

## **Preparing for Divorce**

Divorce is a painful and often very stressful experience but, regrettably, it is commonplace with over 140,000 marriages having ended in divorce annually for the last twenty-five years.

If divorce is pending, there are steps you should consider to make sure that the financial arrangements are dealt with fairly and in an efficient manner.

Firstly, make a list of all of the family assets and liabilities. These include, for example, your house, savings and investments (including pensions), cars and jewellery etc. This will allow you to start making decisions as to how the assets should be divided. Loans in joint names are the liabilities of both partners, no matter for what purpose they were taken out.

Next, make a budget, based on your expected income and expenditure.

Thirdly, think through all the financial arrangements you have made as a couple and consider their implications.

Most couples have two major assets – their home and their pension. How to deal with the home will depend on circumstances, but one potential pitfall can arise if the property is transferred to one spouse after the other has bought another house and this occurs after the divorce has gone through. In some circumstances this can lead to a charge to Capital Gains Tax (CGT), so make sure the point is considered. There is no CGT charge for transfers between spouses. If the home is in the sole name of your spouse, register a charge on the house with the Land Registry to ensure that it is not sold or mortgaged without your consent.

Pensions can be split between spouses, to provide for maintenance of both parties. However, this is a complex process which should always be carried out with advice from an experienced and qualified professional.

Review your insurance arrangements as they are very likely to need to be changed. Normally, an endowment policy taken out to repay a mortgage will be assigned to the partner who takes over the mortgage.

If maintenance is to be paid, consider taking out an insurance policy on the life of the payer to protect the income. This can normally be done inexpensively.

Always reconsider your will. It is most unlikely that you will not need to draw up a new one.