

DIVORCE & SEPARATION

A FINANCIAL GUIDE



WealthAdviser

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Before you get started

This digital handbook contains general and factual information only, and is part of the Wealth Adviser library, published by:

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Before acting on any information contained herein you should consider if it is suitable for you. You should also consider consulting a suitably qualified financial, tax and/or legal adviser.

Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

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Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

Divorce and money

My accountant once quipped that the greatest threat to wealth creation was not tax, but divorce. He wasn't worrying too much; he earned large fees from assessing family property settlements as a result of relationship breakdowns.

Is money a contributor to marriage break down?

Yes. Money is somewhat of an incendiary device amongst couples. No surprises here: it is after all akin to a 'business relationship'. A divorce is an economic division of assets, so partnering up is a business proposition. By its own reckoning Relationships Australia had determined that money, or the fighting over money, was one of the single greatest causes of relationship breakdown. More women than men rate financial woes as the main cause of divorce, according to its research. The research revealed 37 per cent of women cited financial stress as the cause of marital misery, while 30 per cent of men expressed the same view. It makes sense therefore as a topic of good money management to examine why this is so and to put up some simple remedies to avoid getting into strife.

Not only is money at the root of all a family's decisions but also at stake are some fundamental questions. First of all, the questions overriding almost everything in relationships is, 'Do you love me? Do you care about me as much as I care about you?' So, inevitably a lot of the struggles between couples over money are really about the relationship.

Then the arguments come based on different values. The man, for instance, might come from a family background where extravagance is a way of enjoying life. The woman might see lavishness as morally suspect. The ultimate reason for disagreement then has to do with their respective learned experiences from childhood.

Talking about money in relationships can be very tricky because there are underlying issues of power – you don't want to face the notion that maybe you are financially

dependent. It goes against the way you want to picture marriage.

There are common traps that couples fall into when discussing money. The simplest is to assume that your way is right and the other person's way is wrong. We are prone to labels such as 'you're controlling', 'you're passive-aggressive'. What is needed is an approach that is neutral: simply two differing styles. Define each person's role in the 'business' side of the relationship.

The break up: gender differences

Separation and divorce are in most cases very tough experiences for both men and women. Women are often disadvantaged from the point of view of their future incomes. Men can be compromised too.

For men, many report extreme feelings ranging from frustration, powerlessness and anger; relief that differences are out in the open; desperate, ready to drop off the planet; determined to stand ground and battle to the bitter end; lonely and sad; bewildered and hurt.

These responses, as painful, distressing, and confusing as they may be are perfectly normal. Most men face these intense feelings and survive and go on to live fulfilling and happy lives. But it will take time. This is hardly surprising as separation is complex and involves loss of not just of a partner, but of the usual family structure, the family home and the routines that accompany it, the loss of friends and the social life you had, loss of a dream, loss of involvement or contact with children.

The blame game

It is rare for one person to be totally responsible for the ending of a relationship. In the long run, it takes two to make or break a relationship. It is often the case that a man is not the initiator of the break-up; yet it is very easy to find the man blaming the other. Blaming takes attention away from the pain. It gives a sense of justice in what feels like an unjust situation. But blaming and complaining about former partners does not help recovery and can

leave the man stuck in the past rather than looking at what he can do for himself and the children, now and into the future. Set formula for a pathway for separation; what is certain is that there will some uncomfortable feelings and unfamiliar experiences. Men report experiencing the highs and lows that come with grief and loss and revisiting memories and feelings they thought they had left behind. Most men are challenged at the most basic level and that extends to their ability to talk to someone. We all want to tell our story and feel like we've been heard. Most men who seek this kind of support say that they found it helpful and wish they'd done it sooner!

Those who believe self-reliance is a superhuman quality may in fact find that withdrawing socially will limit the number of people they can talk to about the distressing events that have taken place. Without people around for support the man is likely to feel isolated and alone. The loss or lack of use of social networks increases the risk of prolonged depression, reliance on drugs and alcohol and even suicide.

Illness, divorce and its separation and depression have a common denominator. Apart from emotional and mental wellbeing, separation changes men and women at a deep body level. Stress levels and depression are highly counteractive to good health so it is incumbent on separated people to focus on maintaining health and well-being.

None of this is beyond the average person: we are talking about sensible diet – selecting and eating sensible food (fresh fruit and vegetables don't need much cooking); exercising in an enjoyable way – riding a bike, walking or jogging along a beach. This is a time of maximum risk of ill-health as resistance to illness and depression and anxiety-related disorders are affected. Men in particular need to be able to watch for signs of ill-health including stress, anxiety or depression and to be extremely vigilant with alcohol, drugs and smoking.

Children and separation

Children seldom escape unscathed from the fallout of a separation but the long-term consequences can be managed when there is care and attention to their best interests. The way children will react depends on many factors including family relationships before separation, children's ages and personalities and how both parents manage the situation. Most children will be vulnerable and have many fears, some realistic, some unfounded. Most will express strong feelings and younger children will often experience fear of abandonment and separation anxiety. This is often in such simple acts as saying goodbye after a visit.

Children are generally resilient in the face of major changes. Once the situation has stabilised, most children manage well; even better when parents act in concert with the wellbeing of their children. Above all, parents should explain what is happening in ways that they can understand. Children should never be made to think it's their fault or that they can get their parents back together. Reassure them that both parents love them.

Living arrangements will inevitably change and arrangements are not set in stone and there inevitably needs to be a degree of flexibility built in to any arrangements. After all, we all lead busy lives and work, travel, weekend commitments are all part and parcel of life. Generally residence and contact arrangements reflect the ages of the children, the capacity of both parents to care for them and how the family worked before separation.

Relationships Australia reports that 60 per cent of children say they'd like more contact with the absent parent. The challenge is to make the ongoing parenting relationship as manageable and as cooperative as possible. This may require some work.

People who have been through separation report that talking to friends or other contacts is helpful but there is a need to note that every person's situation is different. Because there are legal issues

involved, especially around property and finances, legal advice is essential at some stage.

This may feel intimidating for many people who see this as a financial hole but legal advice does not necessarily mean a court battle. Good legal advice should provide sound information and explore options for settlement that may or may not involve taking legal action.

If a former partner has got a lawyer, her lawyer will be working hard to obtain the best outcome for her. Each may decide that they seek out a lawyer who is experienced in family law – many will offer a free initial consultation. And if it is impossible to discuss things directly with a former partner, mediation can be a good solution.

Family Dispute Resolution is now compulsory, in the sense that people who wish to go to court to resolve disputes in relation to their children (parenting matters), are now required to first attend mediation, and make a 'genuine effort' to resolve their disputes. Mediation assists separating couples to discuss and make decisions about the practical aspects of their relationship and to develop a workable plan for the future. This can include sorting out assets and financial matters, as well as future parenting responsibilities.

Woman and separation

There are no rules about how deep and varied feelings are in separation. We all progress at different rates. Women are in many ways better equipped than men to cope: they generally have a much wider pool of friends to talk to and share what they are experiencing. But they can also be disadvantaged when it comes to finances. As with many issues in life, having choices can be a source of comfort.

In life whether a new career is beckoning or a new life in another country, personal empowerment begins with creating options – giving ourselves choices. Knowing we have choices allows us to assert some control over our lives. When feelings are intense as they always are in separation, such choices are not easily seen. But

options do exist.

Women report many different changes after separation. One woman reported to me at a seminar I was running around wealth creation that she did not know how to write a cheque!

Another reported that she had no idea what insurances were in place. Many said they did not have their own credit card or bank account. And, with black humour, one reported that she lived with a leaking tap for three months because she was too embarrassed to admit she didn't know how to fix it. For some women practical matters and economic planning were taken care of by their former partners.

Financial hardship is often one of the most significant challenges of separation. Many may manage to juggle their finances most of the time but many constantly worry about unpredictable expenses and the future.

A number of women will find that they need to return to the workforce after a long absence. Many could find the prospect of getting back into the workforce daunting. Talking to a careers counsellor or a jobs network provider is a good start as is talking to a financial adviser.

Money and divorce

We are by nature not a litigious or adversarial society so it is entirely beneficial that best outcomes occur when two people negotiate their own mutually acceptable agreement about financial matters: who will pay how much to assist the other parent with child-related costs, property settlement, and how cash and assets will be split up. Reaching an agreement through goodwill is best for all concerned, especially the children.

Property settlement is the process of dividing up both partners' property after separation. Both partners' property is included, regardless of whose name it is in, and includes:

- Real property e.g. land, houses and units
- Any other property which can be

owned e.g. furniture, cars, money, shares, boats etc.

- Superannuation.

Amicable settlement is not always possible; sometimes the matter may go to court. The court will take into consideration the contributions of each partner in the marriage, including direct and indirect financial contributions (e.g. property brought into the marriage, money earned during the marriage, gifts and inheritances from families) as well as non-financial contributions such as contribution as a parent and homemaker and whether there are other financial resources e.g. superannuation or life insurance. And such factors as the length of the marriage and the period which the former couple had lived together before marriage and the earnings potential of each.

As noted earlier in, many couples don't have open and clear discussions about money. Many don't have any until they are facing divorce. One of the things that men and women have to keep in mind is that the character of money in marriage changes when divorce happens. When married, even though there is some background mental accounting the predominant metaphor is that of being one unit. When divorce happens all of the sudden it's the contractual and quantitative nature of money: how much did you contribute? How much was your salary? How much did I earn?

The Family Law Act applies across Australia and includes provisions to govern the division of property upon divorce. This now includes superannuation, which is now added to the pool of property. In the vast majority of cases it is the man who has the greater amount invested in super due to the greater amount of earnings men achieve. This can double the assets to be considered for splitting, especially for lower-income families. Effectively it's enabled women to access it by splitting. It has been reported that instead of accessing their husband's super at divorce, a large proportion of women are instead opting to trade off their entitlement to super for a higher share in the family home,

Many divorce lawyers advise that women should understand their financial position before the divorce settlement takes place, so they can make well-informed decisions during negotiations. In the majority of cases women receive a greater proportion of a couple's total assets. This may have mixed blessings as there is often the consequence of making decisions around assets and investments that are unfamiliar. An adviser can be a powerful and strategic ally.

Post separation money

Often during the first two years following a separation the finances for both individuals will be very tight. Managing through the first few years can help establish a solid footing for future financial wellbeing.

In some cases, one partner will leave the family home and support the status quo, thus ensuring that life goes on for the partner and the children. But this is, regrettably, the exception rather than the norm. Usually both individuals will have to adjust their living habits to manage the cash flow of their situation. Where a woman was not working previously she may start part time or full time work to reinvigorate the household budget.

The male may have been the primary breadwinner and may have extra costs in the interim period such as rent, mortgage support, child support and other costs.

There are more costs for each to shoulder, two places to live, two lots of furniture and when children are around, perhaps duplicate sets of toys, and the like. Here, budgeting can become a vital tool for the period of adjustment.

Adjustments need to be made otherwise there is a big increase in living cost for the single person. For example, running a car is a significant expense. For the partner on the lower income carrying lease or associated costs can be a burden. Indeed, cars are the most expensive items before housing; the all up costs over time can be substantial. Depreciation and interest costs alone on a typical \$25,000 vehicle may be around \$4,000 per annum.

People find they need to equip a new home so furniture and the like become a necessity and an additional expense of separation – not to mention rental bonds, removal costs. The internet is a great resource, carrying all sorts of items such as furniture at very affordable prices.

Once a budget is under control, rebuilding of wealth will then be a matter of investing the surplus not spent on cars and new furniture. At the end of the day an adviser will help work out with planning.

Estate planning and wills

It may not be divorce which separates you – the untimely death of a spouse can also bring financial issues, particularly if you don't have a Will. After all, a divorce means changing practically everything in life – from finances to children. Very little remains untouched when a couple divorces. Lots of questions can arise here: what happens when a couple divorces, but one or both spouses have not changed their wills and one spouse dies? What happens if one spouse dies before a divorce is final? An ex-spouse can inherit, but the intent to provide for the ex-spouse must be clearly stated in the will, but these are tricky and potentially contentious issues and need legal counsel.

It seems harsh to consider such things as for example, the question of whether a will doesn't specify who will inherit instead of the ex-spouse, the property left to the ex-spouse might go to the person named in the will as getting everything left over. This may not be what is wanted; hence it seems a good idea to rewrite a will after the divorce to ensure property goes where it is intended to go. Laws can be tricky here so advice is needed.

Going through divorce is a time where you must make the right decisions today, in order to create a healthier and secure future.

Take the next step

We trust you enjoyed this publication and found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

We now invite you to take the next step and meet with an adviser to discuss what it was you were hoping to achieve when you downloaded this handbook and to establish if we can help you achieve your goals and objectives.

Next you will find details on how to book an appointment with an adviser.

We look forward to meeting you soon.



Appointment booking request form

About the Adviser

Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Our services

Preferred appointment day and time

Day

Date

Time am/pm

Contact details

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

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Reader Notes



Reader Notes



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