

## **Divorce (income, credit, retirement, tax implications, etc.)**

**What it is:** Are you recently divorced? Do you know how divorce will impact your income, retirement, and taxes? Do you understand your rights with creditors?

**How it works:** For example– let's say you receive phone calls from creditors even though the divorce settlement releases you from the debt. Should you ignore the calls? The answer is...NO. Divorce rulings generally don't change the original loan agreement and you must be contractually released by the creditor. Also, if you don't have a credit card or checking account in your name, obtain those as soon as possible. Be sure to remove your name from any joint credit cards or you will be liable for any charges or fee. The Consumer Financial Protection Bureau has prepared sample letters that you can use to respond to a debt collector who is trying to collect a debt along with tips on how to use them. The sample letters may help you to get information, set ground rules about any further communication, or protect some of your rights.

**Why it matters:** How does a divorce impact retirement income and taxes? Your retirement income will now be cut in half and that means an adjustment in lifestyle. Simply put, it costs more to live as one – it will cost more for two mortgages (or rents), two home insurance policies and upkeep, separate vacations, etc. You can research your estimated retirement income using a retirement calculator such as the one provided by AARP. This tool will also provide a link to your estimated expected Social Security benefits.

If you have a joint retirement account you can minimize complications by changing the signature authority so that both of you must sign in order to complete a transaction. You can apply for spousal Social Security once you reach age 62 – but it wise to wait until your full retirement age in order to maximize benefits. Even if you only plan to use spousal benefits, you are considered to be applying for both your own benefit and your spousal benefit once you begin the process. Also note that you won't be able to collect spousal benefits on an ex-spouse if you remarry.

**Who should care:** During a divorce timing can be very important. If you're separated and planning a divorce, you may file a joint return only if you are married through December 31 and both of you agree to the filing. The box you check on your return is "Married filing jointly." You qualify as married as long as there is no final court judgment ending your marital status. Temporary orders such as child support, alimony, or child custody do not affect your marital status. However, if the divorce is final as of December 31, you can't file jointly—your filing status is either "Single" or "Head of household." Don't forget that both spouses are liable for taxes due as a result of audits on joint returns, so it's usually in your best interest to work together and minimize possible liabilities.

For more information

- AARP - [http://www.aarp.org/work/retirement-planning/retirement\\_calculator.html](http://www.aarp.org/work/retirement-planning/retirement_calculator.html)
- Consumer Financial Protection Bureau - <http://www.consumerfinance.gov/askcfpb/1695/ive-been-contacted-debt-collector-how-do-i-reply.html>
- Internal Revenue Service, *Publication 504, Divorces or Separated Individuals* - <http://www.irs.gov/pub/irs-pdf/p504.pdf>
- Iowa State University Extension and Outreach Money Blogs tips <http://blogs.extension.iastate.edu/moneytips/>
- Iowa State University Extension and Outreach website at [www.extension.iastate.edu/humansciences/](http://www.extension.iastate.edu/humansciences/)