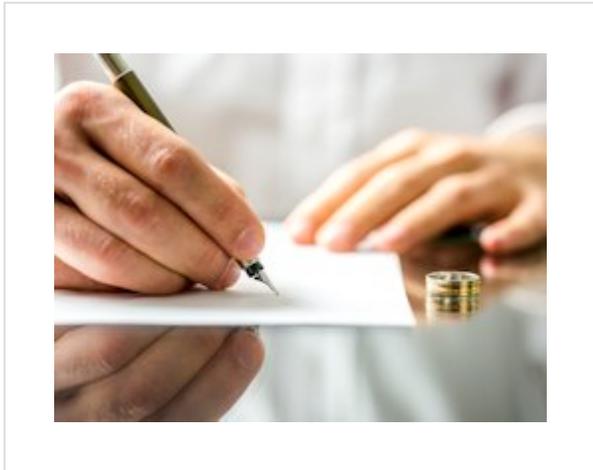


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## FINANCIAL PLANNERS CAN HELP CRAFT BETTER DIVORCE SETTLEMENTS

Nathalie Boutet / March 11, 2016



Advisors are often a critically important part of divorce settlements, complementing the skills of attorneys.

Negotiating a divorce is extremely difficult on an emotional and financial basis. The law and legal process have become increasingly complex and, in order to reach a settlement that truly addresses a family's needs, clients often need lawyers with unique methods and specialized skills. Often, separating spouses also need financial planners to help them address and understand the implications of tax, business or financial planning issues that surface during the

process.

### **COLLABORATIVE LAW AND FINANCIAL PLANNERS**

Collaborative law is an approach that uses “interest-based” negotiation. In contrast to the traditional approach, which often yields only losers, collaborative law aims to create a win-win result for clients.

Increasingly, financial planners have become an important part of the negotiating team in out-of-court divorce settlements. [Collaborative Practice Toronto](#) suggests advisors can help clients by:

- identifying, clarifying, and prioritizing financial needs and concerns (needs during or after the legal process);
- determining adequate budget and financial arrangements for the children's changing needs; and
- contrasting and comparing different settlement scenarios, and empowering spouses to make fully informed financial decisions.

In a recent case I was involved in, the wife discovered around the time of separation that her husband had taken out a line of credit. Given the secrecy that surrounded this new debt, the wife didn't know if she could trust any of the financial information the husband presented; nor could she understand why her family was in debt, given the husband's comfortable salary. The wife's feelings of panic and fear prevented her from being able to pay attention, let alone formulate solutions, during the negotiation meetings. She was emotionally paralyzed.

The team brought in a neutral financial advisor who created charts to help the wife see how her current financial base would be sufficient to carry her through her elder years, even without taking into account the support she would be receiving. The charts also helped her realize that private school tuitions for their three children were taking up a large part of the husband's after-tax income; hence the recent need for financing through the line of credit.

The financial planner's assistance was instrumental in her being able to feel empowered at the negotiation table. She no longer feared for her future and she was able to be a full participant in the negotiations. At the same time, the husband also benefited from the process, since he could see the expense chart showing that, while the next few years of paying child and spousal support would be tight, that strain wouldn't be permanent.

In another case, my client's financial planner created a graph illustrating her asset base and spending needs over time. This helped her evaluate what would happen if she needed to dip into her assets to pay for her lifestyle in the event she never received spousal support. When it came time for negotiations, this equipped her with an understanding of the support she would need.

Another of my clients is using a financial planner to illustrate his ex-wife's financial situation. We will use her financial picture to show she's self-sufficient and therefore has limited need for his support.

In sum, supporting collaborative divorce settlements is an important value-add for advisors that can help differentiate them from their peers.

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