

## For richer, for poorer

Pension and asset advice should be part of the divorce process

Divorce – it's one of the most difficult subjects to talk about. The emotional upheaval of divorce can be difficult to deal with, but so too can the financial implications.

When relationships come to an end, there are so many things to consider. Children, home and support are naturally the first things you focus on.

When you begin the process of separating a shared life, the sheer number of things to deal with is daunting. On top of that, the settlement may come with its own financial pressures, having a lasting impact on your plans for later in life.

### **DIVORCE RATES ARE INCREASING FOR MEN AND WOMEN OVER 55**

A study from Research Plus[1] shows that divorcees retiring in 2018 expected to receive up to 18% less in retirement income. And with the Office for National Statistics[2] confirming that divorce rates are increasing for men and women over 55, it's an issue likely to affect a growing number of the baby-boomer generation.

### **ONE OF THE MOST DIFFICULT ASSETS TO SPLIT**

Divorcing spouses are often unaware of their rights and still less aware of how to begin to approach the issue of a fair split of pension assets. While it may not be the first thing you need to think about, a pension fund is likely to be one of the most difficult assets a couple will have to split in the event of a divorce, so it's best to start early.

The stress of getting through a divorce can mean people understandably focus on the immediate priorities like living arrangements and childcare, but a pension fund and income in retirement should also be a priority.

### **ADVICE IS CRUCIAL AS EARLY AS POSSIBLE IN ANY SEPARATION**

A pension fund is one of the most complex assets a couple will have to split, so anyone

going through a divorce should seek legal and professional financial advice to help them do so. For many more couples, the increase in the value of pensions means that it is often the largest asset.

It goes without saying that this advice is crucial as early as possible in any separation where couples have joint assets. The law on divorce is different across the UK. Taking legal advice in the early stages of separation is important.

### **HOW MUCH MONEY YOU THINK YOU'LL NEED TO LIVE ON LATER IN LIFE**

Before planning how to separate your pension assets, you may want to consider how much money you think you will need to live on later in life. It's never easy when things come to an end, but support and advice can make this clearer.

So what are the options available when you are

ready to look at separating your assets? Firstly, it's important that you both list the different pensions you and your ex-civil partner or spouse have. Then you can start to explore the options.

Across the UK, there are three core options to consider when you're separating pension assets. These are pension sharing orders, pension attachment orders (called 'pension earmarking' in Scotland) and pension offsetting. Some of these options need to be administered by the courts, and not all of them will be suited to your individual circumstances.

## PENSION SHARING ORDER

Pension sharing is one of the options available on divorce or the dissolution of a registered civil partnership. Each party owns a share of the pension fund but is able to decide what to do with their share independently. This provides a clean break between parties, as the pension assets are split.

## PENSION ATTACHMENT ORDER

This redirects some or all of the pension benefits to you or your ex-civil partner or spouse at the time of payment. When the person who owns the pension receives their benefits, the pension provider makes a payment to their ex-civil partner or spouse. With this option, you don't get the clean break as you would from the pension sharing order.

## PENSION OFFSETTING

With pension offsetting, the total assets are considered and then divided up. For example, if your ex-partner has a large pension pot, they may keep this as you may agree to receive an asset of similar value (the house, for example). This may be an appropriate option if there are overseas pension assets that need to be split, as these cannot be shared via a UK court order.

When contemplating divorce, many people put themselves under undue stress worrying about their financial well-being. Much of that stress is due to the fear of the unknown before, during and after divorce. It is important to focus on your financial situation realistically, since doing so will give you a sense of control over your life, which in turn can reduce your stress level. ■

## PROTECTING YOUR PENSION AND ASSETS IN A DIVORCE

A divorce is never something people plan, but it should be something to plan for.

There are so many assets to consider and so much legislation to understand. If you are considering a divorce and want to know more about the options available to you regarding your finances, please contact us.

### Source data:

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

[2] Divorce statistics from the Office of National Statistics, published 26 September 2018

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