



The Financial Impact of Divorce After 50

A failed marriage can be as hard on your wallet as it is on your heart

By John Waggoner, AARP, February 14, 2020
Interview Source - Robin Graine, JD, CDFA®



As if shingles and knee replacements weren't enough to worry about when you hit your 50s, divorce is yet another thing to fret over, and with good reason. For those 55 to 64 years old, the divorce rate has more than doubled, from five divorces per 1,000 marriages in 1990 to 12 per 1,000 in 2017, according to the National Center for Family and Marriage Research at Bowling Green University.

It's a worrisome trend. For all the emotional pain divorce causes, financial pain is a big part of calling it quits, too, particularly if you have decades' worth of accumulated assets and commingled accounts. If you're considering a late-life divorce, or if you're already in the middle of one, make sure you weigh all the financial ramifications.

Gray divorce: A big hit to your bottom line

There's no way to sugarcoat those ramifications. For starters, your wealth will drop by half, assuming you split everything equally. At the same time, your expenses will increase: separate residences and two sets of bills for everything from utilities to insurance. Researchers found the standard of living for women who divorce after 50 drops an average 45 percent; for men, it's 21 percent.

The problems continue into retirement. You'll have to split your [retirement funds](#), which can mean a considerable reduction in the amount of income you get when you start tapping your nest egg. Even worse, 48 percent of households headed by someone 55 and older lack any form of retirement savings, according to the latest estimates by the U.S. Government Accountability Office (GAO).

The older you are, the greater the impact divorce can have. "A 50-year-old divorcee is very different than a 65-year-old divorcee," says Robin Graine, a certified divorce financial analyst in Reston, Virginia. "I've had a few women clients quite recently who jump-started their careers at 50. They wouldn't have done that at 65."

Income and retirement savings aren't the only financial problems from divorce. If you have children, it's likely your divorce will reduce or eliminate any inheritance they receive — particularly if your ex-spouse remarries. "The new spouse is next in line, not the kids," Graine says.

In addition, the home you had planned to retire in will probably have to be sold and the proceeds split. And, because you've lost the person you had counted on to care for you in old age, you'll have to think about [long-term care insurance](#), which is costly, or count on your adult children for care.

Best to take the high road

Your first reaction to divorce may well be rage, and many former spouses probably do deserve the cobra pit. But it's best to rise above that. "In divorce, everyone is in pain, and when you're in pain you tend to do short-term decision making," says Megan Gorman, a tax attorney and the owner of Chequers Financial Management in San Francisco. "You have to be playing the long game."

If you have children, for example, how you treat your spouse in divorce could color your relationship with them for a long time. Generosity to your spouse can help you repair that relationship. And a contentious, drawn-out divorce will simply draw out the expense and pain. Mark Bass, a financial planner in Lubbock, Texas, recalls a divorce negotiation that went off the rails over a chain saw left in the couple's toolshed. Ultimately, their divorce cost tens of thousands of dollars more in legal fees. "A chain saw?" Bass asks rhetorically. "Let go of the emotions and let it go."

The gray divorce checklist

Unraveling a marriage can be far more onerous than getting married. Here's a list of things divorce experts recommend you have or do before you split.

- Get copies of your tax returns.
- Get account numbers and balances for all bank, retirement, college savings and other financial accounts, as well as details on insurance policies. If you suspect your spouse is hiding assets, you may need a lawyer or forensic accountant to make sure all the assets are on the table.
- If you have a brokerage account, get a list of the holdings. When you divide the assets, divide the holdings. If you liquidate everything and then divide the cash, you'll owe capital gains taxes. But if you divide up the holdings, you won't owe taxes until you sell them.
- Be open-minded about selling your home. You don't want to get the house without enough income to maintain it. Talk to a real estate agent about how much your house is worth, and how much money it will take to fix up the house enough to get a fair price. Make a plan for splitting the cost of repairs and paying the utility bills and mortgage until you sell.
- Check to see whose name is on the car titles.
- Check your credit report, and your spouse's.
- If you're eligible for alimony, decide whether you'd prefer regular alimony payments or a higher cut of the family assets. If you suspect your spouse won't be able to keep up with alimony payments, lean toward the higher share of assets. Remember that alimony is no longer deductible for the spouse paying it, and it's not taxable to the person receiving it. Child support payments aren't taxable, either.
- If you are going to get alimony, make sure your spouse has a life insurance policy with you listed as the beneficiary in the event he or she dies.
- Change the beneficiaries of any life insurance policies, as warranted.
- Change the beneficiaries of any of your financial accounts, as warranted.
- Change your will.
- Check to see what health insurance options are open to you, if it's not provided by work. You may be able to get coverage under COBRA, although it will be expensive. And you can go to [healthcare.gov](https://www.healthcare.gov) to see how much coverage under the Affordable Care Act will cost you.

Many couples can save considerable money and time by working with a divorce mediator, Bass says. Though you always hear about couples who spend years in court and rack up enormous attorney bills, many are able to settle their divorce with a mediator. "There are

thousands of people out there who want to make sure that everyone is as OK as possible,” says Graine. “It's something you just don't read about.”

Whether you use an attorney or a mediator, you'll need a team behind you, says Gorman, the tax attorney. “You'll need a [financial planner](#) or accountant to help you navigate long-term thinking about your finances,” she says. You'll need to map out your budget, your retirement plan, and how much you and your spouse will owe in taxes if you sell assets, such as your house.

Don't overlook [Social Security](#). “You and your spouse may split, but Uncle Sam won't abandon you,” says Caroline Rakness, a financial adviser at Beverly Drive Financial. If you were married 10 years or more, you still have the right to benefits from an ex-spouse, even if that person remarries, or if there is a previous ex-spouse.

If you have a 529 college savings plan, check to see who is the owner of the plan. You may need a court order, such as a divorce decree, to change ownership of a 529 plan. Get an agreement that the owner will not change the beneficiary of the 529 plan: You don't want the money you saved for your child's college to go to your ex-spouse's new stepchildren. “Don't let that slide,” warns Bass.

As miserable as you may be before the divorce, take as much time as you can to do long-term planning, and don't be afraid to ask for more time. “You can say, ‘OK, I get the divorce thing. Can we put it on hold while I get my master's degree and upgrade my work skills?’” Graine says.

If you relied on your spouse's health insurance, you'll also need to investigate your options. “One of my clients was a disabled woman, and she was worried if her alimony would affect her ability to get disability,” Graine says. She sat down with her CPA and an elder law attorney who assured her that Social Security doesn't view alimony as income. It was an enormous relief to her.

The least expensive option is to come to some kind of separate peace with your spouse without divorcing. But peace of mind is priceless, especially if your spouse is abusive. And, once you get past the emotional pain and adjust your finances, you may find that your new freedom is priceless, too.