



5 Pitfalls of Divorce

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Presented By



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The Current State of Divorce in the U.S.



How is the Divorce Rate Actually Calculated?



Crude Divorce Rate

The number of divorces per 1,000 people in a population.



Refined Divorce Rate

The number of divorces per 1,000 women.



Percent Ever Divorced.

The percentage of ever-divorced adults in a population.



Cohort Measure Rate

Educated projection based on a particular cohort relative to general life-tables.

Current Outlook



Cost of Divorce

Average: \$15,500

Litigated: \$19,600



Cost of Attorney

Average: \$12,800

Litigated: \$15,800



Time to Divorce

Average: 10.7 months

Litigated: 17.6 months



Attorney Fees

Average: \$250.00/hour

Determining Risk Factors



Age



Income



Marital History



Education



Smoking

Societal Influences

Social Media

- ✓ 20% increase in Facebook usage is correlated to a 2 to 4 % increase in divorce rates
- ✓ One third of divorce filings mention the word Facebook
- ✓ One in three divorces mention online affairs



Gray Divorce



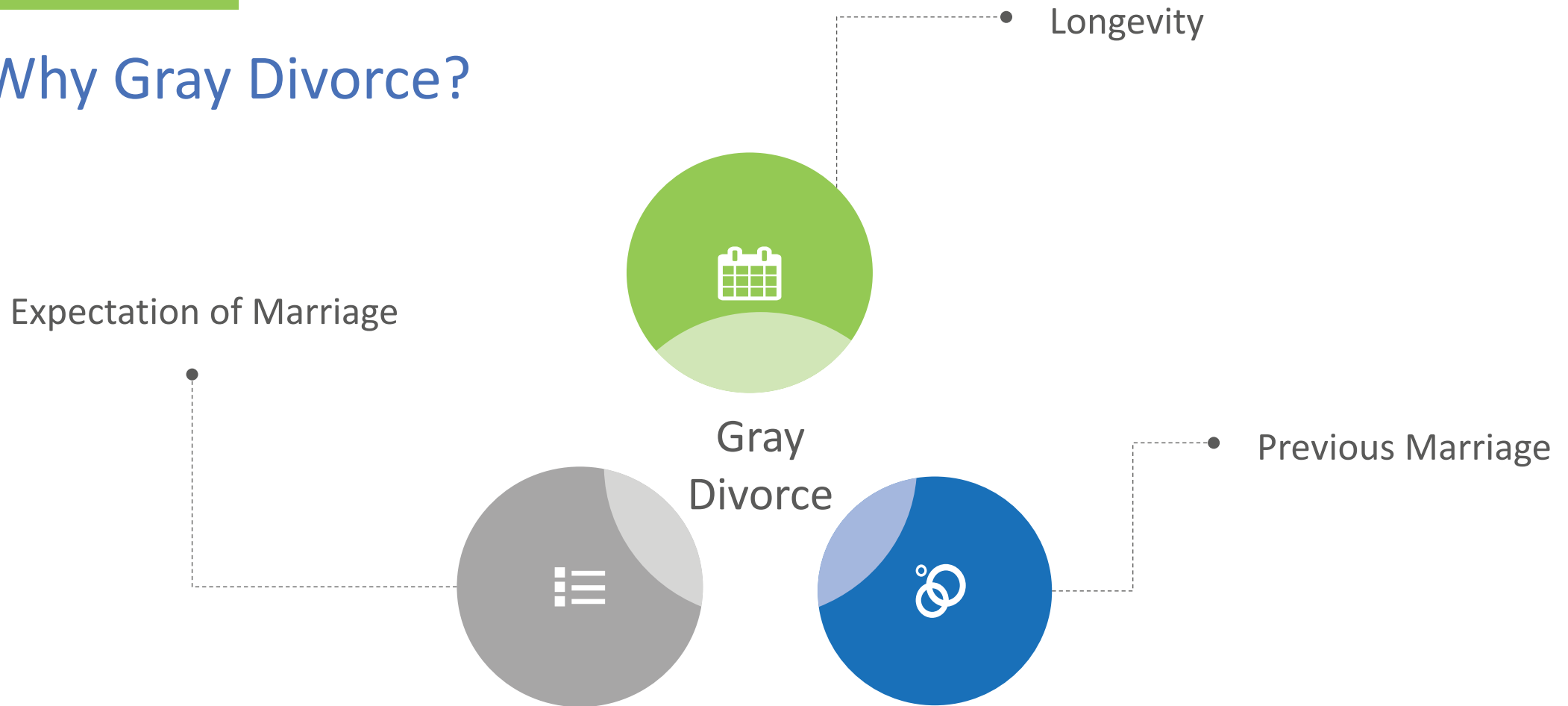
The Research

- ✓ Studies are showing an increase in divorce rates for those over 50 rather than the media reports divorce rates are flat to down.



GRAY DIVORCE

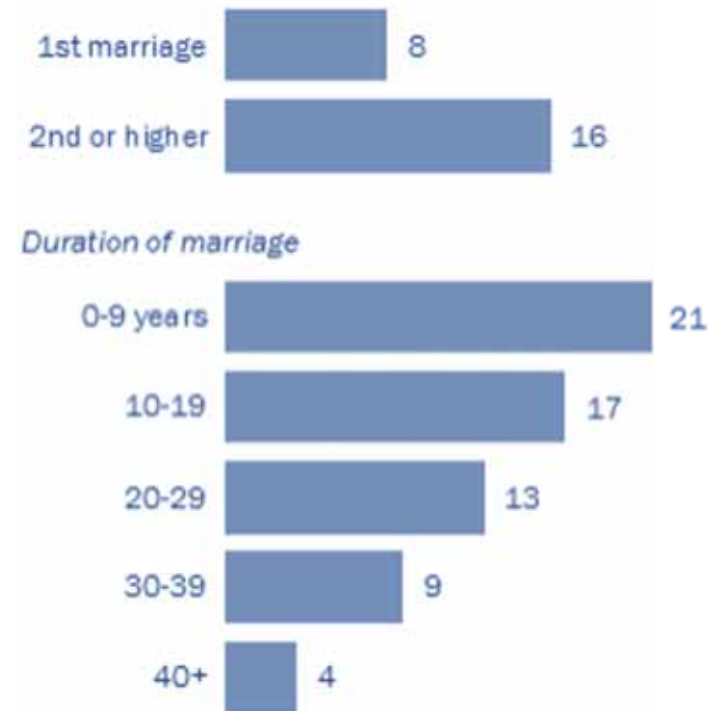
Why Gray Divorce?



Blame the Boomers

Gray divorce is more likely among those who have been married multiple times or for fewer years.

Source: Pew Research Center analysis of the 2015 American Community Survey (IPUMS)



Number of persons age 50 or older who divorced per 1,000 married persons in that age group, by number of marriages and duration of last marriage

Impact on Health

For people age 50 or older, whose divorce rates have doubled since 1990, divorce may be even harder on their health.

"What I see among older patients is that divorce can have myriad psychological and physical consequences, especially for those with already existing medical problems"

— *Dr. Andreea Seritan, Geriatric Psychiatrist and Professor of Clinical Psychiatry, University of California*

Impact on Health Cont.

A 2009 paper noted that recently separated or divorced adults have higher resting blood pressure. Last year, a German study found “divorce led to considerable weight gain over time, especially in men.”

According to one study, people who’ve gone through a gray divorce report higher levels of depression than those whose spouses died.

— Susan Brown, a Bowling Green State University sociology professor and co-director of the National Center for Family & Marriage Research

Impact on Income and Standard of Living

- ✓ Women experience a 45% drop in standard of living
- ✓ Men experience a 15% drop in standard of living

Impact on Income and Standard of Living Cont.

- ✓ Another 2017 study by Brown and colleagues found U.S. women 63 and older who went through a gray divorce have a poverty rate of 27% more than any other group at that age, including widows and nine times the rate of couples who stay married.

Millennial Divorce



The Stats



As of 2016, Millennials are the largest living generation. From a sheer statistics standpoint, Millennial divorce will at some point become an important part of advisors' work.



The median age at first marriage, which was once 20 for women and 23 for men in 1960, has crept up to 27 for women and 29 for men, according to U.S. Census data.

1. Division of Property



Marital Property

- ✓ Everything acquired during the marriage regardless of which spouse owns the property
- ✓ In some states property also includes the increase in value of separate property
- ✓ Can also include co-mingled separate property

PROPERTY

Separate Property



Property brought into the marriage



Property inherited



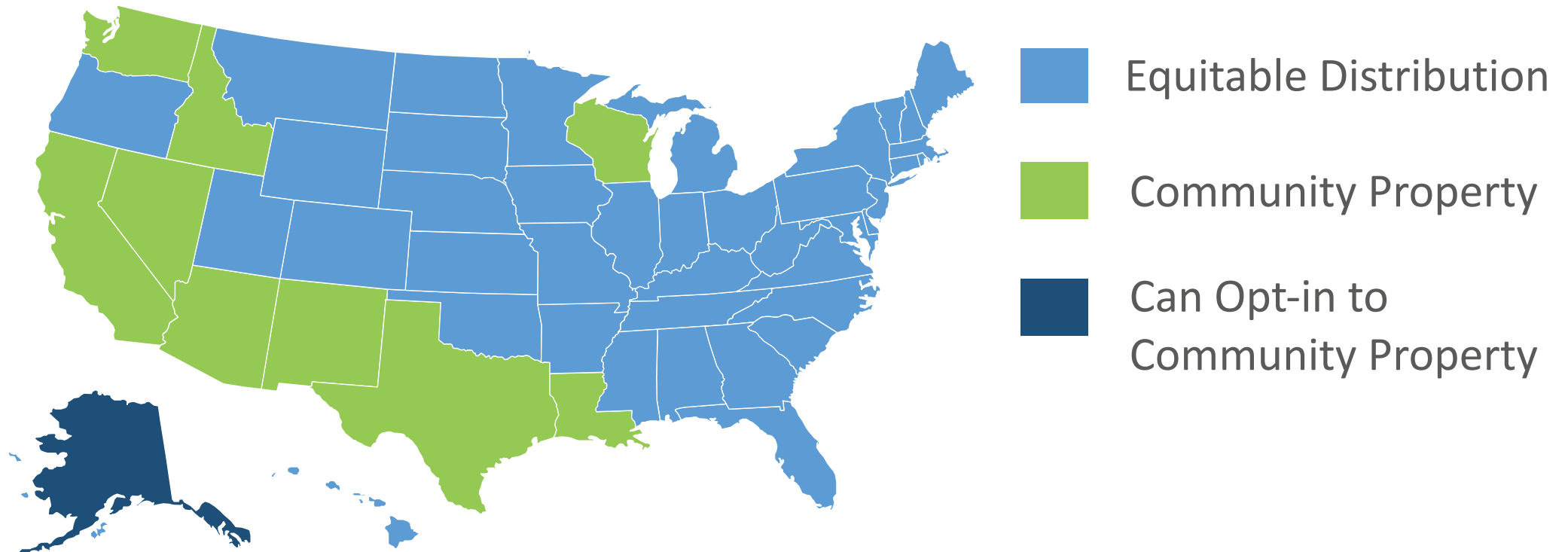
Gifts

50/50 Split is Not Always Equitable

- ✓ Cost basis of assets
- ✓ Debt and divorce
 - Third-party creditors (e.g., credit cards, mortgages)
 - Student loan debt
 - Property settlement notes

DIVORCE LAW OVERVIEW

Property Distribution by State



2. Marital Home





The Options

- 1 Sell and split the equity
- 2 Continue to jointly own
- 3 Buy out the other's interest



Considerations

-  Tax considerations on the sale of the home
-  Reverse Mortgage: Can be a valuable tool for gray divorce

3. Retirement Plans



How to Value Retirement Plans



Defined Contribution Plans

- Precise value
- Vesting schedules



Defined Benefits Plans

- Cash value
- Percentage of benefits
- Coverture fraction

Other Considerations

Special tax considerations for Qualified Plan withdrawals

- Section 72(t)2(c) distribution

Irrevocable elections

- How to offset in a settlement

Qualified Domestic Relation Order (QDRO)

- ❓ What is it used for?
- ❓ What can't it do?
- ❓ Who drafts it?
- ❓ What are the risks?

4. Insurance



Insurance Considerations



Unique COBRA provisions due to divorce



Guarantee child and spousal support payments with life and disability insurance

- When to apply/purchase
- Property title insurance

INSURANCE

Insurance Considerations Cont.



Tax free transfer of annuities



Long-term care insurance and the timing of the purchase of the policy

Visit ltc-cltc.com for more information

5. Post Divorce



Revocation Statutes and Case Law

Case Law

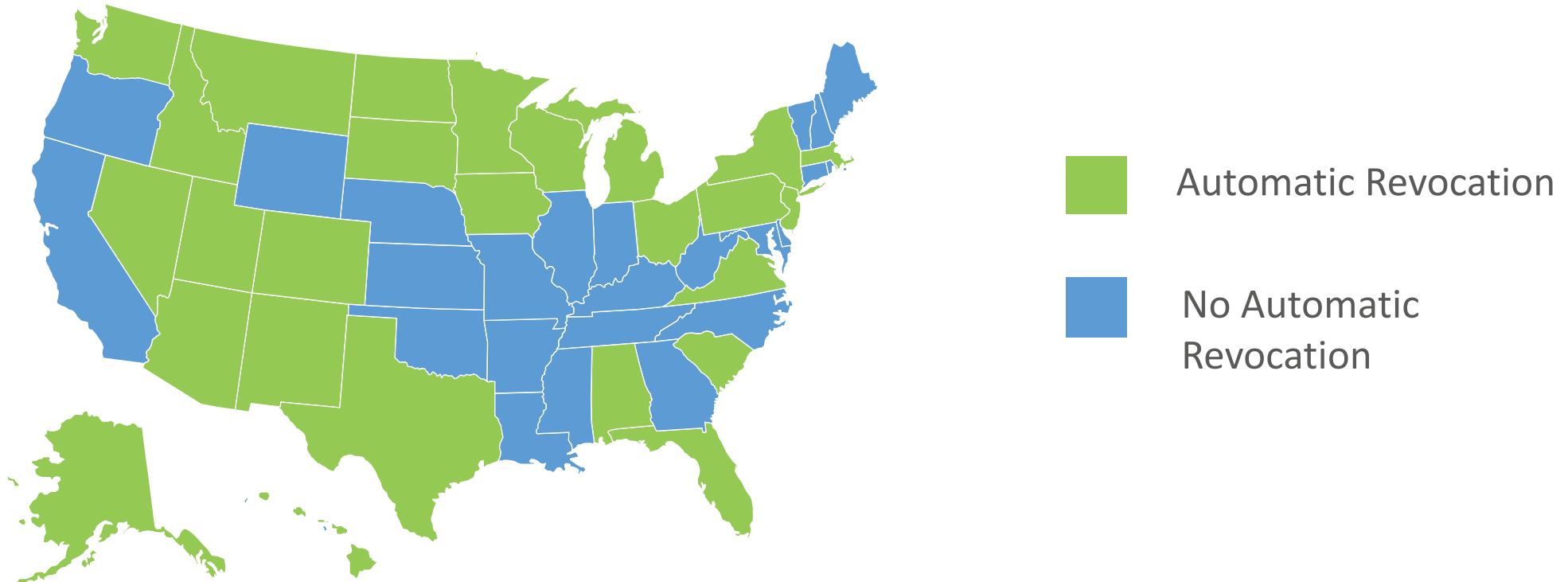
- ✓ *Egelhoff v. Egelhoff*
- ✓ *Sveen v. Melin*

Exceptions

- ✓ Decree dictates the designation
- ✓ Redesignate
- ✓ For the benefit of the children

Note: Automatic Revocation does not apply to ERISA or Federal Retirement Plans at this time, but is being taken back to the Supreme Court for clarification.

Beneficiary Designation and Automatic Revocation



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IDFA was founded in 1993 to provide specialized training to accounting, financial, and legal professionals in the field of pre-divorce financial planning. Over the years, we have certified more than 5,000 people as Certified Divorce Financial Analyst (CDFA) professionals in the United States and Canada.

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