

Magenta's Divorce Toolkit (not a 'how to' guide!)

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What is this toolkit?

At Magenta we want to help clients build plans for their future security and happiness.

We understand it can be difficult to have cool-headed conversations about finances when you are getting divorced and experiencing a rollercoaster of different emotions. But if you spend time at the start talking through the financial implications of your separation and making sure everything is in order, it should mean fewer problems further down the line.

Understand your future

When you are facing divorce or separation it's vital to discuss your finances honestly and to think about what you want your future to look like. It's important to understand what you need financially to move forward, ensuring both you and any children, will be secure in the long term. This can involve making hard decisions and having conversations that can be upsetting.

A personal lifetime cashflow forecast can help to determine what you need for the future, taking into account your current and future income and expenditure, assets and liabilities. Magenta specialises in divorce and separation issues, providing essential financial forecasts to help with mediation or court hearings.

Your first steps

- Talk to your partner/spouse and agree a way forward. Try to reach a fair agreement about how to split the assets and liabilities of the relationship. If you can do this without acrimony, you can save many thousands of pounds in legal fees.
- Do some research – there are plenty of online resources to help you to reach an agreement or if this is not possible, to determine the next steps. We like this one: [Beginners Guide to Divorce](#)
- Visit a divorce adviser. They will be able to talk through how the divorce process works, and the steps you will need to take. They may explain about mediation - which is how most lawyers recommend you approach reaching agreement on things like division of assets and access to children.



Dealing with your property

If you are married, you both have equal rights to your home, no matter whose name is on the deeds or mortgage.

If you are married and your home is in your spouse's name, you will need to register your interest at the Land Registry using a matrimonial notice. This will stop your partner being able to sell the property without your knowledge.

Your property is likely to be the most important asset that you need to divide. Usually this means selling the property and splitting the proceeds, but you may agree that one of you will continue living in the property for the time being, usually because you want your children to be able to stay in their home.

In the longer term, you will need to consider whether the money you can raise from selling the property will be enough for each of you to buy your new home, or whether renting will be the best option.

Alternatively, if you are thinking about keeping the property, can you afford to meet the mortgage payments and upkeep on your own?

Property Action List

- 1) Get an up-to-date valuation of the property.
- 2) Speak to your mortgage provider to confirm the sum still owing on the mortgage, and any penalties that will apply if you pay it off early.
- 3) If you are thinking of keeping the property, ask about the process for changing the names on the mortgage agreement.
- 4) If you are thinking of moving and still need to borrow money, establish now what level of mortgage you could obtain on your own.
- 5) Establish what insurance policies (life or health cover) are associated with the property and mortgage and whether these will need to continue.
- 6) If you have any other properties, get valuations for these too.
- 7) Ensure you understand the ownership details of each property. Do not assume!

Pensions

Your pensions are an important part of the calculation when your assets are being divided. There are several options for splitting your pension assets.

You can get a court order for the pension to be divided between you at the point of divorce (a sharing order), so you can then each continue building up your own, separate pension pots. Or, you can get a pensions attachment order, so that when your partner starts taking their pension, you're entitled to some of the benefits (or vice versa).

Alternatively, you can consider an 'offset' of the value of the pension in the overall calculation to divide up your assets. For example, it may be agreed that you get more money from the sale of your house but your partner keeps all of their pension savings.

Exercise caution when considering pensions and whether you will have enough money for a comfortable retirement. There are some important benefits to having a pension, so think carefully before you offset a pension against other assets.

This needs detailed consideration and usually specialist advice, as all pensions are not the same. Some pension funds will be able to be split and transferred between you, others will be restricted. Some will provide guaranteed income at retirement, but not a lump sum of money to divide.

Pension Action List

- 1) Get the latest values for all pensions. Order these ASAP as they can often take a long time to arrive.
- 2) For final salary schemes, like the NHS or Civil Service, you will need to make it clear that you are separating/divorcing and ask for Cash Equivalent Transfer Values as well as pension projections and details of death / ill health benefits.
- 3) Unless you know how much money you **NEED** in retirement, you will be acting in the dark. Only a lifetime cashflow forecast – showing how much you need to live a secure and happy life – will help you understand this.

The good news is Magenta can assist you with this.

Ongoing living costs

You will need to think carefully about a new budget. Your financial future will be altered by your break up and you may find that money is tighter when you are no longer with your partner.

Think through what your new situation will mean for your income and outgoings, and whether you'll need to make any changes. Again, putting together a cashflow forecast will help with this

Remember that if you are now living on your own, you can apply for a single person discount on your council tax, which means your council tax bill is reduced by 25%. You may also be eligible for tax credits or other benefits, which you can check here: **[benefit calculator](#)**.

NB: Maintenance payments

In the case of divorce, the court can order that the financially stronger partner pays spousal maintenance payments to their ex-partner to help with their living costs.

Paying off debt

If you have a joint loan, credit cards or a joint account with an overdraft, it is vital that you understand that you are both liable for the whole of the outstanding debt.

That means that if one of you cannot pay your part, the lender can pursue the other for 100% of the debt. It's therefore really important that when you split up, you have a conversation about the ongoing repayments and how this will be dealt with.

Take extra care around credit ratings

Having joint finance and debt may mean that your credit ratings are linked, so that any blemishes on your ex partner's credit record may impact your ability to get credit.

Know what debt you have and what you will personally be liable for. You can establish this by requesting a credit report and if there are financial links between you and your ex-partner, ask for them to be removed through a process called 'financial disassociation.'

Budget Action List

- 1) Spend time thinking about your budget and resources and how these will look once you are on your own.
- 2) Be realistic and list the necessities but also the things that you need for your family to be happy and remain as 'normal' as possible, like a holiday budget, children's out of school activities and presents.
- 3) Know about benefits you can claim now you are single.
- 4) Think about costs associated with moving to a new property if applicable, like surveys, legal, stamp duty and estate agent fees.
- 5) Think about what you would like your future to look like, when your children will leave home, when maintenance may stop, when you will retire and if you will downsize etc.
- 6) Think about what would happen in the event of a catastrophe - ill health; being unable to work, or premature death.

Re-write your will

It is likely to be the last thing on your mind, but any current will is unlikely to be suitable for your new situation and so rewriting it should be a priority.

If you're separated - no matter how bad your relationship is, from a legal standpoint, you are still married, so nothing has changed where inheritance law is concerned. A separation has no legal effect on a will, so your spouse will still inherit under any will, no matter how long you have been separated.

If you have no will at all, your spouse will still inherit under what are known as the intestacy rules, and your estate will pass to them.

When you divorce – A will made beforehand is still valid, but can create problems as many married couples appoint each other as the executors and beneficiaries. We suggest a new will is written.

Magenta is able to offer you a cost effective, simple will service.

Magenta's splitting up financial checklist:

- Protect yourself. If you are concerned about your partner withdrawing money from your joint account, ask your bank to freeze it.
- Check your credit rating and ask to be financially disassociated from your ex.
- Make a list of your joint and individual assets and liabilities. Get up to date values.
- If you own property, get it valued.
- Contact your mortgage, loan and pension providers for balance statements.
- Remember to take your pension into account when you are considering assets and get financial planning advice regarding your options.
- Make a new budget with revised income and outgoings and understand HOW MUCH YOU NEED for the rest of your life – by asking us to help you create your lifetime cashflow forecast.

Talk to Magenta

We are happy to provide guidance over the telephone and offer a 20-30 minute free chat to help you understand more about your next steps.

When you are going through the process of splitting up and facing divorce it can be very easy to make rush decisions and jump into a financial agreement that may not be the best for you in the long term.

Magenta can help you make sense of the huge decisions you will be facing at this time, so give us a call for a confidential chat and see how we can help.

Emotional support when you need it

We won't just help with the finances, we have personal experience of what you are going through and can help you through the common feelings of anger, grief and fear until you reach acceptance and feel ready to launch yourself at life again. You can trust us to understand.

So get in touch and we can start to discuss your options and what's best for you.