



GRAY DIVORCE FINANCIAL PLANNING FOR DFW EXECUTIVES AND OWNERS

The three or four decisions made before the settlement is signed that determine whether retirement security survives a late-career divorce intact.

Palmer Wealth Group™

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For a Fort Worth executive or closely held business owner nearing retirement, the first draft of a divorce settlement often looks balanced on paper. The retirement account is split, the house trades for the brokerage, and the operating company stays with the spouse who runs it. Then the tax-adjusted numbers come back, and the balance disappears.

Gray divorce rarely fails on the headline split. It fails on three or four settlement decisions that most couples hand to their attorneys without a financial model. For PWG's clients, including late-career executives, business owners, and professional practice owners, those decisions determine whether retirement security survives the settlement intact.

Gray Divorce Financial Planning in Fort Worth: Why 2026 Looks Different

The data on late-life divorce has shifted enough that the planning conversation must shift with it. Our earlier article, [Financial Planning for Texas Surviving Spouses: The First Year](#), covered the other end of this life-transition cluster. This piece addresses the end that is actively chosen rather than imposed.

“GRAY DIVORCE RARELY FAILS ON THE HEADLINE SPLIT”

The Shape of Gray Divorce in 2026

Nearly 40 percent of all divorcing Americans are 50 or older, according to Bowling Green State University's National Center for Family and Marriage Research. That share has plateaued at an elevated level rather than continuing to climb. The refined divorce rate for Americans 65 and older more than tripled from 1990 to 2023, rising from 1.8 to 6.1 per 1,000 married people.

Texas sits below the national divorce rate; the CDC reported it at 2.1 per 1,000 population in 2023, against a national 2.4. For households with retirement accounts, deferred compensation, and operating-company equity, the planning stakes concentrate at the top of the asset distribution.

What the Data Says About Financial Impact

The 2026 Allianz Annual Retirement Study reported that 49 percent of divorced respondents say the divorce derailed their retirement strategy, and 59 percent of married respondents believe a divorce would. The study is sponsored by an insurer and surveyed 1,000 Americans aged 25 and older; we cite it for direction, not precision.

The peer-reviewed finding is sharper. Lin and Brown, writing in the *Journals of Gerontology* in 2021, documented a 45 percent decline in women's standard of living after a gray divorce, against a 21 percent decline for men. Both spouses lost roughly half their wealth.

Why Texas Changes the Math Before the Decree Is Signed

Texas is a community property state, but "community property" is not a synonym for 50/50. Section 7.001 of the Texas Family Code requires a division that is "just and right," not mathematically equal. Judges can and do award unequal shares.

Section 3.003 presumes that property possessed by either spouse at dissolution is community property. Rebutting that presumption requires clear and convincing evidence, which usually means tracing documentation for premarital, inherited, or gifted assets. For a founder who started a company before marriage, that tracing determines what is divisible. PWG does not provide legal advice; this is the stage at which Texas family law counsel should be engaged.

Dividing Retirement Assets Without the QDRO Mistakes

Retirement accounts are usually the largest divisible asset in a gray divorce, and the most often mishandled.

Why "A Dollar Is a Dollar" Is the Costliest Misconception

A pre-tax 401(k) dollar and an after-tax brokerage dollar are not worth the same. Trading a retirement-account share for equal nominal dollars in taxable assets produces an unequal result after income taxes. The *Journal of Financial Planning* gray divorce checklist from May 2022 warned that equal nominal splits generally produce an inequitable divide.

"A PRE-TAX 401(K) DOLLAR AND AN AFTER-TAX BROKERAGE DOLLAR
ARE NOT THE SAME."

The same principle extends to IRC Section 1041 transfers of real estate, business interests, and other low-basis property. [Carryover basis](#) means the embedded capital gain travels with the asset. Fair division requires modeling the tax built into each asset, not just the balance.

QDRO Drafting, Pre-Approval, and the 18-Month Window

A Qualified Domestic Relations Order (QDRO), the court order used to divide an ERISA-governed retirement plan without triggering tax, is governed by ERISA Section 206(d)(3) and IRC Section 414(p). Every plan must maintain written QDRO procedures, and best practice is plan pre-approval of the draft before the settlement is finalized.

A 2010 Department of Labor final rule requires that while qualified status is being determined, the plan separately account for amounts payable to the alternate payee for up to 18 months. Western and Southern Financial Group's 2026 industry survey, with a small sample of 235 respondents and an insurer sponsor, reported that QDROs were handled correctly for only 24 percent of women against 63 percent of men. Even allowing for sample limitations, that gap matches what we see in practice reviews.

The §72(t)(2)(C) Penalty-Free Liquidity Window

Distributions paid to an alternate payee under a QDRO are exempt from the 10 percent early distribution penalty under IRC Section 72(t)(2)(C). That exemption applies to qualified plans only, not to IRAs. A QDRO recipient under age 59½ therefore has a one-time window to take penalty-free cash from a 401(k) or pension share.

Rolling the share directly to an IRA closes the window permanently. For a lower-earning spouse needing liquidity for housing, legal fees, or income replacement, sequencing the distribution and rollover is a planning decision. Any distribution remains ordinary income and should be modeled with a CPA.

Executive Compensation and the Operating Company in a Fort Worth Decree

Beyond the 401(k) and the house, deferred compensation, equity grants, and operating-company equity are governed by rules that do not match the retirement-plan playbook. Treating them as if they do is a common planning failure we observe in HNW decrees.

“TREATING THEM AS IF THEY DO IS A COMMON PLANNING FAILURE
WE OBSERVE IN HNW DECREES.”

Nonqualified Deferred Compensation Under §409A

Nonqualified deferred compensation (an unfunded promise by the employer to pay the executive in a future year) is not an ERISA-governed plan. The QDRO regime does not apply directly. Treasury Regulation Section 1.409A-3(j)(4)(ii) permits a plan to accelerate payment to a person other than the service provider under a domestic relations order, but only if the plan document provides for it.

If the plan does not permit direct payment, the executive remains the recipient and must transfer the net after-tax amount when payments are made. The former spouse remains an unsecured creditor of the employer, carrying concentration risk discussed in [Executive NQDC: The 409A Decisions You Can't Undo](#).

Stock Options, RSUs, ESPP Shares, and the ISO Transfer Problem

Nonqualified stock options transferred incident to divorce are governed by Revenue Ruling 2002-22, which applies IRC Section 1041. The employee spouse recognizes no income on transfer; the non-employee spouse recognizes ordinary income on exercise. Revenue Ruling 2004-60 keeps FICA and FUTA attributable to the employee spouse's wages.

Restricted stock units and employee stock purchase plan shares are not addressed by any IRS revenue ruling specific to divorce; common practice is "if, as, and when" division. Incentive stock options require particular care: the IRS has indicated that transferring the statutory option can disqualify its ISO status, which makes tax counsel essential.

Business Valuation and the Personal Goodwill Rule

Texas distinguishes personal goodwill from enterprise goodwill when valuing a closely held business for divorce. The Texas Supreme Court in *Nail v. Nail* (1972) held that a professional's personal goodwill is not divisible community property. The Fort Worth Court of Civil Appeals, in *Geesbreght v. Geesbreght* (1978), confirmed enterprise goodwill, which exists apart from a specific individual, can be divided.

The practical effect is that a valuation prepared for a sale may be wrong for a settlement. The battleground is the allocation between personal and enterprise goodwill, which turns on expert testimony. Our work on [Transferable Enterprise Value for Dallas-Fort Worth Business Owners](#) covers the same terrain from a sale perspective.

Social Security, the House, and the Timing of the Final Decree

Three timing decisions in the settlement often determine the long-term financial outcome more than any valuation argument.

The 10-Year Marriage Rule and Divorced-Spouse Benefits

A divorced spouse may claim a [Social Security benefit on a former spouse's record](#) if the marriage lasted at least 10 years, both spouses are 62 or older, and the claimant is unmarried, per 20 CFR Section 404.331. The benefit equals one-half of the former spouse's primary insurance amount at full retirement age, under 20 CFR Section 404.333.

The Social Security Administration confirms the divorced-spouse claim does not reduce the benefit paid to the former spouse or any current spouse. A marriage ending at nine and a half years loses the benefit entirely. For couples near the threshold, settlement timing can materially affect lifetime Social Security

benefits, as discussed in [Why High-Earning Households Should Treat Social Security as a Two-Million Dollar Decision](#).

Keeping the House Versus Keeping the Retirement Accounts

The Fort Worth and Tarrant County housing market has produced significant embedded gain in long-held primary residences. IRC Section 121, documented in IRS Publication 523, provides a capital gain exclusion of \$250,000 for a single filer and \$500,000 for a married couple filing jointly. Selling the home before the settlement is final may preserve the joint exclusion. Selling after may not.

The deeper comparison is between an illiquid asset that generates no income and a pre-tax asset that funds retirement income. The right analysis is after-tax and cash-flow adjusted, not equity against account balance.

Year-End Filing Status and the §1041 Window

Marital status for federal income tax purposes is determined by December 31. A settlement signed on December 30 produces single-filer status for the entire calendar year. A settlement signed in early January allows the couple to file as married for the prior year, with the full set of joint planning options available.

IRC Section 1041 non-recognition applies to transfers “incident to a divorce,” defined as within one year after the marriage ends or, under Temporary Regulation Section 1.1041-1T(b) Q&A-7, within six years if related to the cessation of the marriage. Alimony under instruments executed after 2018 is non-deductible to the payor and non-taxable to the recipient, per [IRS Publication 504](#).

Building the Advisory Team Before the Decree Is Signed

The Institute for Divorce Financial Analysts’ 2026 survey reports clients seeking financial guidance earlier. In our DFW practice, that shift matches what we observe: the costliest decisions are set well before the trial or mediation calendar.

Why Information Asymmetry Is the HNW Risk

In HNW households, one spouse often controls the operating company, the books, the timing of compensation, and the distribution calendar. The Certified Divorce Financial Analyst exam identifies “common financial mistakes” and hidden-asset identification as core competencies. Voluntary disclosure processes lack subpoena power, forensic accounting, and expert cross-examination.

Coordinating Family Law Counsel, CPA, and Valuation Experts

Texas family law counsel, a CPA familiar with divorce taxation, and a credentialed business valuator each contribute analysis no single discipline can supply alone. PWG coordinates the financial modeling that connects their work: tax-adjusted values, cash-flow models for each post-settlement household, and the sequencing of distributions and rollovers. We do not provide legal or tax advice.

Post-Decree Planning: Beneficiaries, Estate Documents, and Cash Flow

The settlement is a beginning, not an end. Beneficiary designations on retirement accounts, insurance policies, and transfer-on-death registrations must be updated immediately. Estate documents, powers of attorney, and healthcare directives drafted during the marriage usually require full redrafting. The post-settlement cash flow plan, informed by [How Much Can You Safely Withdraw in Retirement?](#), must fund two households from what was built to fund one.

Frequently Asked Questions

Q: Is Texas a 50/50 State in a Gray Divorce?

No. Texas is a community property state, but Section 7.001 of the Texas Family Code requires a division that is “just and right,” not mathematically equal. Judges weigh each spouse’s earning capacity, health, fault, and separate property holdings. Unequal divisions are routine, particularly when one spouse has materially greater post-divorce earning potential. Separate property, which must be proven by clear and convincing evidence under Section 3.003, is not divided at all. Texas family law counsel is essential.

Q: What Happens to My 401(k) in a Fort Worth Divorce?

A 401(k) is divided through a Qualified Domestic Relations Order under ERISA Section 206(d)(3) and IRC Section 414(p). The order directs the plan to pay a specified share directly to the former spouse. Best practice is plan pre-approval of the draft before the settlement is finalized. Distributions to the alternate payee under a QDRO are exempt from the 10 percent early distribution penalty under IRC Section 72(t)(2)(C) but remain ordinary income. The exemption applies only before rollover to an IRA.

Q: Can My Ex-Spouse Claiming Social Security Reduce My Benefit?

No. The Social Security Administration confirms that a divorced-spouse benefit paid on a worker’s record does not reduce the worker’s own benefit or the benefit paid to a current spouse. To qualify, the marriage must have lasted at least 10 years, both parties must be 62 or older, and the claimant must be unmarried, under 20 CFR Section 404.331. The benefit equals one-half of the worker’s primary insurance amount at full retirement age. For couples divorcing near the 10-year mark, settlement timing has a long-term financial consequence.

Q: How Is a Business Valued in a Texas Divorce?

Texas law distinguishes personal goodwill from enterprise goodwill. The Texas Supreme Court in *Nail v. Nail* (1972) held that personal goodwill tied to a professional’s own skill is not divisible community property. The Fort Worth Court of Civil Appeals in *Geesbreght v. Geesbreght* (1978) confirmed that enterprise goodwill, which exists independently of a specific person, can be divisible. A valuation prepared for a sale may significantly overstate the divisible value of a professional practice or closely held business. Allocation between personal and enterprise goodwill is typically contested through competing expert testimony.

Q: How Is Executive Deferred Compensation Divided in a Texas Divorce?

Nonqualified deferred compensation is governed by IRC Section 409A, not by ERISA's QDRO regime. Treasury Regulation Section 1.409A-3(j)(4)(ii) permits a plan to pay a former spouse under a domestic relations order, but only if the plan document provides for it. Otherwise, the executive remains the recipient and transfers the net after-tax amount when payments are made. The former spouse remains an unsecured creditor of the employer, inheriting employer concentration risk. Reading the plan document is the first step in any division.

Q: How Can I Protect My Business in a Gray Divorce?

In Texas, a professional's personal goodwill is not divisible community property under *Nail v. Nail* (1972), which can meaningfully reduce the divisible value of a closely held business. Separate property proven by clear and convincing evidence under Texas Family Code Section 3.003 is not divided at all; premarital business interests, documented inheritances, and gifted equity may qualify. Prenuptial and postnuptial agreements, properly executed, further define separate-property treatment. A credentialed business valuator and Texas family law counsel should be engaged well before any settlement discussion begins.

Schedule a Conversation

If a gray divorce is on your horizon or already underway, a 30-minute conversation can clarify which financial decisions deserve immediate modeling with your attorney and CPA. There is no cost and no obligation.

About Palmer Wealth Group™

Palmer Wealth Group™ is a boutique wealth management practice operating as an Integrated Wealth Alliance — a coordinated team of specialists dedicated to business owners, corporate executives, professional practice owners, and multi-generational families navigating the financial complexities that accompany significant wealth. Led by Luke A. Palmer, CFP®, AAMS®, CRPS®, AWMA®, the practice delivers the institutional-quality strategies and coordinated oversight that clients who have outgrown conventional advisory models require. Learn more at palmerwealthgroup.com.

Important Disclosures

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*Statutory and Regulatory References. Regulatory thresholds, Internal Revenue Code sections, Treasury Regulations, Revenue Rulings, Code of Federal Regulations provisions, and Texas Family Code sections referenced in this article are subject to legislative amendment, administrative revision, and judicial interpretation. Case citations, including *Nail v. Nail* (Tex. 1972) and *Geesbreght v. Geesbreght* (Tex. Civ. App.—Fort Worth 1978), reflect controlling or persuasive authority as of the publication date and should be verified with counsel for application to specific facts.*

Third-Party Industry Survey Data. Statistics attributed to the 2026 Allianz Annual Retirement Study (n = 1,000 respondents aged 25 and older, sponsored by Allianz Life Insurance Company of North America) and the 2026 Western and Southern Financial Group gray divorce survey (n = 235 respondents, sponsored by Western and Southern Financial Group) are reproduced from their respective publishers and

may reflect limitations of sample size, sponsor orientation, and survey methodology. Neither survey is isolated to respondents aged 50 or older unless specifically noted. Palmer Wealth Group™ cites these figures for directional context and does not warrant their accuracy.

Peer-Reviewed and Government Statistical Data. Statistics attributed to Bowling Green State University's National Center for Family and Marriage Research, the Centers for Disease Control and Prevention National Center for Health Statistics, the Social Security Administration, and Lin and Brown (*Journals of Gerontology: Series B*, 2021) reflect data years cited and may not represent current conditions. The most recent age-specific divorce rate data available at publication reflects the American Community Survey 2023.

Forward-Looking Statements. Any statement regarding future tax treatment, future statutory interpretation, future benefit calculations, or future planning outcomes constitutes a forward-looking statement. Actual results may differ materially from statements of expectation due to changes in law, regulation, administrative interpretation, judicial decisions, personal circumstances, and market conditions.

Not Personalized Guidance. Nothing in this article constitutes a recommendation to initiate, pursue, structure, settle, or decline any divorce proceeding or asset division. Any planning decision requires analysis by qualified legal, tax, and financial professionals addressing the specific facts of a client's situation.

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- Nail v. Nail, 486 S.W.2d 761 (Tex. 1972).

Internal Revenue Code

- Internal Revenue Code §72(t)(2)(C). Exception from 10 percent additional tax on early distributions for amounts paid to an alternate payee under a Qualified Domestic Relations Order.
- Internal Revenue Code §121. Exclusion of gain from sale of principal residence.
- Internal Revenue Code §409A. Inclusion in gross income of deferred compensation under nonqualified deferred compensation plans.
- Internal Revenue Code §414(p). Qualified Domestic Relations Orders.
- Internal Revenue Code §1041. Transfers of property between spouses or incident to divorce.

Treasury Regulations

- Temporary Treasury Regulation §1.1041-1T(b), Q&A-7. Transfers related to the cessation of the marriage.
- Treasury Regulation §1.409A-3(j)(4)(ii). Permitted acceleration of payments under domestic relations order.

IRS Materials

- Internal Revenue Service. Publication 504: Divorced or Separated Individuals. 2025 edition. <https://www.irs.gov/publications/p504>
- Internal Revenue Service. Publication 523: Selling Your Home. 2025 edition. <https://www.irs.gov/publications/p523>
- Revenue Ruling 2002-22, 2002-1 C.B. 849. Transfer of nonstatutory stock options and nonqualified deferred compensation incident to divorce.
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- 20 CFR §404.333. Wife’s and husband’s benefit amounts.

Texas Statutes

- Texas Family Code §3.003. Presumption of community property.
- Texas Family Code §7.001. General rule of property division.

Research Methodology: This article was prepared with the assistance of AI tools that supported research synthesis and initial drafting. AI tools do not exercise professional judgment and may have gaps in current regulatory or market information. All content was independently reviewed by qualified Palmer Wealth Group™ professionals. The analysis and guidance expressed here represent the professional judgment of Palmer Wealth Group™, not AI outputs. Palmer Wealth Group™ assumes full editorial and compliance responsibility for this content.

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