



# The Gray Divorce Phenomenon: AARP to Academia and the Financial Media In-Between - Justin Reckers



**The Gray Divorce “Phenomenon”**  
AARP to Academia and the Financial  
Media In-between.

Justin A. Reckers, CFP®, CDFA™  
Chief Executive Officer



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## Overview

- I. What makes a divorce a “Gray Divorce”?
- II. Why Now? After all these years?
- III. Common client concerns
- IV. Divorce Financial Planning Intricacies
- V. How can we serve the Gray Divorce Market

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**What makes a Divorce  
“Gray”?**



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## What Makes a Divorce “Gray”?

- Over 50 years old
- Divorce rates among adults age 50 and older doubled between 1990 and 2010
- Over 640,000 people over 50 years old got divorced in 2010
  - Equates to roughly 1 in 4 divorces in 2010 versus 1 in 10 in 1990.
  - “Assuming the divorce rate remains constant over the next two decades – a conservative assumption based on the recent trend – the number of persons over age 50 that would experience divorce in 2030 would rise by one-third to over 828,380”
- According to the National Center for Family and Marriage Research
  - The Gray Divorce Revolution: Rising Divorce among Middle-aged and Older Adults
  - <http://www.bgsu.edu/content/dam/BGSU/college-of-arts-and-sciences/NCFMR/documents/WP/WP-13-03.pdf>

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## Blame the Boomers

- Boomers were the first group of Americans to divorce and remarry in large numbers during young adulthood
  - Doing so once makes it more likely will do so again
  - Experience: Many Gray divorces will be a second divorce
    - The rate of divorce was 2.5 times higher for those in remarriages versus first marriages.
- Studies are showing an increase in divorce rates for those over 50 rather than the media reports divorce rates are flat to down
- No empirical evidence yet that simply being Gray increases chances of a divorce
- Longer life expectancies increase the likelihood marriage will end in divorce rather than widowhood

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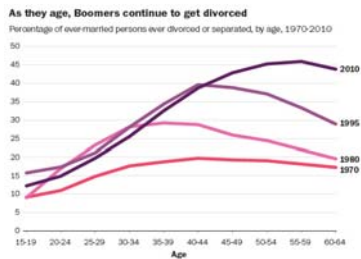
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## Blame the Boomers



SOURCE: Sheila Kennedy and Stephen Ploggin, "Divorcing 'Us' Is Hard to Grant," 2014  
GRAPHIC: The Washington Post, Published March 22, 2014

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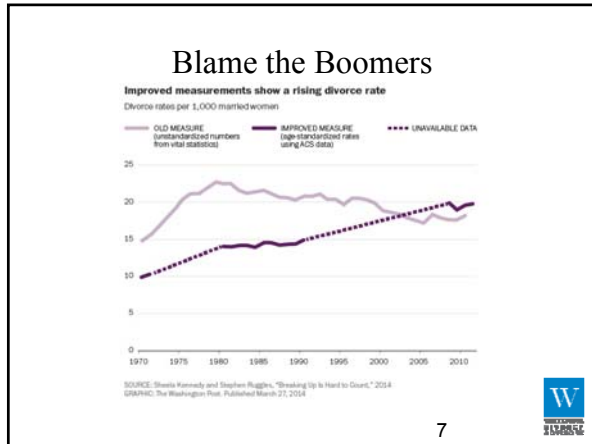
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- ### Why Now, After all these years?
- Life Review
    - Mid-life crises?
    - Career change?
    - Declining Health?
    - Confronting mortality after loss of parents?
  - Empty Nest?
    - Many Boomers believe(ed) they should “stay together for the kids” resulting in late life divorces.
  - Retirement?
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## Why Now, After all these years?

- Many friends have already done it creating divorce bubbles
- Higher labor force participation among women supportive of financial autonomy amongst breadwinner moms
- Existence of economic resources may actually facilitate divorce later in life, especially for women.
  - “Financial autonomy allows older women to consider divorce as a viable alternative to remaining married.”
  - 60% of all divorces after age 40 are initiated by women

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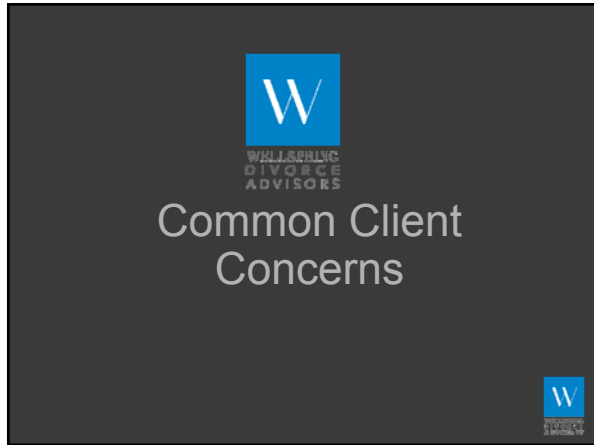
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## Common Client Concerns

- “I am in my mid 50’s, have been out of the workforce for 20 years and will be unable to get a job outside of McDonald’s”
- “I have worked my ass off for more than 30 years to support my family. I am ready to slow down but this divorce will keep me from doing so.”
- “We chose not to save aggressively for retirement because my former husband expects a large inheritance. Now I have no right to the inheritance and no retirement assets.”
- “Why would he want a divorce now when we are in our 60’s? We don’t have much time left anyway.”
- “I will end up a burden to my children now that I cannot support myself and have no spouse to care for me.”
- “My husband has been gifting assets to his children from his first marriage. I am worried there is nothing left for me.”

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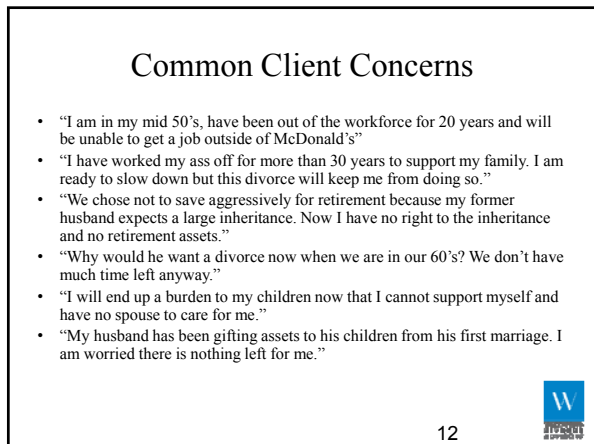
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### Common Client Concerns

- "I wish we had done this sooner. Now I feel like I have no time to recover"

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## Financial Planning Intricacies



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### Financial Planning Intricacies

- A. Retirement Planning
  1. Social Security
    - i. GPO and WEP
  2. Pension Maximization
    - i. Survivor benefit replacement
    - ii. Health Care included?
  3. Present Values
  4. Tax Affecting
  5. Asset Location

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**Financial Planning Intricacies**

A. Pre and Post Nuptials

1. Were provisions for creating joint assets followed?
2. Are provisions enforceable?
3. Is there a waiver of alimony?

B. Estate Planning

1. Co-Ownership of Assets
2. Legacy Planning
3. Current or planned Asset Gifting program

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**Financial Planning Intricacies**

A. Career Change


1. Stepping down from a high stress career
2. Forfeiture of high paying job
3. May even be a catalyst for the divorce

B. Health Care

1. Current
2. Long Term

C. Alimony

1. Splitting fixed incomes
2. Short duration marriages
3. Lump-sum buy-outs

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**Financial Planning Intricacies**

A. Dependent parents

1. One spouse's parents cared for when married?
2. Other financial assistance
3. Will this continue? Who will pay?

B. Adult Children

1. College funding
2. Special Needs
3. Other financial assistance
4. Who really owns the 529 plans?
5. What can a court do with 529 or UTMA plan?

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**Financial Planning Intricacies**

- A. Division of Deferred Compensation assets
  - 1. 401K
  - 2. Defined Benefit
  - 3. Non-Qualified Deferred Comp Plans
  - 4. SERP
  - 5. Stock Options
  - 6. Restricted Stock Units
  - 7. Performance Units
- B. Long Term Planning
  - A. Life Expectancy
  - B. Monte Carlo simulation
  - C. Safe withdrawal rate analysis

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**How Can We Serve  
the Gray Divorce  
Market**



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**Serving Gray Divorces – What to  
Expect**

- A. Big Incomes and Big Mistakes
- B. Big Lifestyles and Expectations they wont change
- C. Big Alimony Payments and Trouble Securing
- D. Big Assets and Complicated Divisions
- E. Sandwich Generation Expenses for parents and children
- F. Breadwinner Moms and “Gold-digger” men

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### Serving Gray Divorces – Typical Engagements

- Typical Engagements
  - Divorce Financial Planning
  - Post Divorce Transition Management
  - Collaborative Divorce
  - Divorce Mediation, Co-Mediation and Mediation Consulting
  - Trial Consulting
  - Pre-Nuptial Agreements
  - Gray Divorce clients are more likely to consider ADR
    - Privacy
    - Complicated finances
    - Previous experience

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### Serving Gray Divorces – Creative Strategies

- Creative Settlement Examples
  - Retirement for Inheritance
  - Tax Affecting Assets
  - Lump-Sum Alimony Settlements
  - Reverse Mortgage
  - DRO for Alimony
  - Single premium LTC/Life Insurance to fill insurance mandate
  - Co-ownership of long term assets
  - Asset Backed Line of Credit to finance home purchase or equalization payment

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### Serving Gray Divorces – Practice Tips

- Practice Tips
  - DO Discuss Life Expectancy
  - DO NOT allow their children into the negotiations
  - DO Beware diminished capacity
  - DO Consider the health and wellness of those over 65 during high stress negotiations and plan accordingly
  - Realize these clients are far less likely to get remarried
  - DO Real Long-Term Financial Projections
  - Good Questions
    - Do they plan to relocate?
    - Do they have a local support system?

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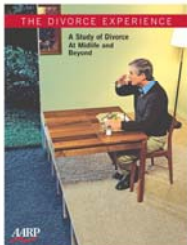
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## Serving Gray Divorces – Behavioral Finance

- Behavioral Finance
  - Beware Status Quo Bias
  - Aversion to Ambiguity
  - Sudden Money Syndrome
  - Beware Seclusion and Lack of Engagement



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