



GARDNER BROWN
CONSULTING INC.

Financial Literacy for a Better Life

Collaborative Practice
A Viable Option for Divorcing Clients

Doreen Gardner Brown, BHEc CFP AFC

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Financial Forum III - Calgary

www.gardnerbrown.ca

Agenda topics

- Divorce in Canada - VIF and IG Survey
- Process Options for divorcing clients
- IACP research
- SSAG - Spousal Support Advisory Guidelines
- Practice examples
- Becoming a financial neutral in CP

Pop Quiz - Divorce in Canada

- 1 of 2 marriages break up True?
False - Stats Canada 2005 38% divorce by 30th anniversary. In US - 44%.
- Rates going up True?
False - Peaked in 1987 and declining.
- Number of children involved?
In 1998, 36,252 in Canada. 1 million in US.
- Remarriages more stable True?
No - 10% higher rate but when marriages endure, outlast 1st marriages.

Vanier Institute of the Family

Divorce: Facts, Causes and Consequences

Updated in 2005

Dr Anne-Marie Ambert, York University

Divorce stats here and in the US
Impact on children and women

www.vifamily.ca

DIVORCE IS COSTLY

- 61% say divorce is the most financially expensive event that could happen
- In a 2004 survey:
 - 35% had to go into debt
 - 28% had to sell personal assets
 - 27% had to sell financial assets
 - 22% had to get financial support from family/friends



Source: 2004 Decima Express Survey for Investors Group, Canada

Process Choices for Divorcing Clients

- “kitchen table” approach
- Mediation
- Collaborative Practice
- Hire lawyer(s) - negotiate or litigate

DVD How to Divorce and Not Wreck the Kids

Divorce and Children



- **Joan Kelly PhD** is a clinical psychologist and researcher who has worked with high conflict divorcing parents for four decades.
- **Top Ten Ways to Protect Your Children from the Fallout of a High Conflict Breakup**

Collaborative Practice

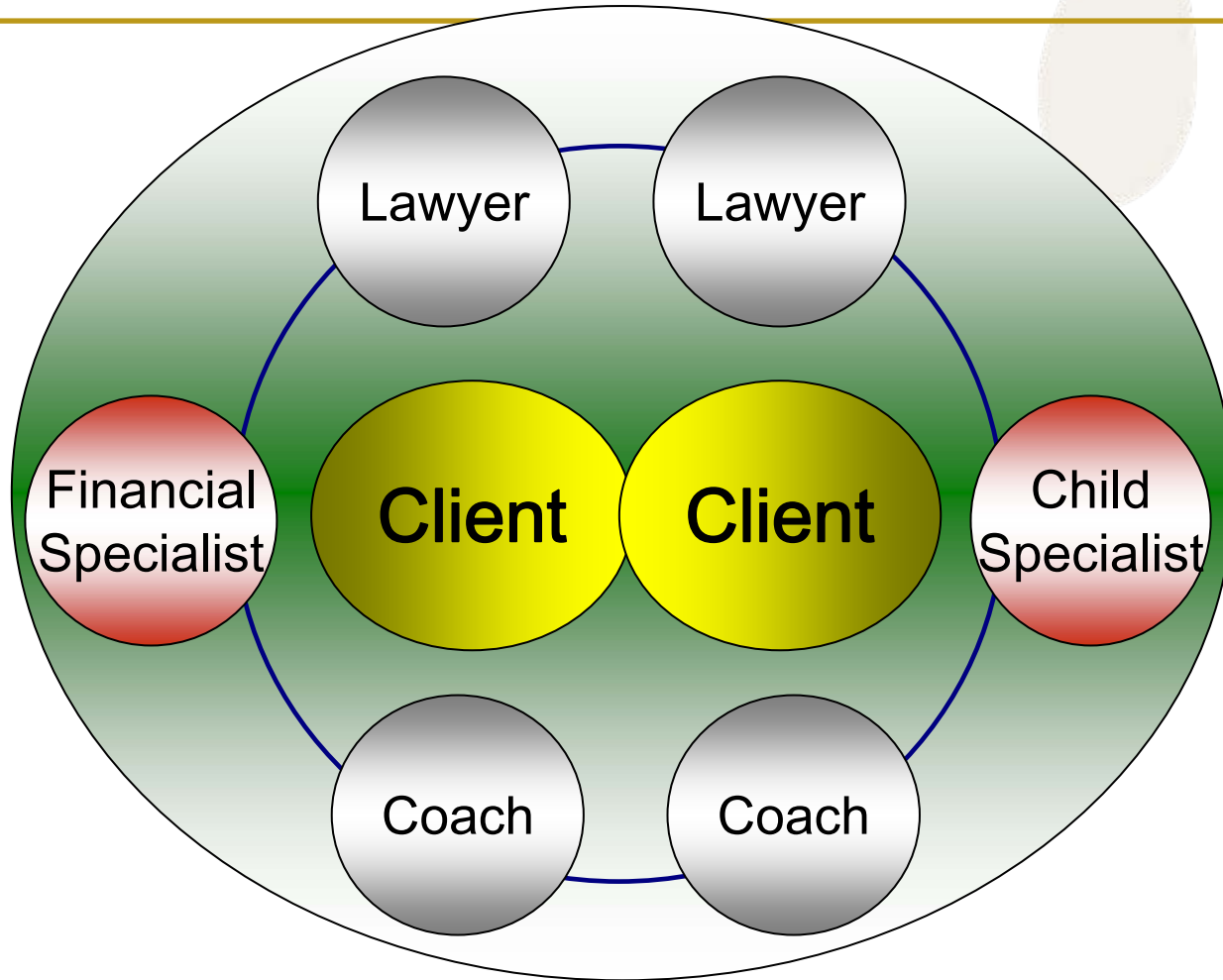


- A pledge not to go to court.
- An honest exchange of information.
- A solution based on clients' highest priorities.

Resolving Disputes Respectfully
International Academy of Collaborative Professionals

www.collaborativepractice.com

Collaborative Practice Team



Credit: Doreen Gardner Brown, BHEc CFP • Deborah Brakeley, M.Ed., R.C.C. • Sandra Polinsky, BA, LLB.

Collaborative Practice vs. Litigation

Who Controls Process	Clients do and make the decisions	Judge does and decides outcome
Degree of Adversity	Mutual respect pledged	Adversarial
Cost	Manageable, efficient	Unpredictable and can escalate
Outside Experts	Jointly retained	Separate experts
Lawyer involvement	Work to mutually created settlement	Fight to win but someone loses
Privacy	Process is private	Public record
Facilitation of Communication	Opportunity to learn	No process to improve
Timetable	Clients create	Judge sets it; often delays

Collaborative Practice and Mediation



- Both rely on voluntary, free exchange of info and commitment to resolutions respecting everyone's shared goals.
- Litigation can be used if mediation fails, using the same lawyers.
- If collaborative process ends with no agreement, clients need to hire new lawyers to litigate.

IACP Collaborative Practice Survey

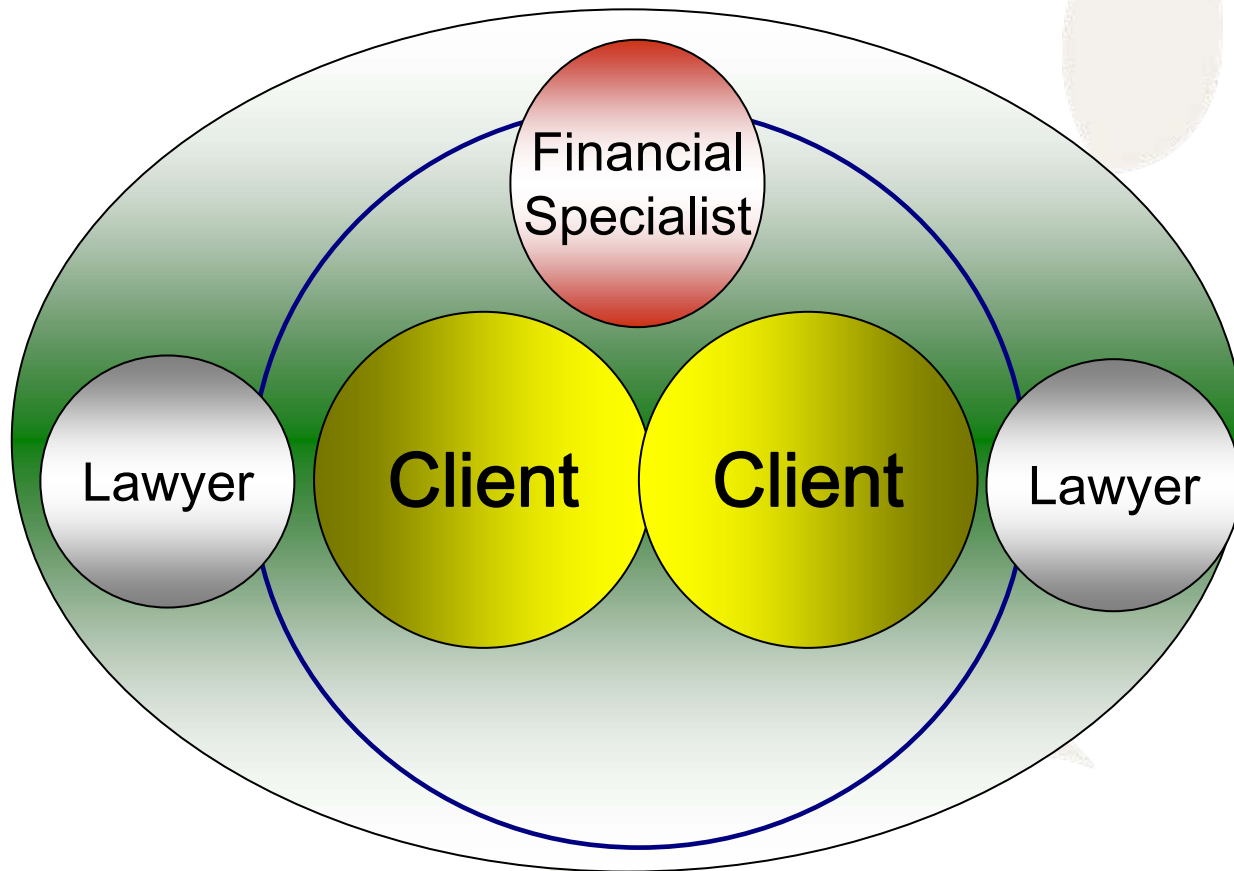
- 793 cases reported to August 2009 (*66 from Canada*) by 3.6% of IACP members
- 61% of cases completed within 8 months (*71% in Canada*)
- Average total cost \$23,963.00 (*\$16,027*)
- Financial Professionals in 47% of cases (*18%*)
- Client experience survey completed for 71 cases (*1 from Canada*)

Information for Divorcing Clients

Download kit from IACP Website

www.collaborativepractice.com

Financial Neutral in Collaborative Practice



Credit: Doreen Gardner Brown, BHEc CFP • Deborah Brakeley, M.Ed., R.C.C. • Sandra Polinsky, BA, LLB.

Step by Step: The Financial Planning Profession

Financial Planners Standards Council



What is financial planning?



Financial planning is a step-by-step process that includes:

- **Engagement:** defining what services you are willing to offer and how you will be compensated
- **Data gathering:** interviewing the client to identify goals and needs as well as to gather all financial information

- **Analyze** data/Identify problems/opportunities
- **Develop**/present plan

And often:

- **Implement** plan
- **Monitor**/review/adjust

Considers all aspects of financial/life situations

Finances During Transitions

- Getting organized
- Preparing & using Personal Financial Statements
- Understanding options & opportunities
- Valuing pensions and businesses
- Considering projections
- **MAKING DECISIONS**



Collaborative Financial Specialist



- Interdisciplinary Collaborative Practice training
- Member of Registration body - Certified Financial Planner, Chartered Accountant, Certified General Accountant or Certified Management Accountant
- Communication and Mediation training
- Divorce Financial Fundamentals knowledge
- Possess Liability Insurance

Source: IACP Professional Standards, July 2004.

Costs for Financial Professionals

- Meetings with clients and lawyers - 4 to 6 hours
- Meetings with clients - 2 to 4 hours
- Time to prepare net worth statement
- Time to prepare projections -
7 to 10 hours for two scenarios
- Fees to do business or pension evaluations
- Fees range from \$150 to \$250 per hour



IACP - Canada (2009) Average Cost \$3,116

The Law and divorcing clients

- Child support guidelines
 - Spousal support
 - Entitlement
 - Advisory guidelines - quantum and duration
 - Property division
 - Limitation periods
 - Common law relationships
- 

Canada Department of Justice

- ❖ Child Support Guidelines
- ❖ Spousal Support Advisory Guidelines
- ❖ Resources for children to read

www.justice.gc.ca

Spousal Support Advisory Guidelines

- SSAG
- Final report - July 2008
- Professors Carol Rogerson (U of Toronto) and Rollie Thompson (Dalhousie University) for Department of Justice Canada

Spousal Support Advisory Guidelines



- Do not address entitlement
- Two formulas to determine quantum and duration
 - Without child
 - With child
- Both use an income sharing approach, not an expense approach

Family Law software in Canada

DIVORCEmate Software Inc.

1-800-653-0925

www.divorcemate.com

ChildView Inc.

1-800-787-8620

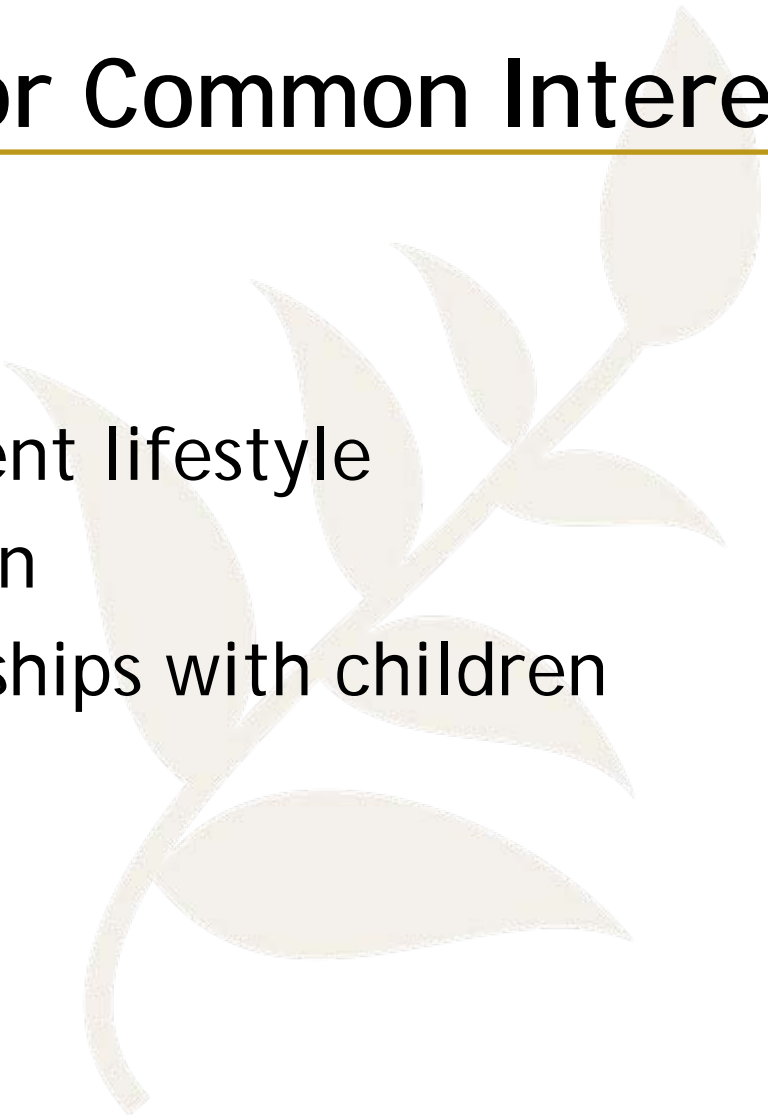
www.childview.ca

Principles and Projections



- Principles are basis for evaluating options.
- Lawyers and Coaches identify these with clients during 4 Way meetings.
- Financials clarify these in initial 3 or 5 Way.
- Projections evaluated based on how principles are addressed.

Principles or Common Interests

- Housing
 - Retirement lifestyle
 - Transition
 - Relationships with children
- 

Principles: Doug and Alison

- Share the parenting of three children, having equal standards of living
- Keep recreation property as inheritance for children
- Give Alison financial support to ease transition to full time work

Net Worth Statement: Alison

ASSETS	
<i>Liquid</i>	
Cash & Equivalent	
Short-Term Savings	
Term Deposits	
<i>Investment</i>	
Investments	\$130,000
Retirement Savings	\$100,000
<i>Personal</i>	
Home, Possessions	\$230,000
Recreation Property	<u>\$125,000</u>
Sub Total:	\$585,000

LIABILITIES	
<i>Short-Term</i>	
Credit Cards	
Personal Loans	
<i>Long-Term</i>	
Mortgage on Home	\$21,000
Loans over 1 Yr.	
Recreation Property MTG	<u>\$25,000</u>
Sub Total:	\$46,000
NET WORTH:	\$539,000

Net Worth Statement: Doug

ASSETS

Liquid

Cash & Equivalent
Short-Term Savings
Term Deposits

Investment

Investments \$400,000
Retirement Savings \$460,000

Personal

Home, Possessions \$230,000
Recreation Property _____

Sub Total: \$1,090,000

LIABILITIES

Short-Term

Credit Cards
Personal Loans

Long-Term

Mortgage on Home \$21,000
Loans over 1 Yr.
Cottage Mortgage _____

Sub Total: \$21,000

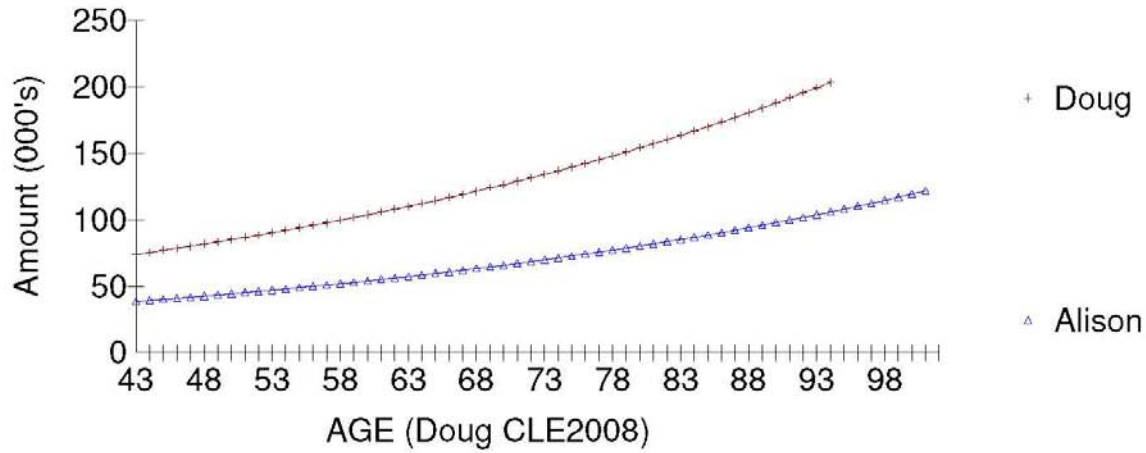
NET WORTH: \$1,069,000

COMPARISONS

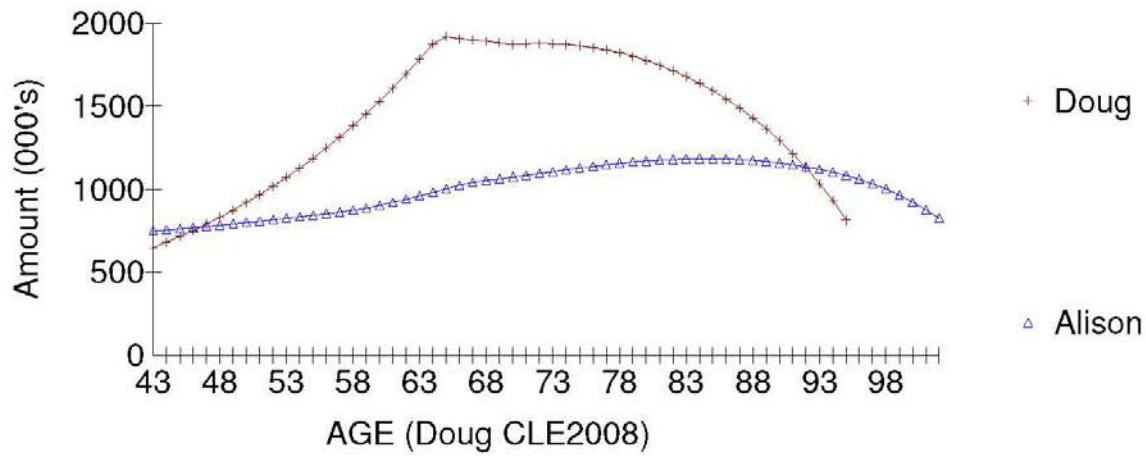


- Create financial projections that model future cash flow and net worth for both clients.
- Use graphs and reports in working meetings.
- Cash Flow is:
 - After income tax
 - After pension and RRSP/retirement contributions
 - After mortgage payments
 - Includes Child and Spousal Support

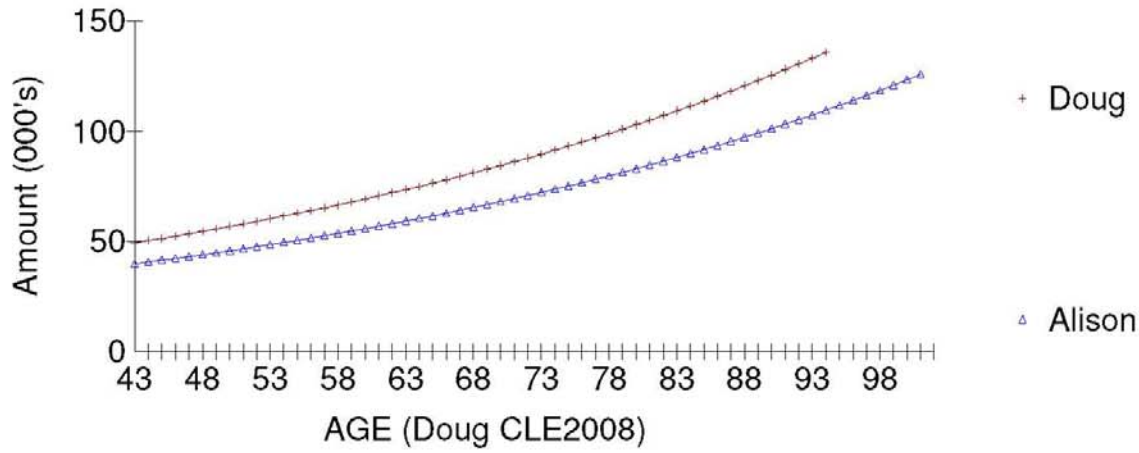
After Tax Income



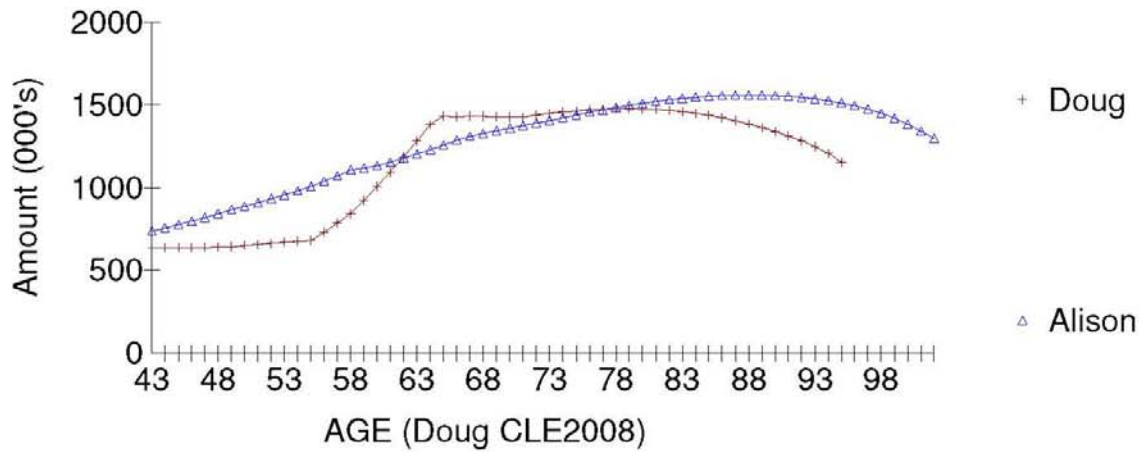
Net Worth



After Tax Income



Net Worth



Financial Planning software

- RRIFmatic from www.fimetrics.com
- CCH - *FP Solutions*TM
- Proprietary options
- Family Law Software in the US

Practice example: G and G

- **Principles** - transition to self-employment, similar lifestyle, current sense of equality, care for children - now and future.
- **Financial assignments** - education, analysis and business planning, projections
- four 5-way meetings plus meetings with both lawyers to create parameters for projections.
- 25 projections prepared.
- She had financial planner.

Practice example: T and S

- **Principles** - many related to parenting, transition, moving to full employment
- **Financial assignments** - projections, education
- one 5-way meeting and one 3-way with one client and her lawyer
- 3 projections prepared

Practice example: B and A

- **Principles** - maintain standard of living for Mom and children, Mom to stay at home. Dad to have some certainty about his future obligations and Mom to have certainty around future support.
- **Financial assignments** - projections, education.
- two 5-ways and 25 projections.

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