

## Multiple divorces: what happens to your assets?

By Kate Saines in Retirement & Pensions, Useful guides December 6, 2019 0

**Dividing up assets following a divorce can be complex. But what happens when it's a second – or even third – marriage? Stephen Lyon, a barrister at 4PB, explains how planning can reduce the financial harm**



US talk show host Larry King brings a whole new meaning to the phrase 'complicated personal life' after being married eight times to seven different women and having five children.

But as we're all living longer, it's likely more of us will marry multiple times in our lives and have a more complex family shape than the generations before us.

This can mean that if a relationship breaks down, the division of assets can often be a difficult and complex process, especially as these assets may come in multiple forms: property, pensions, business assets and there may be multiple former spouses already entitled to, and receiving, maintenance payments.

This is a relatively well-worn path for a first divorce and even a second, but carving up assets and trying to ensure everyone gets what they're entitled to by the eighth divorce can be a complicated minefield to navigate.

### Failing marriages

The result of multiple divorces and remarriages can lead to financial consequences which one may be unaware of, particularly when a large pension pot forms part of the settlement.

Unfortunately, second and third marriages are more likely to fail – according to a Psychology Today article. In the U.S. 50 per cent of first marriages, 67 per cent of second, and 73 per cent of third marriages end in divorce.

Meanwhile, here in the UK, the Marriage Foundation found the divorce rate for first marriages is 45%, and it is 31% for second marriages.

This is still undoubtedly a large number for people who are hoping for a perfect second chance at marriage.

Therefore, it is important to be aware of the financial outcome of a divorce and take appropriate advice to ensure you aren't left with nothing.

### **Many types of assets**

The assets to be distributed can come in many forms, including property, business assets, overseas trusts and pensions.

With the average age of a person going through their first divorce being 42, an individual is likely to have built up their own personal assets, some of which may be shared with an ex-spouse during a divorce.

With second marriages more likely to end in divorce than a first marriage, it is certainly possible that any personal assets earned since the first divorce may be shared with the second ex-spouse, potentially leaving the individual in a difficult financial situation going into their retirement.

### **Dividing pensions**

Pension pots are becoming increasingly recognised as a vital part of a divorce settlement, and can be a particular point of acrimony in a divorce if an individual has had to sacrifice part of their pension to ex-spouses in any previous settlement.

As the starting point is that assets which a couple acquire during their marriage are shared, it is conceivable that a serial spouse could see him or herself sharing that part of his or her pension fund which accrued during each marriage with successive spouses.

### **Maintenance**

Maintenance can be a large point of contention in a divorce regardless of whether it is your first or fifth.

Many divorces will involve an ongoing maintenance payment, tending to involve the individual with greater income or earning capacity supporting their ex-partner, even if children are not involved.

These maintenance payments can be indefinite (often referred to in the press as a 'meal ticket for life') to ensure that the partner with the smaller income is provided for following a divorce.

Remarrying can change your financial situation and if you amass more wealth in your second marriage there's a chance your ex-spouse could seek to increase their maintenance award if they can demonstrate a need to do so.

However, if their financial position changes you can look to renegotiate these payments and make them smaller.

The good news is that if they remarry, that operates as an automatic termination of any maintenance obligation whatever the financial position of the ex-spouse and regardless of the financial position of the new partner.

### **Wills**

Wills can also become a sensitive issue for divorcing couples especially when children from previous relationships are involved.

Any will is still valid after divorcing, so it is vital to keep these documents updated to ensure any children and new spouses are included. If no will is left, then the new spouse is likely to inherit the largest stake in the estate, which could be seen as unjust by any children who feel they have a right to a parent's estate.

## **Minimising risk**

Individuals may be unaware of the financial risks that come with remarrying and divorcing multiple times, more so at an older age.

To minimise risk, one option to consider is to keep certain assets in your name only, and to treat them as separate throughout the marriage, rather than to include these as joint assets which were brought into a marriage although even then they can be invaded in cases of need.

Both partners could also keep a record of any pre-marital assets which may be difficult to separate when divorcing, such as property or investments in order to determine what is a marital asset and what isn't. This could help to minimise the loss of pre-marital assets in a divorce.

Carefully considering your financial position before embarking on a second or third marriage is always wise and taking steps to safeguard your assets – particularly through a clearly worded pre-nup – should always be considered.

The comedian John Cleese famously had to come out of retirement to pay for his fourth divorce settlement. It can be a very expensive business, especially without the right advice.

***Stephen Lyon is a barrister at 4PB***