Retirement Estate Assets Protection Planning

7 Steps to Being Prepared to Be Single After Retirement

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The number of currently married women who will live alone at some point during their retirement years continues to grow at a steady pace, and many may find themselves unprepared to fly financially solo.

Late divorce is a growing reason for women being single in retirement. The overall U.S. divorce rate has steadily declined since 1990, while divorce rates among individuals 50 and older have doubled. For those 65 and older, it's tripled. Findings also show that more than 55% of late divorces involve couples who were married for more than 20 years.

No matter when it happens, becoming single is a stressful and emotional experience. It can also be a financial burden—especially during your retirement years. In many households, only one spouse handles the finances, retirement planning, investing and legal matters. If you are not that spouse and something happens, you may feel overwhelmed and confused about what steps you should be taking. Here are seven ways to better prepare, just in case.

1. Actively Manage and Plan Your Financial Future

Whether retirement planning and investing interest you or not, both you and your spouse should be active participants. When there are meetings with your financial planner or attorney, make sure you are present and involved in the discussions. While you may fully trust your spouse to handle your finances, you still need to know what's going on so if you are left alone, you can continue with those plans without feeling overwhelmed or confused.

Make sure you have a good understanding of your overall financial situation, including the amount and location of your assets, mortgage balance(s), credit card debt, student loans and auto loans. Read through all legal documents that may affect your finances and the disposition of assets if either of you were to die.

2. Calculate Your Potential Income and Expenses

Probably the most important part of contingent planning for your retirement years is figuring out how to live on just one income instead of two. For many women, their household income will decrease significantly after the end of their marriage, whether through death or divorce.

Planning for life if you survive your spouse is financially easier than contingencies for a late divorce. In a divorce, you are often dividing most of your assets, including your home, and then determining how best to live off of what is left. Meanwhile, a widow still has the use of most, if not all, of their combined assets and potential survivor pension benefits.

3. Determine Your Available Income

Making contingency plans give insight into your options and courses of action. A key piece of information is what income you will still have available to you in either situation. You can easily calculate your survivor income and social security benefits if you are widowed, but income for a potential divorcee it is more complicated. Start with what income sources you will have available to you in your name and determine what the best Social Security claiming options might be (see below).

Seek the help of a qualified financial planner or certified divorce financial analyst to determine how much income you can safely generate from your remaining retirement and other assets such as money in an IRA or 401(k).

4. Create a Mock Budget

Once you have a better idea of your potential income, compare that to your expenses. Create a mock budget and determine where you may need to make adjustments.

One way to make sure that you will still be able to meet monthly obligations if you are single in retirement is to have a plan in place to pay off large debts before retirement. If items that make up most of your monthly expenses are paid off, that will free up your budget each month and make it easier to pay for your groceries, medications and other recurring household expenses.

Don’t forget to consider your health insurance options and potential costs if you are not yet Medicare eligible. This can be a significant expense if you do not already have employer-provided coverage.

5. Review Your Social Security Claiming Options

Social Security offers several claiming strategies for former spouses, whether you are widowed, divorced or some combination thereof.

- **For a widow:** If your spouse worked long enough under Social Security, you might be eligible to receive reduced benefits as early as age 60. If you are disabled, benefits can begin as early as age 50. Visit the Social Security website for more information: www.socialsecurity.gov.
- **For a divorced spouse:** Social Security benefits are not assets that a divorce court can divide. In general, if your marriage lasted 10 years or more and you're 62 or older and have not remarried, you can collect retirement benefits on your former spouse's record, even after your divorce.
- **What if I remarry?** Usually you can't get widow's benefits if you remarry before age 60. But remarriage after age 60 (or age 50 if you're disabled) won't prevent you from getting benefit payments based on your former spouse's work. And at age 62 or older, you can get benefits on your new spouse's work, if those benefits would be higher.

6. Consider Your Health

Long-term care has always primarily been a women's issue. There are never as many men as women in assisted living facilities. Medicare does not cover many costs of long-term care, making it an expense that can completely derail your financial well-being in retirement.

Consider what the impact would be if you were suddenly faced with additional monthly expenses of $4,000 or more. How would that impact the ability of your assets and income to sustain those costs for any extended period?

Whether your goal is to protect your assets for your heirs or have some control over how and where you receive care, you may want to consider looking for long-term care insurance.

7. Have an Emergency Fund

No matter what age you are, you should have an emergency fund, but it is particularly important during your retirement years. Should something happen to your spouse, a strong cash cushion can give you the necessary time to sort through your finances and make important decisions without feeling pressured, which may lead to poor choices.

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