

Shocking figures suggest divorce lawyers need to do more for clients

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Seager: Lawyers need to bring an financial adviser in early on

SIFA Professional has been encouraging solicitors to embrace the natural and often essential crossover between legal and financial advice for well over 30 years.

There are so many areas where professional legal advice requires complementary financial planning and one that is too frequently overlooked is on separation or divorce.

Too often, and apologies if this seems a tad critical, the essential legal support needed for separating couples is given without the direct involvement of a financial planner who is equipped and qualified to offer the ancillary financial advice.

Either that, or the referral from the lawyer or the involvement of the financial planner comes too late in the process.

Of course, the ability for couples to seek 'quickie, low-fee divorces' online, and the introduction of 'no fault' divorce, whilst designed to help, are not necessarily always having a positive effect.

Indeed, there has been an increase in divorces finalised without a financial order in place. A [research paper](#) from respected thinktank LCP in March 2022 revealed that one in three divorces are made without financial orders. Even more concerningly, many of these do not include pension orders.

Given that the research was before the no-fault legislation came in to force and DIY divorces increased, it is even more worrying.

It is against this backdrop, and with the huge increase in emphasis by the Solicitors Regulation Authority and Financial Conduct Authority on supporting clients in vulnerable circumstances – which those going through divorce certainly are – that we welcomed some excellent research from insurance giant Legal & General.

Accepting, of course, that there is vested interest from the life company, a prominent player in the retirement arena, we still consider this paper – [Divorce in later life: the expert's handbook](#) – to a worthy piece of work. And whilst its primary audience might be independent financial advisers, and later-life mortgage and pension specialists, we feel it is a wonderful resource for family solicitors as well.

The guide is focused on the hugely increasing segment of the divorce arena, the over-50s. This age group now represents 30% of the divorce market. Some of the facts might call into question whether legal professionals are always bringing their financial colleagues into play:

- Only 12% of people divorced over 50 consulted a financial adviser;
- 17% did not consider any detail of their finances in the process;
- 29% waived their right to their partner's pension. (30% of women as against 17% of men);
- 21% went to no one for advice or guidance, not even family or friends; and
- Only 8% used equity release to allow one person to buy the other out.

All of these statistics set alarm bells ringing. Whilst disregarding the 19% who sought no advice, it still strongly points to the fact that family lawyers are not always ensuring their clients seek collaborative financial advice or, better still, refer them for it.

The financial planning that starts post settlement may well still be valuable, but it is unlikely to be as valuable as advice offered in conjunction and alongside the legal process.

As Cecilia Furner, a distribution director at L&G suggests in the guide, having a blind spot when it comes to both individuals' pensions can negatively impact their future retirement lifestyle, as they can be the largest asset outside the property or in some cases larger.

She says: "Financial advice shouldn't start once the settlement is reached. Instead, highlight up-front what value you can bring during negotiations and how you can help clients achieve their goals in the most tax-efficient way."

It is vital that the pensions are considered and, for solicitors, this must mean bringing in a fully qualified and experienced financial planner, ideally a Resolution-accredited pension or divorce expert early on.

In all honesty, if there are existing pension arrangements involved, surely this is essential to ensure a fair and balanced outcome.

Budgeting and planning for a full and comfortable life after separation is critical, and this is where the financial planner, with their use of cash flow forecasting, so perfectly complements the legal process of the divorce.

One particular observation in the guide which we found so telling and true, is the exact reason why legal and financial professionals need to work together: "Vulnerability isn't something that describes someone as a person; it's about the circumstances they find themselves in."

Going through a divorce is without doubt such a set of circumstances but not receiving the appropriate financial advice alongside the legal process, is likely to make a client feel even more vulnerable.

The L&G guide is a thought provoking and insightful read, and we are certain there are sections that might make you think more about involving financial planners early in the separation process, particularly where there are pension assets to be assessed and included in the settlement.

Of course, you can find such financial professionals [here](#), where you can also obtain SIFA Professional's own handbook, Financial Planning for Pensions and Divorce via a SIFA Professional member contact.