



Untying the Knot

A research report

July 2013

Introduction – Untying the Knot

Australia's 50,000 marriages that end in divorce each year have been put under the microscope in a new Suncorp research report *Untying the Knot*. The report paints a picture of what an average divorce looks like including stunning insights into Australians' attitudes to lifestyle and financial arrangements.

The report finds that divorce can add 10 years to the working lives of Australians, and in turn has severe repercussions to their future wealth creation as they battle to re-establish their financial positions.

The *Untying the Knot* report paints a picture of what an average Australian divorce looks like

- Approximately 50,000 divorces occur every year in Australia.
- The average age of men at divorce is 45, while for women it is 42
- One in two divorces involve children (48%). Typically, the average divorce involves two children
- January is the most popular month of the year to start divorce proceedings
- Queensland is the divorce capital of Australia per capita (2.5) while the Northern Territory has the lowest rate of marriage breakdowns in the country (1.5).
- The seven year itch has been replaced with the nine year itch, while the average time it takes from separation to divorce is three and a half years
- Australia's divorce rate of 2.2 is higher than China, France, New Zealand and the UK while more than half of the Russian Federations of 4.7.¹



¹ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features30March+Quarter+2012>

Money and Divorce

While most divorces don't get anywhere near billionaire French businessman Alec Wildenstein who reportedly paid then wife Jocelyn \$2.5 billion at settlement in 2012², the financial impact is considerable and has a bearing on future wealth creation. Armstrong Legal Divorce Family Lawyer Jeff Marhinin believes there are two crucial factors that separating couples need to consider when it comes to money and divorce:

1. How their property and other assets are going to be divided and split; and
2. How they will ensure their own (and their children's) financial needs are met.

The cost involved to come to an agreed conclusion of these two factors can be considerable, especially if any of the parties contest, which involves extensive legal services.

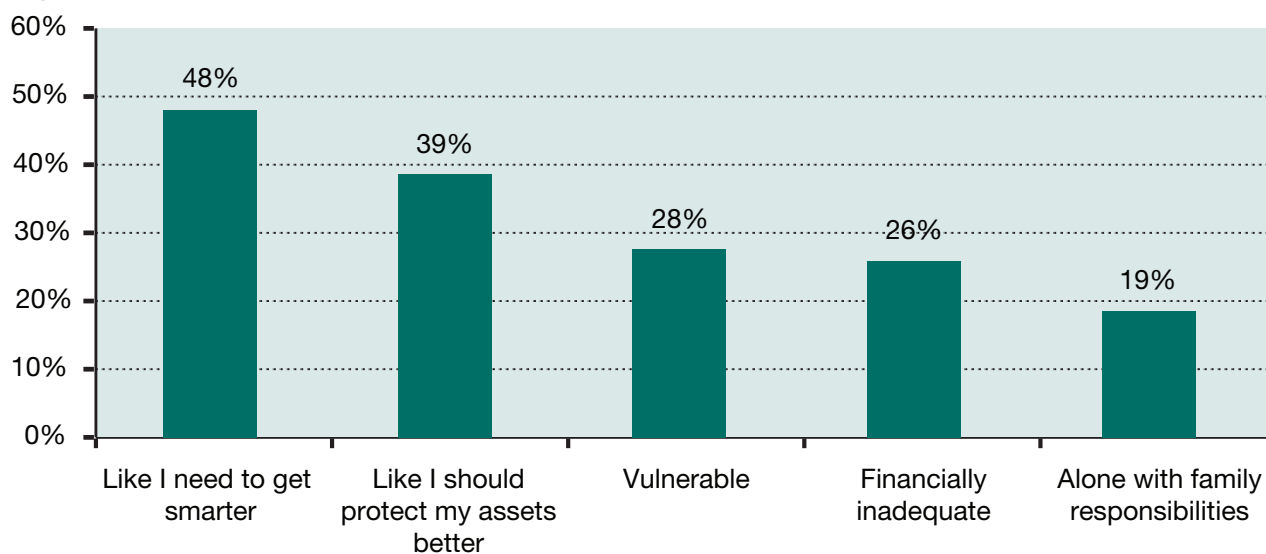
Market research firm IBISWorld identified that the cost of a straight divorce is \$3600 per couple, while a contested divorce averaged at just under \$10,000. Annually this equates to \$184.1 million, and represents around 6 per cent of all personal legal services in the industry.

However, there may be indirect costs involved in a divorce that include, relocation costs, child care and cost of lost work which are also key factors and need to be considered.

Divorce impacts the divorcees views on money. The Suncorp *Untying the Knot* survey found that:

- More than one in four (28%) feel financially vulnerable
- More than half (52%) felt that they need to be more resilient
- One in five (19%) felt alone with family responsibilities
- One in two (48%) felt they needed to be smarter about the way they did things.

Graph 1: Divorce makes me feel...

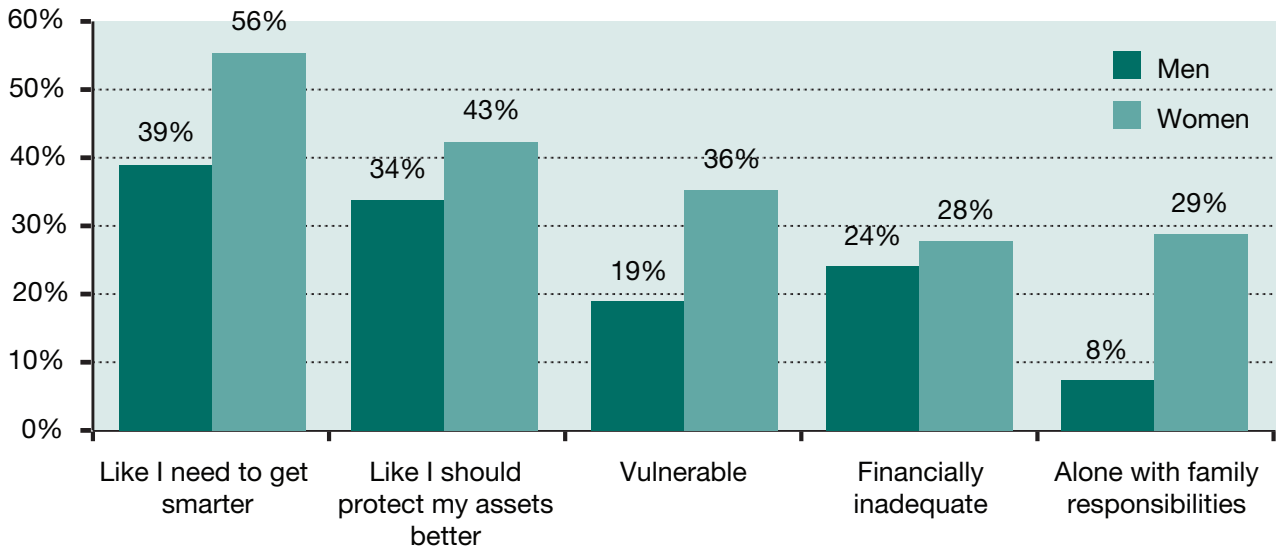


The differences are stark when it comes to comparing the views of women and men, particularly concerning their financial security. Typically, divorced women are more likely to feel vulnerable and alone when it comes to family and financial responsibilities.

² http://en.wikipedia.org/wiki/List_of_most_expensive_divorces

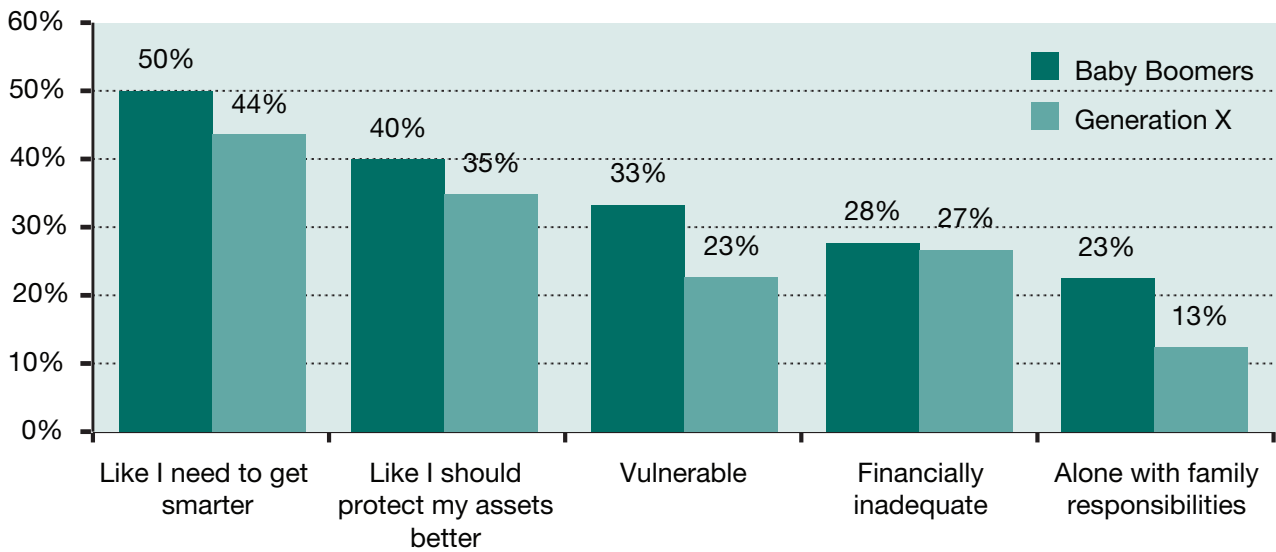
³ <http://www.ibisworld.com.au/about/media/pressrelease/release.aspx?id=310>

Graph 2: Divorce makes me feel....a gender comparison



Other interesting insights develop when the results are compared across generations. Overwhelmingly, older generations (Baby Boomers) who it can be reasonably suggested have been divorced for a longer period of time feel more impacted by divorce and more vulnerable compared to recent divorcees (Generation X), who may be feeling like they have made a clean break, when in reality their financial position may become more strained once their children are older and they are possibly looking to remarry and build their wealth for the future.

Graph 3: Divorce makes me feel...a generation comparison⁴



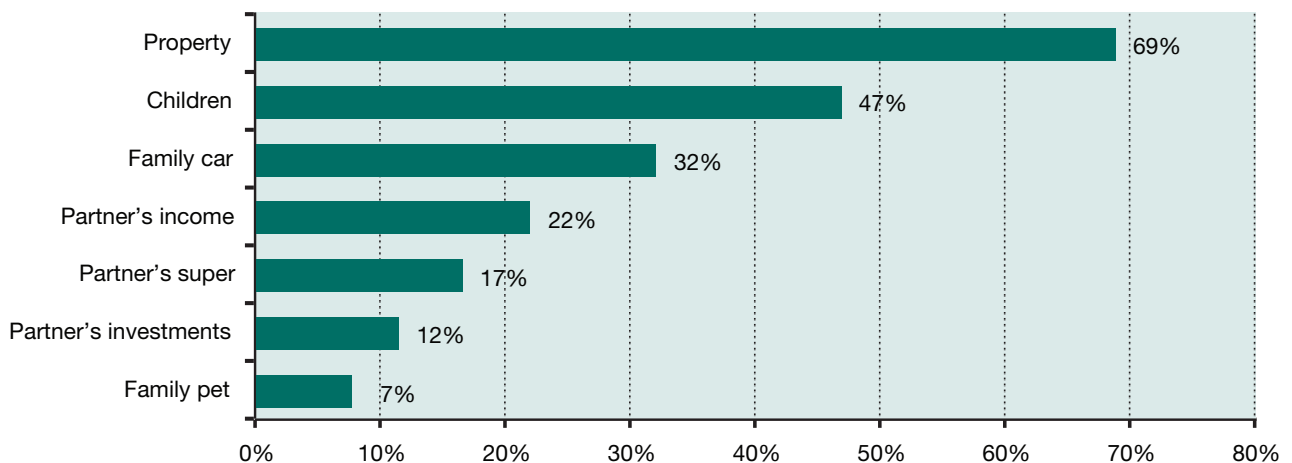
⁴Generation B and Generation Y were not included in this breakdown due to insufficient sample size

Super and Divorce

Overwhelming Suncorp research found that super is the forgotten asset when it comes to divorce. After haggling over the family house, car, custody of their kids and who gets the furniture and TV, super is very much an afterthought, with only 17% of all divorcees to consider their partner's super in a settlement, just higher than investments and the family pet.

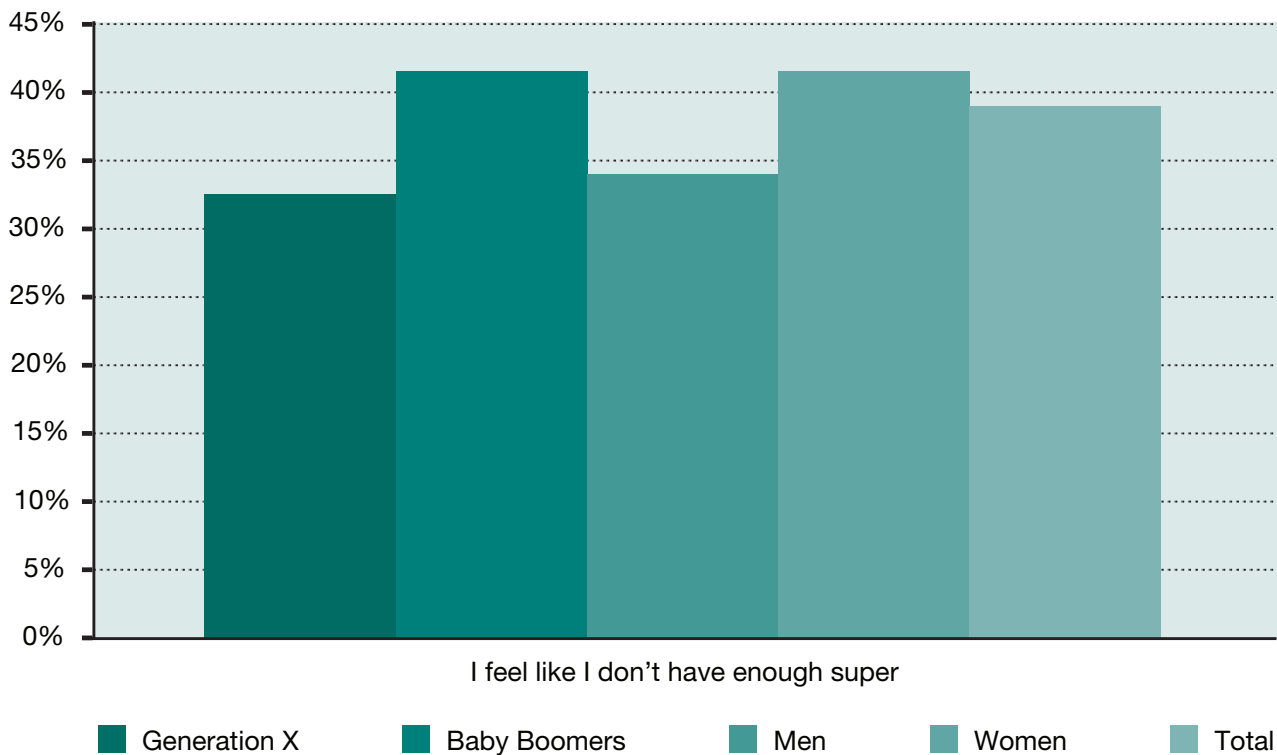


Graph 4: Considerations at divorce settlement



Jeff Marhinin from Armstrong Legal was surprised the results valued superannuation so low, considering it is the second biggest asset after your family home. Divorcees fail to realise that superannuation needs to be treated as a type of asset, which can be included and divided in the property settlement.

Graph 5: Super and divorce



It can be suggested that Baby Boomer women are the most impacted when it comes to superannuation and divorce. Accounting for how little super is considered in a divorce settlement it appears that women are particularly not considering super as part of their divorce settlement, even though they are legally entitled to up to 50% of their partner's super.⁵

Being entitled to 50% of your partner's super can be extremely valuable for retirement as not only can it provide additional capital investment for the retiree, it can also provide an income stream in the form of a pension to meet day-to-day living expenses.

⁵Subject to other legal entitlements

Graph 6: Ideally, at what age would you like to stop working full time or retire?

	Not Divorced	Divorced
Under 50 years of age	7.6%	5.0%
50 – 54	7.7%	8.5%
55 – 59	18.2%	15.9%
60 – 64	24.5%	24.4%
65 – 69	22.6%	27.4%
70 – 74	4.3%	6.7%
75 or older	2.8%	2.1%
Unsure	12.4%	10.0%

The survey findings revealed very little difference between divorced and married Australians when it came to their ideal retirement age. Suggesting that divorce didn't negatively impact a person's dreams and aspirations when it came to their retirement. However, it wasn't until their current financial situation was a factor did the significant factors emerge.

Graph 7: At what age do you think you will realistically be able to retire at based on your current financial situation?

	Not Divorced	Divorced
Under 50 years of age	1.8%	2.1%
50 – 54	3.4%	4.8%
55 – 59	8.4%	6.3%
60 – 64	17.5%	12.0%
65 – 69	29.4%	26.3%
70 – 74	18.6%	18.6%
75 or older	20.8%	29.9%

Divorce can add 10 years to the working lives of Australians, with the most common realistic retirement age for happily married couples between 65-69, while for divorcees it increases to 75 years or older.

Head of Superannuation Lisa Harrison believes this is because 83% of divorcees fail to consider superannuation as part of their settlement entitlements.

"Given that Australians are most likely to divorce in their early to mid-forties, there is a considerable amount of superannuation involved, with a 45 year old males' average superannuation balance of \$128,000⁶. This is compared to \$42,000 for women at their average age at divorce of 42.

"Legally a divorcee is entitled to half their partner's super. Considering super during divorce could mean the difference between being able to retire when you want to, rather than having to work well into your 70s and beyond.

"It is critical, especially for Australian women, that they consider their partner's superannuation as our survey shows that divorced women are more than twice as likely to feel like they need to be more resilient and smarter when it comes to money" Ms Harrison said.

⁶ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4125.0Jan%202013?OpenDocument>