

How to Deliver the Advantages of  
Divorce Financial Planning Solutions  
to Collaborative Clients

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## 1) Executive Summary

The addition of an experienced divorce financial planning specialist and forecasting software to collaborative practice process :

- allows clients to make more informed decisions when alternative scenarios are built and explored
- may result in getting to settlement more quickly resulting in less overall costs to clients
- empowers clients to become more involved in settlement discussion and take ownership of resulting separation agreement
- provides opportunities for future client referrals

Divorce settlement discussions start with common goals—identifying property and the needs of the family. Financial planners who specialize in divorce provide the financial expertise can accurately forecast the short and long term effects of divorce settlements.

Divorce financial planning software includes inputs of employment income, retirement payments, government pensions, living expenses, one time expenses, real estate assets, investment assets, child support and spousal support. It applies formulas for salary increases, inflation, return on investment, taxes on support, and recent tax law changes.

Outputs include financial status, cash flow, net worth of each individual spouse over time, an infinite variety of settlement scenarios over a life span and presented in columnar and graphic formats.

When negotiating a settlement, what is fair today may not be in the future. An “equitable split” could turn out to be less than equitable five years down the road. Divorce settlement forecasts illustrates how the combination of income, property division and spousal & child support come together with post divorce budgets to help couples reach their targeted goals, whatever that may be.

## 2) The Objections

Some collaborative practitioners who advocate the interdisciplinary team approach find :

- there is resistance from clients or the other collaborative lawyer to include financial planning professionals to the process
- there is the belief that this professional will add additional costs and complexity to the process
- there may be a misunderstanding of what financial planning in divorce is and how it fits in the collaborative process
- there may be concerns regarding the neutrality and integrity of the information provided in forecast reports

## 3) The Solution

Collaborative practitioners may find it difficult to clearly respond to their clients objections. A solution for overcoming these objections needs to meet these requirements:

- assurance that the financial information is presented in a neutral way
- financial projections are accurate and use up to date family law guidelines and tax information
- projections are easy to interpret and follow by both lawyers and clients
- information is customizable for each family situation

## 4) The History

- The role of the Divorce Financial Planner specialist was developed in 1993 by Carol Ann Wilson, a financial planner in the US. She developed certification programs and educational institutes to provide training and credentials for other financial planners to gain divorce expertise. This resulted in the specialist known as a Certified Divorce Financial Analyst (CDFA) Most CDFAs have another financial designation such as a Certified Financial Planner (CFP) designation or Chartered Professional Accountant (CPA).

*Note: Other divorce financial certifications exist such as Chartered Financial Divorce Specialist (CDFI). They are not detailed in this report and may not be using the software discussed in this paper.*

- The Institute of Divorce Financial Analysts had created their own Financial Planning Software. The software was good at the time but limited in what it could do.
- Daniel Caine and Wendell Smith, founders of Family Law Software were a partners in the company that developed TaxCut which was acquired in 1993 by H&R Block. Millions of people have prepared their tax returns using the software developed by the TaxCut team.
- Caine and Smith set out to create good, usable software that would manage all the financial complexity that arises in divorce situations and give straightforward reports that would help people understand their alternatives and make better decisions. In 2011, the Association of Divorce Financial Planners gave Caine and Smith their "Pioneering" award for improving financial literacy during divorce.
- Both the Institute of Divorce Financial Analysts and the Financial Divorce Association Inc. adopted **Family Law Software** as their official financial planning software. Family Law Software is now **the leading divorce financial software** in the United States used by most divorce financial professionals.
- In 2012, a Canadian version of the software was launched.
- A select few Canadian CDFAs, including myself, were involved in developing the Canadian version. We continue to work closely with the Family Law Software team to improve and customize it for the Canadian market. There are many additional components of the software that will be adapted for the Canadian version over time.
- Any financial forecasting software is not designed to replace Divorcemate calculations.

## 5) The Opportunities

The goal in creating and examining various settlement options in collaborative practice is to give families the opportunity to create settlements that work for them and make the most informed decisions possible. Adding financial planning forecasting to collaborative settlement discussions allows collaborative practitioners and clients to begin to explore and answer questions like:

- what's the gap between income and spending after divorce
- how will they financially manage children's activities based on their parenting plan
- what will a spouse have to budget for their portion of children's expenses
- how will they fund their children's education over time
- how long will resulting assets for both spouses last after settlement
- what happens when savings are divided over the short and long term
- what's the impact of how equalization is paid in cash vs RRSP transfer vs other means
- is it better to buy the house from a spouse or best to sell it
- if the house is sold, can a spouse afford to buy a house and when might be best timing to do so
- if a spouse goes back to work, how much do they need to earn to maintain their lifestyle regardless of how much support they may receive
- will they have to delay retirement plans
- should a spouse start drawing CPP payments earlier than planned
- what will the tax situation be after divorce
- how will divorce affect retirement payouts, benefit plans
- what is the financial impact of the settlement
- will both spouses be okay once on their own after divorce

## 6)The Benefits

### Numerous Analysis Tools Illustrate:

- results of the division of assets over time
- results of child support and proportionate child expenses payments over time
- results of various ranges of spousal support amount and duration
- how much support might be needed to reach a target income goal
- different results over time between monthly payments vs lump sum payment
- differences between financing options such as regular mortgage vs line of credit payments
- income flow from defined benefit vs defined contribution pension plans
- future sale of home and/or purchase of other home at some future date

### Accurate Tax Planning

- software does detailed income tax calculations, allowing for differing types of employment and investment and spousal support incomes
- shows differing withdrawals from registered and non registered investment accounts

### Detailed Future Projections

- forecasts up to 50 years into the future, with full tax impact and tax-effected asset liquidations as necessary.
- show clearly whether clients will have enough assets to last til retirement and beyond or when they run out.
- illustrates what small changes in any inputs, besides support amounts and duration such as expenses or future employment can have on over all results

### Detailed Back-Up

- software provides back-up reports for virtually every calculation, including cash flow, taxes, liquidations
- all the assumptions and all the calculations, can be saved and tracked so you can go back and see where every number came from.
- links to Canadian child support guideline tables

### Analytical tools allow for out-of-the box thinking

- various “what if” scenarios make comparison of settlement option easier to follow
- combination of graphs and spreadsheet allows both the spouse who processes information visually and the spouse who is very analytical to grasp the information