

What is that direct debit for?

When you bought your first house, you probably took out some life insurance. Several years later, you probably see the monthly amount leave your bank account to pay one of the large insurance companies but have no idea what the payment is for. You think that it pays the mortgage off when you die but you can't remember which mortgage, how much it pays or when it stops. The amount may even be reducing!

During the course of my work as a financial planner, almost every time I engage with a new client, we find direct debits that they cannot explain. It may not be life insurance that they no longer understand, but it may be a pension or an investment account. I say no longer understand because most people will know what they're signing up to at the beginning.

In divorce, if we are going to help couples to separate without court, it is vital that they know what each of their financial products is, how it works, the options available on divorce and any potential pitfalls. As Mena says, in her video on the "About FIAMs" page, it is important that both parties have a good understanding of the financial products they have from the same source, rather than from their own individual financial advisers.

The approach of using a financial neutral can be hugely beneficial to "the financially weaker party", mentioned by Mena in the video. In any team, the members will play to their strengths. If one is better with money, they are likely to have been responsible for the finances in the marriage. They will have researched the insurances, set up bank accounts, arranged the mortgages, looked after the budgeting and made investment decisions. I have yet to come across a couple where this imbalance doesn't exist. When you're functioning as a team, this approach works well. However, when the couple separates, this can leave the weaker part feeling even greater fear and vulnerability. Therefore, it is essential to address the imbalance before the negotiations can take place with a likelihood of a fair outcome.

The FIAM will allow the couple to sit down with a financial neutral, who is not there to advise on the division of assets or potential settlements, but is there to explain the financial products of the marriage and the options available to the couple in terms of dividing them. They will be able to answer questions and ensure that both parties have a good understanding before returning to their lawyer, barrister or mediator for negotiations. It may also be possible that the financial neutral sees the need for a mortgage adviser, accountant, tax specialist, PODE, etc, who can then be brought in at an early stage to provide their own expertise, avoiding subsequent delays further down the line.

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