



Maxine Kronenberg
Citadel Wealth Planner
maxinek@citadel.co.za

Until divorce us do part

The importance of divorce planning

Yes, divorce is a desperate last resort. But it is also an unfortunate fact of life and a major driver of financial change. Like everything else to do with your financial security, divorce deserves to be considered and planned for in advance. Hopefully it'll turn out to be planning you won't need...

The Wedding

The hall is booked, the flowers chosen, the colour scheme just right. The bridesmaids' outfits are settled, the best man's speech is edited and the seating has been minutely scrutinised. The ring is safely stowed. This is the great day, the perfect day. But how much attention has been paid to the longer-lasting issues of children and their rearing; how conflict will be handled; how the aspirations of each partner will be nurtured; how personal space will be maintained; and the roles of mothers-in-law?

The Marriage

Sadly, many couples fall in love with the idea of being married. The wedding is the goal and the lifetime that follows is relegated to fate. Consider this: The reason the wedding goes off without hassle is that every eventuality has been planned in minute detail.

The problem, and the reason divorce statistics are so high, is that little or no planning has gone into the life together afterwards. Very few people enter into a marriage having given much thought to divorce or to the division of assets and liabilities. In fact, the ante-nuptial contract is just another document in the pile of paperwork to complete before the excitement begins.

The Divorce

But there are things that can be done to alleviate some of the angst associated with the divorce process and these begin with a four-letter word – 'plan'.

Like businesses, divorces involve money. When a business dissolves, the principals seek financial and tax advice to reach an equitable split. However with the dissolution of a marriage, it never ceases to amaze me that couples don't seek the same level of professional advice and assistance.

In the USA, there are financial planners who advance their qualifications to become Certified Divorce Financial Planners. In South Africa there's no such formal qualification, but this does not negate the level of professionalism and expertise some financial planners have reached in the area of divorce financial planning.

The Planning

Keep in mind that divorce financial planning is not about the past; it is about the future. You need to be present in the conversation about your money.

For example, so little attention is paid to the long-term effects of inflation and tax that lump sum settlements often sound substantial. But when the cost of living and individual financial responsibilities are taken into account, lump sums may prove to be inadequate in supporting a desired lifestyle.

Although it often doesn't feel that way, life can go on after a divorce. The issue is: what sort of life? Commit to the proper planning and contingencies when you don't need them – be pro-active rather than re-active – and you'll be more secure and have less to worry about in the unfortunate case that you do require them.

Here are some additional fundamentals regarding divorce financial planning:

- Do not use the same financial planner that your soon to be ex-spouse uses.
- Get referrals from friends, family members and/or legal practitioners for pre-and post-divorce financial planners.
- Do your homework.
- Select an advisor who'll 'walk the road' with you, i.e., be involved in the pre-divorce planning, as well as the investment and ongoing management of your assets post-divorce. This individual needs to be able to have a hard, honest conversation with you if necessary.
- Don't accept huge promises regarding the future performance of your funds. Accept advice that is prudent and given with true care – not showmanship.
- Choose an advisor who has no vested interests in the outcome of the advice they are giving. They should be remunerated on a fee basis.
- Pay attention to your finances despite the fact that you will have other 'stuff' on your mind.
- Plan your future as if you will always be single.
- Doing nothing for too long because of internal procrastination can be costly. At the same time, making rash pressurised decisions under emotional strain can be financially fatal.
- Don't avoid risk in a portfolio if the risk has been calculated according to your personal circumstances. Conversely, don't seek growth irrespective of risk. Your personal cash flow needs should be analysed and investments allocated accordingly.

Remember:

The frivolous spending of lump sums can cause long-term financial chaos.