



# Financial planning for divorce and separation

# Contents

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Introduction .....	3
The statistics .....	4
Asset and debt distribution.....	5
Court considerations.....	6
Rebuilding your financial life .....	7
Case study: Karen's experience .....	8
How Financial Spectrum can help .....	9
About Financial Spectrum.....	10

# Introduction

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There is no question that divorce and separation creates enormous emotional and financial pressure. From the care of children to the distribution of finances, it can be one of the most challenging periods of your life. Unfortunately many divorced or separated couples are unprepared for the financial realities of single life and need help and guidance to get them back on their feet.

Financial Spectrum financial planners have helped many divorced and separated clients navigate this challenging period. While we can't mend the emotional damage, we have the expertise and experience to help clients re-establish and move ahead with their lives from a financial perspective.

This eBook is designed to provide an overview of common financial issues that arise through divorce and separation and how they can be viewed and managed. In addition, we provide some advice on how to pro-actively re-build your financial life.



# The statistics

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The Australian Bureau of Statistics (ABS) reported that in 2015 there were nearly 50,000 divorces granted in Australia. This does not include the many couples living in de-facto relationships who decide to separate.

The breakdown of these relationships is obviously difficult for those involved and the emotional fallout can often blind couples to the financial decisions that need to be made. This is of particular concern when children are involved and it is paramount to ensure that the financial impact on them is mitigated.

It is clear divorce and separation can have a huge impact on your financial life. From income, assets and day-to-day living expenses, there are often dramatic changes and important financial decisions that need to be made.



# Asset and debt distribution

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The Family Law Act of 1975 sets out the general principals a court uses to determine how assets should be divided after a divorce. Everything can be included as part of the asset distribution including the family home, investments, savings and even superannuation.

There are a number of ways that assets and existing debt can be distributed between the couples.

An ideal scenario is coming to an amicable arrangement with your former spouse or de-facto partner. This avoids legal engagement, costs and often bitter disputes.

Another is a mutual agreement and to then apply for orders from the Family Court. This minimises conflict and provides a formalised outcome.

Should you not be able to reach any agreement, you can apply to the Family Court for their orders regarding the division of property and payment of maintenance.



# Court considerations

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If you end up in a court process they will make a determination on the division of assets based on:

- Existing assets and debts
- The financial contribution each party makes to the marriage or relationship, for example, wages and salary
- Any indirect financial contributions made by each party, for example, gifts and inheritances
- Any non-financial contributions made by each party, for example, caring for children and home-making
- The future financial requirements of each party taking into account considerations such as age, health, ability to earn and financial resources



# Rebuilding your financial life

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While the emotional wounds may eventually heal, re-establishing your financial life can be a long and often difficult task. Your very first step is to ensure you clearly understand your new financial situation.

## Re-evaluating your new financial situation

After divorce and separation it's not uncommon for most people to find their financial situation to be dramatically different. How you manage this situation in the early stages of your divorce or separation can be critical to your long term financial position. We encourage you to talk to a financial planner to get an objective and informed opinion of where you are at and your best way forward.

To begin the process, you can use our free [Budget Calculator](#). Using this tool will give you an understanding of your financial position and identify areas that may need to be addressed.

## Re-assessing your financial goals

In addition to immediate cash-flow requirements, we encourage you to talk to a financial planner about your longer term financial goals as these will have also changed as a result of the divorce or separation.

## The financial planner lifeline

Divorce and separation can create a financial impact you may never recover from. Even more telling, recent statistics show older couples are getting divorced at an increasing rate. As an older person, it becomes even more important to speak to a financial planner to set and establish new financial goals.

A financial planner can help by:

- Assessing your income and expenses, and assist you to develop an appropriate budget
- Helping you to identify your new financial goals as they will likely have changed
- Formulating a plan for your financial future through appropriate investing and life insurance

# Case study: Karen's experience

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Karen and Mark had been married for 10 years. They had two young children together, Alex and James. Karen and Mark had irreconcilable marital differences and decided to divorce.

Through their marriage they had built up some assets. They owned their family home and had some investments including shares and savings. Mark had been the main income earner while Karen had been a home-maker bringing up their children.

Karen and Mark came to an amicable arrangement and Karen was paid a lump sum on the sale of the assets.

While happy with the outcome, Karen was unsure what to do with her settlement and sought the advice of a Financial Spectrum financial planner. The financial planner was able to assist her to:

- Formulate a budget that allowed her to take control of her day-to-day expenses
- Identify new future financial goals
- Secure her and her children's financial futures by investing her divorce settlement appropriately
- Protecting her and her children through appropriate life insurance

By seeing a financial planner Karen has taken positive steps toward getting her financial life back on track.



# How Financial Spectrum can help

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Now you've read this eBook you may be more informed on some of the financial issues surrounding divorce and separation. While an emotional and turbulent time, it's critical you get your financial affairs in order. A financial planner can help you do this.

At Financial Spectrum, we can help guide you every step of the way on your financial journey. Our financial planners will always ensure you make informed financial decisions at all phases of your life.



# About Financial Spectrum

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Financial Spectrum is an privately owned financial planning practice. We develop tailored financial strategies to help you build your wealth and achieve your lifestyle aspirations.

We offer so much more than investing. We take the time to understand you, and then help you make the right decisions to achieve the future you're aspiring to.

## We can help you to:

- Plan for the future
- Build your investment strategy
- Grow your personal wealth
- Simplify your budget
- Minimise bad debt
- Increase your super
- Reduce your tax
- Protect your family

Let us help you take control of your finances, build your wealth and achieve your future lifestyle aspirations. Contact us for a complimentary, no obligation meeting today.





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