

Building a Life on My Own

CLIENT CASE STUDY | RECENTLY DIVORCED

PROFILE

After 25 years of marriage, Mark and Martha divorced. Their two children were grown, one recently married and the other in his second year of college. Throughout their marriage, Martha and Mark relied on Mark's income from his CPA accounting business. Mark also handled the family's finances.

CONTEXT

Martha never expected to be on her own, particularly after having been married for so many years; she reported feeling drained by the decision to divorce. When she received a sizeable settlement that included the family home, Martha knew she would need a financial advisor's expertise to help manage her assets.

GOALS

With a mortgage, one child still in college and no employment prospects, Martha realized that her divorce settlement represented her sole source of income and support. Wishing to maintain her current lifestyle, she was determined to have a clear understanding about investments and her finances. She also wanted a long term relationship with a financial advisor.

KNOWN ISSUES

Martha was scared. She felt alone, had no investment experience and faced college tuition and mortgage debt. She also knew she needed to make her lump sum settlement last for the rest of her life.

UNKNOWN ISSUES

Our financial planning process revealed that Martha's expenses were greater than her new income could support. Without readjustments, it seemed improbable that she would be able to maintain her current lifestyle and have assets sufficient for the many years she had ahead.

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CONSULTATION PROCESS

The Arbor Trust team met with Martha and her divorce attorney. We explained how we work with people in similar situations and listened to Martha talk about her goals, fears, family and expectations. She felt as though she had a big responsibility, both to herself and her children, to be financially secure and she was overwhelmed at the thought of facing that responsibility by herself. After the meeting, Martha decided to move forward with Arbor Trust. In a second meeting, we reviewed with Martha the terms of her final divorce agreement, discussed her goals in further detail and begin to gather additional information to prepare a financial plan.

ALTERNATIVES AND SOLUTION

In developing a financial plan, we discovered that Martha's expenses regularly exceeded the monthly income she received through the divorce agreement. Martha wished to use part of the settlement money to pay off her mortgage because she wished to be debt-free and wanted to feel secure that her house was her own. We designed a new monthly budget for Martha that introduced strategies to fulfill her wishes while reflecting her available resources. We explored with her the possibility of paying off the mortgage, ultimately recommending that, from both cash flow and tax perspectives, it was better to maintain the mortgage for the time being. With her, we monitored the budget throughout the first year of our relationship; when she felt ready, Martha assumed management of the budget herself.

EXECUTION AND RESULTS

Martha has successfully adjusted to her new life. Her son graduated from college and she is proud that she was able to afford his tuition and expenses on her own. We continue to meet with Martha at least twice a year to review her expenses and analyze the ongoing growth of her portfolio,

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BEYOND ADVICE

To learn more about how we strive to exceed your expectations by going beyond advice, we invite you to contact us.

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