Publication: Saturday Citizen (Country Edition), Business

Date: Saturday, July 06, 2024

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How unpaid maintenance affects retirement investments

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Nobody gets married planning to divorce one day. Yet it is a reality of modern life. A divorce has a significant impact on the lives of the previously married couple, especially their finances.

One aspect not receiving much attention is the impact of maintenance payments.

Maintenance payments are crucial for supporting dependants. But what happens when these payments are neglected, leaving a significant debt?

In a landmark case, MO v RO and Another, the court ruled that retirement benefits can be used to settle outstanding maintenance payments. We explore the implications of this decision and its impact on the parties involved.

Maintenance obligations

Maintenance payments are court-ordered financial contributions made to a spouse or child after a separation or divorce.

They aim to ensure the dependant's well-being and maintain a standard of living comparable to when they were part of the same household.

Unfortunately, non-payment of maintenance is a prevalent issue. This can leave dependants in financial hardship and create significant stress.

The role of the case

Prior to this case, the legal landscape surrounding using retirement benefits for past-due maintenance lacked clarity.

Section 26(4) of the Maintenance Act focused on attaching pension funds for arrear maintenance, payments that are already overdue. But the court adopted a broader interpretation.

It acknowledged that while the Act's wording specifies arrears, the spirit of the law necessitates ensuring future maintenance for dependants. The court said the existence of the respondent's retirement annuity funds showed an ability to pay the arrear maintenance.

While there are no set criteria to determine if a maintenance defaulter is intentionally uncooperative, there are cases which provide guidance that an intentionally uncooperative defaulter is someone who persistently and wilfully fails to meet their maintenance obligation.

This innovative approach allows courts to order the withholding of retirement benefits to cover outstanding and future maintenance payments.

Implications for dependants

The case offers a crucial lifeline for dependants owed maintenance.

It empowers them to recoup past-due payments and potentially secure a more stable financial future through mandated contributions from the obligated party's retirement funds.

This decision fosters accountability and helps ensure dependants receive the financial support they are entitled to.

While the ruling prioritises the well-being of dependants, it raises concerns for those obligated to pay maintenance.

Having retirement savings diverted to past debts can significantly impact their financial security in their golden years.

This highlights the importance of fulfilling maintenance obligations promptly to avoid jeopardising their current financial stability and future retirement income.

Considerations and cautions

It's important to note that courts will not automatically resort to attaching retirement benefits. This is typically considered a last resort. Judges will analyse various factors including:

▶ **The severity of the arrears:** The amount of outstanding maintenance and the duration of non-payment play a significant role.

Smaller or more recent arrears may be addressed through other means;

▶ **Alternative avenues exhausted:** Courts will assess whether attempts have been made to collect the debt through other avenues such as wage garnishments or seizing assets; and

▶ **Proportionality:** Judges will consider the impact on the obligated party's future financial well-being and ensure the amount withheld from their retirement benefits is reasonable.

Seeking legal guidance

If you are facing issues related to receiving or paying maintenance, particularly concerning the potential involvement of retirement benefits, seeking legal guidance is crucial.

A lawyer can help you understand your rights and responsibilities, represent you in court if necessary, and navigate the legal complexities surrounding maintenance enforcement.

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