DIVORCE YOUR EMOTIONS FROM YOUR ASSETS

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By Fred Dunbar

Have you heard that the divorce rate today is more than 50 percent? That’s the conventional belief. But in my research for this article, I could not find one clear, succinct source about the current divorce rate.

I found that *Time Magazine* reported on Dec.5, 2016 that the U.S. divorce rate dropped for the third year in a row, reaching its lowest point in years. I also found on Oct. 30, 2012, the U.S. Census Bureau reported that divorce rates for most age groups had been dropping since 1996. Divorcesource.com (really) simply says: “Divorce by the statistics doesn’t add up.” No one is really certain how the 50 percent figure embedded itself so deeply into our collective consciousness. Dr. Scott Stanley, a psychology professor at the University of Denver, said that it could be that we have approximately 2.4 million marriages a year and 1.2 million divorces a year. Hence, 50 percent of married couples divorce.

Perhaps you remember the wonderful 1989 dark comedy, “The War of the Roses,” where a happily married Oliver and Barbara Rose (Michael Douglas and Kathleen Turner) seem to have the perfect marriage. But as in most divorces, material possessions become the focal point as they lose sight of everything else.

We all know couples, of all ages, who have divorced. Unfortunately, it is all too common. Most have heard horror stories about the splitting of assets and, of course, whether it’s fair. Divorce is not easy, but if you could take the emotion out of it, then splitting the assets could be civil and save both parties a boatload of money. As an adviser, it doesn’t matter who is at fault (it certainly will to you), since my only goal is to help couples achieve an equitable settlement.

If your marriage is in the state of flux, and you are considering separating or divorcing, I recommend meeting with your financial adviser first. It could save you both a lot of money.

Over the years, the majority of clients we work with are happily married, but we have certainly had some who have divorced. *The below examples are for illustrative purposes only. Actual performance and results will vary.

Take Ricky and Lucy (not their real names) who came in for their semi-annual review and floored me. They came in as usual, enjoyed a cup of coffee while we caught up, and then they simply said they were getting divorced. They had been married more than 40 years and seemed to have what other people want: a happy marriage. They came to the conclusion they would be happier living apart. As with many baby boomers, children were not an issue since they were raised and out of the house. This took the emotion out of the equation, and I was able to structure an equitable distribution of assets and balance out income. As we neared the end of our meeting, I recommended that Ricky pay Lucy alimony, and he was appalled. I explained that his Social Security was almost twice the amount Lucy was receiving. He said he hadn’t thought about it, but it made sense. By the time they went to the attorney's office, they had a majority of the financial aspects of their settlement complete, which helped them save in attorney fees.

Think about it. People get divorced because they are unhappy — because of irreconcilable differences, or maybe because they are older and the romance has left their marriage. Perhaps one of them had a wandering eye and acted on it. Regardless of the situation, we don’t judge; we simply try to smooth out the surfaces and help our clients divide their assets without too much pain. Sometimes it might be impossible if one of them had an affair. Then the other half loses sight of the end game and simply wants to inflict as much pain (generally financial) as possible.

Be careful of inheritances.

Betty told us she went from being sad when Mom died to reasonably happy with news of an inheritance to sad again when her husband Barney filed for divorce. The problem was similar to that of most couples: Betty and Barney shared everything. All assets except retirement plans were held jointly. So, when Betty received her substantial inheritance check, she deposited it into their joint checking account. This changed the asset from Betty’s to a joint marital asset. If you have a great marriage, what’s the big deal? At the time, Betty didn’t know that her husband was unhappy.

Barney saw this as his chance to get out their marriage, and he took it, leaving with half of Betty’s inheritance. If Betty had put the money into an account in her name alone, it would not have been part of the marital assets that were divided for their divorce. Who knows if Barney would have left Betty if he couldn’t get his hands on the money?

We had a similar situation but with a much different ending.

We had a client who called and asked me to meet with her two sons. They both would be inheriting a stock portfolio from her first husband. I met with both sons, Archie and Reggie, along with their spouses. Both were in their late-40s and would inherit more than $1.5 million each. While sitting down with Archie and his wife Veronica, she informed me they would put his inheritance in their joint brokerage account. I reviewed the structure of ownership for inherited money and explained that Archie’s father intended to leave this money for his boys. It was important to him that the money be kept in their names alone.

Veronica pushed back and said, “We share everything.” I explained that if the money stayed in Archie’s name alone, she would still be able to enjoy it with him throughout their lifetime. She became extremely agitated and upset that more than $1.5 million would be in his name, not theirs. She stormed out of our meeting. This couple, married for more than 20 years, appeared to be on rocky ground. The question asked after our meeting was: Why she was so unhappy with keeping the money in his name alone? They had some issues, but they worked through them. I'm happy to report they're still married and the stock account is still in only Archie's name.

Divorces will continue to happen. The psychcentral.com (really) blog states that 50 percent of divorced people regret ending their marriages. This was based on a survey of 2,000 men and women from the United Kingdom. Maybe, just maybe, if there was just a little more communication, more couples would end up like Archie and Veronica.

The moral of the story is that there is no perfect solution for anyone ending their marriage. If we could take the emotion out of it, then it becomes a math equation, very straightforward. I recommend sitting down with an adviser if you intend to end your marriage and splitting the assets before meeting with your attorney. Maybe you'll be one of the couples who saves tens of thousands of dollars.

This is not a divorce blueprint but simply a brief commentary that might provide insight. Maybe after reading this, it'll be time to enjoy a no-shower happy hour with your spouse and rekindle your relationship.

Fred Dunbar, CLU, ChFC, RFC, AIF,® is President of Planning Directions, Inc., a registered investment adviser, and Common Cents Planning, Inc. He is also a registered representative of and offers securities through Commonwealth Financial Network, member FINRA/SIPC. Advisory services offered through Planning Directions, and fixed insurance products and services offered by Common Cents Planning, are separate and unrelated to Commonwealth. Fred may be contacted at 800-647-0762, by e-mail at fdunbar@commoncentsplanning.com or by mail at 239 Baltimore Pike, Glen Mills, PA, 19342. He's always happy to meet with you 'down the shore' at 6606 Central Avenue N. Sea Isle City, NJ. 08243.