

FINANCE UPDATES

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CAMPBELL & McCONNACHIE

chartered financial planners

LOCKDOWNS FUEL SPIKE IN DIVORCE RATES

Financial advice can help with the divorce process.

The number of people seeking to divorce their spouses boomed last year, with many couples forced to spend long amounts of time with their partners during various coronavirus restrictions.

Indeed, those googling Citizens' Advice divorce guidance increased sharply since last April, during the first national lockdown, and rose by 25% year-on-year in September 2020.

Family lawyers report around one in three matrimonial enquiries are from couples separating because of relationship issues being compounded by strict COVID-19 curbs.

This worrying trend is being tipped to continue in 2021 as the UK gradually moves out of a third lockdown, through the regional tiers and hopefully back to normality over the coming months.

Untangling matrimonial finances can get extremely complicated, and the decisions made at what is an emotional time can seriously affect your finances – both in the short and long term.

While solicitors handle the legal side of divorce, involving us from an early stage can help shape any settlement to enable you come out of a divorce in the best possible financial position.

THE HOME & CHILDREN

Keeping hold of the family home is often a default priority for people going through a divorce, especially if any children come into the equation. But what if there's a mortgage to pay and it is based on two incomes?

By coming to us early on in the divorce process, our personal cashflow forecasts factor in any costs, including a mortgage, household bills and other expenses, to give you a clear picture of whether or not you can afford to hold on to the family home.

If there's a deficit between your income and expenses, we can point you in the direction of a mortgage broker or explain the tax implications if you decide to sell.

Where children are involved, it might make sense in some circumstances to set up a trust to cover expenses like private school fees or child maintenance for their general upbringing.

Consider taking out certain policies to provide financial protection for your children if you were to become ill or die. We can run you through your protection options.

PENSIONS

Pensions are the second largest asset owned by married couples, although where you live in the UK can affect how much you're entitled to.

The total value of both parties' pension pots is taken into account when splitting assets in England, Wales and Northern Ireland, while only the value built up during the marriage is considered in Scotland.

Without independent financial advice early on in a divorce process, people often overlook pensions when attempting to reach a settlement. This runs the risk of throwing significant amounts of money down the drain.

For women, particularly those who took maternity leave or career breaks to raise the children, divorce can affect retirement prospects without financial advice. In fact, 28% of women would give up pension rights in a divorce in 2021, according to L&G.

The way pensions are treated in divorce settlements usually fall into three categories – pension sharing orders (PSO), pension offsetting, and pension attachment orders (PAO).

PSOs split pensions between the divorcees, providing a pension credit which can be transferred into a new or existing scheme.

Pension offsetting sees a pension's value offset against other assets. For example, one party might keep the pension, while the other retains the home.

While the first two pension settlements are fairly amicable, PAOs are determined by a family court which instructs a pension scheme to pay part or all of the benefits to the ex-partner.

SAVINGS & INVESTMENTS

Dividing any savings or investments might be slightly easier than splitting pensions, but they can carry tax consequences and charges if they are held in a tax wrapper or tax-efficient scheme.

With cash ISAs, it's not possible for these to be held in joint names or to transfer them in the event of divorce, while withdrawing the money from the ISA would lose the tax benefits.

Venture capital trusts (VCTs) are similar to ISAs in the sense the tax benefits belong to the investor. Serious complications can arise from transferring ownership of a VCT.

Income tax relief might be available on the transfer of an enterprise investment scheme (EIS) as long as the transfer takes place within the first three years of the setting up the EIS.

Transferring ownership of these types of investments is complex at the best of times, let alone while going through a divorce, so it is a good idea to seek financial advice early in the process.

With cash savings accounts, you could simply transfer some money from your account to your ex-partner's, while unwrapped investments might be liable to capital gains tax.

BUSINESS ASSETS

Should a divorce end up in court, a business and all of its assets can be thrown in with any other assets the married couple owns.

That means it's possible for a spouse to receive a share of a business or its assets in any divorce settlement, despite potentially having nothing to do with it, unless there's legal documentation to prove otherwise.

In such cases and usually as a last resort, there's always a risk a court will decide to break up a business and divide the assets, leaving business owners significantly out of pocket.

We can help you understand your options when it comes to your business and make informed decisions in the event of a divorce.

ESTATE PLANNING

Always update your will when your circumstances change, and there are few changes as substantial as going through a divorce. This will help ensure your most recent wishes are reflected.

Many married couples appoint each other as the executors and beneficiaries of a will, either alone, or to share with any children. Divorce completely removes the ex-spouse from the will, but the appointment of other executors and beneficiaries remains valid.

It's generally advisable to cancel your will outright and rewrite it completely from scratch in such instances, especially if there are children or grandchildren involved, to prevent any prolonged disputes or confusion.

HOW WE CAN HELP

We can help you identify how much you might need from a divorce settlement to maintain your existing quality of life. Alternatively, we can help you make the informed decisions, reorganise your life and take control of your financial future.

Once the dust settles, you might receive a cash settlement and require us to talk through your options. We can help structure your finances or investments in your new life, factoring in changes to inflation, interest rates and your own circumstances.

This could be in the form of making investments or contributing into a pension scheme for the first time, and we can tell you what you need to stay on course. And if you require more complex help to ensure your money is being managed correctly, we are here to help with that as well.

[!\[\]\(aceb1790ece33f2eac474d4a9431c6d6_img.jpg\) **Talk to us about your financial plans.**](#)

IMPORTANT INFORMATION

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation. You should not make any decisions based on its content.

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