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Grown apart:

The financial impact of divorce after a long marriage

April 2014

Background and objectives

Recent high profile divorces among celebrity couples with long marriages highlight a broader trend that appears to grow as baby boomers age.

Divorce after long marriages is on the rise: The divorce rate among adults 50 and older doubled between 1990 and 2010.[1] The trend is often personified in the news media by celebrity couples such as Maria Shriver and Arnold Schwarzenegger, Al and Tipper Gore and Mel Gibson and his former wife of 31 years, who split the couple's $850 million fortune.

Why is this happening? Experts say the main reasons for divorce later in life are the same as most divorces, including lack of communication and support, financial disagreements, differing lifestyle expectations and goals, and simply growing apart.

The financial impact of divorce after a long marriage (among non-celebrities) is not as widely discussed. Divorce can cause financial setbacks at any age, but what is it like to untangle financial lives that were entwined for decades?

[1] "The gray divorce revolution: Rising divorce among middle-aged and older adults," National Center for Family & Marriage Research, Susan L. Brown, I-Fen-Lin, March 2013

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Methodology

Securian Financial Group developed a survey conducted February 11-18, 2014 with an online consumer panel of 546 divorced men and women to gather information about the financial consequences of divorce after a long marriage. Specific areas of interest include:

- How marital assets are divided
- Awareness of possible entitlement to ex-spouse's retirement benefits
- Financial situation following divorce
- What they may have done differently with more advice or education
- Whether they retained the financial advisor they used when they were married

Demographics

- Of the 546 people who responded to the survey, 415 are women and 131 are men. (Figure 1)
- Twenty-three percent are 49 or younger, 74 percent are 50 or older and six percent are 70 or older. (Figure 2)
- All respondents divorced after being married at least 10 years.
- Nearly two-thirds (65 percent) were married 10-19 years. More than one-third (35 percent) were married 20 years or longer. (Figure 3)
- Among those married 20 years or more, nearly two-thirds (65 percent) have current annual household incomes of less than $40,000 compared to about half (52 percent) of those married 10-19 years. (Figure 5)
- Eighty-nine percent did not remarry. (Figure 4)

Figure 1. Gender (n= 546)

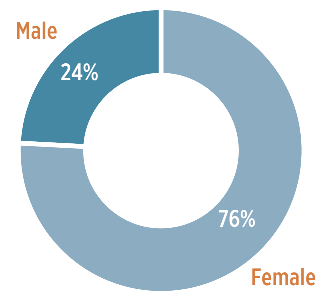


Figure 2. Age (n= 546)

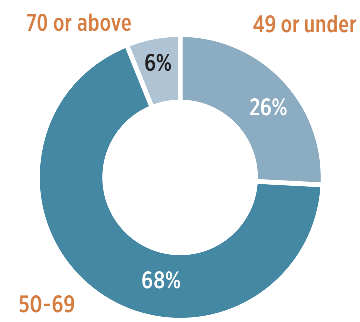


Figure 3. Years of marriage prior to divorce (n= 546)

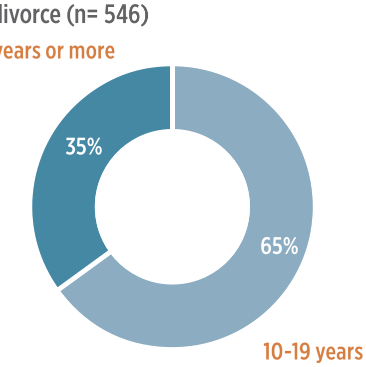


Figure 4. Current marital status (n= 546)

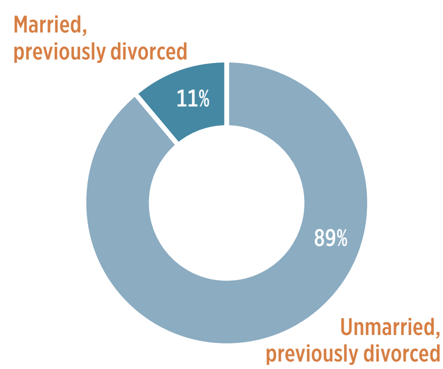
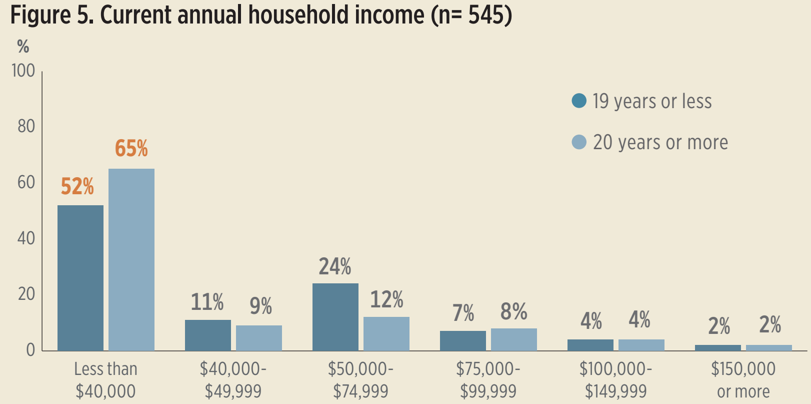


Figure 5. Current annual household income (n= 545)



Key Findings

If I had known then ...

Securian's survey shows that when people wish they had more information before making their divorce related financial decisions, it most often has to do with their spouse's retirement benefits.

Going into the divorce, nearly one-third (31 percent) say they did not claim a share of their spouse's retirement benefits and were not aware they could. (Figure 6) One-third also say they are not happy with the way the retirement benefits were divided. (Figure 7)

Figure 6. (n=546)

At the time of your divorce, were you aware that you could be entitled to a share of your spouse's retirement benefit?	Percent	Number
Yes, I had clear understanding of how to claim my share of the retirement benefits	39%	211
I was not initially aware, but learned through my representation (lawyer, mediator, etc.) that I was entitled to a share of the benefits	14%	76
I was aware, but chose not to claim a share of the retirement benefits	17%	92
I was not aware and did not claim a share of the benefits	**31%**	**167**
Total responses	100%	546

After the divorce, 25 percent say they would have liked to know more about how to correctly handle division of benefits. (Figure 8, next page) More than one-fifth (21 percent) say they wish they had made sure they received survivor benefits from their spouse's retirement plans. Eleven percent say they wish they had known more about the effects of re-marriage on income from the former spouse, such as retirement benefits, alimony and child support. Twenty percent wish they had been advised to make sure there was life insurance on the former spouse that would name them as beneficiary.

Biggest asset

The majority of respondents, 63 percent, say the residence was their most valuable asset as a couple at the time of divorce. (Figure 9) Of the 524 people who answered the question about what they did with the residence:

- Fifty-four percent say one spouse kept it, either through mutual agreement or by buying the other's half.
- Twenty-eight percent sold the home and split the proceeds.
- Another 11 percent say one spouse kept the home because s/he was the sole owner in a non-community property state. (Figure 10)

Figure 7. (n= 543)

Are you satisfied with the way the retirement benefits were divided?

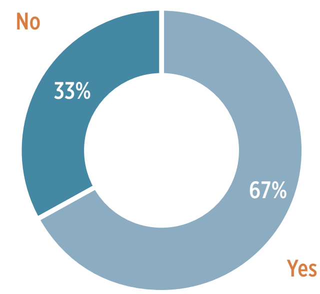


Figure 9. (n=543)

What was your most valuable asset as a couple at the time of your divorce?

Response	Percent	Count
The house/condo/home	**63%**	**340**
Personal possessions (i.e., cars, jewelry, antiques, etc.)	12%	63
Retirement savings/pension	13%	67
Other	12%	48
Total Responses	100%	543

Figure 10. (n=524)

What did you do with your residence upon divorce?

Response	Percent	Count
One spouse kept it, either through mutual agreement or purchase	**54%**	**285**
We sold it and split the proceeds evenly	28%	147
One spouse kept the home because s/he was the sole owner in a non-community property state	11%	56
Other	7%	22
Total Responses	100%	524

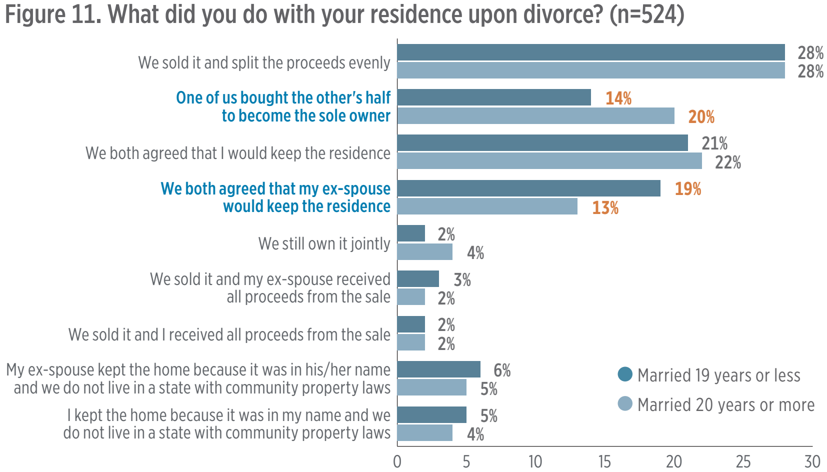
Figure 8. (n=546)

Thinking back, is there any advice or education you wish you had received at the time of your divorce? (select all that apply)	Percent	Number
How to correctly handle division of retirement benefits	**25%**	**135**
Making sure I received survivor benefits from my spouse's retirement benefits	**21%**	**113**
Making sure there was life insurance on my former spouse after our divorce that would pay me a death benefit if she/he died	**20%**	**107**
Understanding that something my ex-spouse might do or have happen to him/her in the future might eliminate or reduce my share of retirement benefits	13%	73
Understanding the effects of re-marriage on income derived from my former spouse (alimony, child support, retirement benefits)	**11%**	**60**
The financial consequences of keeping the residence (payments too high, repairs too expensive, tax consequences from post-divorce sales)	10%	53
Other	6%	31
None, everything worked out fine	42%	229

The majority may be satisfied with the disposition of the residence because only 10 percent say they wished they had known more about the financial consequences of home ownership after a divorce. (Figure 8)

Survey results suggest the length of a marriage may have an impact on how the decision about the residence is made. People who were married 10-19 years are less likely (14 percent) than those married 20 years or more (20 percent) to buy out the other's half to become sole owner. People married 10-19 years are, however, more likely to agree that the ex-spouse should get the residence in the settlement – 19 percent compared to 13 percent among those married 20 years or more. (Figure 11)

Figure 11. What did you do with your residence upon divorce? (n=524)



Who gets the financial professional?

Less than one-fifth of respondents (18 percent) worked with an advisor before the divorce and the majority of that group (57 percent) stopped working with the advisor after the divorce.

The length of the marriage may also have an impact. Among those married 10-19 years, half kept the advisor and half didn't. But three-fourths (76 percent) of those married 20 years or more dropped their advisors after the divorce. (Figure 12)

Seven percent of all respondents say they had a prenuptial agreement or managed their finances when they were married in case something might happen to one of them or to their marriage. (Figure 13) That aspect of financial planning is more prevalent (26 percent) among the 101 people who worked with financial professionals.

Figure 13.

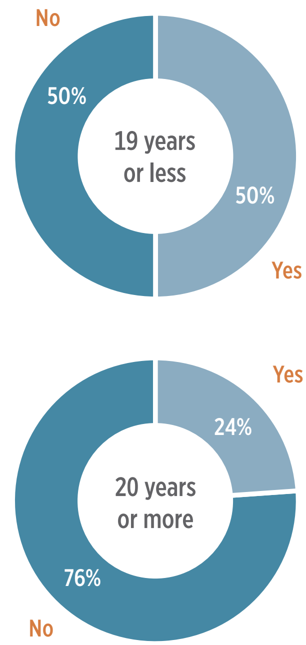
Did you have provisions in place to account for the financial consequences of getting divorced?	All respondents (n=544)		Those who worked with financial professionals (n=101)	
	Percent	Number	Percent	Number
Yes, we had a contract in place before we married in the event we were to ever divorce (i.e., pre-nuptial agreement)	**3%**	**16**	**12%**	**12**
We managed our finances (e.g., loans, credit ratings, etc.) in order to protect ourselves in the event something were to happen to one of us or our marriage	**4%**	**24**	**14%**	**14**
We had a written financial plan while married, but did not include any specific stipulations about divorce	4%	20	12%	12
No, we did not have a written financial plan	57%	471	60%	61
Unsure	2%	13	2%	2
Total responses	100%	544	100%	101

18 percent of respondents worked with a financial advisor before the divorce.

Of those, **57 percent** stopped working with the advisor after the divorce.

Figure 12. (n=101)

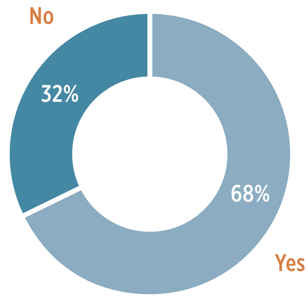
Following your divorce, did you continue to work with the same financial professional?



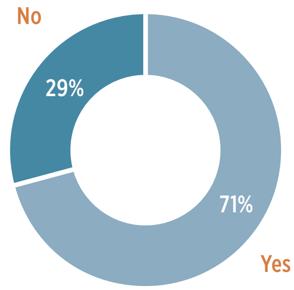
Sixty-eight percent of all respondents say they knew enough about their finances as a couple to know what their share of the marital assets should be. (Figure 14) The percentage was higher (71 percent) among those who had worked with financial professionals. (Figure 14)

Figure 14. Upon your divorce, did you know enough about your finances as a couple to know what your share of the marital assets should be?

All respondents (n=542)



Those who worked with financial professionals (n=98)



After the dust settles

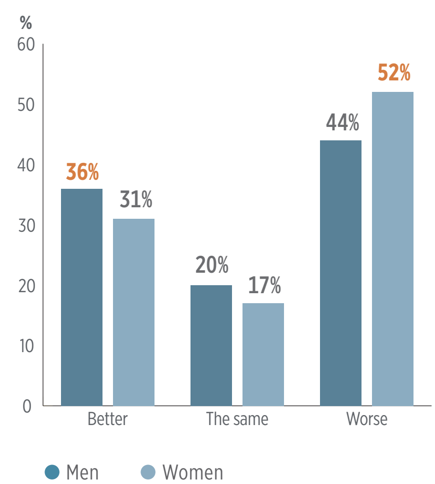
About half (51 percent) of all respondents describe their financial status after the divorce as worse than when they were married while nearly one-third (32 percent) say it's better. Eighteen percent say it is about the same. (Figure 15)

Figure 15. (n=545)

How would you describe the status of your finances following your divorce?	Percent	Number
My financial situation is much better than when I was married	19%	105
My financial situation is a little better than when I was married	13%	69
My financial situation is about the same as when I was married	18%	98
My financial situation is a little worse than when I was married	**21%**	**112**
My financial situation is much worse than when I was married	**30%**	**161**
Total responses	100%	545

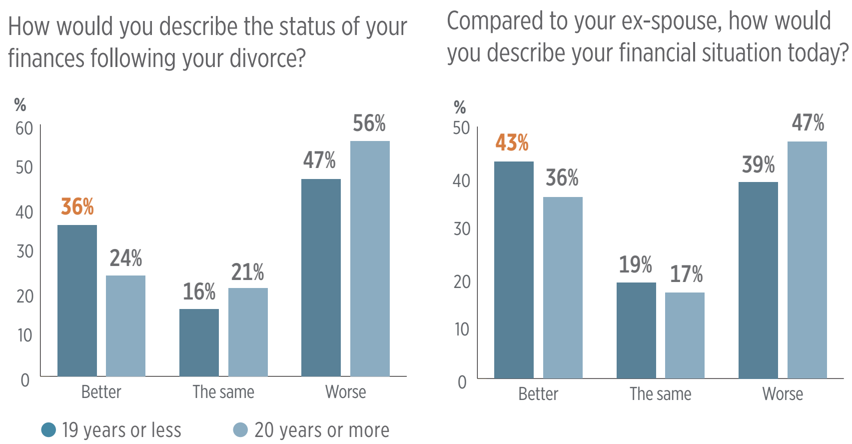
Divorced men who took the survey are more likely (36 percent) than women (31 percent) to feel they are better off financially than when they were married. Correspondingly, a significant number of women are more likely to feel their finances are worse post-divorce (52 percent) than men (44 percent). (Figure 16)

Figure 16. Post-divorce finances by gender (n=545)



Length of marriage may also affect attitudes about post-divorce finances. Among all who took the survey, those married 10-19 years are more likely to say their finances are better now (36 percent) than those married 20 years or more (24 percent). (Figure 17) Similarly, when asked to compare their current financial situations to their former spouses, those married 10-19 years are more likely (43 percent) to feel they are better off than their exes than those married 20 years or more (36 percent). (Figure 17)

Figure 17. Post-divorce finances by years of marriage (n=545)



When it comes to dividing assets, 42 percent worked it out between themselves and 41 percent say their lawyer(s) negotiated the agreement. (Figure 18)

Figure 18. (n=546)

How did you determine how your marital assets would be divided?	Percent	Number
We worked out an agreement for asset division on our own	42%	228
Our lawyer(s) worked out an asset division plan	41%	222
A mediator that we both agreed upon worked out an asset division plan	5%	27
Worked with a financial professional (financial planner, advisor, accountant, etc.) to divide assets	3%	14
An arbitrator worked out an asset division plan	2%	13
Other	8%	42
Total responses	100%	546

Summary

- Nearly two-thirds of respondents say the residence was the most valuable marital asset.
- Many of those who took the Securian survey say they wish they had known more about their spouse's retirement benefits when they were going through the divorce.
- Women who took the survey are far more likely than men to stay with the financial advisor after the divorce.
- When asked to compare their current finances to when they were married, men are more likely to feel their finances improved after the divorce.

About Securian Financial Group, Inc.

Since 1880, Securian Financial Group and its affiliates have provided financial security for individuals and businesses in the form of insurance, investments and retirement plans. Now one of the nation's largest financial services providers, it is the holding company parent of a group of companies that include Minnesota Life Insurance Company.

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