

Can't buy me love

Money can be the straw that breaks the back of an already rocky relationship.

By Barbara Drury

As the financial meltdown plays itself out on the world stage, there's a quiet crisis building up behind the closed doors of suburban Australia. There's a link between relationship breakdowns and the All Ordinaries index: when markets are up, divorces are down and when markets are down, relationships fracture.

Last year, at the height of the sharemarket boom, the number of divorces fell by 6.6 per cent to 47,963, the lowest divorce rate in 20 years. Divorces peaked in 2001, along with the market crash in technology stocks.

Because of the time lag between separation and divorce, last year's substantial drop in the divorce rate was possibly a legacy of Australia's long economic boom, or the rising cost of living.

The vice-president of Relationships Australia, Anne Hollonds, has observed a recent trend for separating couples to continue living under the same roof because it's too expensive to establish two households.

"We're likely to see a dramatic pick up [in the divorce rate] in a year or two," Hollonds says.

As always, the rich do things differently. There were anecdotal reports of an increase in big divorces when the market peaked last year. Sniffing the winds of economic change, unhappy spouses took the money and ran.

Family lawyer with York Family Law Nabil Wahhab, who practises at the heart of Sydney's financial district, says: "For big-money cases we see a drop in separations when the market is in a downturn or recession; they tend to increase when the market is doing well.

"We've started to see these [big-money cases] fall off. When shares are down 40 per cent, the [financially] weaker spouse might think: 'Things are bad but I won't add to my difficulties with a separation.'"

Wahhab says couples who were already in the process of divorce a year ago with a property settlement based on a pool of, say, \$5 million, may now be looking at a reduced property pool of \$3 million. An offer that was regarded as unreasonable a year ago may suddenly look attractive.

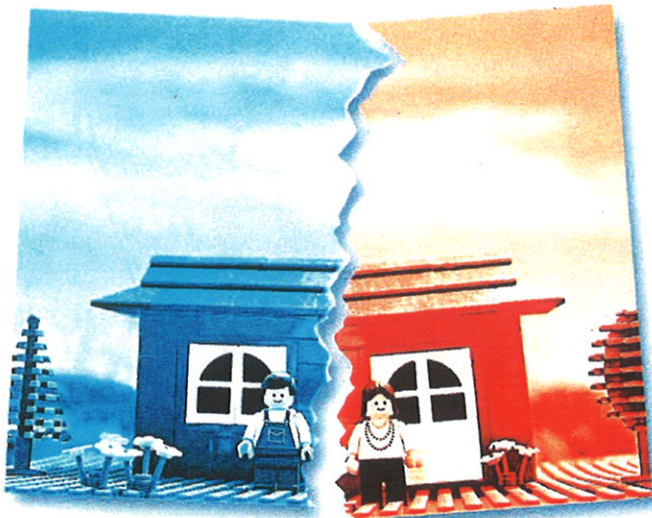


Photo illustration: Mick Connolly. Photo: Jessica Hromas

Property valuations for the purpose of a property settlement are undertaken at the time of the court hearing, which could be two years or more after separation. Hence, the financial position of people who separated a year or two ago has worsened significantly.

Couples contemplating separation, especially those with a bigger property pool, might delay separation until markets stabilise. Wahhab likens a financial settlement to a compulsory

When markets are up, divorces are down and when markets are down, relationships fracture.

estate plan. "It's foolish to do it when things are uncertain. Parties are taking significant hits on their assets by selling at the worst time," he says.

Divorcing couples who bought a house in the past few years and are now having to sell as part of their settlement are losing money on the sale. Wahhab says a client with a relatively small property pool recently suffered a \$115,000 loss on a forced property sale. In another case,

divorcing clients who were offered \$1.3 million for their home six months ago sold at auction last week for \$908,000.

Money is a point of contention in many marriages at the best of times, so it is no surprise that it becomes a red-hot issue in times of financial hardship.

Recent research by Relationships Australia suggests the number of people concerned that financial stress may break down their relationships, as well as their wealth, has more than doubled in two years.

In August, as the global financial crisis entered its most critical phase, 40 per cent of the 1200 people surveyed rated finances as a significant pressure on a relationship, up from just 18 per cent at the height of the boom in 2006. Work pressures (50 per cent) and job insecurity or loss (28 per cent) were also telling concerns.

Financial planners are also seeing the impact of the financial crisis on their clients. Couples who see an adviser together have a better chance of working through any financial crises co-operatively.

Alan Freshwater, of RetireInvest Bondi, says the sharpness of the market fall has caught many investors off-guard and resulted in some panicky decision-making, which can cause tensions.

A client recently abandoned his long-term investment strategy in favour of shifting a high percentage of his portfolio into cash.

"His wife didn't necessarily agree but she went along with it in compromise fashion," says Freshwater.

Relationship counsellors are seeing more cases where previously hidden debts are coming to light.

"This can lead to a sense of betrayal and loss of trust," says Hollonds. "If there were cracks in a relationship beforehand, this situation can drive a wedge between you."

Wahhab expects to see more separations occur as a result of an increase in bankruptcies.

Women are still more likely to instigate divorce than men thanks to their growing financial independence. However, Hollonds says they may be less likely to proceed to divorce if the economic downturn makes them feel more cautious about their finances.

The Relationships Australia survey states that while 37 per cent of women rate financial stress as a cause of relationship splits, only 30 per cent of men share their view. This may be because women do most of the household shopping and are first to notice the impact of higher prices on household budgets.

The survey also reveals a perception that divorce among the over 50s is linked to cashed-up baby boomers finding new financial freedom – alone or with a new partner – once the children leave home. It remains to be seen if the financial crisis puts a dampener on the divorce plans of baby boomers with itchy feet.

People respond differently to financial problems, says Hollonds. One person may become anxious and withdrawn while the spouse may want to talk about the problem.

"You need to be able to put all your financial issues on the table – although there's no point having all the facts on the table if you don't trust each other.

"When we're under stress, we're more likely to interpret other people's behaviour in a negative way and this can lead to fundamental miscommunication."

Hollonds points out all research confirms that money doesn't buy happiness. "An investment in your relationship will have the biggest impact on your wellbeing," she says.

TRADE ONLINE FOR \$19.95 BROKERAGE

Trade orders of up to \$15,000 online from \$19.95 brokerage, with no fine print or ties to specific bank accounts.

Trade with us. Visit cmcmarkets.com.au or call 1300 303 888

 **CMC Markets**
STOCKBROKING