Divorcing After 50

Make **Finances** Your Top Priority

Aviva Pinto, CDFA®

Divorce is a reality for a growing number of aging couples, a phenomenon commonly referred to as "gray divorce." According to a 2013 study at Bowling Green State University, the divorce rate among adults ages 50 and older doubled between 1990 and 2010. Now, one in four Americans getting divorced is 50 or older.

The study also found that the divorce rate is 2.5 times higher for those in remarriages compared to those in first marriages. Those in the Baby Boomer generation, people born between 1946 and 1964, were the first to divorce and remarry while they were young, and may experience even more divorce as they age.

Divorce After 50 Can Involve Significant Assets

Divorces among couples in this age group may have significant assets at stake. At the same time, it is not unusual for one spouse to have a lack of in-depth knowledge about the family's finances. In those circumstances, the non-moneyed spouse may not be aware of what a fair settlement should be.

Regardless of whether you handled financial decisions during marriage, it is critical to do whatever it takes to put emotion on hold when facing divorce. You will need to focus on your future and set financial goals, as these decisions will likely affect the rest of your life. Unfortunately, there is no "do-over" in divorce and you will need to focus on the money during this painful process.

Here are five steps to help to secure your financial future. If you are experiencing gray divorce, pay particular attention to securing retirement assets.

1

Do Not Overlook Financial and Estate Documents

It is critical to make sure you have updated beneficiaries on insurance policies, wills, IRAs, retirement accounts, and similar documents after a divorce settlement. Failure to make changes can result in an ex-spouse inheriting assets that you intended to go to children, a new spouse, or another designated heir. It is especially important to have a Qualified Domestic Relations Order (QDRO) in place.

A QDRO will detail how you and your spouse will split qualified retirement accounts such as 401(k) or pension accounts. QDROs should be filed before the divorce is officially finalized because it will need to be approved by the retirement plan sponsor.

2

Make Sure You Protect a Divorce Settlement with Insurance

Provisions in a divorce settlement such as child support, alimony, and college tuition are dependent on the ex-spouse's ability to continue paying. You can stipulate that your ex-spouse is required to carry disability and life insurance as part of your settlement, to guarantee payment will continue in the event your spouse dies or becomes disabled. Another option is to be designated as the beneficiary on your ex-spouse's retirement plan.

3

Don't Forget About Inflation

Inflation can have dramatic long-term effects on a settlement. For example, what costs $40,000 today will cost $47,640 in just four years. Be sure to work inflation into your settlement negotiations.

4

Remember You Could be Entitled to Social Security

If a couple was married for 10 years or longer prior to divorce, a non-working or lower-earning spouse is entitled to a portion of his or her spouse's Social Security benefits. These benefits do not impact the worker spouse's Social Security payments.

5

Plan for the Long Term

Planning for your divorce settlement should include a post-divorce financial plan that considers your long-term financial needs through retirement and beyond—especially when retirement is only a decade or so away.

Transitioning from one household to two will add expenses, while the total income supporting divorcing spouses may remain unchanged. You will need a realistic estimate of your financial resources to determine whether they match your long-term needs and expectations. After you and your spouse are divorced, it is important for you to embrace the financial plan that helped to shape your settlement.

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For some, post-divorce may be the first time they have managed their own money. An advisor can help execute a post-divorce financial plan and make adjustments as new circumstances and changes in assumptions require. In some cases, you may need to cut back on discretionary spending for entertainment or vacations, or move to a smaller home.

Working with a financial advisor who will help you define and set financial goals will give you the confidence you need to manage money and build a comfortable future for yourself in your new life.

About the Author

Aviva Pinto is a Certified Divorce Financial Analyst® and a Director of Bronfman E.L. Rothschild, a registered investment advisor. Based in New York, she has been in the investment business for more than 25 years. Aviva works with her divorcing clients to help them feel more secure about their financial future. For more information, visit www.belr.com.