

## Mediated Divorce: How Both Spouses May Benefit with a Neutral Financial Professional

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Financial planning is often hard enough to initiate and maintain through the stages of life for most married couples. Combine this reluctance with the high-octane emotions of divorce as well as the implications of creating separate households and futures and the possibilities for significant mistakes and oversights may increase significantly. On top of this, contested divorces often involve a slow dissemination of financial information between the parties and one spouse may be far less savvy about finances in general or how the family finances were handled by the other spouse during the marriage. Few divorcees may argue that the costs of a contested divorce, whether monetary or emotional, were more than they initially expected.

For all of these reasons, involving a neutral divorce financial professional in a mediated divorce process may be a more cost-effective and less emotionally-draining choice than the traditional mode of each spouse hiring a litigation attorney to engage in an adversarial legal battle. At its core, mediation allows both spouses (with the guidance of a trained mediator) to retain control of their separation process and have significant input and combined understanding about how the resolution will affect each of them. A neutral financial professional (such as a Certified Divorce Financial Analyst or commonly termed, divorce financial planner) can play an integral role as part of the divorce professional team. A mediator/financial planner team may provide both spouses with a structure and process to facilitate a workable financial settlement.

In many cases, neither the mediator nor the clients themselves may be aware of the myriad of financial issues that arise in a divorce. These include, but are not limited to; tax implications of asset transfers, tax effects of alimony, child support and other income agreements, insurance needs, college issues, and future retirement income projections. Divorce financial planners bring their knowledge and training in these intertwined and complex areas to craft possible solutions that may offer suitable compromises to both parties. The planner assists in collecting necessary financial information, helps the clients understand their economic situation and provides the means for both spouses to discuss their concerns – allowing opportunities to ask questions - and consider alternative solutions. Most importantly, because the financial planner is working as a neutral and for the combined benefit of both spouses, (and this process is undertaken with both spouses with a mediator in open discussions), there is usually clear understanding between the spouses about the other's needs and how a proposed financial settlement may or may not be favorable to one spouse or even both spouses. By having a client-centered, open-information and knowledgeable perspective, (with complete financial information as a shared initial resource), divorcing spouses might arrive at a shared agreement on their financial separation with much less emotional stress and satisfaction of having created this agreement themselves and at potentially less cost.

Why might this mediated process be more cost-effective and beneficial?

- Only one neutral financial professional and mediator is needed for the bulk of the process, not one professional or team for each spouse.
- Spouses may avoid unnecessary financial mistakes in the future.
- Tax errors may be avoided. Rather than paying Uncle Sam unnecessary taxes now and in the future, the spouses may retain more of their money between them and individually.
- Spouses may not be aware of the implications of settlement proposals. What may look workable now may not be as favorable in just a few years.
- Time and money may be saved in avoiding high attorney hourly fees for repeated court appearances, delays and negotiations over money matters.

- With the financial planner's help, greater understanding about personal finance and each other's financial needs may be achieved. In fact, this may unfortunately be the first time the couple have openly discussed personal finances with each other. Mediated discussions may be more productive with less emotional distractions.
- One spouse may be less financially-knowledgeable than the other. The neutral planner may be helpful to this spouse in understanding financial matters, whereas the other spouse's explanations may create suspicion and/or further confusion.
- Realistic views of areas such as retirement, retaining the marital home, future budgets, and college costs for the children may be discussed. This includes realistic analysis of the needs of the supported spouse and the paying ability of the supporting spouse.
- Creating and explaining "what if" solutions for the spouses to explore and discuss.
- Identify financial "blocks" or behavioral issues, achieving financial literacy, and help in reducing fear and anxiety over one or both spouses' financial future.

While no process may be perfect, having complete, accurate and open financial information and analysis and communicating this information openly between divorcing spouses in a calm, impartial atmosphere may be more effective in ensuring a shorter, smoother less costly and more effective dissolution of a marriage.

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