

Financial Safeguards Needed as Senior Divorces Soar



By Philip Moeller | *U.S. News & World Report LP* – Fri, Jul 6, 2012 11:13 AM EDT

Sad to report, but divorces among older Americans are surging. That's saying something in a country that is already the world leader in divorces. And with baby boomers--already no strangers to divorce--entering middle age at a fast clip, the divorce trend may well become even more pronounced.

In their own recent research that included a review of earlier work, Susan L. Brown and I-Fen Lin at Bowling Green State University's National Center for Family & Marriage Research Center found that the divorce rate among Americans at least 50 years old had doubled between 1990 and 2009. The doubling trend held up among those over age 65 as well as among younger boomers, although the numbers of divorces is higher among the younger group.

People already divorced at least once and remarried are two-and-a-half times more likely to divorce again than first-time marrieds. Half of all divorces for people aged at least 50 involved remarriages, the researchers said, and they thus predicted the trend would accelerate.

Their paper did not attempt to find causes for the increase. It cited earlier research that found several related underlying trends: more older people, the cumulative impact of more divorces, greater social acceptance of divorce, rising female equality and financial independence, and baby boomers' convictions that it was proper to pursue more satisfying lives even if it meant leaving a partner.

Regardless of the causes of the increase in later-life breakups, financial advisers interviewed by *U.S. News* say they are seeing the trend among their clients. Linda Stirling, a financial adviser with RBC Wealth Management in La Jolla, Calif., went through a divorce herself earlier in life. "Having been through it, it's always something that's been on my mind," she says.

Jeffrey Sullivan, an adviser in Westchester County, N.Y., and partner with HighTower Advisors, says, "I've certainly experienced [growing divorce rates] in my practice ... Somehow, with baby boomers reaching a certain age and the kids being out of the house, it has seemed to spike."

Stirling says her advice to clients breaks down into three general areas: 1) Take steps to protect yourself financially; 2) Act with your head, not your heart; and 3) Be practical. Sullivan provided similar advice, including reviewing the types of asset distribution and other challenges faced by wealthier clients. Here's what they recommended:

Everything can change. Single life can be expensive. For most people, living expenses in their new household may be much higher than simply half the expenses of their marital household. You will need lots of new legal documents--wills, living directives, insurance policies, and the like. You also may need new sets of professional relationships--lawyer, accountant, insurance agent, and a host of less weighty but still important household vendors.

Get help. Make sure you have expert advice from someone who has your best interests in mind, has experience in divorce finance, and can be logical where you're emotional. "For someone in their 60s," Stirling notes, "generally speaking, there are some substantial assets there to be considered." Sullivan says using a mediation firm rather than two sets of attorneys can be much faster and cheaper, and may be a good strategy for relatively amicable divorces. Getting inside a courtroom should be the last resort. "You really don't want a stranger like a

judge to be deciding who gets what," he says.

Obtain and copy all documents. "The parties need to thoroughly examine all financial statements, make copies, and get those copies outside the house" in a safe storage location, Stirling says. "Credit reports are extremely important," she notes. "Many spouses are not aware of the amount of debt that's being carried" by the household and which they may be jointly responsible for repaying. "Ignorance is not bliss in a marriage," Stirling says.

Joint accounts. "We counsel that upon separation, you should immediately shut down that joint account and open up two individual accounts," Sullivan says. "Fund them with the liquid assets of the distribution [from the divorce] with the assumption that each spouse will get some funds."

Ownership and title of assets. "How are things titled?" Stirling asks. "Get your name off" credit and debt obligations if possible. "Part of being practical is not holding onto impractical possessions." Divorce is hard enough without being encumbered by unneeded possessions. "People need to disconnect all those tendrils that will affect them for a lifetime unless they sever them at the time of the divorce," she says.

Liquid assets. Sullivan recommends a pro-rata split of assets that are easy to value. After tax considerations are weighed, splitting asset accounts avoids the problem of trying to project future market performance on differing asset distributions. Each spouse faces the same risks.

Illiquid assets. Setting values on real estate and especially on ownership stakes in private businesses can be much harder. "The sustainability of an asset [such as an ongoing business] is very difficult in this environment," Stirling says. Sullivan notes that some clients put illiquid assets into trusts that can, over time, generate payment streams as agreed to in the divorce.

Future payments. If a spouse is entitled to a stream of future payments as part of the divorce, Stirling stresses the need to make sure there is life and disability insurance in force on the spouse responsible for making future payments. Social Security, pensions, annuities, and other delayed income streams also need to be evaluated in the same light.

Preventive steps. Thinking about ways to protect yourself in a divorce is not that unusual for people in long-running marriages and especially not for people who are getting remarried. If there are valuable assets that one spouse brings into the relationship, think carefully about maintaining clear title in that spouse's name so that distribution of that asset is not at issue in a divorce. In many marriages, Stirling notes, it's common for one spouse--usually the man--to take the lead in financial matters. However, not knowing about household financial details can put the other spouse at a serious disadvantage during a divorce. It can hurt even stable marriages as well, so it's important to make sure you are an equal financial partner in your marriage.

The Big Business of Divorce

By Brian A. Shactman, CNBC.com – Thu, Jul 5, 2012 5:16 PM EDT

Every year in the United States, there are one million divorces. In many respects, that's two million people beginning life anew. What's more, about 67 percent of second marriages end in divorce, and the percentage is even worse for third marriages.

The need for everything - from lawyers to therapists to movers - is astounding. As morbid as it may sound, in the business world, that would be considered a big market.



"If you think about the bridal industry, it's a \$2 billion industry," said Francine Baras, co-founder of Start Over Smart, an expo business that brings together services for the newly divorced. "No one has a number for the amount of money that is probably in the divorce industry."

"And not only is the market underserved, it has not actually been looked at as a niche." Until now. Businesses want to serve this consumer need, but do it without amplifying the label of "divorce", which still carries a heavily negative connotation.

"We see divorce as a huge business," said Start Over Smart's other co-founder Nicole Baras. "We went into the expo business to help people, give them the support that they need."

"What ended up coming out of that is 'wow', this is a really big industry, and it's going to grow." The need for a lawyer is relatively obvious. But this business opportunity is far-reaching, even connecting to the insurance industry.

"In 1960, when you look at adults, it's over 70 percent that were married," said Jane Conti, Vice President at New York Life. "If you look at 2010 statistics, it's less than 50 percent, so more of their business is working with individuals who are divorced or who are separated."

Estimates vary widely on how big the divorce business actually is. However, one thing is for sure: It's in the billions.

And the recovery from the 2009 stock market lows has actually given the market a boost. For one, the dynamic has returned to dividing assets, as opposed to dividing debts.

In the divorce economy, assets divided range from yachts...to mansions...to cash.

And the same is true on Wall Street.

"There are many Wall Street people who are now divorcing because their investment accounts have come back again," divorce lawyer David Mejias said. "Their bonuses are coming back. Their deferred compensation is coming back, and now they have assets they can split again."

10 Tips to Avoid a Costly Divorce

Divorce. Your world is falling apart emotionally and financially. Even if you saw it coming, you were unaware of the financial ramifications. Lawyers' fees vary widely, based on location and reputation. Circumstances — duration of the marriage, income and earning capacity — can all determine the outcome. What's more, laws vary widely from state to state, affecting alimony and child-care judgments. In some states — Florida, for example — alimony can be lifelong, if the marriage lasted at least 20 years. In



Texas, alimony is limited to three years and a maximum of \$5,000 a month, regardless of the length of the union.

With so much at stake, it's important to be prepared. Treat divorce "like a business deal," says Jeff Landers, a divorce financial strategist and founder of Bedrock Divorce Advisors. "It can easily be one of the most important in your life." Here are 10 tips from Landers for avoiding hardship during divorce.

By Jessica Naziri

1. Emergency Divorce Fund

Have a stash of cash saved. Divorce out, and if your spouse controls all the difficult to have the resources necessary see this on a daily basis, where many been out of the workforce for years and over all the assets," says Landers. "The financial squeeze might force you to that is totally lopsided in your husband's becomes impossible to pay for the divorce fees, but to live."



proceedings can drag family assets, it will be to hire a divorce team. "I affluent women have the husband has control end result is that this sign a divorce settlement favor. It not only

2. Get Organized

Having all your personal and financial information organized will save you time and money. Provide it rather than on multiple occasions to save billing start to feel in control. Landers says people tend to pensions, 401(k)s, IRAs, stock options, restricted compensation, life insurance, annuities, refunds, time shares, and executive perks. All of and should be considered during a divorce.



accounted for and to your lawyer all at once time. It will also help you forget assets such as stock, deferred professional licenses, tax these items have value

3. Get a Copy of Your Credit Report

Your financial future depends on a good credit rating. If you are concerned that your soon-to-be-ex-spouse might charge a last minute shopping spree or a rendezvous to Paris on your joint credit cards or dissipate other marital assets, it's important to immediately get a copy of your credit report and resolve any disputes as soon as possible. Even if your divorce settlement stipulates that your ex is responsible for payment of certain debts, if he or she does not pay them or declares bankruptcy, the creditors will come after you for payment.



4. Open Accounts in Your Name

Upon entering into your divorce proceeding, open new financial accounts in your name, "but don't use the bank where you have joint accounts," advises Landers. It's particularly important to have a credit card in your name to help establish your own credit profile. "Prepare yourself for the possibility that securing credit could be somewhat time-consuming and is likely to



require more than simply filling out an application or making a single phone call,” says Landers.

5. Update Important Documents

It’s important to make changes to your will, such as naming new primary and secondary beneficiaries. You should also revise other documents before divorce proceedings.



While most divorcees are cordial with one another, you don’t want your ex making medical decisions on your behalf. (You probably also don’t want your ex to inherit all of your assets should you die before your divorce is final!)

Landers says that once divorce proceedings have begun, “an Automatic Temporary Restraining Order [ATRO], may be in place to ensure that both parties’ assets and ownership interests stay the same until they have been divided pursuant to the final divorce decree.”

6. Open a Post Office Box

From the start of the process, you will need to correspond privately with financial institutions, your divorce team and others. Opening a post office box will ensure you receive confidential mail.



7. Hire a Private Investigator

While private investigators have long provided evidence of cheating spouses, social media such as Facebook and Twitter can be useful tools, if the reason for your breakup goes beyond mere incompatibility. Depending on the state, aggravating circumstances, such as adultery or marital neglect, may have an impact on alimony. In North Carolina, for example, if a supporting spouse has committed an act of illicit sexual behavior, the dependent spouse is entitled to alimony. On the other hand, in New Jersey, courts have rejected an alimony award based upon a spouse’s acts of adultery.



8. Set Up Children’s Education Funds



While most parents want to do what is best for their children, there is no legal obligation in most states to pay college tuition, unless ordered by the courts.

In general, child support payments stop when children reach the “age of emancipation,” which in most states is between ages 18 and 21.

But Landers says in the absence of a court order, the only way to secure funds

for college tuition is to include the obligation in the settlement. “You can have the funds put into an escrow or trust account to make sure they are available when needed, or get an up-front lump sum payment,” he says.

9. Hire a Comprehensive Legal Team

Laws are changing so rapidly that it’s even difficult for lawyers to keep up with everything that is going on. It’s important to take the time to carefully select a team representing the three main components of a divorce — legal, financial and emotional. During your research, find out ratings, fees, years in practice, practice breakdown and if there is any misconduct.

It’s important to look for a lawyer with “good bedside manners, who is compassionate, persistent and competent,” Landers says. “You not only want someone who devotes a majority of his practice to family law and divorce, but you also want someone you can get along with. After all, you will be divulging every intimate part of your life to this person.”



10. Try to Settle Out of Court

While it may be difficult to come to a fair agreement on your own, Landers suggest avoiding court at all put your fate in your own hands, what the judge is going to comes to hotly contested cases, an out-of-court settlement.



to a fair agreement on your own, Landers costs. “When you settle outside of court, you but when you go to court you don’t know decide,” says Landers. Moreover, when it trials can cost two or three times as much as