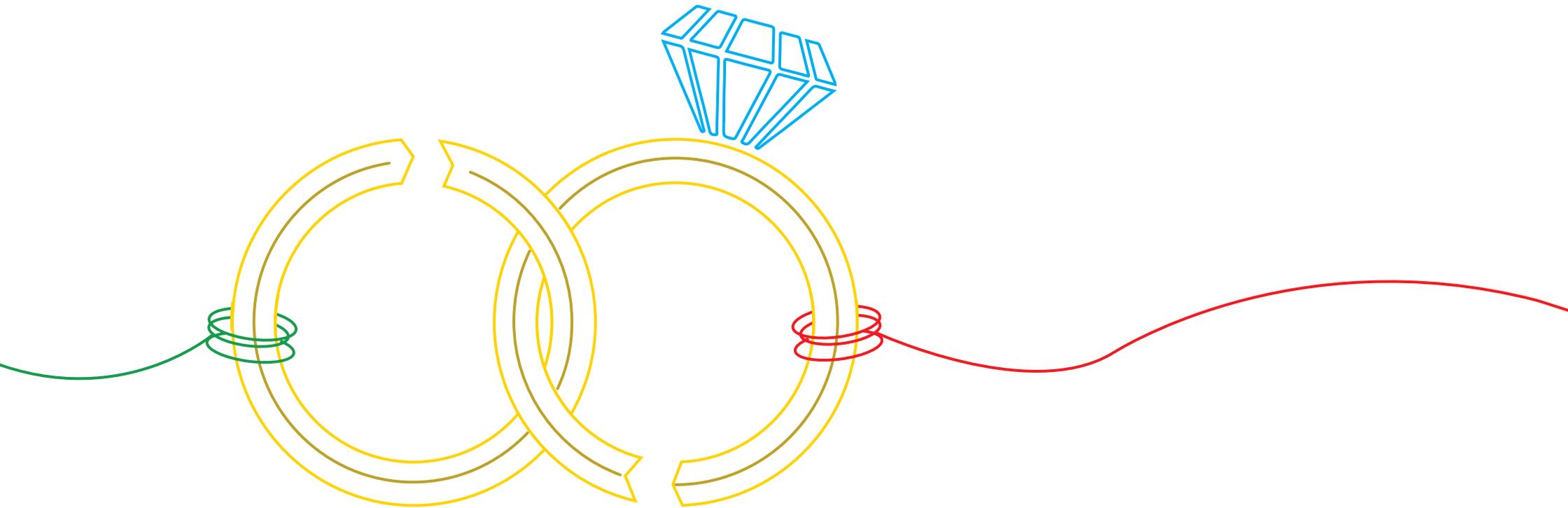


Divorce in later life: advising the 'silver separators'



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The impact of divorce in later life



Traditionally, marriage was considered, on the whole, to have been 'for life'. But these days, divorce for those over the age of 60 is on the rise, in contradiction to the decline in rates for younger age groups.



Divorce in later years can present financial challenges which are certainly worth considering. Couples must divide their home and their wealth in two (although not necessarily in two equal parts), and deduct the costs of divorce. In an environment where finances may already be under strain, a divorce can put a significant dent in later life finances.



The average age of divorce has increased year-on-year since 1985, rising by 9 years for both men and women.¹

¹ <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/bulletins/divorcesinenglandandwales/2017>

² <http://www.moneyadviceservice.org.uk/en/articles/how-much-does-divorce-or-dissolution-cost>

What is behind this rise?

There is no single reason, but demographic changes play a role: life expectancy is greater and retirement is more active. Also, social attitudes are changing, reducing the stigma of divorce. There may be greater acceptance that people change over time, and with dedicated dating sites for the over-50s, later-life relationships seem possible in a way they might not have done 20 years ago.

However, while for some divorce may seem like a welcome step towards freedom, advisers will be well-aware of the negative effect it can have on a couple's finances. Two-thirds of those who split end up worse off, and more than a quarter resort to selling the family home.

Retirement is becoming increasingly expensive. This is due to lower interest rates, the increased difficulty of generating an income from a portfolio of bonds or equities, and the fact that life expectancy has increased, so pension pots and other savings have to go further. Putting divorce into the mix can create a significant hole in people's retirement planning.

The average cost of legal fees in divorce is between £17,000 and £30,000

It may not simply be a case of dividing assets; there are associated costs that reduce the overall size of joint assets. Research has found that the average divorcing couple spent between £17,000 and £30,000 on legal fees. There were also costs associated with paying off shared debt, dividing assets, and finding alternative accommodation.

Cost of divorce checklist²

Court fee to file for your divorce or dissolution	£550
Court fee to file for judicial separation	£365
Application for a consent order	£100
Application for a financial order	£255
Negotiated financial settlement	£2,000 to £3,000
A financial application that goes all the way to a contested final court hearing	Up to £30,000 plus VAT
Consent order after an uncontested financial settlement	£250 plus VAT
Collaborative family lawyer	£8,000 to £15,000
Online divorce or dissolution service depending on whether a solicitor is involved	£400
Mediation service	£100 per hour



What happens after divorce

54% reported one partner staying in the family home

42% split the house

28% reported selling the family home – with 13% downsizing and 8% moving into rented accommodation as a result

26% split their savings

21% split furniture

14% split pensions

10% split the sale of their car

6% split family heirlooms

3% split ownership of pets

'Silver separators' face other challenges

Running two houses can potentially be more costly than running one larger house. Housing costs for Britain's families has trebled in the last 50 years, according to a report by think tank The Resolution. Clearly, with two properties there are also two sets of everything to pay, including utility bills, holidays, maintaining the home and the general cost of day to day life.

Divorce may also bring to light any shortfalls in people's retirement plans. A pension is usually one of the largest assets in a divorce settlement. For those approaching retirement with a defined benefit pension (also known as final salary scheme), the benefit can be significant in terms of providing a guaranteed income for life in retirement for the person who is the scheme member.

A pension may have been enough to support one household comfortably, but when it is split and needs to stretch across two households, divorcees may well find an increased need for income at a time when it is very difficult to achieve – for example, if they're retired. Some divorcees may have fought to stay in the family home, only to find that this leaves them with a physical asset – the property – but potentially insufficient income to meet their day to day financial needs.

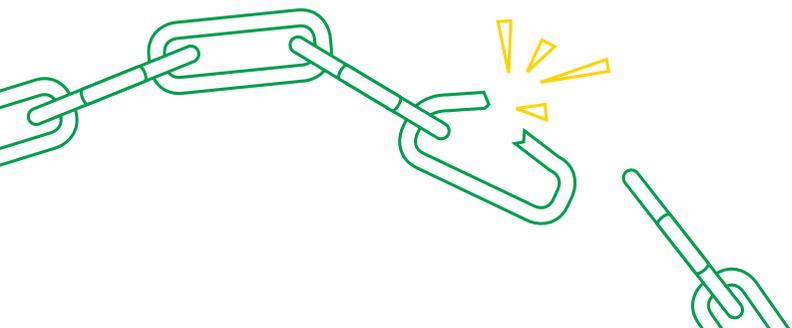
There is also the state of mind of potential clients at this time. Divorcees may be making these decisions in a more pre-occupied and emotional frame of mind. They are dismantling a life, and this can be a painful process that some say is similar to a bereavement.

This emotional upheaval may inform their decision-making throughout the financial planning process. For example, in the early stages, they may want to do all they can to stay in the family home, with all its happier associations. However, this may become less important to them as they start to build a new life or if they recognise that the impact on their finances is too great. As a result, advisers may be called upon to be even more flexible than normal, juggling a range of options.

Divorce may reduce a number of options for retirees. If they have divided the family home, both parties may find themselves living in smaller properties. As such, downsizing further to raise additional funds for retirement is unlikely to be an attractive option. Most will not want to go through the additional emotional upheaval of buying and selling again. Coupled with this, there are also moving costs to consider: stamp duty, estate agent fees and removal fees are just some examples.

What does this mean for advisers?

Divorce is an area where good advice early on can make a real difference. For example, a split where one party gets the house and the other get the savings may seem fair at first. However, the fall out may be that one party is tied to real estate which may not, provide any income. Ideally, financial advisers should be involved as early as possible in the divorce process, so they can help divorcing parties gain clarity on the potential impact of any proposals and help them make informed decisions.



How you can help

The emotional stages of divorce

- 1 Denial:** “This is not happening to me. It’s all a misunderstanding. It’s just a midlife crisis. We can work it out.”
- 2 Anger and resentment:** “How can he [she] do this to me? What did I ever do to deserve this? This is not fair!”
- 3 Bargaining:** “If you’ll stay, I’ll change” or “If I agree to do it [money, childrearing, whatever] your way, can we get back together?”
- 4 Depression:** “This is really happening, I can’t do anything about it, and I don’t think I can bear it.”
- 5 Acceptance:** “Okay, this is how it is, and I’d rather accept it and move on than wallow in the past.”

Understanding these stages can be very helpful when it comes to talking about divorce and decision making. It can be challenging for clients to think clearly or to make decisions at all, much less to make them well.³

Divorces may not run smoothly, but there are places you can direct your clients to for further information, or simply to speak to other people:

Gransnet – www.gransnet.com

Silverline – www.thesilverline.org.uk

Citizen’s Advice – www.citizensadvice.org.uk

Relate – www.relate.org.uk/relationship-help/help-relationships/relationship-counselling

Lifetime mortgages could be an important part of the financial planning journey

For example, they may help one party stay in the family home. There are some cost advantages to this – it can avoid stamp duty and removal costs for the person that remains in the house for example – and it can create less upheaval. It could provide valuable emotional security and continuity for the person who remains in the home. Additionally, adult children and their families could still have access to the ‘family home’ and continue to visit.

In the meantime, the equity released could be used to ‘buy out’ the other partner, providing part or all of the funds required to secure alternative accommodation.

Equally, lifetime mortgages can be an option to help people access additional money to help in retirement. One party may have been granted a larger share of capital assets through the divorce process, but soon realise they need more income. There may be emergencies (such as a leaking roof or a car which needs replacing) and required maintenance. Such expenditure can present a greater burden on a single-person household. A lifetime mortgage could provide much needed access to additional funds and, what’s more, the money released is free of tax.

Any lifetime mortgage will need to be part of a broader financial planning discussion as it’s a loan that’s secured against the home. Interest is charged on the total loan amount plus any interest already charged, and the amount owed grows quickly and reduces the equity left in the property. A lifetime mortgage will reduce any inheritance and may affect entitlement to State Benefits. It’s important that clients are helped to consider other options to borrow money which may be more cost effective.

It’s worth noting that whilst almost two in five (38%) said their divorce was not amicable, 55% said they were happier as a result. There are plenty of hurdles involved in later life divorce, but this suggests that divorce can work out well in the end.

Some things to consider when giving financial advice around divorce:

- ✓ Be flexible – the situation may change a lot – and rapidly
- ✓ Be aware of the impact that divorce can have on clients
- ✓ Try to get involved in the process early to help clients get better outcomes
- ✓ Pension assets may be more valuable than clients realise
- ✓ Lifetime mortgages could be an important part of the financial planning journey
- ✓ Raising capital is only one part of the jigsaw, providing income can often be more challenging

³ www.womansdivorce.com/emotional-stages-of-divorce.html
List from *Collaborative Divorce* by Pauline Tessler