

# WISERWoman

A QUARTERLY NEWSLETTER FROM THE WOMEN'S INSTITUTE FOR A SECURE RETIREMENT

Specially Prepared for the Center for American Nurses

## Divorce: A Time for Caution

**M**arital status is the single biggest determinant of wealth for women. Yet, while trying to survive during a divorce, many women shortchange themselves on the financial alternatives. Often, we become so focused on the emotional aspects of the divorce that we don't make the best choices until it is too late.

When women marry, often they are lulled into a false sense of security. Even though she may take care of the household expenses and balance the family's checkbook, it is usually her husband who brings home the biggest paycheck and makes the major financial decisions. She is very often in the dark about how the assets are managed now and for their future. She generally leaves those things up to him. One of the best strategies for a woman is to take an interest in the family finances during the marriage and take responsibility for herself.

A woman needs to understand that money she gets from her husband cannot be counted on for life. If she divorces, as did more than 1.1 million couples last year, she is at great risk of being poor. During a divorce, usually the woman has less resources for lawyers and accountants.

So what happens? Divorce is a prolonged financial transaction that is overloaded with emotion. It's difficult for both men and women to make the best financial decisions while under the strain of separation. Separating the financial from the emotional is the first step in a successful divorce.

The second step is, when at all possible, cooperate with your soon-to-be former spouse as much as you can. Working together can help you create the best possible outcome for each of you, both during and after the divorce.



### What Information Women Need to Ask Their Spouses:

- ☑ Have you earned a pension(s)? Do you know how much it will be worth upon retirement?
- ☑ Will we receive a benefit in the event that you become disabled? Do you know how much that benefit will be?
- ☑ Will I receive a benefit if you die before me? If so, what amount?
- ☑ When are you entitled to retire? Will you receive a full or partial pension benefit? Is there someone at work we can talk to about this?
- ☑ Does your job allow you ways to save through a tax deferred savings plan such as a 401(k) plan or a 403(b) account?
- ☑ Do you have an Individual Retirement Account? Am I the beneficiary?
- ☑ When should we discuss our overall retirement strategy to plan for our future?

For more information visit WISER's website at [www.wiserwomen.org](http://www.wiserwomen.org).

## Understanding the financial impact of divorce

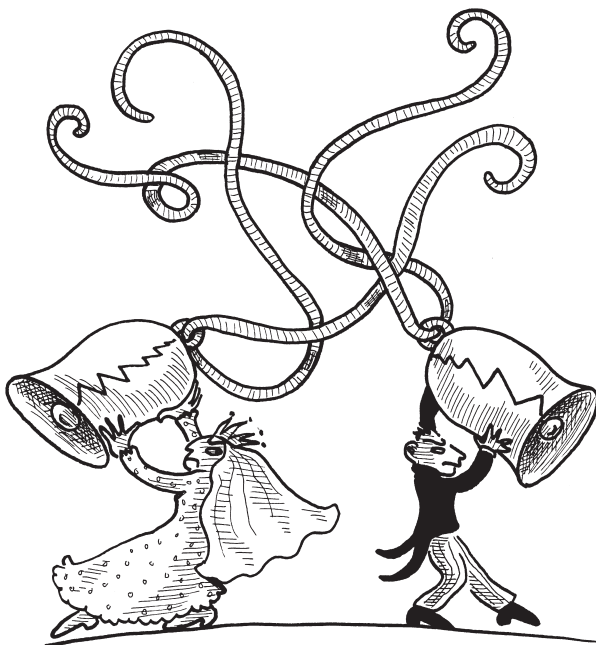
### The Five Most Common Mistakes a Woman Makes When Negotiating a Divorce Settlement

#### 1. Keeping the family home and giving up the retirement income.

Many husbands are only too happy to give the wife the house in exchange for other more valuable assets. While the mortgage, property taxes and upkeep of the house can cost thousands of dollars a year, the house itself generates zero income. Later, when the woman has to sell, she ends up paying the selling costs and any capital gains taxes. So, think twice about keeping the house!

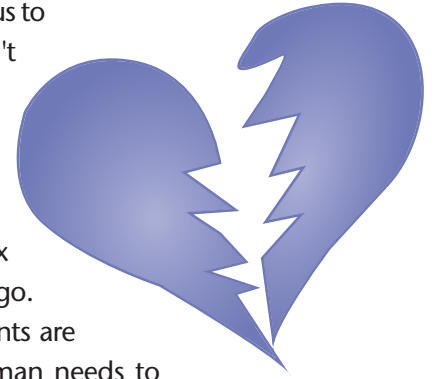
#### 2. Taking assets such as real estate and limited partnerships.

They may sound like good investments but



many men are anxious to swap assets they don't want with the unsuspecting wife. At the top of the list are limited partnerships that were good tax shelters 10 years ago.

Real estate investments are also tricky — a woman needs to understand the real estate market and have cash available for maintenance and taxes.



#### 3. Forgetting that assets to live on in the future are as important as getting enough to live on today.

Most women are so concerned about what is happening right now they forget they are going to live a long life. Retirement accounts are often the most valuable assets a woman can use because she hasn't been building for retirement herself.

#### 4. Not asking for up-front money for retraining and childcare.

It costs money to go back full-time into the labor force. Childcare is also an expensive proposition and needs to be factored into the financial equation.

#### 5. Believing that ongoing spousal support is the only answer.

Getting assets now rather than waiting for cash later allows the parties to go their separate ways. While most couples don't have the financial resources for an equitable settlement in a lump sum, consider the possibilities.

Karen Sheridan is the founder of the Money Mystique, and the author of *Never Take NO For an Answer: One Woman, One Life, and the Money Mystique*.

## 7 Key Questions You Need to Ask Before the Divorce is Finalized

by Anne Moss, J.D., author of *Your Pension Rights at Divorce*

**To make an intelligent decision on how to divide a pension, find out what kind of pension it is, how it is funded and how it pays out**

1. Does he have more than one pension or retirement plan from his current or previous job?

He may be eligible for (or may already be receiving) retirement benefits from any current or previous job. Your settlement must refer to each plan in order for you to get benefits from each. He may, for example, have a traditional pension plan and also a 401(k) plan. Both types of plans can be divided at divorce.

*Make sure your husband's retirement savings and pension plans are all on the table during your settlement negotiations. You have to assert your rights to your husband's pension plans or 401(k) at the time of the divorce, not retroactively when you or your husband retire. To set the process in motion, your lawyer should get the court to issue a Qualified Domestic Relations Order (QDRO).*

2. Has he worked long enough to earn a legal right to the pension?

Most plans now provide benefits after 5 years of work. However, if your husband has worked for the federal, state, or local government, you will have to find out about the different rules that apply to those pensions.

3. Do you know how much he has earned or "accrued" in pension benefits under each plan?

You or your attorney can write to the pension plan administrator to get a copy of his most recent annual benefit statement. Or ask the court to order the plan to furnish one. You should also request a summary plan description (SPD), which will describe the key features and rules of the plan. The SPD will tell you if the plan provides for cost of living adjustments.

4. Do you need to have the benefit valued? Sometimes the pension is worth more or is more complicated than the amount that appears on the annual statement. You may want to have a pension actuary or an accountant calculate the lump sum present value of the monthly pension.
5. Do you know what information needs to be in the court order, decree, or property settlement before the pension plan will pay the benefits directly to you?

The court order required to divide a company pension plan is a Qualified Domestic Relations Order (QDRO). As soon as divorce proceedings start, have your attorney contact your husband's plan administrator for the QDRO procedures. Each pension plan is different and many companies have developed their own QDRO forms to make it easier for the court and the ex-spouse.

6. Does the order clearly specify what amount is to be paid to you?

The amount can be stated as a fraction or percentage of the pension. It can be based on the total benefit earned as of the separation date, the date of divorce, the date he is eligible for retirement, or the date he retires.

7. Does the order provide for survivor benefits, so that your benefits can continue if your ex-husband should die first?

Traditional, company pension plans provide a survivor's benefit of 50% of the amount the husband received. Ex-wives can receive these benefits, but they must be specifically included in the order, or the benefits may stop when the ex-husband dies.



**DON'T LET YOUR HUSBAND'S LAWYER WRITE THE QDRO!**