NASHVILLE
BUSINESS JOURNAL

Beyond the break: Financial planning through a divorce

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Nashville Business Journal

Divorce is a messy business and complications mount when a couple going through a split has a sizeable chunk of assets to divvy.

As is the case with any financial transaction, there are specialists who can help the soon-to-be-single figure out the financial angles of divorce.

In large-asset cases, it's not just helpful to have a planner, but necessary, says Mary Frances Lyle, a divorce attorney at Bruce Weathers Corley & Lyle.

No matter which side of a case Lyle is on, she says the role of the financial advisor, typically, is to determine whether there will be alimony paid to the lower-income spouse.

To answer the income question, an advisor presents several proposals showing the outcomes of different arrangements the couple could make. Salaries, standard of living, life expectancies, return on assets, asset growth, inflation and taxes are all thrown into the mix.

Jane MacDonald knows the ins and outs. She's a certified divorce financial analyst at Brentwood-based TrustCore Financial Services Inc. She doesn't work on divorces exclusively, but she says they constitute about 20 percent of her work

The U.S. divorce rate stands at about 50 percent, according the Centers for Disease Control and Prevention. Given that ratio, the pool of potential clients is deep and there's a likelihood MacDonald's married clients may have a need for her divorce financial planning services.

"Ideally, I come in at the front end," MacDonald says.

It's impossible to discount the emotional aspects of a divorce, regardless of finances. In some cases, it may be advisable to accept cash up front instead of an arrangement that ties one party to another financially.

"There are certain cases that it's better to consider getting a lump sum for the client instead of alimony, so they don't have continual ties," says David Garrett, a divorce attorney at Cheatham Palermo & Garrett. "They then have to invest (that lump sum) correctly and not blow it, so that it produces the money over time just like alimony would."

Alimony also can be paid for a specified time period, or until death or a new marriage.

A common scenario among executive circles, Lyle says, is a couple made up of a homemaker and a six-figure salaried professional. By Tennessee state law, marital assets are split equally. Even so, if the nonsalary individual slowly draws from those assets for living expenses and the other slowly deposits more into those assets from their income, the difference between the two financial situations down the road can be stark.

"That's very impressive to a court," Lyle says. "You can really paint a picture that will persuade the court to be sure the homemaker has efficient assets last her through her lifetime."

During a marital exit, the chances are good that one of the people involved has an emotional axe to grind and is looking to cut the other as deeply as possible. Finances can be a sharp instrument to achieve those aims, but what divorce financial advisors strive to do is put the money picture in clear focus. By putting the numbers in context, good decisions can be made that will serve both sides well.

"It adds financial meaning to how (the decisions) will play out over time ... and it generates peace of mind," MacDonald says.

Even if a couple walks away without each getting everything wanted, if a planner was involved, they'll typically feel it was a fair process, Lyle says.

Besides protecting a person's financial future, Lyle says using a planner also can save divorce expenses. A complex case can an involve a mediator, a financial advisor and two attorneys - on each side. When advisors are used, Lyle says, a case often can be settled out of court and quicker.

"Even though it's expensive, it's no where near as expensive as going to court (for weeks)," Lyle says.

And a couple's face time working out their differences is reduced because their financial planners will sit down and figure out their differences instead.

Dividing any quantity by two will, naturally, mean two smaller numbers. "It takes two people a lot more to live on than as one group," Garrett says.

When the break happens, it's good business to know beforehand what type of changes will need to occur to ensure financial stability, MacDonald agrees.

"It helps people see whether they're going to have to make lifestyle changes and very often they have to," MacDonald says. "So often people have an inflated idea of what an asset might be worth."