

Retirement Decisions Post Separation

As can often be the case with people who are going through a separation, the retirement picture can change drastically, especially if expectations do not fit in with a realistic assessment of the future. It's important to point out that everybody's situation is different and there will always be differences in opinion regarding what is possible. Having an objective assessment of your financial readiness for retirement may be critical toward reaching a mutually beneficial agreement.

I often see a competing set of expectations when it comes to finances. Here are some examples of a mismatch in expectations versus reality, as well as some common questions I ask:

1. A joint life pension pays less (sometimes considerably less) than a single life pension. Most people only see the largest number on the statement but it is rarely elected. Often people assume that the single life pension is the pension they will receive and are "surprised" at election time when the pension amount is different.
2. A decision to elect a pension is irreversible. Electing a joint pension cannot be reverted back to a single pension at a later date if your spousal relationship ends. This is especially difficult to navigate if the relationship has been short.
3. Financial markets may expose you to a risk/reward scenario you may not be able to afford. A pension is an asset that is very difficult and expensive to replicate with conventional financial instruments.
4. Health benefits can only be transferred to the pension holder. Often times, one spouse is left without benefits and may require private health insurance. This may be challenging for those with ongoing medical issues.
5. Is keeping your house (or purchasing a new one) a realistic option considering your debt and the potential for affordability to decrease over time? Can you qualify for that mortgage, or better yet, do you want to? People are retiring with debt more and more often. Is having a majority of your resources tied up in piece of real estate prudent?
6. What are the sources of your retirement income and what are your expected expenses? Is there a gap and how are you going to manage that it?
7. What have you budgeted for the costs of separation, namely counselling and legal fees, financial advice, moving costs and real estate commission?

The advice of a professional financial advisor, abreast with the issues of divorce and separation, can help clarify your situation and paint a realistic future, without any hidden surprises. An advisor will assess your financial situation, project your future and more importantly keep an eye on the blind spots you may not even be considering.

Financial issues are often a major hurdle when separating. Sitting down and going over the figures with an advisor can alleviate some of the anxiety and allow you to make more informed decisions. Ultimately, a more informed decision will benefit you now and in the future.

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