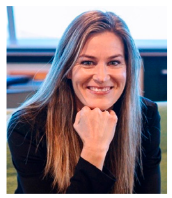

Finance columnist
AMANDA MORRALL

Ask the expert
SEPARATION & DIVORCE
How to avoid costly mistakes

We've partnered with New Zealand's low-fee, nonprofit KiwiSaver provider Simplicity to answer your financial questions. Co-founder and financial commentator Amanda Morrall talks break-ups and bouncing back

What are common mistakes in the process of separation and divorce?

If love is a battlefield, divorce is a blood-stained Shakespearian drama! Rarely does one come through unscathed. If you want to minimise the pain and losses, try to manage toxic emotions. That's easier said than done, but here's why it's important and some areas where you should exercise caution:

- ***Don't use your children as pawns.*** Divorce is hard enough on kids, don't make them suffer by dividing their loyalties or through character assassination of your ex-partner. They are half the other parent, so when you trash the ex, you're also tearing them down too. This can come at a very high price to their emotional wellbeing.
- ***Mitigate costs where possible.*** As soon as you engage lawyers, it can become an expensive exercise. Good legal advice is important, but being sensible and mindful of the associated costs will leave more for the both of you. Mediators are one way to manage conflict resolution. Earlier this year, the Family Court also launched a new suite of resources for separating couples.
- ***Don't mistake the family home as the ultimate prize or a symbol of what you've lost.*** The house may feel like a victory and a refuge, but for single income earners stuck with a mortgage and maintenance, it could prove a long-term liability.
- ***Think about the future.*** Don't get trapped thinking purely of where you stand today. If you're not money-minded, consider engaging an independent financial advisor to learn how to rebuild your wealth and plan for the life you desire.
- ***Don't operate from a place of revenge.*** Anger, sadness and bitterness can blind you from sensible decisions. It can also drag matters out, making it more expensive in the long-run.

What can you do to avoid these mistakes?

No one wants to start a new romance thinking about its demise, but if there's a lot at stake for you personally, it may pay to get some advice when it starts getting serious. If, after two years of living together, the relationship breaks down, you're at risk of losing half your assets. If you bring a child into the relationship, even if it's not your own, that deadline speeds up. A contracting out (aka "prenup") agreement may be appropriate under certain circumstances. Trust law is also changing in New Zealand, so knowing your position ahead of time is also useful. Overall, having a clear understanding with your partner about your finances up front will help to alleviate potential frustration in the worst-case scenario. Communication is key.

> *'If you're the one with the bigger KiwiSaver balance, you can expect that to get impacted'*

What happens to my KiwiSaver in a divorce?

Your KiwiSaver scheme gets taken into account along with other assets you own. Under New Zealand law, it's commonly a 50/50 split, so the family wealth gets calculated and cut in half. If you're the one with the bigger KiwiSaver balance, you can expect that to get impacted. This will usually happen under a court order as part of the settlement.

What kind of impact can this have long term?

One way or another, divorce leaves a scar. If it comes later in life, it can be particularly financially painful, especially if the assets you held were modest and then cut in half. If your KiwiSaver account is diminished, it may impact your retirement nest egg. It can be tempting to spend years wallowing or drifting post-divorce, but it's beneficial to dust yourself off and move on financially and emotionally. You might just end up in a far better place than you could have imagined.