financial Adviser can help to ensure you have plans in place to navigate through this process and to help you adjust to life after divorce.

Integrity365's Independent Financial Advisers are here to assist and support you through every stage, understanding your own unique circumstances.

Further details of our services provided can be found within this guide.

FINANCIAL PLANNING AT DIVORCE CHECKLIST

During this challenging and emotional time, it can feel like there are many decisions to make and important tasks to take care of, but hopefully this checklist can help you to get a head start on your financial planning.

Your 8-point checklist of key financial considerations at divorce to get you started in your own planning...

Assets

A major part of divorce is the division of assets, so understanding what you had as a couple and what you will have after divorce is key in planning for your financial future.



Budgeting

There may be many things to fund and budget for throughout the divorce process, such as professional advice from solicitors and/or financial planners.



Children

If you are a parent, it is always a good idea to make arrangements for parenting plans, child maintenance and even education costs as early as you can to ensure a smooth as possible transition for the whole family.



Debts

Consider any debts or liabilities you have that may carry forward, and whose name these are in. This can include things such as personal loans, car finance, mortgages etc.



Estate Planning

It is important to regularly review and update your estate planning arrangements where necessary. Following divorce, this could include updating the beneficiaries on your will, employee benefits, pensions or protection policies.



Filing & Admin

Gather important documents, arrange any change of address/redirects, update passwords and review any insurance policies (eg. joint policies, or those covering assets you no longer possess).



Guidance

You may wish to seek further support during this difficult period, from free resources such as Citizens Advice, counselling, or an Independent Financial Adviser to guide you through the financial complexities.



Housing

Assess your affordability of keeping current properties and the possibility of renting. We have specialist mortgage advisers we can introduce you to who are experienced with divorces and separations.



Investments

Whether you wish to scale back on your investments or pension contributions, or start to build up your investment pot, it is wise to regularly review your investment strategy, especially after a big life change.





CASE STUDY: EASING THE PROCESS OF DIVORCE

With the help of an Independent Financial Adviser to diffuse a difficult situation and offer a calm, thoughtful approach, the process of financial planning at divorce does not have to be so difficult.

Olivia and John, both in their mid-forties with two young children, had amicably agreed to separate pending a formalised divorce. They were in the process of agreeing the financial settlement, however, as they got into the more complex details of the separation, things started to become heated.

Disagreements began over childcare, the family home, their children's private education and the uncertain outlook of their individual financial futures, and so they came to us seeking financial advice.

John was looking to move into a new home whilst Olivia would continue to maintain the family home alone.

It was clear that they both wished to put their children first, and so were able to come together as a team to figure out how they could afford to live separately following their divorce. They also agreed to divide their assets fairly.

A useful tool in determining what your financial future can look like is cash flow modelling, which offers a visual aid that is easier to understand than looking at a long list of figures. Using this, we were able to lay out each of their individual income and expenditure, making sure to include the remaining period of the children's private education up until age 16, with some support for university.

This showed how little Olivia had put aside for retirement, having worked part-time since having children and stopped paying into her pension since, leaving it at a value of £80,000. However, John did have a more robust pension in place of £300,000 where he was paying a total of 15% of his salary into his employer's scheme.

Due to increased living costs following, we looked at reducing these contributions to give them more disposable income on a monthly basis.

CASE STUDY CONTINUED: EASING THE PROCESS OF DIVORCE

Understanding how assets are split up and the rules that apply in various circumstances will allow you to move forward with a higher degree of confidence and knowledge at a time when you need it most.



One of the other larger assets in question was the family home worth £700,000 in total. However, upon purchase Olivia paid a large proportion of the deposit using inheritance from her late parents she lost at a young age. In order to set each of them out better for the future, it was agreed that Olivia would retain a larger share of the house.

To balance their assets out fairly as per their wishes, we offset the additional value of John's pension, against the equity Olivia retained in the house. This would allow Olivia to be able to afford to keep the family home and avoid having to divide John's pension provisions which was also a tax-efficient option for him.

Although discussions surrounding divorce can be difficult and emotional, there are huge benefits to be gained on both sides by coming together to work through your challenges. In Olivia and John's case, both parents left the process feeling more positive about their current circumstances and their individual financial futures, this also offers more stability for their children as well.

Seeking financial advice can not only get your financial affairs in order, but speaking with a professional who you can turn to for questions can take pressure and stress out of a difficult situation.

Please note: client names have been changed for the purposes of this publication.

YOUR PENSION AND DIVORCE

Pensions are complex, and become even more so within the divorce process. These assets have a privileged tax position, but also restricted access and tax implications when considering how and when the benefits will be drawn.



There are a number of options available to the parties where pensions are concerned:

Pension Sharing Order

Where a percentage of one party's pension benefits are transferred into the ownership of the other party.

Pension Attachment Orders

Where a percentage of the death benefits, lump sum benefits and/or income are earmarked to be payable to the spouse at the time that they become payable.

Offsetting

Where non-pension assets are shared instead of sharing pension benefits.

Typically, we are instructed jointly by the lawyers for each party as a Single Joint Expert to assess the pension benefits that have accrued. We will provide a solution as to how these benefits can be shared in order to meet the objectives of the clients and their advisers.

The reports cover a number of areas:

- Pension Sharing Orders required to provide either equality of capital (now) or equality of income (at a future date).
- The impact on income of the above solutions.
- The level of non-pension assets that could be shared to provide an equivalent outcome to the above solutions.

PRE-DIVORCE SUPPORT

No one gets married with the idea of divorcing their partner in mind. Therefore, at the time of divorce, there are often a variety of unexpected complexities that arise which have never been planned for.

Investment Equalisation Reports

Often individuals will have a number of investments that have been built up throughout the marriage. There could be tax implications depending on how these are dealt with and care is always required.

Integrity365 advise clients personally with regard to wealth management and are ideally placed to support the unravelling required at the time of a divorce.

However, we are not tax advisers and for complex cases we will work with other professionals such as accountants in order to minimise the tax payable, thus maximising the assets available for the divorcing couple.

Mortgage Capacity Reports

One of the key uncertainties that often arise during the division of assets is how much each party can borrow.

It is increasingly difficult to obtain a realistic opinion from lenders as to how much they would lend on a residential mortgage. There are issues around long-term income and whilst some lenders will use maintenance income within their calculations, others will not. We have access to the whole of the mortgage market and know which lenders would be most appropriate in each situation.

We are able to provide a report that will give an indication as to the amount of mortgage that could be available, based both on current income and anticipated income post-divorce.

Supporting the Collaborative Process

During the Collaborative Process, all negotiations occur within meetings; each party agrees that the matter will not go to court, and all are committed to forming an agreement.

Pension, investment and mortgage issues are discussed within this process, and a professional is usually asked to join the meeting to provide further information and support.

It is vital that any professional attending the meeting has a good working knowledge of the Collaborative Process as well as the knowledge required in their 'expert' field.

Maintenance Protection

Within financial settlements there is often a requirement for maintenance to be paid for the former spouse or children.

In the event of the death of an individual paying maintenance, the individual receiving the maintenance may have a claim against the deceased's estate for future payments. Maintenance Protection therefore provides the receiving individual with certainty, whilst also providing the paying individual with the knowledge that their estate would not be diminished due to the needs of a former spouse.

Implementing this cover correctly (and before the final agreement is passed) is vital. It is all too common for serious problems to arise where mistakes have been made when implementing protection contracts.



PRE-DIVORCE SUPPORT

Divorce can cause a great deal of emotional stress, and so by working with an Independent Financial Adviser, this can help to alleviate some of the added financial worries during an already difficult time.

Personal Financial Support

In times of stress and uncertainty it may be difficult to think clearly. Support is required to ensure that the parties have a clear understanding of their current finances and the impact that the divorce settlement may have. The divorce will not only have an impact on assets but also potentially on future income.

It may not be a time to take stock and plan for the future but it is certainly time to understand the impact of the proposed agreement before it is implemented.

Shadowing Other Experts

Pension experts often have their own language, and sometimes the reports that are issued require translation so that both lawyer and client understand the contents and implications of the recommended solutions. It is important that the correct questions are asked in the Letter of Instruction, and assistance in drafting this can result in obtaining the information required for an agreeable settlement to be reached.

We can provide the required support to lawyers and their clients and 'shadow' the expert to assist in obtaining an appropriate agreement.

LIFE AFTER DIVORCE

After being with your ex-spouse for a considerable amount of time, it can be hard to adjust to life after divorce. We are here to help you plan for your financial future following what can be a turbulent period.



If you have been awarded a portion of your ex-spouse's pension, you may need to decide where to put this.

If the pension you have been awarded only has the option of an 'internal share' then you will be awarded benefits within the scheme in your own right and will be promised a benefit at retirement.

If you have been awarded pension benefits that must have an 'external share' then the benefits must move to a pension arrangement, but which arrangement is right for you and what level of risk do you want to take with the funds?

With the assistance of a Financial Adviser you will be able to discuss the future you would like and construct a plan as to how you can get there. Once we have established your attitude to risk and appetite for loss, we will be in a position to advise you.

We will guide you and support you throughout the process of the Pension Sharing Order implementation and will continue to support and advise you in the future if required.

CASE STUDY: MORTGAGES & DIVORCE

At divorce, it is not always as simple as one person moving out or selling the home and parting ways, due to mortgage arrangements, salaries, wider family situations, and of course the emotions that come with this period.

Natalie came to us a few years ago when she was living with her husband and three children in a house they owned together. Unfortunately, their marriage had broken down and they needed to organise their finances and living arrangements in a way that would cause minimal disruption to the children.

Their mortgage rate was due to expire, and they needed a short-term solution until they had a full plan for the future. Ideally, Natalie wanted to stay in the family home so the children would not have to change schools and she could easily commute to her place of work.

Natalie was training to become a teacher and generating very little income, therefore could not afford to take over the mortgage on her own. Also, her husband could not

afford to help with the mortgage costs of their current home and pay for somewhere else to live as well. Natalie was due to fully qualify as a teacher within a year when her salary would then allow her to cover the costs of the home, but that still did not help their current situation.

This was clearly a difficult challenge and, although other options were discussed, it was clear that their children came first. Whilst Natalie finished her training, we were able to find the couple a new two-year fixed rate on their mortgage which was also lower than previous. This would allow them to keep the family home and save some money for the future in the meantime.

Although the separated couple had a difficult two years still living together in the family home, they did come

to an agreement at the end of the mortgage term. Now that Natalie was established as a full-time teacher with a good salary in place, she was in a position to take on the mortgage alone and so her husband was able to move out and find a place of his own.

We have just secured Natalie a low five-year fixed rate and can now submit a transfer of equity application to the lender. Now Natalie is comforted and confident in her monthly finances, knowing exactly what she has to budget for.

We have been able to work closely with Natalie to make her dream of supporting herself and her children in their family home a reality, which was a relief for her to hear after a very difficult period in her life. This has clearly

been a stressful time, from living with her soon to be ex-husband, having to transfer a property into her name as well as going through a divorce settlement but, with our help, Natalie has remained strong and has been able to put the future of her career and her children first.

We are here to support you through the next big move in your life, whatever your plans or circumstances may be.

HELPING YOU THROUGH THOSE DIFFICULT TIMES

At Integrity365 we understand that each client is an individual, and we take time to build relationships to learn more about their circumstances in order to offer the best financial advice, especially with more complex situations.



Financial planning during a divorce or separation can be incredibly complex, and there may be areas to consider that you have never had to plan for.


Our expert Independent Financial Advisers can support you through this highly emotional and difficult time. With a solid financial plan in place, this can help to ease the burden and make the process a lot less painful.

Get in touch today to discuss your circumstances and how we can help you get your finances in order.

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