



Gray divorce and retirement

By [Cindy Turkington](#)

Published: Aug 12, 2016 4:50 p.m. ET

As a financial planner who works with a lot of divorce clients over the age of 50, the initial conversations I have with prospective clients are always interesting, unique and, at times, shocking. Typically, during this first conversation, I end up learning a great deal about the person and what's driving their need to seek professional help with their finances before, during or after a divorce. It also becomes apparent that, in many cases, the client doesn't know what to do and is in need of direction because they are in uncharted territory.

The situations I've encountered in working with clients who are going through the divorce process are varied and range from helping them gather and understand their financial information to providing guidance and support when they are dealing with an unreasonable spouse who either doesn't understand how to equitably divide assets or who wants to try and take advantage of their lack of financial knowledge. Some clients want to try and keep the family cabin in the family while others need help in determining whether or not they should keep the family home.

The most common wish I see from people who are divorcing is that they want to know where they stand financially going forward and to feel hopeful about what the future holds for them.

If you are over the age of 50 and starting the journey through the divorce process, it's essential to educate yourself and get organized. Here's a collection of some of the most commonly asked questions people have about divorce.

Question: I am in the process of getting divorced and I don't know where to start. What should I do?

Answer: The first thing you need to do is to get a notebook and folder to help you stay organized. The notebook should be used to take notes for all of the meetings you have with your attorney, financial professionals and anyone else you may meet with or speak to during and after the divorce process. There will be a lot of information that you will hear and learn throughout the process that likely will be unfamiliar to you so it would be a good idea to write down whatever you can in the notebook. That way you can look back at your notes to recall information rather than trying to rely on your memory during what can be an extremely stressful and emotional time in your life when you may not be feeling your best.

The folder should be used to hold all of the documents and papers you gather and receive regarding your divorce. An accordion folder works well because you can label the tabs to organize your papers and it's a good size to bring with you to your meetings.

After you are organized and ready to move forward, you should start to work on finding statements for all of your (and your spouse's) financial accounts, income tax returns, pension statements, retirement accounts, pay stubs, insurance statements, health insurance info, mortgage documents, credit card statements, list of debts or loans, etc. You should collect everything that has a bearing on your financial situation.

Next, you should start working on a detailed budget that lists all of your monthly expenses. This is an extremely important task that needs to be completed as accurately as possible. Your budget will also be helpful so you know what your expenses are post-divorce and how much you are able to spend each month.

Having a detailed account of your documented monthly expenses is also important to have in the event you are looking to receive spousal maintenance. If you have never done any budgeting before, this is oftentimes the most dreaded but one of the most important tasks you will be asked to complete, so try to stay focused and keep going even when you want to give up.

Next, you will need to put together a list of all of the assets you and your spouse own. You need to list when you acquired each asset, the approximate value, and whether or not there is a loan balance on the item. Assets listed could be your home, vehicles, boats, recreational vehicles, land, rental property, vacation home, jewelry, etc.

After you have gathered all of your financial information and completed your budget, you should think about your priorities and what's most important to you. What are you willing to fight for and what are you willing to let go?

These steps should provide a good start for you as you move through the divorce process.

Question: My husband thinks that we can divide our assets and figure things out ourselves and submit the paperwork to the court to avoid paying expensive legal fees. Should we do this?

Answer: Regardless of your situation, it's advisable to work with an attorney to make sure your assets are divided equitably and that everything is done properly to avoid long-term financial pitfalls. Dividing retirement accounts and pensions can be extremely complicated and should be done with the assistance of a legal professional to ensure that they are done correctly and equitably.

Sometimes a couple may think that the way they are dividing their assets is equitable, but without taking into account potential tax implications and other financial considerations, there could be unintended consequences as a result and could leave one party much worse off than the other.

Question: Will I lose my pension as a result of a divorce?

Answer: Pensions are considered a marital asset and the portion you earned during your marriage will be subject to division. You may be able to keep a larger portion or possibly all of your pension and have it offset with other assets.

Question: Should I take the cash and/or retirement accounts instead of a pension benefit?

Answer: There are a number of risk factors if you are considering taking cash or retirement account assets rather than a pension benefit. The first is if you choose to receive retirement account assets rather than having a guaranteed pension payment for the rest of your life, you bear all of the market and investment risk for the retirement account assets. If there were to be another sharp downturn in the stock market or if the investment returns in the account were not as expected, the outcome likely would not be the same as a guaranteed pension payment. Additionally, inflation is another factor that should be considered. You should look at whether or not the pension is periodically indexed for inflation and also understand that the net investment returns in the retirement account assets would be negatively impacted by higher inflation.

Another important risk factor to take into account is longevity. A pension value is calculated based on a person's average life expectancy. If you were to live 10 to 15 years beyond your life expectancy, the retirement plan account assets could be exhausted and are not likely to last as long as a guaranteed pension payment for your lifetime.

Question: Can I keep the family home?

Answer: The family home often carries a lot of sentimental value. There are many factors to analyze before you decide that you want to keep your home. One, you need to consider all of the expenses in keeping and maintaining it and whether or not it works for your budget after your divorce. Additionally, you should also look at what assets or financial accounts you are giving up to keep the house. If you only have the house and no other liquid financial accounts for retirement, it probably is not in your best interest to keep the home.

Question: I have been married for 40 years, but have been living separately for the last three years and am planning to retire next year. How does being married versus being divorced affect the choices I make when planning for retirement?

Answer: Here are some things you need to consider if you are planning to retire and are separated from your spouse. The first question that comes to mind when meeting people in this situation is are you planning to remain married and live separately indefinitely or are you planning to divorce?

If you or your spouse are to receive pension plan benefits at retirement, the choices you make regarding the pension benefit election are likely going to be different if you are married versus divorced. A monthly pension benefit is higher for the annuitant's life only option versus a benefit that includes a survivor benefit for a spouse. (Note: As mentioned in one of the questions above, pensions are a marital asset so any portion earned during your marriage is subject to division.)

Claiming your Social Security benefits may also be different depending on if you are married or divorced. Although the file and suspend claiming strategy was removed as an option for couples to maximize their combined benefits, there are still a number of options for couples to choose from when taking their Social Security benefits.

If you are still married but living separately, how are you filing your tax returns? If you are filing as married individuals filing separate returns, both of you are likely going to be in a higher income tax bracket versus filing as a married couple or single if you were to divorce. The higher tax rates kick in at lower income amounts for married individuals filing separate. Obviously, everyone's income and tax situation is unique, but in most cases the least favorable filing status is to file as married filing separate.

If you are living separately because you haven't gotten around to getting divorced, you also need to think about your estate planning and beneficiary designations. If something were to happen to you unexpectedly, do you want your spouse to inherit all of your assets? In some cases, the answer is yes, and for others it's a definite no.

It can get to be a bit tricky as to how you plan to share and spend your assets that were accumulated during your marriage in retirement if you are living separately but are still married. If one spouse has substantially more assets in their name or controls all of the finances, how does the other spouse get their fair share? Or, what if the spouse with the assets in their name spends all of the money without the other spouse's knowledge? These are questions you need to ask yourself if you are in this situation.

Question: I only worked for a few years until I had children and never returned to the workforce. Will I be eligible to receive Social Security benefits?

Answer: Your Social Security benefit is calculated based on your average indexed monthly earnings during the 35 years in which you earned the most. However, if you are divorced and were married for 10 years or longer, you are also eligible to receive benefits based on your ex-spouse's record. If you receive benefits based on your ex-spouse's benefits, your benefit is equal to half of your ex-spouse's benefit at your full retirement age.

If you are eligible to receive benefits based on your own record as well, your benefit amount will be the higher of the two benefits. The benefit you receive has no effect on your ex-spouse's benefit.

For more information regarding Social Security benefits, you can check out the Social Security Administration's website at www.ssa.gov.

A divorce will likely be the largest financial transaction that a person will experience during their lifetime. If you or someone you know is nearing retirement and planning to divorce, it's essential to make informed decisions because the choices you make will impact both your short-term and long-term financial future.

Along with hiring a good family law attorney, a Certified Divorce Financial Analyst (CDFA) can help you fully evaluate the long term effects of the decisions you make during the divorce process and provide valuable information on the financial issues related to divorce.

To find a Certified Divorce Financial Analyst in your area, visit www.institutedfa.com and click on the Find a CDFA button.

About the author: Cindy Turkington is a Certified Financial Planner™ Professional (CFP®), Certified Divorce Financial Analyst™ (CDFA™) and the owner of Fair Trust Financial LLC in North Oaks, Minnesota. Whether it's planning for retirement or working through the financial issues surrounding divorce, she enjoys helping people make smart, long-term choices with their money so they can achieve their goals.

Registered Representative, Securities offered through Cambridge Investment Research, Inc., a Broker/Dealer, Member FINRA/SIPC. Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Cambridge and Fair Trust Financial LLC are not affiliated. Cambridge does not provide legal or tax advice.

More from MarketWatch

- [Oil prices step back from 3-month highs](#)
- [How a gold miner turned a \\$1 million investment into \\$3 billion](#)
- [How Smartphone Batteries Catch on Fire](#)

MarketWatch

Copyright ©2016 MarketWatch, Inc. All rights reserved.

By using this site you agree to the [Terms of Service](#), [Privacy Policy](#), and [Cookie Policy](#).

Intraday Data provided by SIX Financial Information and subject to [terms of use](#). Historical and current end-of-day data provided by SIX Financial Information. Intraday data delayed per exchange requirements. S&P/Dow Jones Indices (SM) from Dow Jones & Company, Inc. All quotes are in local exchange time. Real time last sale data provided by NASDAQ. More information on [NASDAQ traded symbols](#) and their current financial status. Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. S&P/Dow Jones Indices (SM) from Dow Jones & Company, Inc. SEHK intraday data is provided by SIX Financial Information and is at least 60-minutes delayed. All quotes are in local exchange time.