

Prudential Advisors

# Planning for Retirement: The Impact of Divorce

**Amy Kelly, CFP®, CDFA®**

**Financial Planner**

Tuesday, November 9, 2021

# The Financial Challenges of Divorce

- Half of American households are at risk of not being able to maintain their pre-retirement standard of living after they stop working.
- This risk to retirement readiness is 7% worse for households where at least one person has been through a divorce.

Source: Munnell, Alicia, Wenliang Hou, and Geoff Sanzenbacher, Center for Retirement Research at Boston College, "How Does Divorce Effect Retirement Security?," June 2018.



# Key Financial Issues

- Dividing Assets
- Alimony
- Investments
- Home ownership
- Children and Taxes
- Social Security
- Financial Advice



## Divided Assets



*Not all assets have the same tax consequences*

# Alimony

*While spousal support is gender-neutral by law; **women receive 97%** of alimony payments in the U.S.*



# Investments



# Home Ownership

- Federal tax deductions for state and local taxes are capped at \$10,000 annually.



# Children and Taxes

**\$3,600 Tax Credit**

For each dependent child under the age of 6

**\$3,000 Tax Credit**

For each dependent child ages 6 - 17

**\$500 Tax Credit**

For each dependent child 17 or older

(A dependent child 17 or older could include a child in college).

# Private School Tuition for Grades K-12

529 plans: tax-advantaged accounts that can be used to cover educational expenses



# Social Security

- A divorced individual has the same rights to a spousal benefit as a married spouse, if married for at least 10 years and not currently remarried.
- Unlike a married spouse, a divorced individual is eligible for spousal benefit as soon as the former spouse reaches eligibility age, regardless of whether the former spouse has filed for benefits. The divorce must have occurred at least two years ago.
- Individuals who file for benefits prior to Full Retirement Age will be deemed to be filing for both worker and spousal benefits.

# Assemble a Support Team

- Financial professional
- Tax advisor and/or tax attorney
- Trust/estate attorney
- Divorce attorney

*Remember to update important documents and financial accounts like your will, power of attorney and beneficiary designations.*



# Summary

*With careful planning,  
you can reduce the  
negative impact of  
divorce on your finances  
and improve your chances  
of enjoying a financially  
secure retirement.*



# Planning for Retirement: The Impact of Divorce

**QUESTIONS**

The word "QUESTIONS" is written in large, bold, white, sans-serif capital letters. It is centered on a white background. Surrounding the text is a vibrant, multi-colored collage of question marks and geometric shapes. The question marks are in various colors including blue, orange, green, yellow, pink, and purple. The geometric shapes include circles, squares, and triangles in the same color palette. The overall effect is one of complexity and inquiry.

# Important Information

[Prudential Advisors is a brand name of The Prudential Insurance Company of America and its subsidiaries.] Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.

The speaker is a registered representative of Pruco Securities, LLC (Pruco), a Prudential Financial company.

Prudential Financial, its affiliates, and their financial professionals do not render tax or legal advice. Please consult with your tax and legal advisors regarding your personal circumstances.

This seminar is not intended to market or sell any specific products or services and is designed to provide general information about the subject matter covered.

