Separating from your spouse can be a stressful and emotional experience. Carbon has outlined 10 top practical tips to make the financial journey to separation smoother for you and your family.

1. Get up to speed on the finances!

Depending on how you are approaching your separation or divorce, you're going to see the family assets laid out in black and white. Don't be passive in the process, try to understand and educate yourself about the different assets and how they work, especially things like tax benefits and when you can get access to cash.

Some divorce lawyers are comfortable talking about personal finance in general terms. However, using a financial planner to help you understand the value of your assets, and how to best utilise them to maintain the standard of living you want, can be a sensible strategy in a time of upheaval.

2. What do you need to live on?

Most people know exactly what they earn each month, but can't explain where their money goes. Take time to write down all of your expenses, develop a realistic monthly budget, and think about any possible changes in the future.

Your lawyer may ask you to complete a budget for the purposes of determining how much money might be paid by your spouse to you, or by you to your spouse on a monthly basis. In the absence of this, a financial planner will be able to give you a template to help.

3. Can you keep the family home?

It's often a very emotional decision whether to keep the family home or not, especially when children are involved. While it is nice to remain where you're comfortable and avoid the hassle of moving, staying put might not be the best financial decision.

No matter how attached you are to your home, it's critical to have a realistic sense of whether you can afford it. Is it worth giving up everything else in order to keep your home, only to find that you have to sell a few years down the line because you don't have enough income?

Consider a couple of different options – keep the house and have a certain level of income, or downsize and have more income. Use a spreadsheet to consider the numbers, working out how much it will cost initially and ongoing, and what this leaves you to live on. A financial planner can help coach you through these options and guide you to the best outcome for you and your family.

4. Where will you move to?

If you prefer a completely fresh start and intend moving home, what will it cost? Staying in a particular area could be desirable for factors like schooling and keeping in touch with friends and family, however, it is important to research and reflect on what properties would best suit your new lifestyle and if they are affordable. Look at property websites and gauge the prices properties are currently selling for, and consider the impact of that cost on your lifestyle to help decide how best to move forward.

Will you need a mortgage loan to help finance a home purchase? Find out how much you can borrow and factor that into your calculations. This is also relevant advice if you decide to stay in the family home.

5. Pensions are often a major asset

Generally, in Scotland, any pension built up during marriage is deemed a marital asset that is to be shared upon separation or divorce. Pensions offer a form of income in retirement that is hard to replicate. This is particularly true of 'final-salary' style pensions which offer a pretty secure, inflation-linked form of income. Make sure you understand the options and attractions around such pensions, in particular, whether you are to receive a share or give away a share of one.

Pensions and pension sharing is a specialist area for financial planners. Speaking to a planner with expertise in this area can help you make informed decisions on how to move forward with your spouse and answer any questions or queries you have about the future. The advice a financial planner gives at this stage will help you futureproof your lifestyle going forward.

6. Don't agree a settlement blind

Don't agree a settlement unless you have actually tested what it means for you. Within the context of what you are entitled to – typically 50% of the marital assets – look at what you are being offered and ask these types of questions:

- Can I afford to do everything I want to?
- If I am keeping the family home which I intend to downsize in the future – when is that likely to be?
- How long will I need to keep working?
- What investment return do I need to achieve to do all that I want to?
- Will I need to draw on my pensions and, if so, when?

This is where a good financial planner who understands separation and divorce can really help you to consider what your finances might look like over the long term.

7. Ensure income from your ex-spouse will continue

If you are due to receive ongoing financial support for you or your children, make sure there is life assurance on your soon-to-be-ex spouse. You should own the life assurance and be in control of paying the premiums.

You can buy simple life assurance online, but speak to a financial planner if you are not sure.

8. Consider both parties

This can seem very difficult in the midst of the emotions of a separation or divorce. But it's important to remember that making the best financial decisions for both parties now will benefit the family overall in the long run, especially if you have children together, regardless of their age.

9. Friends, family and neighbours – supporters not advisers!

This is a big one in two ways. Firstly, avoid taking advice if at all possible from friends, family or neighbours; even if they have been through a divorce themselves. They are not experts, they probably won't be objective, and they can cause you unnecessary strain. Every situation is different, even if it doesn't appear that way.

However, you will very likely need support through the process, and family, friends and neighbours have an important role to play. For many, more formal counselling support or similar is of great benefit, and divorce lawyers or financial planners can help point you towards such help.

10. Don't forget the extras

You may be able to claim a 25% discount on your Council Tax if you are the only adult living in the property. Check with your local council to see if you are eligible and, if so, see if it can be backdated.

With regard to State Pensions, it's no longer possible to benefit from an ex-spouse's higher national insurance record to claim a higher state pension but you can contact the Department for Work and Pensions (DWP) to see if you would benefit from making additional National Insurance contributions yourself.

Richard Wadsworth and Polly Reaves are financial planners who have a specialism in helping individuals through separation and divorce. They can be contacted at:

richard.wadsworth@carbonfinancial.co.uk
polly.reaves@carbonfinancial.co.uk