FROM BOB MITTON, CDFA®

SEVEN RETIREMENT SPLITS THAT COST YOU

Retirement is usually the largest thing on the table, and it is the easiest thing to divide badly. Not because anyone is being unfair. Because the rules are specific, and the paperwork is unforgiving.

These are the seven I see most often.

1. **Treating pre-tax dollars as if they were cash**
   A hundred thousand in a traditional 401(k) is not a hundred thousand in savings. It has a tax bill attached that has not come due yet. Two accounts showing the same balance can be worth very different amounts to the person who ends up with them.

2. **Assuming the decree moves the money**
   A divorce decree on its own does not divide a 401(k) or a pension. The plan administrator needs a qualified domestic relations order, and until one is drafted, approved and accepted, nothing happens.

3. **Using the wrong instrument for the account**
   IRAs do not use a QDRO. They divide as a transfer incident to divorce under the decree itself. Reaching for the wrong mechanism is common, and a transfer made the wrong way can be treated as a taxable distribution.

4. **Valuing a pension by looking for a balance**
   Most pensions do not have one. What is being divided is the present value of a future income stream, which turns on assumptions about discount rates, life expectancy and survivor benefits. Reasonable experts reach different numbers.

5. **Overlooking the survivor benefit**
   If your share of a pension stops when your former spouse dies, you own something quite different from what you thought you owned. That protection is negotiated and written in. It is not automatic.

6. **Rolling the money before you need to**
   There is a narrow window in which a spouse receiving 401(k) funds under a QDRO can take cash directly from the plan without the ten percent early-withdrawal penalty. Roll it into an IRA first and that window closes. People roll first and ask later.

7. **Cutting every account down the middle**
   Splitting each account in half is simple to administer and often the wrong answer. It is usually better to give whole accounts to the person they suit and balance the difference on after-tax value.

> Get the accounts valued for what they are really worth, after tax, and split them on purpose.

You spent twenty years building this. It deserves more than a round number and a signature.

Bob Mitton, CDFA®
tidalpointe.com · info@tidalpointe.com
843-919-0199

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