

5 Tips for Surviving Grey Divorce in Retirement

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You were happy “once upon a time” and planned a future.... Now you’re 55 and getting a divorce. Or maybe you’re 60 or even in your 70’s and now part of a trend referred to as “Gray Divorce”, “Grey Divorce”, “Silver Splitters”, or even “Diamond Divorcees”.

We know from reports such as the “[Aging in the US Retirement Security Trends in Marriage and Work Patterns May Increase Economic Vulnerability for Some Retirees](#)” report to the Chairman, Special Committee, that divorce can worsen and create vulnerabilities for retirees. Additional research from [Bowling Green State University’s National Center for Family & Marriage Research](#), tells us that “Those who divorce earlier in adulthood have more time to recoup the financial losses divorce usually entails... “In contrast, those who divorce later have fewer years of working life remaining and may not be able to fully recover economically from a gray divorce.”. A late-life divorce can wreak havoc on even the most well-thought-out retirement plan. Consequently, divorce in retirement is a time when resources are diminished; household income has dropped, assets and cash-flow have been reduced, and spouses may find themselves vulnerable. This is a serious planning concern.

Financial planning was important for retirement before the divorce, and it can be even more important now if you are considering or going through a divorce. A planner specializing as a Certified Divorce Financial Analyst (CDFA) can help you make the most of your retirement and manage these considerations:

Expectations & Education

During this time, managing expectations and financial education are paramount as income is typically limited and there is less time to replace needed retirement savings. This may be the first time a spouse must balance a budget, pay expenses, or manage a large cash settlement. One or both spouses may need to consider working longer (delaying retirement), modifying living expenses, and discretionary spending. Many times, one spouse may be entering the workforce – either again after many years or even for the first time. Life will be different post-divorce, and the thought of this can be daunting and stressful and decisions tend to be made on emotions rather than facts. Ensure you have others in your life to help support you during this difficult time. Learn as much about your finances as possible and get educated on laws in your state. Consider [alternate divorce resolution models](#) such as Mediation, maybe join a support group or yoga, be “mindful” of emotions, and try to keep “healing” as a central theme as you weigh choices.

His/Hers/Theirs

One of the most important decisions made during the divorce process concerns the [identification and splitting of the assets](#). A few things to consider:

- Are you in an equitable distribution or a community property state, and what does that mean for you and your spouse?
- Which assets & debts are [separate, marital or community](#)?
- Are the assets liquid – do you have or will you need access to cash?
- Are asset division decisions being based on an “after-tax” basis so you are comparing apples to apples when determining what is equitable?

- Retirement splitting – Is a [QDRO](#) needed? A [DRO](#)? An [MRO](#)? If this is a divorce that involves a service member - Are you a [10/10/10 spouse](#)? A [20/20/20 spouse](#)? Do you need to file something with Defense Finance Accounting Service (DFAS) for the [survivor benefit program](#) or continued healthcare?
- Pension division involves many things to consider. Just a few include the availability of COLA benefits to the non-participant spouse, ensuring benefits for the surviving spouse if the employee spouse passes (before and after the employee spouse begins collecting benefits), ensuring proper pension valuation and agreement on parameters used. Does a pension “immediate offset” make more sense than receiving pension benefits?
- What social security benefits are you entitled to as a divorced spouse? A [divorced widow](#)? How is your social security benefit impacted by the [Windfall Elimination Provision \(WEP\)](#).
- Is your spouse agreeing to take over debt and can you still be held responsible for those debts if they don't pay? What happens if they file for bankruptcy?
- Are there things on the tax return like depreciation, long-term carryover losses, passive activity losses, or net operating loss from a business that need to be reviewed and negotiated? Or are you taking over the rental property as your primary home after the divorce?
- What changes will need to be made to Estate planning? Will, Trust, Power of Attorney, Healthcare Proxy, Healthcare Directive, asset retitling, account transfers, QDRO execution.
- How does credit law differ from divorce law? How does tax law differ from divorce law?

Settlement Process

Perhaps one of the best ways to handle financial expectations & fears is to use a data-driven approach to the divorce settlement process. While developing your settlement it is important to understand the short & long term effects on cash flow, taxes, and your net worth, 5, 10, 20+ years into the future, because what may seem fair or equal on the surface is not equitable many times when looked at from a longer range view.

Certified Divorce Financial Analysts incorporate retirement planning into the divorce process; focusing on cash flow, healthcare costs, taxes, real estate, & net worth. This kind of [Divorce Planning analysis](#), like retirement planning, allows spouses to negotiate and make adjustments in the decision of division of property & go into the settlement with a clear picture of their post-divorce financial future. It creates an opportunity to set the stage for fair negotiations, level set expectations, establish “post-divorce” life goals and create a plan that both spouses can take action within and live with.

Increase Cash flow

If reducing expenses & saving can improve the odds for retirement success, then not carrying a mortgage into retirement could help after a gray divorce when income sources are limited & healthcare costs are most likely higher. A reverse mortgage can be used as a strategy in gray divorce to assist in retirement planning.

Cash flow is usually a concern during and after divorce, as the resources earmarked to support one household are now supporting two, and filing single on taxes could reduce net income available for living expenses. A HECM reverse mortgage should be evaluated as a possible “tool” or option, for those homeowners over 62 (who have little to no mortgage obligation), as it can be used to generate cash to bridge a shortfall in a spending plan, allow the delay of claiming Social Security or help facilitate the purchase of a new home for one or both spouses. A reverse mortgage can even [protect](#)

[against sequence risk and declines in your portfolio](#) (if you are drawing from here, you don't need to sell in a down market to raise cash), [has benefits over HELOC](#), or could be used as part of [LTC planning to stretch retirement assets](#).

Flexibility

Other ways to manage this disruption, like in retirement planning, may include adjusting goals, expectations & time frames. This could look like working longer, delaying Social Security claiming, reducing expenses (for example: downsizing or moving), saving more or considering a [Single Premium Immediate Annuity](#) to create guaranteed income. See also "[Divorce Mistakes That Can Cost You](#)". With flexibility and a positive attitude this can be an opportunity to recreate the next chapter of your life.

Remember, no "one" plan or option makes sense for everyone, but having the right professionals to consult with can make a difference in your long-term financial outlook. Both the IDFA (Institute for Divorce Financial Analysts) <https://www.institutedfa.com/> and the ADFP (Association of Divorce Financial Planners) www.divorceandfinance.org/ can be resources for finding a [CDFA™](#) (Certified Divorce Financial Analyst) professional to support you during this time of transition. Consult a [Certified Financial Planner](#) for comprehensive advice on strategies that address your specific retirement planning needs; see www.CFP.net or www.oneconnect.net.

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