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FINANCIAL SERVICES

Untying the knot

Divorcees twice as likely to have no savings

A daunting part of a separation or divorce for most couples is sorting out the finances. Financial disputes can be a major stumbling block in the divorce process and could take longer than the divorce itself.

This is the business side of divorce, and it may be the most important financial event of your life. The choices and decisions that you make will have an important influence on your financial well-being for many years to come. Divorced or separated people are twice as likely to have no savings or investments compared with those who are married (32% vs. 14%), according to research by Zurich UK.

POST-DIVORCE FINANCIAL CONSIDERATIONS

1. CREATE A NEW BUDGET

With your household income being impacted, it's essential to go through your finances. Creating a budget sheet will help you to keep track of your incomings and outgoings. It will also help you to spot where you can make cutbacks. If you're unsure about how to get started, there are many tools available online to help.

2. PROTECT YOUR CREDIT SCORE

You'll be surprised at how many financial products and agreements you share with your ex-partner, from utility bills to mortgage repayments and credit cards, so it's worth checking your credit record. Your credit report will list the details of every financial agreement you have. This will help protect your credit score from anomalous payments on the part of your former spouse.

3. CLOSE JOINT ACCOUNTS AND OPEN NEW ONES IN YOUR NAME

It's really important to make sure that all joint credit cards and accounts are closed, paid off in full or at the very least changed to either your name or your former partner's. Not doing so could mean them being able to use your accounts, run up debt or use your savings. This could have a negative impact on your future. Going forward, make sure you open any accounts solely in your name.

4. THINK ABOUT YOUR PENSION

If you've just been through, or are currently going through, a divorce or separation, your pension is probably the last thing on your mind, but it's essential for your future that you plan ahead – your future could depend on it. You and your partner may have built up a strong pension pot, so it's important to pay particular attention to how this is divided, to make sure you are getting the best outcome. It's particularly important for women who may depend on their husband's provisions for their retirement, as they could be in for a nasty shock.

5. DON'T FORGET ABOUT YOUR PROTECTION NEEDS

If you already have life cover in place in the form of a joint policy, make sure you check the policy terms. Some include a 'Joint Life Separation Option', which means that the contract can be amended to cover both parties individually. Many policies also contain options that allow you to increase the amount of cover you have following life events, including divorce or separation, without needing further underwriting. You may want to consider increasing your cover if you have had to take on a new or larger mortgage or other debts.

6. MAKE THE MOST OF YOUR PROTECTION COVER

Once you have changed your policy to protect you individually, it's worth making use of any support that is offered. Many protection policies contain valuable support or counselling benefits that can provide vital help or advice if you are going through a divorce.

This support can cover areas from financial to legal to emotional support. Protection can also play a key role in covering any maintenance liabilities for an agreed period, such as when children reach 18, in the event of severe illness or even death.

7. UPDATE YOUR WILL

Now that you are divorced or separated, your existing Will is unlikely to be appropriate to your new circumstances. Make sure you update this as soon as possible to ensure that your wishes are followed. ■

Source data:

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,073 adults. Fieldwork was undertaken between 25 and 26 October 2016. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+). 900 adult participants (19-55+) who are representative of the general population took part in the Mindlab experiment in the UK from 25-26 October 2016.

TAKING A LONG-TERM VIEW

Divorce can be an incredibly challenging time, both emotionally and financially. Understandably, the focus is naturally on splitting immediate assets, but it's important that the long-term is also part of the planning. In fact, after the family home, a pension can actually be the biggest asset at stake, so protecting this in the first instance is crucial.