



Retirement Estate Assets Protection Planning

Why Women Should Rethink Their Finances After Divorce

While income inequality is a much more deeply seated cultural and societal issue, traditional gender roles play a big part of the problem, says Chris Chen, certified divorce financial analyst and CEO of Insight Financial Strategists in Waltham, Massachusetts. Specifically, the demands of caregiving, which tend to fall on women whether it's for children or aging parents, contribute to lowering lifetime earnings. Taking time away from the workforce to do the job of a caretaker means fewer hours at a paying job, which also leads to lower Social Security benefits or opportunities to save in general.

"With regard to women, the pay gap has been narrowing, but it's still there," Chen says.

And the impact of those traditional gender roles goes beyond the numbers. Women were often not in charge of their household's overall finances; money management was the husband's domain.

"Traditionally, women end up taking on a lot of the household duties, [which] might be paying the bills and doing some of those kinds of things," Mayer says. "But they never really handled the finances."

Thus divorcing your income-providing, money-managing spouse is bound to do damage to your bottom line – and force you to make a change. Taking an optimistic point of view, uncoupling presents you with an opportunity to step up your independence and flex your own financial power.

"The silver lining [to divorce] is that most women feel much more confident, much more in control of their finances after the divorce than before," says Natalie Colley, an analyst at financial planning firm Francis Financial in New York. "That's because they're finally the ones in control of their finances."

How can you get going on your fresh start? First, you need to do an inventory of your current financial situation, including your income, expenses and assets, as well as your financial goals and future plans. And remember, much of this will be all new post-divorce.

Going from a dual-income household in marriage to a single-income household is a big change. And if your spouse was the sole or primary breadwinner, you may need to step back or up in your career. Even if you get spousal and child support, you can't rely on it for the long term, and it's better to adjust to not having that extra income sooner rather than later. "Alimony and child support are not forever," Chen says. "You have to plan for when it ends: Continue advancing your career to progress from a lower-paying job, and make sure your expenses are lined up at the right level."

On the other side of the equation, your expenses are likely to eat up more of your income. "You're really supporting, in some ways, two households, so you feel like you're living on a lot less," Mayer says.

Looking forward, your dreams and goals are probably different now. For example, your vision of retirement might completely change from what you had been thinking with your spouse. And the path to getting there is certainly altered. "You always assumed there'd be two of you and maybe two 401(k)s and two IRAs, and that's now all changed," Mayer says. "So now it's really updating your picture as a whole, your long-term picture."

Of course, while starting over can be exciting and refreshing, it can also be daunting. Don't let that stop you from charging into making your new financial plan.

"The biggest mistake I see people make is they don't start the process immediately after divorce," Mayer says. "They wait five or 10 years – when child and spousal support stops – and then reality hits. Those first few years are really transitional years, and you have to tackle them head on."

The best way to overcome any fear you might have about taking the reins on your financial life is to get educated. Do all you can to better understand money matters in general and your own financial situation specifically. That might mean continuing to read articles like this, maybe taking free or low-cost classes on the subject or working with a financial professional. Whatever route you take, learning more about what you fear can help you realize you had nothing to fear at all.

"Once they feel they have a good handle on these things, women become much more confident and then much more aggressive in their portfolios," Colley says. "And they can lean into their financial lives even more."

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