MASECO

PRIVATE WEALTH

A financial roadmap for managing divorce

StepppingTowardsANewLife Series

Funding a divorce

Funding a divorce can be a challenge for people who are newly separated. In this part of the series, **Stepping Towards A New Life**, MASECO Private Wealth offers practical tips on financial issues that both men and women typically encounter in the early days of divorce proceedings. The first step: Ensuring you have adequate resources for a lawyer. In the UK, lawyers (solicitors) nearly always require upfront payment of some sort. They generally never wait to be paid after a settlement, as this can often be two or three years down the road. This immediate need for payment can be a nasty surprise.

"In situations where just one party is running the household and managing the children but not "earning" necessarily and are therefore, for want of a better term, "not the breadwinner", if the "breadwinner cuts off funds, it's a very emotionally challenging time," says Rory Dorman, MASECO Private Wealth. Suddenly becoming solely responsible for the family's daily expenses can be a nightmare.

» How do you feed the family?

» How do you clothe the family?

» How do you pay the bills?

» Where will you find the extra cash for the children's weekly piano lessons?

» What about luxuries like your gym membership?

"Ensuring that you've got enough financial fire power to live, to fund your lifestyle and, very importantly at this time, to fund legal bills during a divorce, needs to be squared away right at the get-go so that you can make important decisions from a place of strength, not duress," Dorman advises.

Take control

Take control and work out your expenses. Divide expenses into different categories, for example:

Immutable expenses that are fairly predictable – your mortgage or children's tuition, insurance, legal bills etc. Another category might include items that are the glue of your life: hobbies, charities, family vacations, children's activities. The third category could be a catch-all for emergencies, like a medical crisis, a major household repair; even a new muffler for the car. Here is what your expense categories might look like:

Health & Home

» Mortgage
» Car
» Tuition
» Food & Clothing
» Household help
» Professional services
» Taxes
» Insurance
» Utilities

Emergencies

» Repairs
» Medical
» Divorce fees

My Community

» Memberships
» Charities
» Celebrations
» Hobbies/culture
» Children's activities
» Socialising
» Vacations
» Personal care

Set your priorities

Set your priorities and estimate the costs to the best of your ability. This is important in terms of both making your claim for assets during the divorce proceedings and for determining how much money you may need to borrow until/if there is a settlement. As you go through this exercise, ask yourself: What holds your core together? There is no right or wrong answer about what you find important.

Track your finances

Establish a system for tracking your money. An accountant or financial adviser can help with this. But generally, people who take on this responsibility if they are not doing it already, are better at sticking to their budget and feel more empowered. There are many different websites like Money Dashboard or phone apps like Toshl that can be invaluable tools in helping anyone who needs to carefully track spending.

Consider a short-term loan

Borrowing funds can be very costly. With planning, you may be able to minimise those costs so that when you emerge on the other side of the divorce, you don't find you have unnecessarily drained assets. "Financing can be a big challenge if everything is in your spouse's name," comments MASECO's Dorman. "A good Adviser may even be able to help you arrange a loan, but great care needs to be taken in this area and expert advice is key. You don't want to end up loading up your credit card with exorbitantly priced debt."

In our experience, these are the four most commonly mentioned vehicles for short-term borrowing:

1. **Family, friends.** These funds may seem to be the cheapest from a financial point of view, but they may be very costly to your relationships. Think carefully what the price might be and if you are willing to pay it.

2. **Refinancing real estate.** Using your home or a vacation property as collateral. This might not be straightforward if the assets are held in joint names and remember, all loans have to be repaid!

3. **Bridge financing or bank loans.** These may come at a very steep price and with many terms and conditions.

4. **Crowdsourcing.** Online websites like Ratesetter.com or Zopa.com provide this service.

It is important to understand that your home may be repossessed if you do not keep up repayments on a mortgage or any other debt which is secured on it.

On the positive side, this can be a time of great creativity as your finances change. If you are willing to focus on these tasks in the early, painful days of your divorce, you may be able to capitalise on opportunities to build financial security for yourself and your children.

Risk Warnings and Important Information

The above article does not take into account the specific goals or requirements of individual users. You should carefully consider the suitability of any strategies along with your financial situation prior to making any decisions on an appropriate strategy. You should remember that the value of an investment and the income from it could go down as well as up. The return at the end of the investment period is not guaranteed and you may get back less than you originally invested.

MASECO LLP trading as MASECO Private Wealth is authorised and regulated by the Financial Conduct Authority, the Financial Conduct Authority does not regulate tax advice. MASECO Private Wealth is not a tax specialist. We strongly recommend that every client seeks their own tax advice prior to acting on any of the strategies described in this document.