

The growing importance of financial neutrals and FIAMs in the divorce process

Cholpon Djanuzakova Wealth and Tax Management

When I joined Resolution in 2019 we could still have face-to-face meetings. I was fortunate enough to attend one of them before the coronavirus lockdown and managed to connect with other Resolution members. So, I was thinking to myself, with all the things happening how we are going to keep in touch? Before long I received an email from Resolution about the Future of Family Practice Conference 2020 which was going to be over three days! I did not hesitate to sign up and was excited to get connected with other members online. Since we could not have mass gatherings I was delighted that it was going to be a LIVE session where we could see each other. The beauty of it was that you could choose which sessions you wanted to attend. One of them caught my attention with the heading "Do FIAMs (Financial Information Assessment Meetings) have a future?" with speakers such as Ian Hawkins from Oculus Wealth Management, Fiona Sharp from Verve Financial Planning, family lawyer Mena Ruparel, and Cressida Burnet who is a mediator. So, I patiently waited for the day to arrive, grabbed a cuppa and these are my findings...

A FIAM is a financial information assessment meeting where both parties sit in one room and a Financial Neutral finds out what are the objectives of both parties in terms of dividing their assets. Then the Financial Neutral gathers the financial information from both parties and prepares a financial statement which explains the repercussions of dividing their assets the way they wish. It is generally used in collaborative law where couples mutually decide to separate and don't wish to litigate.

It was also suggested in the webinar that one should engage a Financial Neutral as early as possible when couples decide to separate. The Financial Neutral is someone who is trusted, who acts for both parties, has a wide knowledge of finances, taxes and pensions, and provides an independent, impartial financial assessment of the assets that the couple have accumulated during the marriage. This would involve pointing out the pros and cons of their assets. For instance, pensions can be quite complex and the role of the Financial Neutral is to let the couple know what are the benefits, guarantees, advantages and disadvantages involved.

At this stage, no advice is given as the assessment is used in order to help clients understand what they have got and to make an informed decision. As couples mutually agreed to collaborate during the divorce, they can hire just one Financial Neutral who can act for both of them, which reduces the cost to them.

A very good example was given during the webinar that FIAM is essentially an MOT. Just like you have an MOT for your car every year, you have a FIAM for your finances during divorce.

It has become popular to engage other neutral professionals such as mediators, actuaries, family therapists, psychotherapists and so on during the divorce process. For example, emotions often run high during divorce, so it is vital to have a professional by your side who can help you to control your emotions. This means you will come out of your divorce in a better mental state than otherwise. The same support applies to a Financial Neutral who looks at a couple's total assets, helps them to make the use of their pot and assists them in dividing everything in the best and fairest way, rather than simply dividing the assets 50:50. Therefore, using other neutrals provides a holistic service where each and everyone has a role to play to help couples to understand the settlement which brings positive outcomes to both parties.

The Financial Neutral also can bring value to couples to help with current and future budgets that can help guide further discussions about support. This can be achieved by simply building a cash flow forecast for current and future needs. "What if" scenarios can be used, for example when couples have children in private education modelling can take into account the future education expenses to see whether or not such fees are affordable after divorce. The cash flow forecast looks not just at short-term objectives but long-term ones too.

It is evident that Financial Neutrals play an important role in the collaborative divorce process and are frequently consulted to help parties to not only make informed decisions but also to save them costs.

A massive thank you to the Resolution for organizing such an insightful event.

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cholpon.djanuzakova@wealthandtax.co.uk