

SEPARATION OR DIVORCE

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WOMEN AND MONEY SERIES

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**“TAKING CONTROL OF
MY FINANCES WITH
THE SUPPORT OF MY
FINANCIAL ADVISER
MADE ME FEEL MORE
CONFIDENT ABOUT
THE FUTURE”**

– Rebecca, aged 41

Going through a separation or divorce is a traumatic time that brings about a number of significant challenges. One of these challenges relates to money. Given you're likely to have many other issues vying for your attention, it's important to focus on your finances as early as possible. The sooner you sort out your financial situation, the easier it will be to adjust to your new circumstances.

From the moment you and your partner separate your finances are put under pressure. There are immediate considerations such as where to live and how to afford general living expenses on your own, right through to longer-term issues such as making sure you have enough money for retirement. To help ease the financial impact of separation or divorce we've highlighted the key points you need to be aware of.

The financial effects of separation

Studies have shown that women experience greater financial hardship than men after a relationship breakdown. Take these statistics for example:

- On average, it takes between six and seven years for a woman's income to recover to its pre-divorce level.¹
- In the first year of divorce, 60.1% of women experience at least one or more financial hardships, compared to 49.6% of divorced men.²

There are a number of reasons why women are more likely to suffer financial hardships. To begin with, women usually earn less than men. In many cases this is because women work in part-time employment to accommodate family responsibilities. Whatever the reason, women typically have less money coming in to cover everyday living expenses. Lower wages also lead to women having less in superannuation than men. This may not be a problem for you right now, but it may have a significant impact on your quality of life once you reach retirement.

¹ The Australian Institute of Family Studies

² Social Policy Research Centre, The effect of relationship breakdown on income and social exclusion, University of NSW, July 2009

The financial costs of a relationship breakdown

When you separate from your partner you need to be prepared for an increase in costs and expenses. To give you an idea of the costs involved, the major expenses you're likely to face are outlined below. You should bear in mind that these costs are only indicative and your actual costs may be higher or lower than those provided.

- **Accommodation expenses:** If you need to move out of the shared home, you will have rental expenses or the costs associated with buying a new home.
- **General living expenses:** Without a partner to share expenses with, you will be solely responsible for day-to-day living expenses such as groceries, car maintenance and utilities, such as phone, electricity, gas and water bills.
- **Legal fees:** You will need a solicitor if you are getting a divorce or have joint property that needs to be split, and fees range from \$200 up to \$600 per hour. It is possible to keep legal costs to a minimum by deciding who gets what and avoiding a long and bitter court case.
- **Divorce application fee:** The cost of filing for a divorce starts from around \$400, although this fee may be waived or reduced under certain circumstances, such as financial hardship.

Get your finances in order

After a separation or divorce it's important to get your finances in order. This may seem daunting, especially if you weren't responsible for managing the family finances. But it can be done. And better yet, taking care of the finances will help you feel more independent and confident about the future.

Immediate financial considerations

When you first separate from you partner, there are a few things that you should do immediately. By taking care of the things below as soon as possible, it may make the property settlement easier and more favourable.

Freeze joint accounts	Gather together all of your financial information	Take care of living arrangements	Create a new budget	Open your own bank account
If you and your partner kept your money in a joint account, or shared other bank accounts such as credit cards, you should talk to a solicitor about freezing these accounts.	You need to identify the assets, liabilities and financial resources of both you and your partner as this will form the basis of your negotiations and eventual property settlement. The financial information you should collect includes details of bank accounts, credit cards, superannuation funds, any investments, recent tax returns and your mortgage.	Sorting out your new living arrangements is one of the first things you need to do. If you were renting it's a good idea to get the rental agreement changed. If you were living in a home that you owned either jointly or separately you should seek legal advice as soon as possible.	Given that your income levels are going to change you should create a new budget by writing down all of your income and expenses. This will help you work out how much you will have for things like rent, food, bills, clothes, petrol, savings, etc. If you're not used to managing a budget, start by keeping copies of all your receipts and regular bills for a month or two.	You should open a savings account in your own name and organise for your wage, or any other income, to be paid into this account. You may also want to review the need for a credit card. A credit card may be useful, but only if you can comfortably repay the debt on a timely basis otherwise it will only add to your financial stress.

What if I have children?

If you are frightened by the prospect of becoming a single parent, you're not alone. According to Relationships Australia, many women feel scared about taking on the financial responsibility for themselves and their children. If you assume overall responsibility for raising your children you are entitled to child support. To find out about child care entitlements, you should visit the government's Department of Human Services Child Support website.



Longer-term financial considerations

To make sure that you can continue meeting your financial responsibilities, as well as improving your overall financial position in the medium to long-term you should also consider doing the following things.

Organise your Will

When you separate, or divorce, from your partner it's a good time to update your Will so that it reflects the changes in your life.

Take out insurance

It is also a good time to think about insurance, including car, home and contents and life insurance. Life insurance is especially important if you have children. You should review any beneficiary nominations for your existing insurance policies.

Get your superannuation in order

Making sure you have enough superannuation for a comfortable retirement is an important step in planning for your future. To give your super a boost you may want to look into splitting your partner's superannuation interests as part of your property settlement. Superannuation splitting laws apply to people who were married or in de facto relationships in most states and territories. You may also want to consider making additional contributions once you have a regular income established to help your balance grow to an adequate level. You should also review any existing beneficiary nominations over your superannuation to ensure they reflect your new circumstances.

FINANCIAL HEALTH CHECKLIST

Here's a list of things you should do to get your finances in order after separating from your partner:

- Get all your key financial documents together (things such as utility bills, credit card bills, mortgage papers or home loan details, tax records, and superannuation accounts).
- Talk to a solicitor and if necessary freeze joint accounts and seek advice about joint property.
- Think about where your income is going to come from.
- Create a new budget to adjust to your new income levels.
- Make new living arrangements that are affordable for you.
- Get your superannuation in order and get more information on superannuation splitting.
- Consider taking out insurance, including car, home and content and income and life protection, especially if you have children.
- Update your Will.
- Update beneficiary nominations if your ex-partner was listed as the beneficiary of your superannuation or insurance policies.



WE CAN HELP YOU BECOME FINANCIALLY WISE

Wisdom is knowing what you don't know and seeking help. Our financial advisers are in the best position to help you understand your options and ease the financial impact of separation or divorce.

Arrange an appointment today for more information:

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IMPORTANT INFORMATION

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