

Protecting the Nest Egg After You're on Your Own

How does a woman's retirement income change after she loses her spouse?

Women who have meticulously planned for their retirement may still fear what will happen to those plans if they lose their spouse, either through divorce or death. Income you expected to have as a couple may not be there – or may be significantly lower – once you're on your own. No matter how careful and complete your plans are, they'll change if you lose your spouse.

It's important to remember that the money from these retirement sources is rightfully yours, even if the marriage has ended or the partner who put all the money into the 401(k) has passed. Don't be shy about pursuing it.

Here are some of the ways your income in retirement can change if and when you become single, and what you can do to protect yourself:

401(K)S AND OTHER QUALIFIED RETIREMENT PLANS

Funds contributed to a 401(k) or other type of defined contribution account over the course of a marriage are typically considered marital property. Unless you had an existing prenuptial agreement stipulating otherwise, each divorcing spouse is entitled to half of the value of the account. A divorce is also one of the few instances that allows you to access your 401(k) early without a tax penalty.

If your spouse dies while they are still the official account holder, the funds in the account will be directed to the designated beneficiary of the account.

If you as the widow are the designated beneficiary, you can withdraw the money from the account (paying whatever taxes are due), roll the account over into an IRA, or move the money into what is known as an inherited IRA. ►

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IRAs

Regardless of whether it's a traditional IRA or a Roth, after a divorce, the division of these assets would generally follow each state's community property state rules. If the IRA was opened during the marriage, it is considered marital property, while if it existed prior to the marriage, only the contributions that were made during the marriage with joint funds would be considered marital property.

If your spouse has passed away, your options will vary depending on such factors as your age, the age of the deceased spouse, and whether they had designated others as co-beneficiaries. Generally, your choices are similar to those with a 401(k): You can distribute the assets (with a penalty), roll the assets into a different retirement account or decline the assets.

SOCIAL SECURITY

If you are divorced, you can only receive spousal benefits if certain criteria are met:

1. the marriage lasted at least 10 years,
2. you haven't remarried, and
3. your ex-spouse is age 62 or older.

It won't affect your claim if your ex-spouse remarries or hasn't filed for Social Security.

If you are widowed, you can collect your deceased spouse's full retirement benefit at age 60. Disabled survivors can collect survivor benefits beginning at age 50, and if you are caring for children under age 16, the benefits start immediately.

PENSIONS

If you are the beneficiary of your spouse's pension, you should request a summary plan description from your spouse's employer, which would provide among other things a list of potential survivor or other benefits that you can tap into in the event of their death. If you and your spouse get divorced, you still might be able to receive a portion of their pension benefit through what's known as a qualified domestic relations order. Contact your spouse's plan administrator for a list of all QDRO requirements.

This advice is taken from a new resource called Baird's Retirement Guide for Women. We urge any woman who is planning her retirement – or even just beginning to think about retirement – to read it. For specific questions about safeguarding your retirement benefits, reach out to your Baird Financial Advisor team.

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