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PICKING UP THE PIECES AFTER A DIVORCE

It is a harsh reality that nearly half of all marriages end in divorce. Aside from the enormous emotional toll, divorce is one of the most financially damaging events that can happen to an individual. It is an incredibly expensive process, especially if the divorce is acrimonious. The emotional impact often causes people to make poor financial decisions that have a lasting effect on their finances.

WHAT THE STATS TELL US

According to information from Stats SA, a male is most likely to be divorced at age 42 and a female at age 38. The largest number of divorces happen in marriages that have a duration ranging from 5 to 9 years. Nearly 55% of divorces involve parents who have children under the age of 18. As a 39 year old male who has been happily married for nearly 10 years – I am certainly making sure I do my share of the chores at home which is apparently one of the key factors to a successful, long marriage!

WHAT TO DO

If you are going through this unfortunate experience, here are some pointers to help.

- If you have not finalised the divorce agreement, make sure that you accurately calculate how much capital you will need to fund your expenses. A rough indicator would be to expect R4,167 income per month for every R1m of capital you receive. To put it differently if you get a R1m pay out, you can comfortably draw 5% per year from this money if it is invested in a diversified portfolio.

- Face your reality today – you can't dwell on how your life used to be and what you may have had in the past. Face up to what you have now and try to reconcile yourself to your new financial reality

- Prioritise your most important lifestyle/financial goals – most divorced people find that their budgets reduce by more than 50% after a divorce. This means that you have to decide how to reallocate your very scarce financial resources and often the best way to do this is by writing down your goals and revisiting them a few times over a few weeks before making a decision.

- Develop and stick to a budget – compulsive spending or financially compensating for the trauma of a divorce is not going to help you in the long term.

- Develop a game plan for your money – your situation might be compromised but this does not mean you can ignore your finances and hope that things get better on their own. You have to develop a plan for how you are going to generate income, manage expenses and debt and look after your assets. You can do this on your own or with an advisor, just make sure you take action.

- If you were not the breadwinner in your marriage, you will now need to become one for yourself – take the time to determine how you can generate an income and if necessary invest some money in training/upskilling yourself.

- Avoid making big, long term financial decisions for the first year after your divorce where possible – don't immediately buy a new home or invest in a new business. Opening a new coffee shop or food outlet a month after your receive a pay-out is not necessarily your best idea. If might still be a great decision but don't rush into these decisions, take time to let your emotions settle and then do proper homework before taking the plunge.