Boom or Bust: Does the Economy Impact Your Divorce Decision?

April 14, 2025

With recession fears spiking, some wonder how lean economic times impact divorce.

It's a common question: do tough financial times push couples apart, or does prosperity give them the freedom to split? The relationship between the economy and divorce is more complex than a simple cause-and-effect. While financial stress undoubtedly strains marriages, the ability to *afford* a divorce often plays a crucial, counterintuitive role. Let's dive into the dynamics, look at historical examples, and consider what current trends might suggest.

The Case for Economic Stress: Bad Economy = More Divorce?

The logic seems straightforward. When the economy sours, stressors pile up:

1. **Unemployment:** Job loss brings not only financial hardship but also potential loss of self-esteem, shifts in household roles, and increased anxiety, all of which can destabilize a marriage.

2. **Stock Market Volatility:** While less direct for many than job loss, significant drops in investments or retirement savings can create fear, tension, and arguments about financial decisions.
3. **Housing Market Issues:** Being underwater on a mortgage, facing foreclosure, or being unable to sell a home can trap couples financially and emotionally, leading to conflict.
4. **General Financial Pressure:** Rising debt, inability to pay bills, and scaling back on lifestyle can create chronic stress that spills over into the relationship, leading to blame, resentment, and reduced marital satisfaction.

Under this "stress hypothesis," the added pressure cooker environment of a bad economy would logically lead to more couples calling it quits.

The Case for Economic Confidence: Good Economy = More Divorce?

Conversely, good economic times might also fuel divorce, but for different reasons:

1. **Financial Independence:** When jobs are plentiful, wages are rising, and assets (like homes) have high value, individuals may feel more confident in their ability to support themselves independently after a split.
2. **Easier Asset Division:** Higher housing prices might make selling the marital home and dividing the proceeds simpler, providing both parties with capital to start over. Stronger savings provide a cushion.
3. **Lower Perceived Risk:** A robust job market reduces the fear of post-divorce unemployment or underemployment.
4. **Affordability of Divorce:** Divorce itself is expensive (legal fees, setting up separate households). Prosperity makes these costs seem less prohibitive.

Under this "independence hypothesis," a booming economy doesn't necessarily *cause* marital breakdown, but it might *enable* couples who were already unhappy to finally make the separation financially feasible.

What Do the Statistics Actually Show? The Affordability Constraint

Surprisingly, large-scale studies and historical data often show that divorce rates tend to *decrease* or stagnate during significant economic downturns. This points to a powerful factor:

the affordability constraint. A review of the data following the Great Recession [by Pew Research] summarizes some of the factors:

Perhaps couples cannot afford to get divorced during hard times—it may be too costly to live separately, one spouse may lose health benefits, divorce itself can be expensive and so forth. But it's also possible that stress caused by job loss, foreclosure or other economic injury may raise the risk of divorce. Some studies even suggest that hard times undermine the sense of shared goals that shores up a marriage, because couples avoid buying homes or making other investments.

Even if stress levels are high, the financial realities of separating during a recession can be daunting. Couples may be unable to sell their home without a loss, lack the funds for legal fees, or fear they cannot manage two separate households on uncertain incomes. In essence, while a bad economy might increase marital *unhappiness*, it can paradoxically make *getting divorced* less likely in the short term. Couples may choose to stick together out of financial necessity, delaying separation until times improve.

Case Study: The Great Recession (2008-2010)

The period following the 2008 financial crisis provides a compelling example. Despite widespread financial stress, job losses, and the housing market collapse:

- Multiple studies and analyses indicated a *dip* in divorce rates in the US and other affected countries during the immediate recession years (roughly 2009-2011).
- Researchers often attributed this to the "affordability constraint." The inability to sell homes, depleted savings, and job insecurity made splitting up financially unviable for many.
- Some evidence suggests a potential *delayed* increase in divorces as the economy began to recover, possibly from couples who had put off separation during the worst of the crisis.

Case Study: The COVID-19 Pandemic

The pandemic presented a unique mix of stressors: health fears, lockdowns (forced proximity), childcare disruptions, *and* severe economic shocks for many.

- Initial speculation leaned towards a surge in divorces due to the intense pressure-cooker environment. Anecdotal reports from lawyers sometimes suggested increased inquiries.
- However, official statistics in many places showed a *decrease* in divorce filings, particularly in 2020, when divorce rates dipped by as much as 43%. (Notably, divorce rates rebounded after 2020, but marriage rates remained substantially lower following the pandemic.) The declining divorce rate during 2020 was likely due to a

combination of factors: court closures and delays, extreme uncertainty (health and financial), and perhaps, for some, a "rallying together" effect.

- Similar to the Great Recession, economic uncertainty and the inability to easily establish separate households likely played a significant role in delaying decisions for many unhappy couples. Predictions of a large post-pandemic divorce surge have yielded mixed results, suggesting delays rather than a fundamental shift for many.

Looking Ahead: Today's Economic Climate (April 2025)

With a recent drop in the stock market and signs of economic turbulence ahead, it’s fair to wonder how economic factors will impact divorce rates in 2025. If negative economic trends continue and signal a broader or prolonged economic decline (e.g., leading to higher unemployment, housing market stagnation, or recession):

- **Based on historical patterns (like 2008):** We might speculate that *divorce rates could potentially decrease or level off* in the near term, even if marital stress increases. The affordability constraint would likely come into play, making couples hesitant to separate amidst financial uncertainty.
- **Increased Stress:** Simultaneously, ongoing financial pressure *would* likely increase strain within marriages. We could see rising marital dissatisfaction, even if it doesn't immediately translate into divorce filings.
- **Delayed Effect?** If the economy recovers later, we might see a subsequent rise in divorces as pent-up demand is released and financial stability makes separation feasible again.

It is crucial to remember this is speculation. The economy is just one factor. Individual relationship dynamics, social support, access to resources, and personal choices remain paramount.

Navigating the Decision: Should You Divorce in a Down Economy?

As we've explored, the connection between the economy and divorce is complex. While financial downturns undeniably increase stress on marriages, they also frequently create an "affordability constraint," making the process of separating more difficult. The decision to divorce is intensely personal, but if you are contemplating this step during uncertain economic times, here are several critical factors to consider:

- **Earnings and Job Security:** Honestly assess your own current income and job stability, as well as your spouse's. How secure do your respective employment situations feel in the current economic climate? Job loss or income reduction for either party can significantly impact the financial feasibility of separating and maintaining two households.
- **Potential Support Obligations:** Consider the potential for alimony (spousal support) or child support payments, whether you anticipate paying or receiving them. Economic instability can affect the amount and duration of support ordered. It is highly recommended to consult with a family law attorney to get a realistic forecast based on your specific circumstances and local laws.
- **Housing Availability and Costs:** Where will you both live post-divorce? Evaluate the current housing market.
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    - Can one party afford to stay in the marital home, potentially benefiting from a lower, locked-in mortgage rate?
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    - Is assuming or refinancing the current mortgage feasible given interest rates and lending standards? Selling the home might be difficult or result in a loss in a down market.
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    - What are the costs and availability of rental properties or purchasing a new home in your desired area?
- **Savings and Investments:** Take stock of your combined liquid savings, investments, and retirement accounts.
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    - How much readily available cash do you have to cover the significant costs of the divorce process itself (legal fees, setting up a new household)?
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    - Recognize that divorce proceedings can be lengthy. Market volatility means the value of investments and assets can change significantly between the start and end of the process. Consider how you might divide assets whose values are fluctuating.

- **The Bigger Picture:** Remember that economic factors shape the *options* and *timing* of divorce more than they determine the underlying health of the relationship. While a difficult economy might force a delay due to financial necessity, the fundamental reasons for considering divorce often remain. Reflect on the non-financial aspects of your situation alongside these economic realities.

Ultimately, while economic tides influence the landscape of marriage and divorce, the decision to end a marriage is deeply personal, influenced by a multitude of factors far beyond the Dow Jones Industrial Average or the unemployment rate. Economic conditions shape the *options* and *timing* more than they dictate the fundamental health of a relationship.

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