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# Nearing retirement and thinking about divorce? What to consider

Arielle O’Shea, NerdWallet 1:58 p.m. EDT October 15, 2016

(Photo: Thinkstock)

Half of the marriages in the U.S. do not, in fact, end in divorce.

Research has debunked that common perception. Over the past couple of decades, the divorce rate has been heading down, with one exception. Those over age 50 have seen their divorce rate double since 1990, according to the National Center for Family & Marriage Research at Bowling Green State University.

That age is a particularly inopportune time to split up because retirement has just started to feel within reach. Your assets are building up and you may be in your peak earning years. Divorce doesn’t doom that financial security, but it does threaten it.

If you’re headed down that road after 50, here are some ways to preserve your finances as you untie the knot.

**Review your situation**

It’s always useful to map out how your money travels in and out of your bank account, but that move is even more crucial during — and especially, before — a divorce.

“You really need to evaluate your sources of income and sources of expenses,” says **Lili Vasileff, a certified financial planner and president of Divorce and Money Matters, a financial planning company**. “Many times, individuals haven’t done it recently, haven’t done it at all or have a complete misperception of their own spending.”

Consider how that spending will change after you’re done untangling, down to the little details. Many expenses — including auto insurance — are lower when you are half of a married couple rather than when you are a single buyer.

**Seek new sources of income**

It's no secret that household income takes a hit after a divorce. According to a 2012 report by the Government Accountability Office, divorce or separation led to a 41 percent drop in income for women, much higher than the 23 percent decline for men.

Look at how much income you need going forward and, if you're short, how you can make up the gap. Downsizing is often the best option. You may want to keep the house for emotional reasons, but selling can make more sense in a divorce. Other ideas: Rent out an extra room or test out the gig economy by driving for Uber, walking dogs or running errands.

If you're closer to retirement age, you may have additional options. "You may have delayed applying for Social Security, but maybe you need to do so when you're divorced. Or maybe your investments are positioned for growth, and now they need to be positioned to generate yield," **Vasileff** says.

**Consider delaying the split**

This isn't an option for every situation, but if you're close to certain financial milestones, you may want to separate and push off the divorce until you meet them. Two big examples from **Vasileff:** Medicare eligibility at age 65, and the 10 years of marriage needed to be eligible for Social Security benefits on your ex-spouse's record.

Why does Medicare matter? If you'll lose coverage by dropping off your spouse's insurance, Medicare costs can be considerably cheaper than COBRA or a health plan from the Healthcare.gov marketplace or a state health exchange. You can find out when you're eligible for Medicare and estimate your premiums through Medicare.gov's calculator.

**Make the most of retirement benefits**

In community-property states, marital property — including retirement assets — is split equally. Other states require equitable distribution, which means fair but not necessarily equal. If you're allocated a portion of your spouse's 401(k) under a qualified domestic relations order, you typically can roll it into an IRA to preserve its tax-deferred status.

If your spouse has a pension, how he or she elects to take it could affect you, according to **Vasileff.** Taking the standard election means that when the pension owner dies during payout, the ex-spouse stops receiving a share. But with a QDRO, you may be able to receive a survivor's pension, typically equal to half of the benefits your ex-spouse was receiving. "That's valuable when you have a spouse who might be ill or older," says **Vasileff.**

Consider, too, the tax treatment of assets. For example, $100,000 in a 401(k) or traditional IRA is not equal to $100,000 in a brokerage account. The former was contributed pretax and will be taxed as ordinary income when you withdraw it in retirement. The tax burden from a brokerage account — on capital gains, interest and dividends — is generally much lower.

Finally, be sure to update beneficiary designations on all accounts and life insurance policies. You may have heard tales of the rich mogul who stopped updating his beneficiaries three wives ago. While you may not have his wealth, you will want every dollar you have to go to the right person.

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