KNOW YOUR RIGHTS.

YOUR TO-DO LIST AFTER DIVORCE

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INTRODUCTION

It’s all over, now what?

Divorce is one of the most traumatic events a person can go through. It invokes emotions such as hurt, anger and disappointment that are hard to control, and it can take a long time to recover fully. Everyone knows how frustrating and emotionally difficult divorce can be, but often we overlook the more logistical challenges of separation.
Divorce brings major change to nearly every aspect of your life, including your financial stability and future goals. Without a doubt, your life will be different. But adapting to and even accepting the changes will help you to get back on your feet quicker and more successfully. You will now be fully in control of your own financial portfolio, which involves keeping a careful eye on your income and expenses, paying your own accounts, saving for university if you have children, and planning for the savings and investments you will need to enable you to succeed.

The list of responsibilities may seem a bit daunting at first, especially if you were not really involved in the family finances while you were married. But by learning along the way, you will likely find that it is empowering to make your own financial decisions and to be in control of your own destiny.

First deal with your emotions so they don’t interfere with the difficult work ahead. This doesn’t mean suppressing your feelings; it means that you should approach life after divorce with a calculated mindset. Rebuilding your life financially is going to be a difficult task. Getting organised is the single most important thing you can do to ensure that your life after divorce will get on the right track. Staying organised is not always easy. Your emotions will be a major hurdle to remaining organised and so developing a strategy to help you cope is important. Divorce is an ending, but it is also a new beginning. As with any journey, make sure you enter with a good roadmap.

THINGS YOU SHOULD DO POST-DIVORCE

Draft a new will

The law gives you a three-month window period after your divorce in which it is assumed that it is your intention to disinherit your ex-spouse. If you should pass away during that time, and you had not amended your will, a court will assume that you were going to. If, however, you pass away after the three-month period and had still not amended your will, all your assets will revert to your ex-spouse.

When drafting a new will, make sure you date it so that it's clear it's the most recent version. Hand an original copy to someone you trust, such as your banker, attorney or financial adviser.

Invest wisely

It is vital to protect your future needs by means of reinvestment. When a divorce is granted, a redistribution of assets takes place, where often one spouse will receive a lump sum or several installments from the other. As the recipient of these funds, it is critical that you look to the future and make sensible plans that will take care of your financial needs. It is equally important that you structure any reinvestment in the most tax-effective way. There are many financial products to choose from and you need to invest wisely in order to generate an income or future growth from your capital. Make sure that you investigate the different advantages of lump-sum investments or savings plans for regular payments, whichever may apply.

Change your policy beneficiaries

It is vital that you also amend your beneficiary nominations on all of your life-assurance policies within the three-month window after divorce. After the three months, should anything happen to you, your current beneficiary nominations will stand. Not changing these may result in your ex inheriting from you years after your divorce.

Change your bank account

Open your own bank account if you had a joint account. If you had your own accounts it may be wise to change your passwords. In the event of your spouse passing away, his account will be frozen and you will not be able to access any of the funds until an executor is appointed and they agree to release funds to you as they deem appropriate.

Make a budget

Whether you were the breadwinner or a stay-at-home mother, your financial status will certainly change significantly as a result of your separation or divorce. To start rebuilding your life, you need to start with an income and expenses budget to ensure that you have a precise idea of what your new cost of living will be in future, with or without the children.

Work out a financial plan

Finding a new rich husband/wife should not be part of your financial plan. Do not rely on any new partner for financial security. Life may change in an instant and you may suddenly be faced with all the financial responsibilities once again. Make sure that you have a good understanding of your financial affairs. Develop a comprehensive financial plan. Contact your financial adviser to assist you in creating such a plan.

Manage your debt

Make sure that you have as little debt as possible post-divorce. This will guarantee that you have a good credit record. Being single again means you have a single income and therefore you need to plan your retirement carefully. If you have a bond, try to pay it off as soon as you can. Always pay surplus cash or bonuses into your bond account. This will save on interest paid over the long term and you will own your property sooner.

Manage your savings

Always have at least one extra monthly salary available for emergencies. An access payment on the insurance on your car in case of accident can easily cost R1 500 or more. If you do receive maintenance for your children, ensure that you have at least one month's maintenance in a savings account, should your ex default by any chance.

Look at your risk portfolio

With a single income your risk in terms of liabilities almost doubles. Make certain that you have a medical aid or hospital plan. If you did not belong to a medical aid for longer than two years and you are older than 35, a late-joiner penalty may be imposed on your monthly premium and a waiting period may exist. Remember to arrange short-term insurance on your car and household contents, life cover and severe illness and disability insurance.

Decide how to invest your retirement funds

If you were awarded a portion of your spouse's retirement fund, you have the option to either withdraw the funds from their retirement fund or to transfer the funds to your own retirement or preservation fund. If you take a withdrawal, there will be a tax implication, whereas if you transfer the funds to another approved fund, the transfer will be tax free, provided your tax affairs at SARS are in order.

Making provision for your own retirement is key. When you were married, you were either jointly involved in your retirement planning or it was something that was taken care of by your spouse. Now that you are divorced, you will need to review your plans and take sole responsibility for your own retirement.

If you are not currently a member of a pension and/or provident fund, a contribution to one of a new generation retirement annuity fund may be appropriate in the circumstances. Alternatively, you can invest in a savings plan until retirement. The capital can then be used to provide you with an income. It is always best to discuss the options you may have with your financial adviser.

If you were the main breadwinner and the retirement fund member, you stand to lose a sizable portion of your retirement fund as part of your divorce settlement, in which case you will need to make additional retirement provisions for yourself.

Secure your maintenance

See whether it is possible to secure your maintenance by a life-assurance policy in terms whereof you are the owner of the life of the maintenance payer. On claiming either disability or critical illness benefits on the life of the maintenance payer, the life-assurance company will pay the benefits in terms of the policy directly to you. In the event of the maintenance payer's death, you as the nominated beneficiary will be paid and not the deceased's estate. As the owner, you can also appoint a beneficiary. Ensure that you have sufficient life, disability and severe-illness cover on the life of the non-custodian parent to protect your and your children's financial needs.

Change your marital status

Home Affairs will not register a further marriage if you are recorded as 'married' on the system. Take your divorce certificate to Home Affairs and ask them to amend your marital status. This normally takes three months to change.

Change your surname

A woman may revert to her maiden surname or a prior surname she legally bore, or may join her surname with that of her ex-husband's as a double-barrelled surname. If you took your husband's name when you got married, and it reflects that way in your ID book, then there is a process you have to go through via Home Affairs to legally revert to your maiden name.

When the mother of a child born in wedlock divorces the child's father, and wishes to change the child's surname to her maiden surname, to another surname she bore legally or, if she has remarried, to the surname of her new husband, the natural father's written consent, unless waived by a competent court, is a statutory requirement.

Post-divorce checklist

1. Make provision to protect your maintenance order against untimely death, severe illness or disability of your former spouse.
2. Make sure that there is an education plan in place for your children that will continue regardless of the death or disability of either parent.
3. Appoint a financial adviser who can assist you with your financial planning.
4. Ask your financial adviser to analyse the amount you require to retire financially independent.
5. Set retirement goals and investigate savings plans that will generate the necessary future income and capital to fulfil your aspirations.
6. Have sufficient life, disability and severe-illness cover on your own life to provide for the financial needs of your children.
7. Draft a new will.
8. Take care of your current short-term insurance arrangements.
9. Make sure you and your children are sufficiently covered by a medical aid scheme.