Ontario Collaborative Law Federation
A Different Way to Divorce

# Minimize financial fallout

For many women, the end of a marriage means poverty could be just one bill away. Here's how to move on financially after divorce.

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## Focus on priorities to deal with financial reality

Bursting into tears in the bank manager's office was not one of Karen Simons' finer moments. But the 43-year-old from Duncan, B.C., had just been told she didn't qualify for a "lousy $1,000 line of credit." Newly separated from her husband, Simons had come up against the cold, hard fact that banks don't regard single moms as a good credit risk. In fact, even after she and her ex-husband sold the family home and split the profits, she still wasn't eligible for a mortgage.

In Simons' traditional marriage, her husband held all the financial cards. "The hydro bill and phone bill were in his name. I didn't even have my own credit card; I had my little allowance every week for food and clothing," she says. "When you're young, you don't think about these things, but then you go to apply for a hydro account and they want a cash deposit up front. I've paid hydro bills in this province for 25 years."

The fact is, whether you've been a stay-at-home mom or an equal contributor to the household income, the end of a marriage brings some financial fallout. No one is richer after divorce, says Akeela Davis, a Vancouver financial planner and author of the book Divorce Dollars: Get Your Fair Share. And post-40 divorcées often face additional challenges. "If you're 25 or 30 going through a divorce, you have time to build up your own retirement fund afterwards," she says. For those over 40, it can be harder to catch up.

That said, Davis asserts, the breakdown of a marriage doesn't have to mean a slow slide into penury. With a plan in place, it is possible to survive and even thrive. Here's what to keep in mind:

## Set priorities

Where once you and your ex's income went to support one household, now the both of you are supporting two. That's the financial reality of divorce. The key to managing is to focus on meeting the needs you see as most important, says Davis. For Simons, minimizing the disruption to her kids, then eight and 10, was the first priority.

That goal led directly to her decision to give up the "dream home" she and her ex had bought and fixed up together. "I just knew there was no way I could maintain it," she says of the big 1912 home. "If I had to re-roof it, I couldn't manage." With the help of her parents (who had to take on the mortgage because she wasn't eligible), Simons used her half of the proceeds from the home sale for a down payment on a smaller house in the same neighbourhood. The result: Her kids still attend the same school with their friends, and Simons has enough cash left each month to pay for extras, such as field hockey and piano lessons.

Many women fixate on keeping the family home, says Jane Tremblay, a financial planner with Assante Wealth Management in Orillia, Ont., and a member of Collaborative Practice Toronto (an organization that supports collaborative divorce). That might be the right choice if you've got a smaller place, or your first priority is to nail down housing expenses over the long run. But, as with all financial decisions, consider the costs and alternatives. Are you better off in an apartment or condo? Will you work more hours to keep things afloat? Says Tremblay: "A house isn't very good at creating income or paying the grocery bills."

## Get what you're owed; keep what you have

If you're entitled to child and/or spousal support payments, advises Davis, make sure you figure out in advance exactly what you need to live on. Put together a detailed budget, and track the real cost of things. If, for example, you've been out of the workforce and will require a whole new wardrobe once you get a job, a clothing budget of $30 a month isn't going to cut it.

Consider, too, that each spouse is entitled to a share of the other's workplace pension plan, RRSPs and even the Canada Pension Plan. "I never would have thought about pensions," admits Simons. "That was something the lawyer brought up. And for me that's huge, because I've been out of the workforce for 12 years; I won't even have CPP for that time."

If you have kids who are not yet grown, suggests 53-year-old divorced mom and Toronto freelance writer Janine Benton*, build a cost-sharing arrangement into your divorce for things such as tutoring, orthodontic work and post-secondary education. And, she urges, don't relinquish what is rightfully yours out of sheer exhaustion. Benton had to struggle just to get her ex-husband — who owned his own business — to disclose all his assets. But it was well worth the effort. "He was making a heck of a lot more than he said he was," she says. "If you ever feel like giving up, just picture your husband on vacation with his girlfriend."

## Keep money out of the hands of the lawyers

While you don't want to give up security for yourself and, potentially, the kids, you should also be aiming for negotiations that are low on acrimony and high on reason. How do you get that? Not through a protracted court battle, says Toronto family lawyer Judith Huddart. As a rule of thumb, if you can stand to be in the same room together, you're probably better off with a negotiated settlement, achieved through mediation or collaborative law, or simply ironed out over the kitchen table (make sure you have a lawyer vet the agreement!).

In the case of mediation, you and your spouse work out the issues of custody, property and support with the help of a certified mediator (basically your referee). By contrast, a collaborative law approach requires both partners to sit down at a table with their own lawyer to hammer out the details of an agreement.

Tremblay, currently going through a divorce herself, has chosen the collaborative approach. "The focus is on where we need to go financially to make it work for both people," she explains. The biggest snag: You and your spouse have to be cooperative enough to co-design a solution. And since there's no one to impose a settlement, points out Davis, "at the end of the process, if one party refuses to sign, you have to start all over again."

Regardless of which approach you choose, keep legal costs down by gathering as much information and knowledge as you can before you ever sit down with the paid help. Put together a list of your assets, including property, bank and brokerage accounts, insurance policies, retirement plans, tax returns and investments. The Department of Justice website offers downloadable child support guideline tables (canada.justice.gc.ca), as well as information — albeit difficult to wade through — about spousal support, and a province-by-province directory of resources for parenting through divorce.

Finally, advises Benton, keep in mind that every phone call, every email, every letter, and every minute your lawyer spends on your case is going to cost you. "If you need to bitch about your husband," she warns, "call a girlfriend. Your lawyer will sit and listen to you for an hour, but then you'll get the bill."

## Be reasonable: it's cheaper

In the throes of a divorce, couples will fight about everything from the vinyl collection to the pets, says Tremblay. And yet, "when it comes right down to it, there are probably very few things that both you and your husband would really like to have."

She would know. When she and her husband of 33 years got together recently to divide up the antiques in their elegant family home, they came up with a list of only 11 things they both coveted. Tremblay won the flip for first pick. But her choice elicited a long face from her husband. "I'd really like to have that," he said. "OK," she offered, "you have the first pick."

While it seems like a small thing, Tremblay says it changed the whole dynamic from one of 'I want, I want' to one of cooperation. And in the long run, she says, cooperation is cheaper. Davis wholeheartedly agrees. “I see women who are very hurt, and they want the other party to pay,” she says. “But that puts the focus on the other party, not on the woman and her needs. There’s a financial cost and an emotional cost to that.”

## Make a new plan, Fran. And stick with it

Now that you’re a free woman again, it’s up to you to make the most of the assets you have, and to secure your financial future. Benton started even before her husband moved out (he gave her a month’s notice that he was leaving). “I already had a credit card, but I got more,” she says. “And I got my own line of credit. That way, if I was ever going to be stuck for a month or two, I knew I had options.”

Another crucial piece of advice: Do the paperwork associated with your divorce. Cancel all joint bank accounts or credit cards, and change the beneficiary on your will, insurance policies and RRSPs. That doesn’t happen automatically once the divorce is final, points out Huddart.

Finally, assess exactly how much money you’re bringing in and how much is going out. If the former is less than the latter, it’s time to either cut expenses or earn more money. Although Simons’ case has not yet been settled in court, she took a part-time job at a small investment firm. “I work five hours a day while the kids are in school, so I’m still around for them,” she says. While the end of a marriage is never easy, Simons is managing to pay her bills and give her kids the things they need. And in the end, she says, “I feel happy and in control of my life. I think happiness is more important than being able to write a cheque.”