

DIVORCE

The Consequences of Gray Divorce

Divorce has financial consequences for everyone, no matter what your age. But for those 50 and up, there are some special circumstances that make divorce more complicated and potentially more costly.



Getty Images

Divorce rates overall are increasing but it is notable that the number of divorces for those over age 65 has tripled in the last 25 years.

The term “gray divorce” was coined by the AARP to describe adults 50 and up who are going through a separation. Rising gray divorce rates can be attributed to several factors: Being divorced is no longer stigmatized as it may have been in the past; people are living longer; family circumstances and relationship dynamics have changed; and people have different in lifestyle expectations.

Divorce is difficult for both parties, but unfortunately, gray divorces often have more difficult outcomes for women rather than men. Regardless of gender, divorce deals a financial blow to both spouses. For those over 50, it can be more difficult to rebuild financially because you don’t have several decades of work ahead. Likewise, if one spouse has been out of the workforce for many years to care for children, he or she may not have the same career progress or earning potential. Additionally, although you likely don’t have custody issues for minor children to consider in a gray divorce, your grown children may get involved and perhaps might even take one side or the other.

If you are going through a divorce at any age, you need to carefully consider the financial issues involved. But if you are experiencing a gray divorce, there are some issues that merit specific attention:

1. **Division of assets.** At this stage of life, it is likely that your financial situation is complicated. You should consider consulting a financial adviser, particularly one

with specialized divorce certifications, such as a Certified Divorce Financial Analyst® professional, to help you understand how the division of retirement assets works and to help you separate marital assets from non-marital assets.

2. **Social Security.** It is very important to know your options for drawing on your Social Security benefits. In many cases, it is more advantageous for one spouse to consider drawing off the higher earning spouse's benefits, but there are specific requirements to be able to do so.
3. **Health insurance.** If you are not yet 65, you will not qualify for Medicare and may have been covered under a spouse's employer-sponsored health insurance. If that is the case, you need to plan for the gap in years until you qualify for Medicare and understand how COBRA benefits, the cost of individual health coverage and the policy coverage limits apply to your personal health insurance needs. You may also consider whether you need long-term care insurance if you are single, as many married people assume their spouse would handle caregiving if needed.
4. **Estate planning.** After a divorce, you need to create an updated estate plan and draw up new documents to replace those that you had in place with your former spouse. It is important to make sure you have updated your beneficiaries and named those that should now have your powers of attorney for financial and health care matters. If you remarry, you will need to review and revise again to be sure your plans reflect your wishes at that time, as well.
5. **Tax considerations.** Alimony may be part of a gray divorce settlement, and the tax consequences for both the payor and the payee need to be understood. In general, the receiver of the alimony will owe income tax on the payment and there is no longer a tax deduction for the payor. Additionally, it is important to understand the tax implications of the assets that are being divided in settlement discussions. A home worth \$500,000 that has appreciated in value by \$100,000 has different tax treatment than an investment account worth \$500,000 with a \$100,000 capital gain. Again, a qualified financial adviser and tax professional are very helpful in understanding the tax treatment of your proposed asset split and future income tax expectations.

Divorce at any age can be devastating, but having a clear vision of what you want your next chapter in life to look like – along with a trusted financial adviser – will help you avoid mistakes that could lead to financial heartbreak. The good news is, the AARP survey that first identified the gray divorce phenomenon also noted that 76% of people who divorced late in life felt they had made the right choice for a fresh start.

This article was written by and presents the views of our contributing adviser, not the Kiplinger editorial staff. You can check adviser records with the SEC or with FINRA.

About The Author

Kara Duckworth, CFP®, CDFIA®

Kara Duckworth is the Managing Director of Client Experience at Mercer Advisors and also leads the company's InvestHERs program, focused on providing financial planning to serve the specific needs of women. She is a CERTIFIED FINANCIAL PLANNER and Certified Divorce Financial Analyst®. She is a frequent public speaker on financial planning topics and has been quoted in numerous industry publications.

Mercer Advisors Inc. is the parent company of Mercer Global Advisors Inc. and is not involved with investment services. Mercer Global Advisors Inc. ("Mercer Advisors") is registered as an investment advisor with the SEC. Content, research, tools and stock or option symbols are for educational and illustrative purposes only and do not imply a recommendation or solicitation to buy or sell a particular security or to engage in any particular investment strategy. Past performance may not be indicative of future results. All expressions of opinion reflect the judgment of the author as of the date of publication and are subject to change. Some of the research and ratings shown in this presentation come from third parties that are not affiliated with Mercer Advisors. The information is believed to be accurate, but is not guaranteed or warranted by Mercer Advisors.

Certified Financial Planner Board of Standards, Inc. (CFP Board) owns the CFP® certification mark, the CERTIFIED FINANCIAL PLANNER™ certification mark, and the CFP® certification mark (with plaque design) logo in the United States, which it authorizes use of by individuals who successfully complete CFP Board's initial and ongoing certification requirements.

Kiplinger

© 2021 The Kiplinger Washington Editors Inc.