
APPLICATION OF LOSS AVERSION AS IT RELATES TO DIVORCE:

Within the financial planning and investment industry a great deal of research has been done about investor behaviors and why investors many times sell in the emotion of fear. I have attached two columns from The New York Times. "Why We Make Bad Decisions" and "Overcoming an Aversion to Loss"

Much research has been done on making bad decisions when the stock market goes down, and research has also been used to consider why we make decisions that are bad. Is it a far cry, then, to consider the ability of your clients to make decisions that are perfectly logical about financial issues when faced with a divorce?

Consider an approaching divorce. What makes one party try to 'hide' or be less than honest about expenses or finances? How does fear play a part in the decisions a non-moneyed spouse needs to make when it comes to negotiation? If the parties are expecting at least the concept of a 50% loss of assets, lifestyle and financial security as they move into a divorce, how much psychology associated with loss aversion are they experiencing?

The comment I hear most often, whether from men or women, is "Am I going to be OK financially?" It is the fear of that answer being 'NO' that paralyzes and jeopardizes the ability to make decisions in negotiating.

Although there is no perfect divorce, after working through litigation, mediation and collaborative cases of all sizes I see the ability to share necessary financial information with both parties in a non-judgmental and compassionate way to be most effective for everyone involved.

Cindy S. Gleason, CFP® ChFC
Certified Divorce Financial Analyst®/Mediator
GLEASON RESOURCE GROUP
721 W. First Street, Suite B
Cedar Falls, IA 50613
(319) 234-0199