INSPIRE Roadshow
15 - 25 May 2017

Divorce in Australia: For Richer, For Poorer

Dianne Charman
National Inspire Chair
Participate in the Live Polling Questions

TEXT YOUR VOTE TO
0481 072 112

OR

VOTE ONLINE
joinin.live/afa
Challenges for women...

• Lower pay

• Time out of the workforce to raise children or carer responsibilities

• Running a single parent household

In 2013-14, Australian women aged 60-64 had on average $138,150 in super savings which was less than half of the average male account balance.

Ave super balance
43 yo woman...
$18,000
Source: HESTA Super Fund
What keeps me awake at night…

• “the Gaps” - Pay & Retirement

• Impact DV particularly financial bullying

added to the list ….  

Impact of Divorce
The beginning of a life long relationship…

The excitement to have met the one true love – a beautiful time in anyone’s life.  
Dianne Charman
In the beginning…

• Asking questions about finances is seen as “I don’t trust you”

• Money causes tension in a relationship, we’re not ready for that discussion yet, we’re still getting to know each other

• We’re in-love that will solve everything

• You earn more than me so you’re in control of money

• I shouldn’t ask otherwise he’ll think I’m just interested in his money

• A Binding Financial Agreement means you don’t trust each other and you’re thinking this isn’t going to last
Some stats…

- Fewer women than men feel they could get by in an emergency.

- Less than 64% of women feel they understand financial language.

- 41.7% of women feel uncomfortable thinking about their long-term financial future compared with 37.4% of men.

- A gendered approach for financial capability is needed to ensure these needs can be addressed.

Source: Firmer Foundations – Good Shepherd April 2016 ASIC Fin Lit CoP
For richer, for poorer.

Findings from AMP.NATSEM report on the financial impact of divorce in Australia.

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Divorce… for richer for poorer

1 in 3 marriages in Australia is likely to end in divorce

Tasmania has the highest proportion of people aged 25–64 years who are separated or divorced (14.8 per cent) closely followed by Queensland (14.3 per cent).
Divorce… for richer for poorer

• Nearly half of all divorces involve children

• Physical custody of children post-divorce have primary residence with their mothers, 97%

• Large number of divorcees re-partner or remarry
Impacts of divorce...

- **Employment** – workforce participation
- Household income
- **Asset holdings**: home ownership, superannuation & debt levels
- Financial Well Being
- Retirement

Overall – divorced women are worse off than both divorced men and married women
Impacts of divorce…

• Average time it takes from separation to divorce is 3.5 years

• Applications by women outnumber those made by men: 31.6% to 25.1%

• The granting of divorce does not itself determine the property distribution, financial support or arrangements for children
Wealth recovery…

- 5 years after divorce both divorced and married women have similar levels of assets
Divorce has a significant impact on families’ financial wellbeing, whether they have children or not, both in the short and medium term. While most families start to recover economically five years post-divorce, there remains a significant gap in the financial well-being of divorced and married couples even five years later.
Impact before divorce…

The financial impacts of family breakdown are evident well before divorce is formally granted and family dissolution has major negative economic consequences for parents and children.

Women, men, and children experience the financial consequences of divorce differently. The effects of divorce are, however, most marked for mothers with smaller impacts being observed for fathers.

But it is clear that financially no one wins from divorce.
Marital Status impact…

The effects of marital status on wealth accumulation are **dramatic**. The total value of assets owned by divorced individuals is substantially lower than that of married couples. This is due to joint homes being sold and super balances being split on separation.

Retirement for divorced couples look bleak, as super balances for divorced women are 70 per cent less than married women, and 28 per cent lower for divorced men compared with married men.

The negative effects of divorce on superannuation are most acutely felt by divorced mothers.
Workforce participation

- Divorce leads to greater participation by women of working age who divorce

- * 67.1% divorced women without dependent children

- Compared to:

- * 59% of married women without dependent child
Home Ownership

• Rate drops when couples separate
• 16% for women who divorce
• 9% for men

- Sale of the joint property is the primary reason
- People re-invest in housing, levels of home-ownership 5 years after divorce are still 85% of those married couple
Impact of Home Ownership

• Home ownership remains out of reach of many divorced parents after five years, with rates falling well short of the level reached by married couples with children (85 per cent) who have not experienced the financial and emotional shock of a family breakdown.
Household Assets & Debt

The value of both financial and non-financial assets owned by divorced men and women is substantially lower than that of their married counterparts (Table 3).

- A divorced man has 67% less assets than a similar male age and socio-economic background.
- A divorced woman has 90% less assets than a married women (all other things being equal).
- Largely caused by assets held in the form of home ownership and superannuation.
Divorced women have significantly less property debt than either divorced men or married women

**Cause:**
Shift away from home ownership
Reduction in mortgage, i.e. due to financial settlement or a change in the type of property purchased such as relocating or downsizing
Non Property Debt Levels

While property debt decreases immediately after divorce, divorced fathers have the same level of non-property debt to married fathers five or more years after their divorce.

Non-property debt for Divorced Women:
• 2 – 3 times higher than married women
• 3 times higher than divorced men
Retirement Prospects

- Divorced female has 68% less super than a married female from the same socio-economic background

68%
Super balances for divorced mothers are 68 per cent lower than married mothers
Household Income

• Before Divorce:

Household income drops markedly for parents in the immediate years prior to the divorce being granted.

1 year before the divorce is granted, parents are earning 86 % of the income the household had four years previously, reflecting the expense of the divorce process.
Child Care

Divorced or separated fathers contribute 68 per cent of the costs of child care for very young children.

- 30% separated or divorced mothers report child care costs over the previous year difficult

This is despite the fact that expenditure by divorced or separated mothers on child care is only 51 per cent of that by couple families or 67 per cent of payments made by divorced or separated fathers.
Financial Wellbeing

Mothers who have been divorced for less than five years spend 66.4 per cent of their household budget on necessities such as groceries, clothing and footwear, electricity and gas bills and other heating fuel, telephone and internet bills.

20% of newly divorced mothers struggle to afford basic items such as school equipment and leisure activities.

This expenditure on necessity goods is having a negative impact on spending on private health insurance and education fees.
Spending Habits change...

Surprisingly, a much greater share of the household budgets of divorced mothers and fathers is spent on:

- alcohol, cigarettes and tobacco
- meals outside of the home: restaurants, take-aways, bought lunches and snacks
Financial stress…

One in five newly divorced mothers report they can’t afford spending on the kids such as school clothing, leisure activities, or school trips for their children. This compares with only one in 50 newly divorced fathers.

A family breakdown decreases a child’s chance of getting a university qualification by 6%.
Changing Futures Together…

She stood in the storm
& when the wind did not blow her way, heart
She adjusted her sails.
The world spun you in a different direction …

The financial wellbeing of Australian households can be influenced by good preparation. Men and women at the crossroads of divorce should evaluate their financial situation carefully. Planning ahead for the financial challenges of divorce is important to reduce its harmful effects.

Seek support & be kind to yourself
Resources to help...

Divorce and separation financial checklist

Money musts when you split up

Separating from your partner can be really difficult and it can also be hard on your finances. You may feel overwhelmed as there are many things to sort out.

This checklist gives you some practical steps to separate your finances and get your money on track.

You can also use this checklist to support someone you know who is going through a divorce or separation.

Choose from the actions in the list below to create a checklist to work through.

- Bank accounts and credit cards
Polling Question One

• Do you think advisers can help shorten the 5-year recovery time financially for clients who are divorcing?

  • Yes
  • No
  • Maybe
Polling Question Two

• Do you think better collaboration between advisers and lawyers at the start of the divorce process would further improve the client situation?

  • Yes
  • No
  • Maybe
Thank You
Supporting slides
Together…. We win

Set your financial goals together

What are your values?
“**It’s not hard to make decisions once you know what your values are.**
Roy E Disney”

- What are your goals?

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<thead>
<tr>
<th>Cashflow &amp; Debt Goal</th>
<th>Super Saving Goal</th>
<th>Retirement Goal</th>
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<tbody>
<tr>
<td>Savings Goals</td>
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<tr>
<td>Estate Planning Goals</td>
<td>Business Goals</td>
<td>Wellbeing, health, career, travel, family, interests</td>
</tr>
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Now we know let’s have the financial discussion…

- **Relationship goals**: Work out your relationship goals with your partner. Consider what goals you share: is marriage, buying a home or having a baby on the horizon?

- **Current financial situation**: Take stock of your income and expenses, assets and debts and your credit rating. Start thinking about ways you may be able to reduce spending so you can save for your goals, and how you can reduce any debts faster.

- **Attitudes to spending and saving**: Are you a spender or saver? What about your partner? Your background and experiences will influence how you think about money. Understanding how your partner approaches financial matters will make it easier to create a money plan that suits you both. Try to find common ground so that you are working together.

- **The financial controller**: Who will handle the finances? Will one person look after household expenses, mortgage and savings, or will you share the responsibility? Make sure you’re both happy with the decision.
Thought Starters…

• Use both names when opening accounts
• Share costs, you could save money by teaming up on insurance premiums and the like
• Plan for a shared future
• Check with each other regularly – make the time
• Seek advice
It’s not worked out but how do I get ready for the separation

• Not sure of financial commitments, personal or business
• Did you sign loan documents
• Where does my pay go?
• Close off your joint accounts
• Do a financial stock take
• Record your turning points, dates of separation
• Cancel your redraw facility
• Update your rental agreement
• Update your utility bills
• Seek legal advice
Signs of financial abuse

- Another person **controls your access** to bank accounts or other household money
- The other person **refuses to contribute financially** to you or the family, or they are not providing enough money to cover living expenses
- You are being **denied access** to the internet, phone or transport, which prevents you from working or studying
- Someone is taking out loans or **running up debts in your name**, or pressuring you to sign up for a loan
- You have to **account for how you spend your money**
- Someone is selling your property (or threatening to sell it) **without your permission**
- **Money is being hidden** from you
- You are being made to feel like you are **incompetent with money**

Source: MoneySmart.gov.au
Leave but how....

• “I can’t leave I have no money, how will I look after the children.”

• “I can’t leave I don’t have skills to get a job.”

• “I can’t leave I have no where to live”

• It’s so embarrassing that I don’t have any money, how did I end up here?”
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