

# Rich and worried

Juliet Martin has \$3 million—so why is she going deeper and deeper into debt?

By Julie Cazzin

**J**uliet Martin, 54, is determined to take control of her life. Three years ago, after spending 23 years in a tumultuous marriage to Joel, a successful but irascible corporate lawyer, Juliet loaded up her station wagon with her clothes and a few photos of her sons, and sped away from their million-dollar mansion in North Toronto. “Joel and I had just spent four nights arguing about my so-called frivolous spending habits,” says Juliet, a lab technician and mother of Nigel, 23, and Sammy, 21. “It didn’t matter whether I spent \$10 or \$1,000. I got yelled at for hours when the bill arrived. That morning, I just broke. I knew I couldn’t live under the microscope any longer.”

The Martins (whose names we’ve changed for this story) eventually realized their marriage was over and sat down to strike a deal. Joel didn’t want any divorce lawyers involved and agreed to give Juliet \$2.1 million in stocks, plus nearly a million dollars in other assets, to settle his commitments to her.

As generous as that sounds, Juliet finds herself losing sleep as she confronts the tangle of her assets. She

would like to quit work next year, when she turns 55, but, despite her wealth, she’s not sure if she can afford retirement. “The financial settlement has turned into a nightmare for me,” says Juliet. “I know I’ll need income from my stock portfolio to live comfortably in the future, but I don’t know who I can trust to set my finances straight. My husband did all of that and he was very good at it.”

The one thing that has become clear to her is that the settlement isn’t as generous as it appeared when she agreed to the deal. For starters, there is more than a half-mil-

lion dollars owing on the stock portfolio she was handed. There may also be a substantial tax bill if she ever sells the stocks. “Downtown Toronto rent, university expenses for my two sons, debt repayment, epilepsy medication for Nigel, my oldest—it’s overwhelming,” says Juliet, who’s racked up \$99,000 in credit card debt as she struggles to keep up with expenses that her \$63,000 lab technician salary won’t cover.

How can a woman who’s absurdly rich by most standards be falling further and further into debt? Juliet admits part of the problem may be her own lack of experience with money. She knows she should be living well, but things don’t seem to be falling into place.

Her wealth is composed of three main assets. First is a \$631,000 RRSP, which Juliet doesn’t want to touch until she turns 69. She also has \$377,000 invested in various income trusts; they produce about \$24,000 a year in distributions for her. Finally, there’s her largest asset: her \$2.1-million stock portfolio. But there is a \$544,000 margin loan outstanding against those stocks, which worries Juliet no end. ▶



## FAMILY PROFILE

“Yes, \$2.1 million in stocks sounds like a lot of money,” says Juliet. “But once all the debt is paid off and taxes are taken into account, what am I really left with?”

Juliet has never had to worry about such questions before. She met Joel when both were students at Queen’s University in Kingston, Ont. After their wedding, she played faithful wife and mom as Joel built a stellar career. He earned \$300,000 or more a year, but grew more and more insulting toward Juliet and their sons. “He had no patience,” says Juliet. “If the kids ever complained about anything, he would yell at them, saying, ‘What have you got to complain about? You’re living in the lap of luxury.’”

In 2002, the problems came to a head. Juliet decided to leave her marriage behind. It took months to extract a settlement from Joel. “He didn’t want us to go through lawyers and certainly never gave me full disclosure on all our assets,” says Juliet. One day, after months of financial wrangling, Juliet caved in to his wishes. “We met over lunch and Joel said to me, ‘Why pay legal bills when we can come to a perfectly acceptable settlement between ourselves—something that’s good for both you and the kids?’ I was so emotionally drained by then that I signed the agreement.”

These days, Joel has a minor role in his family’s life, seeing the boys only a couple of times each year. So Juliet’s income is what she and the boys rely on to meet the family’s expenses. Even though her sons work part-time at minimum wage jobs to help out, the family’s combined income is nowhere near enough to cover all of their expenses. “I’ve spent several months putting lots of things on credit to make ends meet,” says Juliet.

Juliet realizes she shouldn’t be charging purchases to her credit card when she has several million dollars to her name, but she can’t figure out what else to do. Her biggest worry, ironically, is her biggest asset—her \$2.1-million stock portfolio, which Joel accumulated over 20 years. Made up of about \$1.8 million in

bank shares and about \$300,000 in other blue-chip stocks, the portfolio spins off nearly \$75,000 a year in dividends. But Juliet is using every penny of those dividends to pay down the debt owing on the portfolio. She hopes in seven or eight



years to have the debt completely paid off.

That still leaves her with a tax bill to face if she wants to cash in her portfolio. “I’m nervous about this,” says Juliet. “My husband’s last words to me were that I can never sell those stocks because after taxes, there will be nothing left. I’m not sure what ‘nothing’ really means. But I want to access that money because I know it’s crucial to my having a comfortable lifestyle. After all those years of living for someone else, I want to start living for me.”

### What the experts say

Juliet’s problems are not uncommon. Partners who aren’t used to managing money often find themselves overwhelmed after a divorce or death. Our experts say Juliet’s biggest problem is that she signed a private agreement with her husband without the advice of a lawyer. As a result, it’s not clear how much her apparent fortune is worth, because it’s not certain how much tax is owing on her stock portfolio or even who should pay those taxes.

Kelly Rodgers, who runs Rodgers Investment Consulting, a Toronto firm that helps rich clients find appropriate

investment counsel, says Juliet needs to get expert answers to three key questions:

**How much tax do I owe?** Juliet’s first visit should be to a tax accountant who can determine how much in capital gains tax is owing on her stock portfolio. The accountant will have to go through records dating back 20 years to find the prices at which Joel bought the stocks. If Juliet sells the stocks, the amount of tax payable will depend upon how much the stocks have gone up in price from the point at which they were purchased.

Lee Bernstein, a Toronto accountant, thinks the tax hit could be painful. “Knowing a bit about what bank stocks have done over the years, there’s probably \$1 million or more worth of capital gains there,” he says. “To do it properly with the least ▶

### FINANCIAL SUMMARY

#### Assets

Stock portfolio	\$2,169,953
RRSP	631,222
Income trusts	377,411
Chequing account	1,384
Savings account	273
Car (Mazda Protégé)	15,000
<b>TOTAL ASSETS</b>	<b>\$3,195,243</b>

#### Liabilities

Margin debt	\$544,033
Credit card and line of credit	99,545
<b>TOTAL LIABILITIES</b>	<b>\$643,578</b>

<b>Net Worth</b>	<b>\$2,551,665</b>
(total assets minus total liabilities)	

