Breaking up is hard to do

By Perpetual Private Insights

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The right advice can help you survive a relationship breakdown with your finances intact.

There are big emotions at play when a relationship (marriage or de facto) breaks down. From a financial point of view, it throws up some difficult questions about the division of assets.

It's tough for everyone, but experience has shown us that the right financial advice can ease both short-term stresses and improve your long-term financial outcomes.

TAILORING ADVICE TO THE UNFOLDING SITUATION

When a client comes to Perpetual who is going through a relationship breakdown, we use a three step process to tailor our advice:

1. Identify the financial needs arising from the relationship breakdown

2. Prioritise those needs into short-term, medium-term and long-term

3. Identify and work through complex tax and legal issues

IDENTIFYING RELEVANT FINANCIAL ADVICE NEEDS

When a relationship has broken down there are a range of personal factors that need to be considered:

- What is the current nature of the relationship?
- Are children involved?
- Is the client married or in a de facto relationship?
- Has the client entered a new relationship?

We work with the client to assess the implications of all these factors when we start the advice process.

PRIORITISING SHORT, MEDIUM AND LONG-TERM ADVICE

Next, we create an action plan that addresses the client's short, medium and long-term financial needs.

A relationship breakdown often creates short-term cash flow needs – such as being able to meet immediate expenses (including legal fees). Other short-term priorities may include:

- Developing a list of assets, resources, liabilities and other financial obligations as part of the family law process
- Ensuring all estate planning documents reflect the client's new circumstances. While many clients know that a new will and power of attorney will be required, many don't

realise their self-managed super fund trust deeds will also require review, as will any existing shareholder agreements and company constitutions
- Conducting a full review of the client's existing and likely future financial position
- Splitting superannuation benefits

Medium-term planning often centres around the settlement process, particularly making provision for children. Longer term, we help clients think about their bigger, broader goals – financial independence and preparation for retirement.

ADVICE AREAS REQUIRING TAXATION OR LEGAL ADVICE

Investment, insurance and retirement planning can be complex at the best of times. Throw in a financial settlement, dividing matrimonial property, and tax-effectively meeting child maintenance and/or spousal support obligations, and things get even more complicated.

That’s why we identify areas where clients should seek expert tax and legal advice, and we work carefully with these specialists to manage any issues. This can be especially important when:

- Matrimonial assets are owned through private companies and trusts, including self-managed super funds
- Child maintenance trusts have been established to deliver tax benefits and meet family law requirements
- Capital gains tax or stamp duty consequences may be incurred through the settlement process

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