Money matters

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When divorce looms, a financial adviser can help women

BY JEFF WEBER • STAFF WRITER • JULY 29, 2010 • jweber@MyCentralJersey.com

Mary Policastro, manager of client services for Condor Capital in the Martinsville section of Bridgewater, has helped many divorced or widowed women wade their way through potential financial minefields.

The break-up of a marriage often can be traumatic — especially for women, who can be forced to take on a multitude of new roles or even become the head of their household.

And while most women are quite business and money savvy, some still might not be comfortable with having to make every critical financial decision.

Mary Policastro, manager of client services for Condor Capital in the Martinsville section of Bridgewater, frequently encounters such scenarios. During her more than 20 years in the business, Policastro has helped many divorced or widowed women wade their way through potential financial minefields.

Here are a few of her answers to some pertinent questions:

How is the adjustment to financial head of household different for women who are already in the workforce?
This adjustment may be less of a shock to the system, but even those already established in the business world generally face a whole new set of financial pressures. Regardless of their finance expertise, women really need to enlist the aid of an independent financial adviser when a divorce is on the horizon.

The financial adviser really should be a part of a woman's predivorce planning team to ensure adequate alimony, child support and division of assets. Divorce is a complex process with tax, estate planning and asset distribution and management issues that can have lasting financial impacts if not analyzed thoroughly and managed properly. An accountant, attorney and investment adviser are all key players in an effective divorce management process.

Some might think that is extreme. Why get a financial planner on the divorce team?
Women need to focus on asset management and financial planning predivorce to ensure their expectations and expected lifestyle are realistic, particularly if children are in the picture and the spouse has been the dominant provider. An independent financial adviser is an advocate and mentor for the divorcee, providing advice that is truly in her best interest. Unlike brokers that operate on commission, an independent financial adviser is fee-based and not affected by any conflicts of interest.

Women have many decisions during a divorce. How should they select a financial adviser?
Obviously, you should choose someone who is fee-based rather than commission-based to ensure there are no conflicts of interest. Accountants and lawyers can often be good referral choices for investment advisers, but you should also talk to friends and family.

Don't be afraid to meet with more than one adviser. Look closely at the adviser's experience, qualifications and credentials. Ask for references from current clients and find an adviser you are comfortable with since they will become privy to your personal finances and goals.

What should be the strategy if a woman waits until after the divorce to focus on financial planning?
The four areas to think about are estate, retirement and education planning, and portfolio management. Writing a new will is standard practice and creating a trust to ensure family is taken care of after your passing may be advantageous. At the very least, your retirement account beneficiaries will change and your financial adviser and attorney should coordinate the details.

Both men and women suffer financially after a divorce, but retirement planning is more important for women for the simple fact that they live longer and will encounter greater expenses. Your financial adviser needs to show you the big picture — where you are now financially, where you need to be in the future and how to get there.

Paying for your children's education continues to be vital, and the divorce agreement may have established an education trust. If not, aggressive planning will be in order. Finally, there is an immediate need for liquidity to pay legal fees, estimated taxes and property maintenance. A good financial adviser will be able to determine the proper balance of equities and fixed-income to meet needs and goals, construct a diversified portfolio, provide for liquidity and protection against inflation. Creating a budget and managing taxes is essential.