RETIREMENT

Hidden Divorce Penalty Is Older Age Poverty

By Sharon Johnson
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Divorced women who deferred their education to put husbands through school or moved multiple times to enable their husbands to move up the career ladder are at special risk. So are those who gave up jobs to raise children.

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(WOMENSENEWS)--While economic hardship is steadily worsening for all American seniors, divorced women over 65 are at especially high risk for ending up in poverty. Divorce creates financial inequalities that many women never overcome.

A wife's standard of living decreases by as much as 25 percent in the first year after a divorce while the husband's rises because courts often overlook the couple's careers when dividing the marital property, notes Carol Ann Wilson, a certified financial divorce specialist in Longmont, Colo.

This hurts women, Wilson said in a phone interview, because the husband's career may be more valuable than other assets like cars and houses. In addition to higher pay, men's careers are more likely to provide pensions, stock options, health, life and disability insurance as well as educational and training opportunities that boost future earnings.

"Although the number of working wives has increased during the past three decades, most couples still invest in the husband's career while the wife's career takes second place," she says.

Wives who deferred their education to put their husbands through school or moved multiple times to enable their husbands to move up the career ladder often are not compensated for their sacrifices, Wilson says. Women who gave up their jobs to raise children can find themselves in dire financial straits because they have no marketable skills or job prospects.

"As a result, many divorced women struggle to support themselves and their children," Wilson says. "Crushing legal bills or debts from the marriage may take decades for low-income women to repay."

More Caregiving Responsibilities

Women's caregiving responsibilities often increase after divorce. About 5-in-6 custodial parents are women.

"It is difficult for divorced women to land high-paying jobs that require long hours in the office and extensive travel because they have to be home to look after children," says Wilson. "As a result, they often settle for jobs with flexible hours that don't pay enough to enable them to build assets for retirement."

Collecting child support is another challenge. In 2011, the number of custodial moms who received less than the full amount of child support was over 3 million, exceeding the 2,438,000 who received all they were owed, Census Bureau studies showed.

Divorced, Never Married, Widowed

In 2010, about 20 percent of divorced women over age 65 lived in poverty compared to 18 percent of never married women and 15 percent of widows. This disparity widened among older women, found researchers at the Washington-based Urban Institute, a think tank that does economic and social policy research. About 22 percent of divorced women age 80 and older were poor compared to 17 percent of never married women and 15 percent of widows. The researchers did not look at poverty among married women. Economic studies show that once women wind up older and alone -whether its widowhood, divorced or never married--they are at high risk for poverty but divorced women are most affected.

The average amount of child support set by state formulae was $3,630, or about $300 a month, compared to $5,960 or about $500 a month set by legal agreements.

Alimony, meanwhile, is less common. In the past, when divorce laws awarded property to the person whose name was on the deed of the house or other asset, men often retained these assets after divorce. As a result, they were expected to pay alimony. Under equitable property distribution, however, alimony has lost ground.

In the long run, staying married or remarrying after divorce translates into greater economic security for women, notes Kenneth Couch, professor of economics at the University of Connecticut in Storrs.

A 2011 study analyzed the economic impact of divorce on about 600 women from the time of their divorces in the 1970s--when divorced peaked--into their retirement in the 21st century. The study is included in Lifecycle Events and Their Consequences: Job Loss, Family Change and Decline in Health, which was co-edited by Couch, and developed in collaboration with the Social Security Administration.

Economic pressure forced many divorced women into the job market, Couch told a Federal Reserve Bank of San Francisco conference on unexpected life cycle events and economic well-being in 2010. Initially, their personal income skyrocketed because many of them had worked part time or given up their jobs during marriage to raise children.

But their retirement assets were still restrained for a variety of reasons: their jobs paid less than those of male counterparts, they had less money to put away in retirement funds, they tended to work at jobs that did not offer pensions and lacked either the time or funds to pursue more education and enter lucrative paying fields like investment banking.

Some Cushions

Women over 50 who were married for more than 10 years and have health problems that limit employment sometimes receive alimony.

Divorced women who have not remarried and were married for at least 10 years can collect Social Security benefits based on their ex-spouse's earnings. The woman receives half her husband's benefits. If the woman had worked, Social Security calculates the benefits she would receive based on her own earnings. If that amount is higher than the benefits she would receive as an ex-spouse of a living or deceased husband, she will receive only her own benefits.

Some states now provide for equitable distribution of marital property, a concept that recognizes that marriage is an economic partnership in which each partner makes different but equally important contributions. Under this concept, the economic contributions of the homemaker are recognized and taken into consideration in the distribution of property.

Remarriage Benefits

Couch found that divorced women who did not remarry maintained their careers throughout their working lives.

"They ramped up their work effort for the rest of their life," he says, "giving them a large individual Social Security benefit at retirement of about $1,000 a month. But at retirement, the households of the married women who had earned less money during their working lives collected about $2,231 in Social Security benefits because of the extra boost from their spouse's benefit."

Seventy percent of divorced women in the U.S. remarry. When they do, Couch found, their job status and personal income again drops, going back to what it would have been if they had been married all along. But at retirement, they have a similar advantage of couples who never divorced: The remarried wife's individual Social Security payment plus her current husband's benefit totaled more than $2,000 monthly.

"Being part of a couple has a positive effect on both emotional and economic well-being during retirement," says Tatjana Meschede, research director of the Institute on Assets and Social Policy of the Heller School of Social Policy at Brandeis University in Waltham, Mass. "In addition to caregiving support during illnesses, couples are less likely to have their assets depleted because they share the cost of housing, food, transportation and other essentials."

Sixty percent of senior single women faced burdensome housing costs in 2008, up 80 percent from 2004, found a study co-authored by Meschede. (The study did not separate single women into categories such as divorced or widowed; nor did it compare single women to married women.)

"Most single senior women were forced to make daily tradeoffs for paying bills, foregoing home maintenance or medical needs," Meschede says. "As a result, 45 percent had a zero or negative budget balance after paying their basic needs."

Trends in Divorce

About half of all marriages end in divorce; 876,000 divorces occur each year.

The average length of marriages that end in divorce is eight years.

Twenty-eight percent of children living with a divorced parent live in household with incomes below the poverty line.

Source: Census Bureau, statistics for 2012.

The "Rising Economic Insecurity among Senior Single Women" study, part of the Institute on Assets and Social Policy's "Living Longer on Less" series, showed that even before the 2008 recession--the most severe since the Great Depression of 1929--70 percent of single women lacked sufficient retirement assets. Almost half of single women over age 60 faced the crisis of outliving their financial assets.

This story is part of our series, She Pays the Bias Price: From Girlhood to Final Years, which is supported by the Ford Foundation.

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