

# Split decision: One retires, one doesn't

**Money**

## What happens when you and your spouse quit working on different timetables? Get ready for a big adjustment.

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(Money Magazine) -- The cocktail chatter among my friends has taken a surprising turn in the past year or two. We're not gushing over rising home values or fad stocks anymore - and not just because there aren't any to gush about lately.

Many of us have begun to look around the next corner in our lives, focusing less on accumulating assets than on when to start drawing them down. Making the transition especially sticky, few husbands and wives among the dual-income couples I know expect to turn in their briefcases at the same time.

In that, my circle is not so unusual. Fewer than one in five couples retire in the same year, according to the Center for Retirement Research; in half of two-earner families, one spouse is still working more than two years after the other has quit for good. And split retirements will no doubt be even more common among boomers because there are simply so many more working women among us.

Retiring at different times raises a lot of thorny financial issues: How do you live on one salary when you've been used to two, without tapping too much of your nest egg too early? If the retired spouse takes Social Security, how will that affect the benefits of the one still working?

Then there are the challenges that transcend money. Among them: Since we boomers get so much of our self-esteem (and our social lives) from our jobs, how will your relationship fare when one of you stays in the game and the other doesn't?

Herewith, some strategies to help.

### **Look on the bright side**

Retiring at different times often arises out of necessity, not choice: One spouse must quit because of poor health or a layoff and the other can't because you need the income. The one who keeps working may feel unduly burdened while the retired partner may feel lost or diminished.

Yet, financially speaking, a staggered retirement is probably the best of all worlds. "There are significant benefits to having one person with income when the other has none," says San Francisco financial planner Kevin Dorwin.

You can ease into retirement and give your new budget a test run while there's still a chance to tweak your plans. You can hang on to company benefits and put off the day when you start tapping retirement accounts. You may also benefit socially as your working spouse continues to be invited to business-related functions that you both attend.

The key is for the one who is retiring to stay productive and engaged, perhaps through volunteerism or an interesting part-time job. If you're the one stuck at work out of need, insist on more aggressive savings goals. Maybe you can retire in just a year or two. Knowing where the finish line is will help make you feel better.

## Adjust your lifestyle

The loss of an entire salary will be a shock to your household's financial system. So do a little math before you proceed. Figure your immediate post-retirement income, including the working spouse's salary, Social Security and pension benefits, and (if you must) a 4% annual drawdown of your 401(k). To get by without big changes in your lifestyle, the result should be equal to or greater than 85% of your joint pre-retirement income.

If that's not the case, look for ways to scale back. Odds are you have some costly habits you can quit - maybe multiple cars or a country club membership. Pay closer attention to the nickel-and-dime stuff that adds up over time, like bank and credit-card fees.

"You don't have to get it perfect right away," says **Jimmy Perryman**, a Dallas financial planner. "Monitor your spending and make adjustments. This will be an ongoing process."

## Synchronize your benefits

Be sure you and your spouse coordinate these key health and retirement benefits:

**Health care** If you're retiring before age 65, when you'll be eligible for Medicare, find out if you'll be covered under your spouse's plan at work. You may also be able to get up to 18 months of coverage under your former employer's plan. Otherwise, you'll need private insurance - and at up to \$1,000 a month for an individual policy, you just might have to rethink your plan for an early retirement.

**Your pension** If you have a traditional pension, it's usually best to select a lower payout that will continue payments to your spouse if you die first. But if you need more income immediately, go ahead and select the higher-paying single-life annuity option, which ends at your death.

To offset the lost pension income for your spouse if anything happens to you, Dorwin suggests shopping for a term life insurance policy - still an affordable option as long as you're in reasonably good health.

**Social Security** Hold off taking Social Security if possible. But if you need the extra income, understand how tapping your benefits may affect your spouse before you forge ahead.

If, for example, you're the one retiring and you are the bigger earner, collecting now could permanently reduce your spouse's benefits (spouses are entitled to collect benefits on their own work record or up to 50% of their partner's benefits, whichever is higher). But if it's your spouse who's retiring, she can take benefits on her own record, then switch to yours later, if that turns out to be the higher-paying option (for more info, go to [ssa.gov](http://ssa.gov)).

## Rethink your roles

Talking through what you expect from each other, in terms of both household responsibilities and leisure pursuits, is just as important as figuring out the money stuff. If you're the one retiring, for instance, you may want to travel the globe, but it's not realistic to expect your working spouse to fit in frequent vacations.

Work out how you'll divvy up the shopping, cooking and cleaning. An all too common scenario, if it's the man retiring first, says Ruth Hayden, author of "For Richer, Not Poorer: The Money Book for Couples:" "He's been golfing all day and when she comes home he asks, 'What's for dinner?' Women really fume over that one."

Hayden suggests trying out your new budget and household roles for three months before either of you actually calls it quits. My wife and I haven't gone that far yet - but just thinking about it gives me plenty to talk about over cocktails.