

A financial roadmap for
managing divorce
SteppingTowardsANewLife Series

A Good Divorce

Most people find finances a challenge if not a chore. During a divorce, the financial wrangling normally takes on additional emotional weight. This is particularly true for those who decided to leave the work force and manage the household instead. If you haven't been focused on the various investment accounts your spouse has set up or the intricacies of running multiple properties, you may be tempted to rush through the proceedings – accepting whatever the lawyers call “equitable distribution”-- as long as you get the items that hold the most meaning for you. It's also easy to get caught in futile details, racking up enormous legal bills: “This eight-dollar dish will cost you a thousand dollars in phone calls to the legal firm of That's Mine, This Is Yours,” warns the divorced hero of the movie “When Harry Met Sally.”

In this instalment of **Stepping Towards A New Life**, MASECO Private Wealth offers those going through a divorce a common sense guide to dividing the family possessions. We're not lawyers or tax advisers – but we do understand the value of assets and how to distinguish between items that may seem to be comparable but are not.

Consider:

- » One million pounds in a taxable account is generally more valuable than one million pounds in a retirement account.
- » An investment like for example a mutual fund has a very different market from a box full of jewellery.
- » A swank second home on the beach could prove to be a cash sink hole and may be difficult to sell quickly.

In other words, the kinds of assets you walk away with matter greatly. Taking a complete inventory is critical; as is understanding how to categorise things you love versus things that will set you up towards financial security. Your lawyer, and possibly a forensic accountant, will help determine the total amount and kinds of assets available to you.

It's a daunting task to put all these items under a lens. We recommend that you think in terms of your life cycle and values: What gives meaning to your life – what makes sense for you to keep? What will facilitate growth in your next stage of life? Think strategically. What you need now when the kids are still in the house will change when they are grown and change yet again when you enter retirement. Are you prepared for the emergencies that will invariably come your way at any

My life now	Retirement	Emergencies
<ul style="list-style-type: none">» Where should we live?» Things that give my life meaning» Lifestyle	<ul style="list-style-type: none">» Where do I see myself?» Where will my family be?	<ul style="list-style-type: none">» Cash for one year» Health» Eldercare for my parents

Managing a lump sum settlement

The papers are signed. Suddenly, your bank account is swelling. Now what? Typically the first question revolves around your home: Should you keep the one you live in now? Some may say: “I know it’s crazy to keep the house it costs too much to maintain, but I feel that a move would do so much more harm to the kids than the loss of income” and it’s fine to make that kind of choice, everyone is entitled to make decisions that may appear to others to be irrational. “Refusing the No 11 bus in favour of a taxi may be considered irrational, especially if facing a financial squeeze” says Rory Dorman of MASECO Private Wealth. “Sometimes you need to do things that will open the door to happiness – like keeping the family home. If that’s the choice you need to make, do so with open eyes. Plan it out financially.”

“The last thing you want to feel is suddenly everyone is saying to you ‘No, you cannot stay in that house.’ Or ‘no, you can’t go on that vacation,’ says Sellon. “By understanding the true value and costs of your assets, you will put yourself in the position of saying ‘Yes, I will do this instead of that’ because you appreciate the financial consequences.”

By this stage in divorce, if you’ve been following the recommendations in **Stepping Towards A New Life**, you will have already established a budget and know with clarity how much you need to keep untouched in your investment portfolio over the next 20, 30, or 40 years. If you invest wisely, you may even find yourself with an occasional surplus to spend on an unplanned family excursion. The choice will be yours to make.

» Next in Stepping Towards A New Life

» Step 4: Financial independence - Preparing for your new future after your divorce.

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.

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