



Navigating through divorce

Safeguarding your future financial stability and preserving your wealth

Entering into marriage isn't done with the expectation of it ending in divorce, yet this distressing and strenuous event can be a reality for some. Managing finances may not be your immediate concern during such an emotional upheaval. However, obtaining professional financial advice can aid in safeguarding your future financial stability and preserving your wealth.

Women are likely to see their annual household income impacted in the first year following their divorce, falling by an estimated 41%, compared to just 21% for men, according to research^[1]. So, the choices made during this emotionally charged and challenging period can carry far-reaching implications. Therefore, seeking legal and financial counsel is essential to fully comprehend your options and situation.

UNEXPECTED ANNOUNCEMENT OF THE DIVORCE

Have you recently decided to end your marriage? Or has your spouse unexpectedly expressed their desire to part ways? Hopefully, with the recent inception of 'no-fault' divorce, the decision has been reached mutually and cordially. The concept of a 'no-fault' divorce eliminates the need to place blame for the marital breakdown on either party. Instead, couples can jointly file for divorce, promoting a more harmonious dissolution process.

No matter the circumstances, obtaining professional advice can ease divorce, making it quicker and less distressing. We can assist you in comprehending the implications of any suggested settlement, ensuring the result is favourable for you before a legally binding agreement is reached.

Additionally, we support you post-divorce, for example, suggesting suitable financial products like a pension to receive any pension allocated from your ex-spouse and offering continual planning to safeguard the proceeds of your divorce to accomplish your long-term objectives.

ASSET SEPARATION AND POTENTIAL REALLOCATION

As a couple, your finances are likely intertwined, even if you have separate bank accounts, savings and investments. Upon divorce, a fair financial settlement reflecting both parties' needs should be agreed upon, leading to asset separation and potential reallocation.

Regardless of where your wealth lies – property, family businesses, Individual Savings Accounts (ISAs), trusts, pensions or other tax-efficient wrappers, we can evaluate the practical implications of splitting these assets and advise individually or jointly on the most appropriate course of action.

While men and women tend to agree that the division of their finances at the point of divorce is fair and equitable (53% men and 46% women), the research highlights that many women may be signing over their rights to a key financial asset.

PENSION WEALTH AT THE TIME OF DIVORCE

Additionally, despite the pressures on their finances, women are significantly more likely to waive their rights to a partner's pension as part of a separation (30% women vs. 17% men). This raises concerns about the ability of women who are divorcing to fund their retirement due to a significant gap in pension wealth at the time of divorce.

Understanding your marital and broader assets and discussing your post-divorce lifestyle aspirations is essential. We will consider your individual needs and those of any dependents in your care, including:

- Calculating your post-divorce income (earnings, State Pension, etc.) and assessing if it will suffice to maintain your desired lifestyle.
- Helping you comprehend the features, benefits and value of the assets under discussion, including complex assets like your and your spouse's pensions.
- Evaluating what may be available to you post-divorce, such as a share of marital assets, maintenance awards or your capacity to secure a mortgage, and employing cash flow modelling to explore various outcomes, demonstrating what will be most beneficial for you, practically and financially.
- Assisting you in determining necessary compromises – for instance, would selling your marital home to generate income be a more viable option?

- Collaborating with your team of legal professional advisers to achieve your desired results.

Throughout this journey, we are here to simplify complex matters and empower you to make practical, informed decisions, providing a solid foundation for your new beginning. ■

NEED ADVICE TO OPTIMISE YOUR FINANCES POST-DIVORCE?

As an integral part of your professional team, we will guide you in making informed decisions to secure your financial future. If you wish to discuss your situation, please don't hesitate to contact us. We're here to support you through your divorce and beyond.

Source data:

[1] Opinium Research conducted research between 20 November – 4 December 2023 among a nationally representative panel of 2,750 UK adults who are divorced.

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

DIVORCE PLANNING IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.