CPA
Practice Advisor

women approach their finances as they prepare for retirement. The survey found they were equally as likely to experience a deterioration of their spending habits ...

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Most happy couples don't spend time thinking about what their life would look like in the event of a divorce. However unromantic the idea of discussing a retirement plan with your significant other may be, it's crucial that both individuals in a marriage have a working knowledge of the family finances – just in case.

In fact, three-in-four (75.6 percent) retirement age divorcees need a better

post-divorce (women: 25.7 percent, men: 24.9 percent), but the similarities ended there.

CPA financial planners say their female clients are far more likely to adopt positive financial behaviors post-divorce than their male clients. In fact, women are twice as likely to seek out a job (40.2 percent to 20.6 percent) and increase their savings toward retirement (41.3 to 16.4 percent). Women were found to be almost four times more likely than men to improve their spending habits (42.3 percent to 11.7 percent) and roughly fourteen times more likely than men to actively seek out financial advice after divorce (60.4 percent to 4.4 percent).

"When couples get divorced later in life, there is often one partner in the relationship who handled all of the finances – in my experience, it's usually the husband particularly in Boomer-age couples. In many instances, this leads to one person in the relationship not having an accurate picture of the family finances, including their retirement savings," said Tracy Stewart, CPA/PFS, member of the AICPA's Personal Financial Planning Executive Committee. "It is essential that couples who get divorced later in life take a long view when dividing assets and making financial decisions."

The survey also asked CPA financial planners what steps would have better prepared their clients near retirement age financially for divorce. The most frequently cited were understanding how to manage personal finances (75.6 percent), understanding the long-term financial planning consequences of a divorce settlement (73.0 percent) and understanding the tax implications of a divorce settlement (56.9 percent).

"When happily married couples are making financial decisions, they very rarely consider what would happen in the event they divorce. The unfortunate truth is that the process of dividing assets is a lot more complicated than saving and investing.

The good news is that CPA financial planners have a strong foundation in tax

importance of keeping documents accurate and up to date and building up savings before assets are split – good advice for couples at any stage of their marriage. Interestingly, roughly one in three planners (36.1 percent) cited establishing a pre-nuptial agreement as a step that would better prepare their clients financially for divorce.

Regardless of if a couple is recently married or together for years, Stewart urges that both parties establish open and regular communication about their financial life and plans for retirement and work to get on the same page about their approach to saving and spending.

Accounting