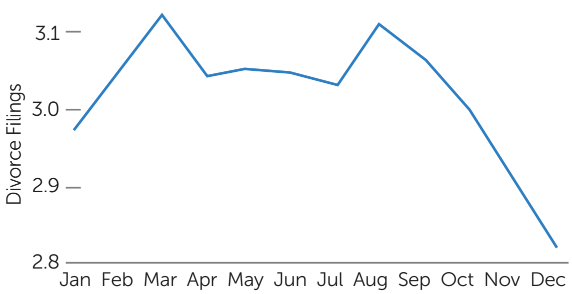
WOMEN & WEALTH

When Cupid's Arrow Misses: Contemplating Divorce

*While February is the month that plays host to Valentine's Day, it's also the month that sees a steady climb in filings for divorce **according to researchers at the University of Washington** who studied trends over a 14-year period and found consistent yearly patterns.*

As shown in the chart below, the jump in filings dramatically spikes during the post-holiday season. This could be due to people holding it together during times of family gatherings. Or, perhaps, more dramatically, heightened stress during times of too much family togetherness.



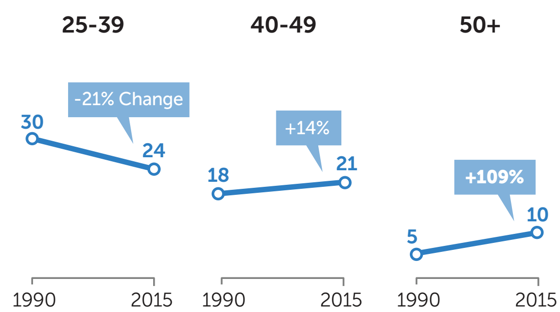
Source: University of Washington

For people in their 50s and 60s—or beyond—divorce can be especially complex. There may not be child-custody and support issues to attend to, but the financial effects on the adults can be even greater because there simply isn't time before retirement to regroup. Years of savings and planning intended for one household must now apply to two households.

This is, in fact, a growing challenge in the U.S. The divorce rate among older Americans, while still lower than younger couples, has more than doubled since 1990 when the boomers reached their 50s, *according to Pew Research.* The same study found that the divorce rate for those over 65 tripled during the same period.

The financial impacts of "gray divorce" can be especially harsh for women who may have forgone building a

Divorce rate for adults ages 50 and older has roughly doubled in the past 25 years



NOTE: Divorce rate is the number of persons who divorced per 1,000 married persons in the year prior to the survey among adults in that age group. Percent change calculated before rounding.

Source: Pew Research Center analysis of the 2015 American Community Survey (IPUMS) and 1990 Vital Statistics following the methodology in Brown and Lin's "The Gray Divorce Revolution: Rising Divorce Among Middle-Aged and Older Adults, 1990-2010."

career to focus on raising children. *A study* in the journal Research on Aging found that one-in-four gray divorced women live in poverty, while fewer than one-in-eight gray divorced men do. While some courts will award maintenance to the lower earning spouse, with the kids out of the house, there is no context for childcare payments; a traditional lever used by courts to recognize and compensate the person primarily responsible for raising children.

Following are three examples of challenges those undergoing gray divorces may face.

> **Health insurance.** Perhaps the biggest challenge in gray divorce is making sure both parties keep health insurance coverage in place if they were historically covered under one person's employer-provided plan.

In such a situation, divorce can trigger continuation of benefits for up to 36 months for the individual covered by their spouse's plan under COBRA. The amount of the monthly premium outlay is often an eye-opener for those who have grown used to an employer footing most of the bill. In fact, the costs can prove to be such a challenge that some older couples that are inclined to divorce undertake a legal separation instead, especially if the separation is amicable and one of the parties is experiencing health issues that might make it tough or extremely expensive to secure new coverage.

> **Retirement Accounts.** These are obviously important in any divorce, but the consequences of any misstep are amplified when they will soon represent the main sources of income for the two parties. It's vital to handle technical details properly to avoid taxable events. With the Employee Retirement Income Security Act of 1974 (ERISA) a qualified domestic relations order (QDRO) provides a court-order, mandating the transfer of assets from qualified tax-exempt retirement accounts from the participant to anyone other than the spouse. These orders instruct plan administrator how to divvy up assets in a participant's qualified retirement plan, including defined benefit plans, such as pension plans, and defined contribution plans, such as 401(k), 403(b), or employee stock ownership plans. Assets transfer to the recipient without incurring any early withdraw penalty fee (10%).

After a divorce is final, it's very important to remember to remove your ex-spouse as the beneficiary of your retirement accounts, as well as any other assets with a beneficiary designation, such as life insurance. Failure to do so could lead to a costly legal battle after your passing, and could even result in your ex-spouse receiving the proceeds.

> **Social Security.** The question of when to begin taking Social Security benefits is an important financial-planning decision for any retiree, but it's especially sensitive in cases of potential divorce. For example, if a woman begins collecting Social Security payments at age 62, while married and living primarily on her spouse's income. Then, in the case of a divorce shortly thereafter, the former wife is locked into lower monthly income. She would have done much better to have deferred that move until she reached her full retirement age (or even later), perhaps negotiating a slightly larger maintenance payment as part of her settlement for the interim three years.

If the relief of making it through the holidays has fueled a notion to begin the New Year by leaving an old and challenging marriage behind . . . Stop! At any age, divorce involves financial and contractual relationships that need to be understood and managed. Be sure to give your life's prospective future the professional attention it deserves. These are painful topics, but addressing them with professional assistance is likely to lead to better outcomes.

To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/ she is encouraged to consult with the professional advisor of his/her choosing. Calamos Wealth Management LLC is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. If you are a Calamos Wealth Management LLC client, please remember to contact Calamos Wealth Management LLC, in writing, if there are any changes in your personal/ financial situation or investment objectives for the purpose of reviewing/ evaluating/revising our previous recommendations and/or services. A copy of the Calamos Wealth Management LLC's current written disclosure statement discussing our advisory services and fees is available upon request.

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