GRAY DIVORCE – CREATING A SAFE FINANCIAL PLACE TO LAND FOR BOTH PARTIES

By David Stubblefield, CFP®, CDFA™

Commerce Trust Company Senior Financial Planner David Stubblefield, CFP, CDFA, has routinely developed financial plans for clients in all stages of their lives, helping them sort through the various complexities along the way. Those complexities can get even more involved when divorced or divorcing clients are facing unique financial challenges. In these cases, David's designation as a Certified Financial Planner is enhanced by a supplemental professional charter, that of a Certified Divorce Financial Analyst. As such, he often blends both skill sets to help clients on the verge of a divorce plan for a new financial life. His focus is to help clients financially navigate from a one-household status to two in a way that makes sense for both parties after a long-term marriage ends.

Q. AT WHAT STAGE OF THE DIVORCE PROCESS DO CLIENTS COME TO YOU FOR HELP?

A. We see clients before, during and after a divorce, but ideally we prefer to talk with individuals before a court settlement is established. When we are engaged by a spouse for financial planning, we work with their attorney to help develop a long-term view of an eventual divorce settlement.

Q. WHAT DOES YOUR TYPICAL CLIENT LOOK LIKE DEMOGRAPHICALLY?

A. We generally have a senior client base, so we see spouses 55 and older who may have already resigned themselves to the fact that their marriages have run their course. Some have characterized this situation as a "gray divorce," and census data says this trend is a growing phenomena. Some expense estimates for a collaborative divorce are between $25,000 to $50,000. A litigated divorce may be $75,000 to $150,000. In extremely contentious situations, it can be way more and drag on for long periods of time.[1]

Q. SO, YOU ARE NOT INVOLVED AT ALL IN MEDIATING MARITAL DISPUTES, ONLY IN CHARTING A FINANCIAL COURSE FOR THE FUTURE?

A. Correct. Our concern is for the financial health of the separating parties going forward. However, I can say what we bring to the table helps reduce anxiety levels by establishing a plan to get back on your financial feet.

Q. CAN YOU GIVE US AN EXAMPLE OF HOW YOUR FINANCIAL PLANNING KNOWLEDGE APPLIES IN A DIVORCE?

A. Assets at stake in a divorce can typically include a home, retirement plans, investment accounts, life insurance policies, other property, and sometimes possessions that have personal value – even the family pet. Not all of these assets are created equal on a tax basis, and this has to be taken into account as to how this burden is allocated into the future. It comes down to the fact that the same income you had as a married couple to support one household now has to be allocated equitably between two households.

Q. WHAT ABOUT PENSION PLANS OR RETIREMENT ACCOUNTS?

A. There are some variables in the case of 401(k) or pension assets. For instance, if one spouse chose property over spousal maintenance, then a judge might not grant a 50-50 split on the 401(k) assets in the settlement. As a CDFA, I will point that out well in advance so parties can make an informed decision. Missouri and many of its surrounding states have "equitable distribution" laws. In case of divorce, the property will be divided between the spouses in a fair and equitable manner. Under the equitable distribution concept, the court is given a degree of discretion, based on the facts of the case, when dividing the assets in its final order.[2] So the principle in these states is not to "punish" either spouse for perceived shortcomings, but to make all parties financially whole to start again. Again, we see everything through our overall financial planning prism, solving for some acceptable level of financial independence for all.

Q. WHAT OTHER ISSUES AFFECT THE FINANCIAL PICTURE?

A. Let's start with just one. We have some instances where a stay-at-home spouse managing the household and children may now have to re-enter the work force. Did this spouse maintain their work skills outside the home? Is there a market for those skills? What will current and future compensation look like? The answers to these questions might help determine what spousal maintenance looks like going forward. Moreover, when a couple divorces, the need for insurance may still exist. If spousal or child support is being paid, the recipient may need to replace that income if the payor spouse dies or becomes incapacitated.[3] And there are certainly more considerations. After you've crossed all these bridges, you may discover your original retirement target date is now out a lot further than you expected. The domino effect for both parties should not be underestimated.

Q. WHAT CAN THOSE WHO ARE CONTEMPLATING A SEPARATION DO AFTER A LONG MARRIAGE IS NO LONGER SUSTAINABLE?

A. A conversation with a financial planner can at least prepare you for potential outcomes and the adjustments that will have to be made. It is clear the divorce rate among senior baby boomers has been rising in recent years. Some believe it is attributable to longer life spans where marriage partners say they have grown apart after adult children leave the household. A rational financial separation can help save both parties immense time and money as former spouses strive for an equitable financial foothold on the future.

1 EquitableMediation.com

2 Divorce in Missouri, Alan Freed and Alisse Camazine, page 168

3 The IDFA Divorce Survival Guide, page 52

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David is a financial planner with Commerce Trust Company. He is a member of the financial advisory services team, a dedicated financial planning practice within Commerce Trust that provides objective financial advice to clients. Following a thorough assessment of a client's unique situation and thoughts regarding wealth, David develops holistic and coordinated plans to help clients meet their short-term and long-term goals as well as take full advantage of various planning, tax, and investment strategies along the way. His areas of focus includes planning for financial independence, retirement, divorce, executive compensation, estate preservation, and business succession. David joined Commerce in 1995 and has held positions in private banking, credit analysis, commercial business development, and retail sales. David received his bachelor of science degree in business administration from Southeast Missouri State University. He holds both the CERTIFIED FINANCIAL PLANNER™ and Certified Divorce Financial Analyst™ designations. Additionally, David is a member of the Financial Planning Association and the Institute for Divorce Financial Analysts.

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