Understanding the role of a wealth manager during divorce

This insight is based on an interview which you can watch on the Divorsee YouTube channel. It features on Divorsee.com, a centralised network of industry leading and recognised experts who operate within the divorce sphere. Written by Alice Sanders.

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Splitting marital assets on divorce can be difficult. There may be a lot on the line in terms of value and your financial security.

It is likely that at some point you may need to take advice, either during or after your divorce, and your lawyer may suggest speaking to a wealth manager.

Ideally, you would already have an adviser whom you trust and is qualified to help. If not, you may be wondering what a wealth manager can do for you and how to go about appointing one that is right for you.

"What can I expect from my first meeting?", "what do I need to prepare?" or "what will I take away?" are common questions we are asked ahead of meeting a client for the first time.

When should you speak to a wealth manager?

There will be a lot going on during your divorce. Involving one more adviser may feel like adding a 'to-do' to your list and another layer of cost – it just complicates matters. But there are advantages to speaking to a wealth manager early on in the divorce process not least to understand if you actually need a financial expert and why. You can then decide whether they will make the process easier and improve the outcome.

So, in the first instance, we suggest a quick call in which a wealth manager should be able to quickly identify if and how they can help.

What is wealth management?

Generally you can expect wealth management to include two broad types of advice:

- Financial planning; and
- Investment management

It might be that as part of your divorce you require advice in both these areas or just the one.

Financial planning

Financial planning includes advice on tax, pensions, investments, insurance, and inheritance tax. Financial planning also includes articulating objectives (such as current and future spending needs) which is the basis for a plan to help you achieve them.

Typically financial planning advice is more relevant to negotiating a financial settlement, and the financial planner will be your main point of contact.

Investment management

As the name suggests an investment manager will implement and manage your investments in order to meet your longer term needs, such as producing an income or capital growth.

Other services

Some wealth managers may offer additional services like banking or mortgage advice and others may have specialist advisers.

In some cases you will need specialist advice, primarily where pensions are involved. At Edison for example, we have two qualified pension specialists that allows us to advise on pension sharing during divorce. This may be in combination with an actuary. Again, a wealth manager will let you know when you need to engage an actuary.

When to appoint a wealth manager

Typically a wealth manager would get involved at one of three stages during a divorce.

Stage 1: Financial disclosure

This is the earliest stage that a wealth manager's assistance may be required and is particularly important when there are complex financial arrangements and pensions.

A wealth manager helps by:

- Making sense of valuations
- Understanding the tax position of financial arrangements
- Understanding the transferability of financial arrangements
- Spotting gaps in information and suggesting questions to put to the other party; and
- Advice on the possibility of pension sharing.

At this point, depending on your knowledge and experience and the level of confidence in the accuracy of financial disclosure, you may choose to collate the financial information with the help of your solicitor.

Stage 2: Negotiation

During the negotiation stage a wealth manager can bring to life the implications of the settlement by using financial modelling and "what if" analysis.

Financial modelling can answer questions like:

- Will this settlement allow me to support my expenditure and lifestyle each year after tax?
- How much could I spend on a new home? and
- What happens if the sale of the family home does not go as expected?

A wealth manager can review a proposed settlement and help you understand how it will meet your future needs.

For example, cash may seem more advantageous than other types of assets. It is accessible, safe and offers plenty of flexibility after the settlement.
On the other hand, pensions have none of those features but are attractive in terms of longer term growth and tax. Financial modelling gives your wealth manager an insight into which combination of assets is

optimal for you in terms of access, growth and tax treatment.

Negotiation is a two-way street and this type of analysis can find elusive win-win tax efficiencies to benefit both parties. In such cases a wealth manager can provide a detailed report to facilitate an agreement.

Stage 3: Settlement

By now you have completed financial disclosure, gone through negotiation, agreed a settlement, or had a settlement ordered by the court, and need to start thinking about taking ownership of or transferring assets.

You will need to give your money purpose and direction so it can start working for you. If your settlement includes investments, in or out of a pension, consideration also needs to be given to your exposure to risk.

Your objectives should drive your longer term financial decisions so you can plan for your immediate and future financial security, and the security of those dependent on you.

This might involve:

- Budgeting for school fees, holidays, home improvements, etc
- Setting aside sufficient assets to act as an emergency fund
- Maximising tax allowances; ISAs, JISAs, Pension

What to expect from a first meeting?

Regardless of which stage of divorce you are at, and keeping in mind each firm is different, there are some fundamentals that you can expect from a first meeting with a wealth manager.

Firstly, they are there to understand what advice and service you need.

A wealth manager can talk in general terms and give guidance but typically won't be able to give advice unless it has been arranged for them to do so.

They will provide you with background and key features of the firm and the individual that will provide you with advice.

You will find out how they charge although they may not be able to provide an exact figure before you agree the scope of their work.

Some firms charge for the first meeting, but most won't. And in our experience, you should allocate an hour for the first meeting although they can go on for longer.

How should you prepare for the first meeting?

There isn't much to prepare. You don't need detailed valuations or clearly defined spending budgets for the first meeting. However, if you have them ready or are in a position to provide a quick overview it is always helpful.

Give some thought to what advice you need as this will dictate what sort of firm you speak to.

Your solicitor will be able to list any specific support required, such as a pension report or capitalisation analysis. Your solicitor may also want to be present at a first meeting, namely where the wealth manager will be working with them throughout the case.

Understand what type of service you need. For example, a specific one off piece of work, or ongoing support during and after your divorce.

If it is the latter, it is worth taking the time to speak to more than one firm. After all, you could be relying on them for some pretty big decisions.

Other considerations we hear:

- Seniority and qualifications of the individual providing advice
- Size of firm; and
- Location of meeting

The role of a wealth manager during divorce

What happens after the first meeting?

It's not about making a quick decision but the right one so you might leave the meeting having mutually agreed that the firm is the right one to help and that you would like them to, but don't hesitate to request another meeting or ask for more information if you feel you need to.

You can expect a written summary of the meeting including a fee proposal, but if none is offered you should ask for one.

This is especially important if you are meeting more than one firm so that you can compare notes afterwards.

Summary

A wealth manager is there to take the finances off your plate. To simplify matters, providing you with the time and headspace to tackle the rest of your to-do's.

We hear too often how clients wished they'd spoken to us sooner. How we would have saved them hours of time trawling through paperwork and worrying over the future.

The right firm and adviser will help you feel confident and in control of your finances during and after divorce. Allowing you to focus on more of what's important to you.

First step…

At Edison we have a team of financial planners and investment managers. No matter what the need or the urgency, we have it covered.

And over the past 10 years we have helped many divorcees. You can read the real story of one such divorcee here.

A first meeting with an adviser at Edison is about:

- Understanding what advice is needed
- Agreeing if we are the right firm to help, or
- Just some initial DIY guidance

An initial consultation is at our own cost and, obviously, free of obligation.

If you have any questions on the above or to find out more about our wealth management service, please call 020 7287 2225 or email hello@edisonwm.com.

You can read more about us by visiting our website www.edisonwm.com.

To read other articles please visit our Insights page.

Important Information

Important information

The above is a simplification of the legislation and does not constitute advice. The Financial Conduct Authority does not regulate Tax Planning, Cashflow Modelling and Will Writing.

The content is based on the legislation based at the time of writing, which is subject to change.

Although we have not written specifically about investing, it is important to remember that the value of an investment and the income from it could go down as well as up. In most cases, returns at the end of the investment period are not guaranteed and you may get back less than you originally invested.

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