Gray Divorce: Dealing with the Financial Ramifications of Ending a Marriage Later in Life

The assumption used to be that divorce happened mostly to couples in their 20s, 30s and 40s. No longer. Figures released recently by the Pew Research Center indicate that among U.S. adults 50 and older, the divorce rate roughly doubled in 15 years. In 2015, for every 1,000 married persons 50 and older, 10 divorced, up from five in 1990; among people 65 and older, the divorce rate roughly tripled between 1990 and 2015, to six people per 1,000 married individuals.

The increasing rate at which people 50 and older are ending their marriages has given rise to a new term: *gray divorce*.

Whatever the age (or the hair color) of the people involved, divorce presents a unique set of issues, emotional, psychological, logistical and, of course, financial. For couples who fall into the gray divorce category, “it brings a host of complications, financial and otherwise,” says Certified Financial Planner™ Lili A. Vasileff, president of Divorce and Money Matters, LLC, a firm based in Greenwich, CT.

Here’s a look at 10 serious complications that tend to arise for divorcing couples in their 50s, 60s and older, with suggestions from financial professionals on how to work through them.

Getting organized and up to speed on your finances. Among the first steps for both parties in the divorce process is to get — and maintain — a good handle on the process itself, and on the financial assets that will be in play during the process. “The first thing you need to do is to get a notebook and folder to help you stay organized,” says Cynthia L. Turkington, CFP®, who heads Fair Trust Financial in North Oaks, MN. “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.”

It’s not uncommon for one spouse to know much more about their household’s finances than the other. As Michael P. Black, CFP®, of Michael Phillips Black Wealth Management in Scottsdale, AZ, notes, “it's a whole new world” for pending divorcees who haven’t been involved much in their household finances, managing retirement assets and the like. With divorce looming, it’s incumbent on the less financially involved spouse to quickly get up to speed on those details.

Stretching resources when one household is divided into two. The increased expense of sustaining two households instead of one can be eye-opening. “It often leads to a lifestyle reduction, which adds to the emotional stress of just plain old divorce,” observes Certified Financial Planner™ Chris Chen of Insight Financial Strategists in Waltham, MA.

That added financial burden, as well as the documentation requirements of the actual divorce process, make it especially important to create a budget detailing your monthly expenses, according to Turkington. With a budget, you’ll “know what your expenses are post-divorce and how much you are able to spend each month.”

Documenting monthly expenses also is a must for people seeking spousal maintenance payments out of their divorce. “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,” advises Turkington.

Setting priorities. "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," Turkington explains. "What are you willing to fight for and what are you willing to let go?"

Figuring out what to do with the family home. As much as you and other family members may dislike the idea, "it's likely that the family home will need to be sold" as part of the divorce proceedings, says Certified Financial Planner™ Kristin C. Sullivan of Sullivan Financial Planning in Denver, CO.

Before opting to sell the family home, consider all the expenses it would take to keep and maintain the place yourself. Can it fit into your projected post-divorce budget? Also consider the assets or financial accounts you may be asked to give up in order to keep the house, Turkington advises. "If [once the divorce is final] 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."

Reassessing how you and your assets are positioned for retirement. Speaking of retirement, how will the assets you and/or your spouse set aside for later in life [in pensions, retirement accounts, etc.] be divided, and will your share be adequate to meet your needs when retirement arrives?

Sullivan suggests handling the asset split with extra care, paying close attention to potential tax ramifications. "Bring in an accountant or Certified Divorce Financial Analyst to help divide assets in a way that the IRS won't be getting a big payday from your divorce."

Navigating a generational sandwich. Handling situations in which the divorcing couple has been providing support and/or care to aging parents or adult children, or both, can be tricky, notes Vasileff. For example, what if one of the divorcing spouses had been caring for a parent-in-law? Will that person continue to provide care after the divorce is final, even though that person is not a blood relative of the care recipient, and the two no longer have a formal in-law relationship? Dilemmas like these need to be discussed and hopefully resolved in the context of divorce settlement talks.

Contemplating cash flow options in case support ends. Gray divorce may result in one spouse paying the other alimony, maintenance or some other form of support. But when the person providing support to his or her ex-spouse retires and stops earning an income, that support may end, too, Vasileff explains. Where, then, will the person who had been relying on that support turn to replace that cash flow? It's important to answer that question sooner rather than later, she says.

Handling health insurance. Covering healthcare and medical costs becomes a growing consideration for people as they age, largely because those expenses tend to increase with age. So it's vital with divorce looming for each person to ensure they'll have health insurance coverage once the divorce is final. Vasileff suggests enlisting an insurance agent to help price coverage, including what it would cost for COBRA, if prior to divorce you were covered by your spouse's policy. "If you're close to qualifying for Medicare, know what's out there so you can close that [coverage] gap until Medicare kicks in."

Managing Social Security benefits. The Social Security program's spousal benefits provisions are complex and full of variables that may come into play for divorcing couples. To maximize those benefits, urges Vasileff, familiarize yourself with rules that apply to claiming a spousal benefit, getting remarried and other key flex points of the program.

Making fresh financial and estate plans. As much chaos and upheaval as divorce can cause in a person's life, planning is a great way to restore order and gain clarity into how life might unfold once the marriage has been dissolved. "You will need to update your estate plan and look to put together a comprehensive financial plan," Vasileff says.

To find a Certified Financial Planner™ in your area who can devise a post-divorce plan on your behalf, search the Financial Planning Association's national database of personal finance experts at www.PlannerSearch.org.

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