



Prudential Investment Managers

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## How to navigate your finances after getting divorced

It's safe to say that no one gets married with the idea of getting divorced. But sometimes life happens, and things don't quite work out the way that you planned. According to some studies, roughly two out of every five marriages in South Africa end in divorce. And as difficult as this might be from an emotional perspective, it can be equally challenging and disruptive to your finances. To help you navigate these turbulent times, we're highlighting three financial pointers to consider after signing on the dotted line.

### **1. Use the cash wisely**

If you receive a cash lump sum as part of your divorce settlement, it's important to resist the urge to splurge on an overseas holiday, a new car, or some "much needed" retail therapy. That extra cash injection can come in handy, especially if you are moving from a dual-income to a single-income household. Divorce can be expensive, and often comes with additional costs, such as moving into a new home and all the extra expenses that come with that. Having some liquidity on hand to cover those extra costs until you find your feet can be extremely helpful.

## **2. Beware of taxes**

From disposing of joint assets (such as the family home) to cashing in or receiving additional cash, divorce often comes with a string of different tax implications. It's important to understand what these tax implications are and know how best to avoid incurring unnecessary costs. This is where the help of a good financial adviser or tax practitioner can come in handy. Having this information upfront will help you make sound, well-informed decisions about your new-found financial situation, while also providing the necessary information for you to adjust your financial plan where necessary. Which brings us to our next point.

## **3. Revisit your budget and financial plan**

Divorce often leads to a change in financial position, which means that you should re-examine your financial plan. If you have less money than before, a good starting point is to review your living expenses to see if there are any adjustments that you can make to your budget. Your retirement savings should also be reassessed. If it's the case that a portion of your retirement savings went to your ex-spouse, you may have some catching up to do in order to be able to retire comfortably. Visit our [Retirement Calculator](#) to see just how close or far you are from where you should be, and what you can do to catch up. At Prudential we have a range of Regulation 28- compliant unit trusts that you can use as part of your retirement portfolio. Here our [Fund Selector](#) tool can help you find the best Prudential fund that matches your retirement or discretionary investment objectives.

While the above pointers are by no means a "one size fits all" approach for all divorce cases, it certainly provides some insight into the various factors you'll need to consider when navigating your finances after divorce.

For more information, please contact your financial adviser or feel free to call our Client Services Team on 0860 105 775 or email us at [query@prudential.co.za](mailto:query@prudential.co.za).