

THE FINANCIAL MAELSTROM OF SEPARATION OR DIVORCE - Allistar Walker



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Separation, divorce and credit go hand in hand. Forgetting or ignoring this vital aspect can adversely affect your future financial standing. Many times we have seen default entries on clients VedaAdvantage (Baycorp) credit checks, which relate to the period of separation. It is often not excusable by many prospective lenders, as you can't expect the rest of the world to pick up your pieces. It is your situation, whatever the cause, and it is up to you to manage it. There will be bills, rents, mortgages and insurances to be maintained. It could pay to call all account senders and request notification of any missed payments. You may want to freeze or close joint accounts, or ask the creditor to convert them to individual accounts in the name of the person who will ultimately be responsible for the debt. Making account changes before the divorce is finalised can save a lot of headaches.

Although you would rather not face this period of stress and reconstruction, there is an unparalleled opportunity for growth and evolution. Look for the positives and use self-talk to accentuate these. Negative thoughts and actions will only pull you down and not contribute to building a new future for yourself.

Dividing Marital Assets

The simplest division is 50/50. Due to lower asset values some couples earlier this year were holding off dividing assets pending an improvement in the share and housing markets. This possibly does not apply now, where both asset classes have largely recovered.

Not all assets are created the same. To make sure you get what you deserve, check out the Family Court of New Zealand website at www2.justice.govt.nz/family/home.asp.

Making sure you get what you deserve, the emphasis being on 'deserve'. If I talk to both parties in a distressed marital situation, inevitably their views on 'deserve' vary radically. This is when the emotion needs to be taken out of the equation, with a cold hard examination of who created the assets and liabilities, recognising who created either. The 50/50 split for joint assets was arrived at as the most equitable where it is too hard to recognise both monetary and time assets ie such as child rearing. While the hardest thing for you may be to talk to your ex, this is ultimately the best solution. If you can't do it face to face, do it by email, but keep all the emotional turmoil out of it. This is only counter-productive and usually results in lawyers taking a good share of your assets. Having said that, if your affairs are complicated, legal advice may provide the most equitable outcome.

Practical Preparation for Divorce

There are important financial decisions that must be made sooner rather than later. Individuals can often feel overwhelmed, confused, unsure of what to do and powerless to control their situation.

- **Make a Budget.** This is the first step to freedom. I know this is about as much fun as a hangover on the 'morning after'. It is almost guaranteed that this fundamental building block will be the first step to regaining control over your situation. Calm will be restored, at least to part of your emotions.

When making a budget, be realistic with your expenses. There are NZ standards for expenses, which we carry as mortgage/insurance advisors. Also look at your past patterns. Variable expenses such as entertainment, shopping, clothes may need to be

pared back. Look for savings that you can make. Remember cash is king; debt can be the hangman's noose.

- **Examine Incomes.** Just what will you have to live on? Will you need Work and Income assistance? Is your job sufficient to support you and maybe a mortgage?
- **Compare Expenses with Income.** This is the critical point that often helps you work towards solutions. Are there enough funds to meet your budget, or is there a shortfall? Often in divorce there is a shortfall. This reality means the belt may need to be tightened. New Zealand families more often than not are used to spending at, or near, their entire income.
- **Lengthen the Pockets, Shorten the Hands.** If the dollars are tight, be careful of falling into the trap of continuing to overspend. This will worsen your problems and make the hole bigger. A budget is like a diet – it's rarely pleasant at first, but it is possible, and often it can have beneficial effects in the long run. Discipline at a time like this is possibly your best avenue to emotional control.
- **Can you Increase your Income?** Are you making the most of your career opportunities? Is there surplus 'stuff' you can sell on Trade Me? Could you work part-time or increase rentals on any properties in your split. Is your present home too expensive to maintain? It may be a case of cutting your cloth according to your income.
- **Achieving Financial Balance.** You now have a plan to meet life's expenditures. Control and power is restored to your financial situation.

The budget is just the first basic step to starting to survive divorce financially. Failure to put this to paper will possibly lead to failure to cope. While friends, relatives and passers by may have all sorts of pearls of wisdom, your situation is not their situation. They don't want to get all down and grubby with you, because negativity has no place in a happy and successful life.

There will certainly be other financial hurdles ahead: dividing assets, child and/or marital support, selling homes or businesses, valuing pensions and splitting retirement plans. Having a plan to deal with the day-to-day financial life makes it easier to focus on other items that have yet to be done. Once that plan is in place, set up future time lines and goals to achieve your 'Getting on with Life' programme.

Physical action acknowledges the path you are treading toward a door that will open up new possibilities awaiting you just around the corner. Remember while you think your situation is the 'pits', somewhere in the world there are people far worse off than you.

"A journey of a thousand miles begins with the first step".

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