

5 Steps to Take After a Late-Life Split

Divorce is uncomfortable to discuss. However, not talking about its financial implications can create far greater discomfort.

GOING THROUGH A SEPARATION CAN BE ONE OF THE MOST DIFFICULT EXPERIENCES FOR ANYONE AT ANY AGE. But more and more, it's how a growing number of retirement-age couples are beginning the next phase of life.

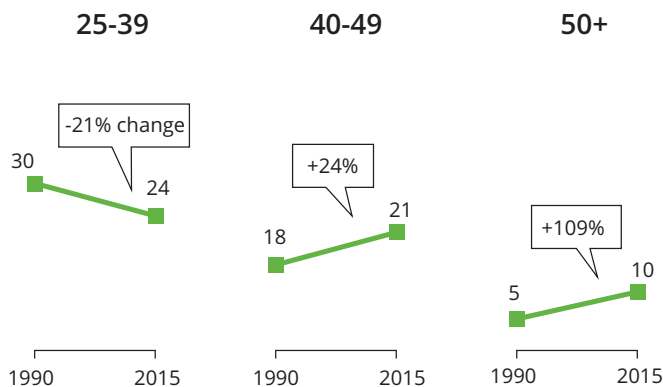
Facing this scenario? You're certainly not alone. While the overall divorce rate has been stable in recent years, it's doubled for those 50 and older since 1990 (FIGURE 1).¹ For those over 65, the rate nearly tripled, particularly for couples in second marriages.²

The potential causes of this so-called "gray divorce" vary. However, what matters most for those exiting marriage is what comes next. With one out of four breakups happening later in life now, divorce has become a growing obstacle in retirement for millions of Americans.³ Without careful planning, many may be on worse financial footing than their married or widowed peers.⁴



FIGURE 1
The Divorce Rate for Those Aged 50+ Has Doubled in the Past 25 Years

People who divorced per 1,000 married persons in given age group



Source: Pew Research Center, 2017. Most recent data available.

¹ "Led by Baby Boomers, Divorce Rates Climb for America's 50+ Population," Pew Research Center, 3/9/17 (most recent data available).

² "The Divorce Rate Is at a 40-Year Low, Unless You're 55 or Older," Wall Street Journal, 6/21/19

³ "Marital Biography, Social Security Receipt, and Poverty," Research on Aging, 12/16/16 (most recent data available).

⁴ "Gray Divorce Can Have Big Financial Impact," Chicago Tribune, 3/2/18 (most recent data available).

Key Points

- The divorce rate is steadily climbing for retirement-aged Americans.
- Being proactive with financial planning can be an important step in securing a new, independent life.
- Your financial professional can help keep you on the right path post-separation.

Client Conversations

Steps to a Brighter Financial Future

Take the following proactive actions to start your solo financial journey.

1. Make New Investment Decisions

One spouse may have assumed a majority of the financial decisions. If you actively handled things, be proactive and reach out to your financial professional to discuss. If you're the one who wasn't part of the conversations, talk with your financial professional to catch up on what you need to know now.

2. Create an Investment Plan for One

Most of the graying divorced have only a fraction of the assets of married peers. Develop a new strategy to help maintain your goals. Your financial professional is best equipped to evaluate and make adjustments.

3. Calculate New Expenses

Bottom line: The monthly expenses you're responsible for essentially just doubled. If you're planning to live on a fixed income, those extra expenses need to be factored into a new long-term plan. If you had stopped or planned to stop working, you might have to reevaluate.

4. Get Your Own Insurance

Your old policies included both spouses. It's time to secure your own individual insurance coverage—whether that be health, life, disability, homeowners, or automobile. Don't forget to review your beneficiaries, too. Your financial professional can be a great resource to help you determine your needs and refer you to an insurance professional, if necessary.

5. File Your Taxes Separately

Not yet divorced? You can file your last return as married filing separately. New divorce settlements made in 2020 will convey new tax implications as alimony income will no longer be taxed, and alimony payments won't be tax-deductible. Contact your tax professional to let them know your situation and to discover the best options.

The Rest of Your Life

The next phase of your life will certainly be different. Planning for this new future sooner rather than later can help ensure you stay on track despite impending changes.

In addition to a lawyer and tax professional, your financial professional can help you navigate through all the decisions. Together, you can work through all of the challenges ahead to turn this new start into the beginning of a better tomorrow.

Talk to your financial professional to help guide you through the important decisions that may follow a late-life split.

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