Prudential Advisors

Planning for Retirement: The Impact of Divorce

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The Financial Challenges of Divorce

- Half of American households are at risk of not being able to maintain their pre-retirement standard of living after they stop working.
- This risk to retirement readiness is 7% worse for households where at least one person has been through a divorce.

Source: Munnell, Alicia, Wenliang Hou, and Geoff Sanzenbacher, Center for Retirement Research at Boston College, "How Does Divorce Effect Retirement Security?," June 2018.

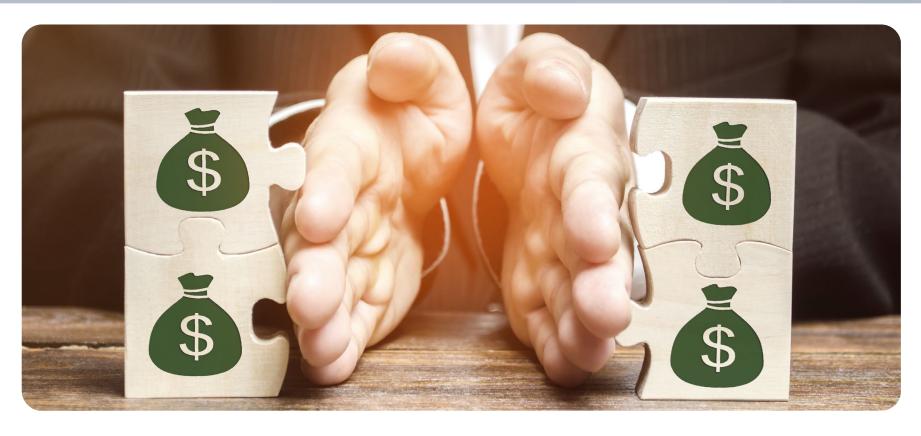


Key Financial Issues

- Dividing Assets
- Alimony
- Investments
- Home ownership
- Children and Taxes
- Social Security
- Financial Advice



Divided Assets



Not all assets have the same tax consequences

Alimony

While spousal support is gender-neutral by law; women receive 97% of alimony payments in the U.S.



Investments



Home Ownership

• Federal tax deductions for state and local taxes are capped at \$10,000 annually.



Children and Taxes

\$3,600 Tax Credit

For each dependent child under the age of 6

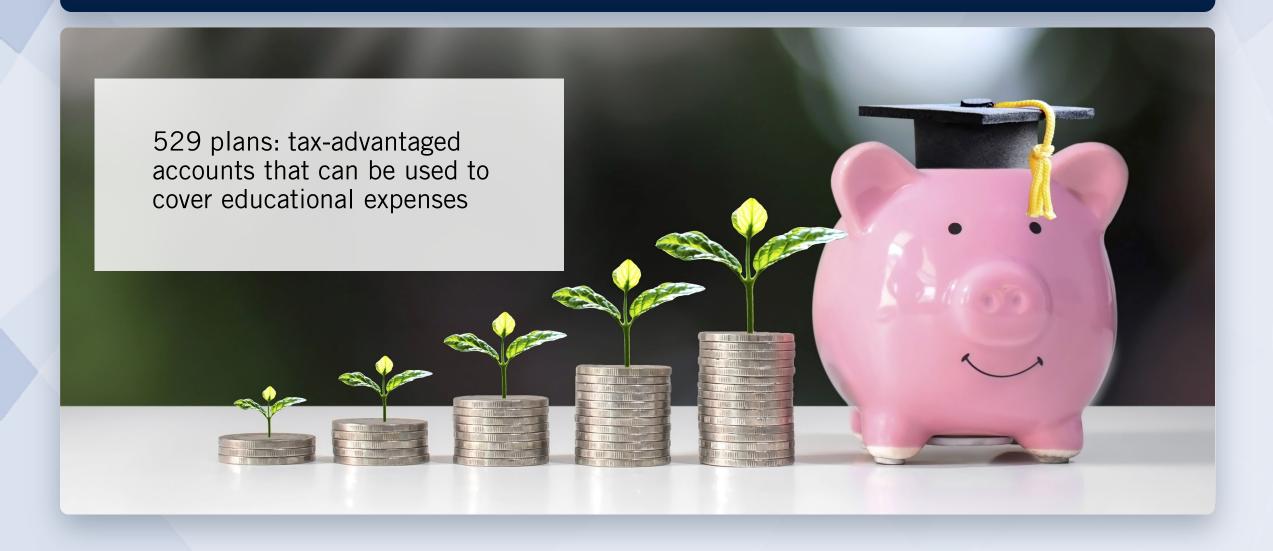
\$3,000 Tax Credit

For each dependent child ages 6 - 17

\$500 Tax Credit

For each dependent child 17 or older (A dependent child 17 or older could include a child in college).

Private School Tuition for Grades K-12



Social Security

- A divorced individual has the same rights to a spousal benefit as a married spouse, if married for at least 10 years and not currently remarried.
- Unlike a married spouse, a divorced individual is eligible for spousal benefit as soon as the former spouse reaches eligibility age, regardless of whether the former spouse has filed for benefits. The divorce must have occurred at least two years ago.
- Individuals who file for benefits prior to Full Retirement Age will be deemed to be filing for both worker and spousal benefits.

Assemble a Support Team

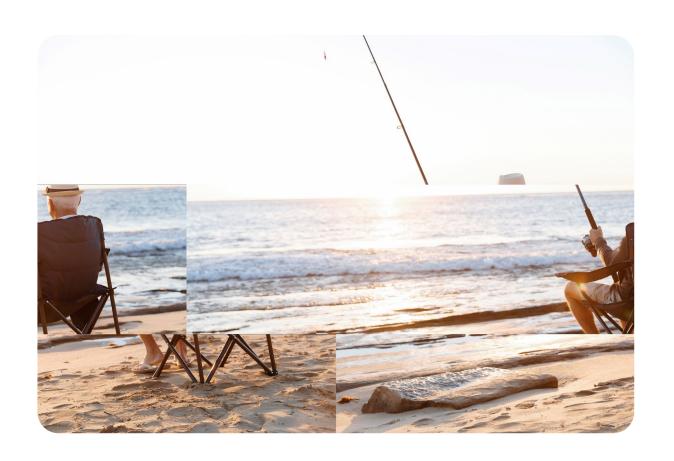
- Financial professional
- Tax advisor and/or tax attorney
- Trust/estate attorney
- Divorce attorney

Remember to update important documents and financial accounts like your will, power of attorney and beneficiary designations.



Summary

With careful planning, you can reduce the negative impact of divorce on your finances and improve your chances of enjoying a financially secure retirement.



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