



Your balance sheet & divorce

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According to Stats SA 2019 Marriages and Divorce report, nearly 25,000 couples divorce every year in South Africa. Divorce is never a decision taken lightly, and couples that have opted to go this route have many choices to make as they settle their affairs and split their lives in two - often one of the biggest, and most contentious, of these revolve around money.

To minimise this fractious situation it is important to engage a wealth manager in the early stages of a divorce - before a divorce agreement is reached - to support the lawyer in terms of joint and individual financial decisions made.



one's estate, but often form a big part of a couple's retirement savings.

A recent ruling by the Supreme Court of Appeal in 2020 however indicates that while the capital of the living annuity does not form part of the estate to be divided, the future annuity stream does. Your wealth manager can assist with the calculations to determine the present value of these future flows due to you as a lump sum, or you could agree to receive a percentage of these cashflows on a monthly basis for the duration that your ex-spouse receives these payments.

Pension fund transfers

An agreed upon percentage of pension funds are transferable to an ex-spouse, either in cash (subject to withdrawal tax), or to a retirement product in the ex-spouses' name (no tax for transfer - normal retirement tax tables would apply at retirement).

A stumbling block often encountered in divorce is when the financial understanding of the marriage balance sheet is not equal. We still see that often one spouse relinquishes much of the financial responsibility during the marriage to their partner, allowing them to manage the money and control the financial decision making. As a result, they are all too often left in the dark and have no clear picture of the financial plan, overall assets, pension funds or strategy that they, as a happy couple, were using to grow their investments.

This is a real challenge in the event of divorce. According to a blog written by financial planner, Kim Potgieter, statistics show that 27% of women experience a drop in their living standards after divorce, while 10% of men experience a rise.

It is extremely important that both partners are actively involved in the financial planning of the marriage. There are three things that you absolutely need to know in a marriage or partnership. These are: what your partner earns, what investments you have individually and together, and an agreed monthly budget, saving and spending plan.

If you and your partner are in the process of divorcing, start by engaging with a certified wealth manager. They can conduct a cashflow analysis; splitting your medical aid cover as well as your short-term insurance; make necessary changes to the beneficiaries of any policies held; advise on decisions regarding your pension fund transfer; assist you to register for tax if necessary; and then ensure that your Will has been updated accordingly.

Living annuities

Generally, living annuities are out of the reach of spouses during divorce as they do not constitute part of the capital of