KODA

Staying Future Focused

A how to guide for wealth after divorce or death of a loved one.

Victoria Lindores
Adviser & Partner, Koda Capital

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When death or divorce come unexpectedly, and your focus is on preserving your own physical and mental health and that of loved ones, it is normal for financials to become deprioritised.

We encourage you to seek assistance in maintaining good physical and mental health where and when needed.

The following organisations can assist you.

Organisation	Phone	Online
Beyond Blue	1300 22 4636	www.beyondblue.org.au/
Lifeline	13 11 14	www.lifeline.org.au/
Griefline	1300 845 745	www.griefline.org.au
Kids Helpline (ages 5- 25)	1800 55 1800	www.kidshelpline.com.au
Relationships Australia	1300 364 277	www.relationships.org.au/

Executive summary

Death of a loved one or divorce – both scenarios can bring grief, anguish and the unforgiving sting of ‘what now?’. In facing these events, many clients have acknowledged they felt unprepared and overwhelmed.

As such events bring about change, understanding your response to finances and wealth can help you avoid costly mistakes. In the few months following one of these events, you are making decisions wholly for yourself and by yourself for the first time in a long time. This presents an extra set of challenges in building confidence, resilience and due care into your wealth decisions.

This paper helps you step through your wealth choices, the ‘must do’ actions and sets the framework for long term thinking at a time when you need to make big decisions.

Being able to navigate this challenge with confidence, build resilient wealth and thrive again will help you chart a course for the next steps in life.

Checking emotions and beginning again

Emotions drive human thinking and behaviour. For this reason, it is important to let yourself feel your emotions first and then take time to understand them before making any big decisions.

In times of change there can be a lot of pressure to remain resilient or to be 'happy', when humans are actually wired to experience and utilise a whole range of emotions. Don't force the emotions away as they are important in forming, understanding and setting your long-term goals – including your financial ones.

Do resist the urge to splurge. Treating yourself with big purchases when dealing with heavy emotions is unlikely to end in good financial outcomes. A short trip away – yes; a new car – not yet.

It's easy to become overwhelmed by choice when your financial circumstances change, and it's daunting. **You could Fight, Flight or Freeze**.

Fight	Review everything in detail all at once. Without setting priorities, you risk decision fatigue and missing important options.
Flight	Change everything without assessment. You risk trashing something that works well.
Freeze	Make no decisions. Keep the status quo even if it's not working.

To avoid costly mistakes, we recommend you work through the steps below.

In the beginning

1. What do you value?
2. Where is your wealth?
3. Must do actions

Diving into the detail

4. Understand your cashflow
5. Understand your assets

Setting up for the future

6. Set goals
7. Maintain options
8. Seek advisers

"We don't have to do it all alone. We were never meant to."

Source: Brené Brown, Rising Strong

In the beginning

What do you value?

Before deciding what you spend your money on, ask yourself **what do you value**?

Many of the clients we work with find the following list a helpful starting point.

Staying in your home	Family	Travel
Education	Capital stability	Retirement savings
Capital growth	Flexibility	Charitable giving
Being debt free	Building a business	Downsizing / Upsizing
Community	Sport	Arts
Health	Income security	Having an emergency fund
Career	Helping family and friends	Independence

Being confident about your values as they relate to your wealth can help you determine what steps to take next.

Where is your wealth?

Before deciding what to spend your money on, you have to determine what wealth you have and where it is.

Complexity can arise when it is tied up in different assets, sits within entities and structures which you may or may not control, or has taxation consequences, liquidity risks or investment market risk.

In the initial stages, details are not important. You need a **big picture first**, so don't be afraid to put it together in a way that makes sense to you.

- Draw it on a blank piece of paper or a wall of Post-It Notes.
- Use a spreadsheet to keep track.
- Take advantage of free calculators online, for example: Australian Government Money Smart.
- Create a mood board or collage.
- Reach out to your advisers (accountants, lawyers and wealth managers).

There is lots of support out there, but you need to take responsibility for getting that support to meet your needs. **Don't be afraid to ask for help.**

To start, answer these questions:

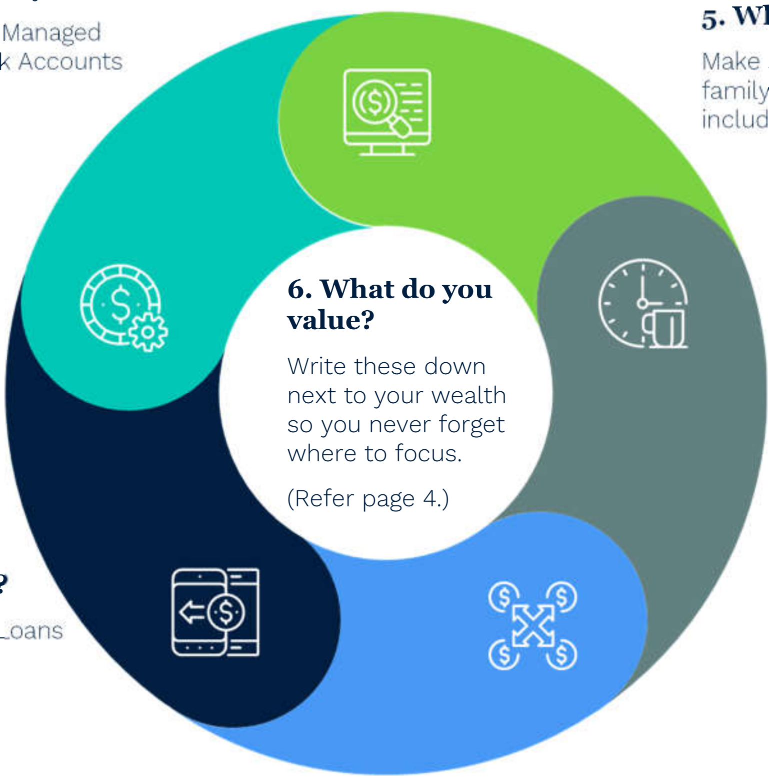
1. What do you own?

House, Car, Jewellery & Artwork

Property, Shares, Managed Investments, Bank Accounts

5. Who owns and owes what?

Make sure that any entities (e.g. family trusts, super funds) are included.



6. What do you value?

Write these down next to your wealth so you never forget where to focus.

(Refer page 4.)

4. What do you make?

Salary, Business Income

Rent, Investment Income, by Family Court Agreement

Superannuation Pensions, Government Income

2. What do you owe?

Mortgage, Credit Cards, Loans

To Family and Friends

3. What do you pay?

Expenses. Weekly, Monthly, Yearly.

Must do actions

Once you have the big picture, you can determine where to put your focus and energy. Your first stop should be in these key *must do* actions.

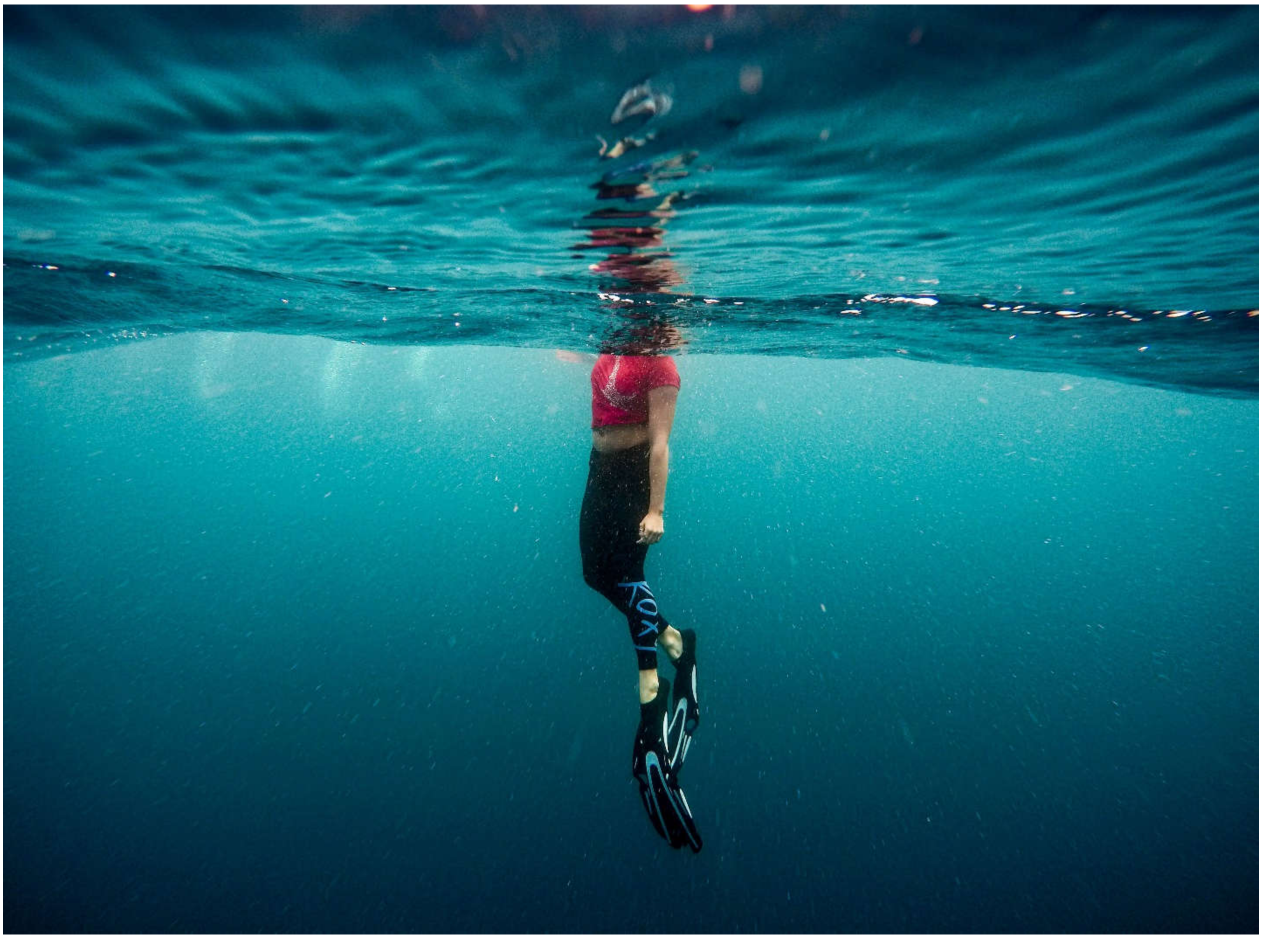
Consider:

- Are all your assets adequately insured?
- Are you personally adequately insured – disability and health?
- Does your Will reflect your current wishes?
- Do you have Powers of Attorney in place if you cannot act for yourself?
- If you have surplus cash, can you find a higher interest account?

By considering these questions you may reduce three potential risks:

- The risk of being underinsured.
- The risk of your wealth being transferred against your wishes.
- The risk of lost investment opportunity.

Before moving onto the next step and diving into the detail, take a breath. It is more important to progress when you are ready than as quickly as possible.



Diving into the detail

Understand your cashflow

Your income may come from a range of sources, some old and some new. The following table provides a list of things to consider about your income sources.

Type of income	Consider
Salary	Do you wish to increase or decrease your working hours? What is the potential impact on your income?
Investment income (dividends, interest)	Confirm your financial institution has the correct Tax File Number and bank account (direct credit) details. These will have changed if assets have been transferred to you.
Rental income	Confirm the tenant or real estate agent has the correct bank account (direct credit) details and that leases are updated to reflect the new owner.
Government benefits	Has your eligibility for government benefits changed? With more income, you may lose access to some benefits. Whereas, if you are newly single, your eligibility may also have changed. Check with Centrelink to ensure that you don't accrue any overpayment debt.
Superannuation	If you receive a pension, check you are receiving the correct amount. Adjustments may be required to meet minimum requirements.

Your expenses are an important part of your overall wealth. It is easy in a time of change to let normal spending patterns expand or to forget that your new circumstances may mean you need to spend less on certain things. It's also important to ensure that you retain access to your accounts.

Type of expense	Consider
Private health insurance	Check your eligibility for government rebates. Review your cover for suitability to your new circumstances.
Credit cards	Confirm credit cards (and debit cards) remain accessible and are listed in your name.

Does your income meet your expenses?

This is an important question and should not be ignored. At this time, many things are moving, and it is easy to lose sight of what is what and how much. No doubt, there have been new and one-off expenses to settle things in the right place.

But, if your average income is not meeting your average expenses, then this must be **addressed urgently**. An adviser can help work through this process and can suggest solutions to either generate income or reduce expenses, as well as develop a savings plan to keep your wealth growing and goals on track.

Having the ability to save regularly is critical to your long-term wealth, so this should be one of your priorities.

Understand your assets

To determine the suitability of your assets to your situation, there are a few questions to ask yourself. They should be considered in two categories:

Lifestyle Assets	Consider
Your home, holiday home Cars, boats and caravans Collectibles, artworks and jewellery	How much does it cost to maintain your lifestyle assets each year? Consider property rates, vehicle registrations, land taxes and insurance. Do these assets still support the lifestyle you wish to have? Consider how much you use them against the cost of maintaining them.

Investment Assets	Consider
Bank accounts	What would you need in an emergency? This might include unexpected medical expenses, urgent travel, repairs/replacement of your home or car or assisting family members.
Property that is rented	Is the property managed by an agent? If you haven't managed tenants before, an agent can provide you with expertise and guidance. Is the rent reasonable? Does it cover costs? Check that the rent being received is in line with the market and is covering the costs of holding the property – including council rates and land tax. Do you have a capital works fund? If the property is likely to need repairs, you should consider putting aside some money so that it is available when needed.
Ownership of a business	Do you want to be involved in the business? You must ensure that you are across the profitability and sustainability of the business or you may consider selling.
Shares Managed funds	They come in all shapes and sizes which is why most people will benefit from a specialist investment advisor to guide them. Things to consider include: – *Liquidity*: how easy is it to buy and sell the assets, and are you ok with these timeframes? – *Transparency:* how easy it is to see the underlying investments being made, and are you comfortable with this level of knowledge? – *Income and growth expectations*: how much income do the investments generate, and does this meet your requirement? Some investments will generate more income while others will be focused on capital growth. Each has a role at different stages in life. – *Ease of management:* How much time do you wish to spend managing these investments, and can a professional adviser assist you?
Superannuation	What investment option are you invested in? If you have received money in superannuation, it is likely that it is invested according to the preferences of the previous owner. You should review the investment option with your adviser to ensure it meets your return needs and willingness to take on investment risk.

For all your investment assets you should also consider three key aspects:

1. Housekeeping – All investments are registered in the correct name, current address and with bank account details and tax information updated.

2. Tax – Do you understand the ongoing tax outcomes? Do you understand the different structures (eg. family trust, superfund) in which your assets are held?

A financial adviser, tax agent or accountant can assist you.

3. Risk and return – All investments carry some degree of risk, with the general rule being the higher the risk the higher the potential return. However, higher risk also means a higher likelihood that the investment will not perform as expected over a shorter time frame. Consequently, the higher the risk, the longer your expected timeframe of holding the investment should be.

   Understanding the relationships between risk and return is critical to being comfortable with your future wealth. You need to achieve your wealth goals, but you also need to be able to 'sleep at night'.

A financial adviser can work with you to determine the best investment portfolio for you.

> "The most difficult thing is the decision to act, the rest is merely tenacity."
>
> **Source:** Amelia Earhart

Five key risks to avoid

Understand first.	**Mistaking unfamiliarity with unsuitability.**	Decide second.
Be on the right side of tax obligations.	**Failure to properly understand your taxes and structures.**	It is stressful and can be costly to fix them later.
Assets at risk.	**Ignoring your current position.**	Missed opportunities.
You need income to live, too.	**Becoming asset rich and income poor.**	Be aware of the cost to maintain your assets.
Get a good understanding of your options.	**Locking into a strategy too early (because someone told you it was a great idea!)**	Healthy scepticism of unsolicited advice.

Setting up for the future

Set goals

Now you need to make some longer-term decisions – *but how?* There are many ways to look at these decisions, but the focus should always be the achievement of your goals and listening to your values.

To determine your goals, try one of these methods:

Focus	Buckets
Maintain What do you want to keep the same? (Is this possible?)	**Spend and Splurge** How much do you need to spend? How much do you want to splurge?
Change What do you want to change? (Is this possible?)	**Save and Grow** What can you save, and how much do you need it to grow?
Grow What needs to grow? How comfortable do you feel in growing it?	**Give and Help** What do you want to give to philanthropy, family or others?

Maintain options

Keeping your options open via a flexible wealth strategy is important when you have recently experienced a significant change. Your values, goals and objectives are likely to move as time progresses.

How would you behave if you didn't know with certainty what happens next? This isn't necessarily having a lack of confidence but understanding that you don't know what you don't know. Then, ensuring you give yourself options.

Hopefully, you aren't quite in a crisis, but there is much to be said for the similarities between crisis management and manoeuvring through an unexpected personal change.

- Reconfirm your goals.
- View this as an opportunity to rebuild or renovate your life.
- Gather a sound understanding of your circumstances.
- Map out the risks to maximise outcomes.
- Chart a course of action.
- Plan mini projects, one at a time.
- Focus on the things you can control.
- Appoint advisers where you need expertise. Delegate intelligently.

All good financial plans include a time for review and reflection.

Seeking advisers

There may be existing legal, accounting and wealth advisers in place.

Don't rush to discard them. Do make a critical analysis if they are going to meet your personal needs with regards to expertise, education, trust, cost and, most importantly, a quality relationship.

If they aren't taking the time to explain things to you in a way you understand – you are not the problem, they are.

If you decide to seek a new adviser, don't be afraid to ask for referrals from existing advisers, friends and family. Meet a few different advisers as each will have a different style and way of providing advice.

A good advisor should challenge your thinking, with the aim of helping you to make good decisions that are thoughtful, deliberate and consistent with your wealth values.

Victoria Lindores
Adviser & Partner, Koda Capital

Victoria delivers investment portfolio advice and strategic financial planning advice to a wide range of clients with an anti-jargon and no fuss approach. Focusing on a pragmatic approach to allow clients to make informed decisions about their future, she works hard to make complex financial decisions accessible for those that need it to be. Victoria always tries to bring joy and real life to all stages of the process.

With an extensive knowledge in responsible and ethical investments, Victoria promotes the power of capital to do good.

Victoria holds a Bachelor of Commerce from University of Melbourne, Graduate Certificate in Entrepreneurship and Innovation from Swinburne University and is a Certified Financial Planner. Victoria is also an adviser member of the Responsible Investment Association of Australasia (RIAA).

m: +61 413 386 165

e: victoria.lindores@kodacapital.com