Tideway's Top TIPS

Pension and Divorce Financial Planning

One of the crucial aspects of planning during a divorce is to ensure that the wealth accumulated by the household is apportioned fairly and is invested in line with each individual's strategic objectives.

Considerations:

Family Finances Control

- Typically, one person in the relationship controls the finances. A divorce can leave the less-informed spouse disadvantaged when the divorce is finalised.
- Statistically, men usually handle finances in the relationship, so women could need additional support and time when it comes to meeting an adviser with whom they do not have a relationship.

Tideway has experience working with a wide variety of clients with different investment experience and backgrounds. Our wealth managers support and assist our clients so they can relax knowing their financial goals are being looked after.

Investment Industry – Understanding

- The investment industry has a language of its own and is full of jargon, making it difficult to understand/ get to grips with.
- This can be daunting for inexperienced investors new to managing their family finances.

Tideway's down-to-earth approach is designed to guide clients along a journey so that, irrespective of their knowledge, they understand the advice they've been given.

Investment Strategy

- The process of learning about different investments and determining the most suitable portfolio can be daunting.
- Some clients don't have clarity on their investment objectives or risk profile.

Tideway helps clients to build a resilient and sustainable plan over the medium to long term.

Pensions complexity

After the family house, a pension is often a person's most valuable asset. Pensions can be complicated, and we help our clients navigate through the complexity.

- For example, the tax situation may change as one spouse may be a higher taxpayer than the other.
- The amount that can be contributed to a pension, if relevant, will also change depending on the earnings of one of the individuals.

Tideway is a pension expert that assists its clients in making optimal, tax-efficient decisions.

Conclusion:

Going through a divorce is a difficult and upsetting period in someone's life without having to consider financial arrangements and ensuring that your investments remain aligned with your objectives and desires.

Tideway gives you access to its financial planning and investment management expertise to create and implement a financial plan aligned with your strategic objectives. Also, we build a long-term and fruitful relationship to ensure that your finances remain carefully managed during your lifetime.

Why not get in touch? Give us a call on 0203 143 6100 and speak to one of our Wealth Managers or send an email to info@tidewayinvestment.co.uk

Tideway
Wealth & Retirement

Pension and Divorce Financial Planning Case Study

Financial planning is an important factor during a divorce settlement, and pensions are a major component. For the growing number of older couples getting divorced, private pensions are often the most valuable asset after the family home.

At Tideway, we specialise in financial planning. Read Fiona's story and learn more about how we support our clients during this challenging time.

Facts

- Fiona received £1m from a divorce settlement. She has two children, aged 7 and 4 years old.
- She rented a property costing £48,000 p.a.
- Returned to full-time education to do a university course, so she would be without any earned income for four years.
- Received child maintenance payments from her ex-husband that covered her living costs, excluding the rental costs.
- The £1m divorce settlement needed to provide an income of £48,000 p.a. to cover the rental payments.
- Fiona was categorised as a 'low-risk' investor and needed the income from the investments to be reliable, consistent and sustainable.
- She was a non-taxpayer and wanted the income to be as tax efficient as possible.
- Our challenge was to structure a portfolio that provided her with £48,000 p.a. in a low-risk way and as tax efficient as possible.

Tideway's advice

Set up an Individual Savings Account (ISA), a General Investment Account (GIA) and an Offshore Bond.

- **ISA:** invested in fixed income investments that generated an initial income of £1,000 p.a. The size of the ISA and the amount of tax-free income increased each year through annual contributions that was funded from the GIA.
- **GIA:** invested in fixed income, equities and alternative assets with a bias towards fixed income. The total initial income generated by this portfolio was just over c£12,000 p.a.
- **The Offshore Bond:** invested in a mixture of assets, again with a fixed income focus, but with slightly more equities than the GIA. We used the 5% withdrawal allowance from the offshore bond to give Fiona an initial annual income of £35,000.

Tax payable

Within the GIA, the income from the bond funds used up her personal income tax allowance, and savings allowance and the dividends from the equity funds used her dividend allowance, so that she did not have to pay any tax.

Each year, we crystallised gains within the GIA to use the capital gain tax allowance and also transferred £20,000 each year to her ISA.

Within the offshore bond, we used the 5% withdrawal allowance meaning that no immediate tax was payable on the withdrawals.

Conclusion

Fiona received an initial income of more than £48,000 p.a. with no immediate tax owed. The investments were low risk, yet still delivered the required level of income.

Also, the income from the investments delivered approximately 90% of the required £48,000 and only 10% came from capital.

Tideway

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