Divorce and the importance of financial advice

By Michael Griffiths, News Editor, MoneyAge

Divorce is both emotionally and financially challenging. And for couples over the age of 50, the financial impact can be particularly hard to deal with. That's because people in this age group face the complex task of dividing assets accumulated over decades. Professional financial advice is essential to help them navigate this often difficult process.

There's also the challenge of covering immediate costs. Typical divorce expenses like legal fees, possibly selling a home, and splitting retirement savings can add up quickly. Further spending, like needing to fund new living arrangements or lifestyles, can compound that financial strain. And existing financial obligations, like mortgages, insurance and pensions, all still need to be met.

But where's the money to cover all that going to come from?

Using property wealth to fund divorce

L&G's recent divorce research found that, for people divorcing over the age of 50, property is the most common asset up for discussion as they separate (60%). And over-55s hold most of the UK's housing wealth, totalling more than £3.5trn in property assets alone.

So, it's not surprising that property assets can be key to determining how both parties move forward in a 50+ divorce. In fact, L&G's study found that three fifths of all people who divorce over 50 (60%) will discuss the value of their joint home as they prepare to separate. They might sell it and split the proceeds or decide that one partner will buy out the other.

The buyout option can be attractive, especially if there are still children living in the family home. But what if the partner who wants to stay there can't afford the buy out?

Help from lifetime mortgages

L&G believes that there's an effective strategy for divorcing couples over 50 who don't have enough savings or income to support a full buyout. That could be quite a few people – only about one in five (18%) of divorcees are able to buy their partner out using savings.

If one partner wants to stay in their home, a lifetime mortgage may offer a way to buy out the departing partner. By taking out a loan against the value of the property, the partner who's staying could both cover the buy-out costs and keep living in their home.

Currently, not many people are doing that. L&G's research showed that only one in 20 divorcing couples turn to equity release to let one of them stay in their homes. But it can release reasonably substantial sums.

According to L&G's findings, homeowners in England and Wales could release an average of £69,600 from their homes using equity release – a figure up 20% in just five years. That sort of sum could definitely help with a buy out – and many other divorce-related expenses too.

The need for financial advice

That's just one example of how the creative use of property assets can help fund a divorce. But given the complexity of property division and the potential for long-term financial implications, seeking professional financial advice about that sort of decision crucial.

And that point applies more broadly too – as noted at the start of this article, financial advice is essential when over-50s are getting divorced. In fact, it's helpful for anyone getting divorced. But L&G's findings showed that only 8% of individuals going through divorce take financial advice as part of the separation process.

This could be leaving many divorcees at risk of making decisions that could negatively impact their future financial security. That's why it's so important to encourage them to get professional help as they decide how to manage and divide their assets, and especially their property wealth.

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