
PENSIONS IN DIVORCE – WOMEN LOSE OUT ON £5BN EVERY YEAR

- **Women are less well-prepared for retirement, with only 52% saving adequately compared with 59% of men**
- **Divorced women are even less prepared - a quarter (24%) are not saving anything into a pension**
- **Nearly three quarters (71%) of divorced people did not discuss pensions during divorce proceedings**
- **Divorced women are missing out on £5bn in pension payments every single year**

Seven in 10 couples don't consider pensions during divorce proceedings, leaving women short-changed by £5bn every year, according to new Scottish Widows research. The research shows that more than half of married people (56%) would fight for a fair share of any jointly owned property, and 36% would want to split their combined savings.

Yet fewer than one in 10 (9%) claim they want a fair share of pensions, despite the average married couple's retirement pot totalling £132k – that's more than five times the average UK salary (£26k¹) and just over the average price of a house in Bradford².

In fact, more married people would be concerned about losing a pet during a settlement than sharing a pension (13% vs 9%).

Inadequate savings and preparation

Overall, women are less well prepared for retirement than men, with 52% saving adequately for the future compared with 59% respectively. This figure falls to below half (49%) for divorced women, with nearly a quarter (24%) saying they are unable to save anything at all into a pension, twice the rate of divorced men (12%) saving nothing. Furthermore, two-fifths

¹ ONS Earnings and working hours

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours>

² Halifax House Price Index, 12 month rolling arithmetic average to August 2017. The average house price in Bradford is £129,623

of divorced women (40%) say their retirement prospects became worse as a result of the split, compared with just 19% of men.

Even if pensions are discussed during a divorce settlement, women are still missing out – 16% lost access to any pension pot when they split with their partner and 10% were left relying completely on the State Pension.

Confusion around pensions in divorce

Almost half of women (48%) have no idea what happens to pensions when a couple gets divorced, which may explain why so few couples consider them as part of a settlement. A fifth (22%) presume each partner keeps their own pension and 15% believe they are split 50-50, no matter what the circumstances.

In reality, pensions can be dealt with in a number of ways on divorce. The starting point should always be to find out what pensions there are, what are they worth and how they fit with any other assets such as property and savings and each spouse's needs for a home and income.

If an adjustment needs to be made to get a fair overall outcome on a divorce this can be done by one person keeping their pension, but the other getting more of the other assets (called "offsetting"); or the court can make a pension sharing order giving a percentage of one person's pension to the other (which could be 50:50 but often won't be); or a combination of the two may be needed. However, pension sharing orders are made in just 11% of divorces³.

Catherine Stewart, Retirement Expert at Scottish Widows, said: "Generally speaking women's retirement prospects are worse than men's. The persistent gender pay gap, maternity leave and career breaks can all hold back women's earning potential and this often impacts pension savings. Relationship breakdowns can leave people really vulnerable but, quite simply, they're also throwing significant sums of money down the drain.

³ Based on Ministry of Justice figures showing there were 11,503 'pension sharing orders' in the year to March 2017 and ONS data that shows there were 107,071 divorces in 2016

“It is important that everyone – whether single, married or divorced – take steps to understand their finances and prepare for their independent future should a relationship break down. We would urge men and women to better understand the legalities around what happens to pension pots during divorce proceedings, as often they are the second largest, if not the largest asset a couple owns.”

Nigel Shepherd, Head of Family Law at national firm Mills & Reeve, said: “Pension sharing was introduced almost two decades ago, but it is clear that all too often in a divorce pensions are still not being taken into account properly or at all. The problem has been made very much worse by the fact that so few people are now entitled to legal aid and are having to negotiate the minefield of financial issues on divorce without even basic legal advice. This is storing up real problems down the line, in particular for women.

“While some pensions are relatively straightforward, others (for example public sector schemes) are complex. There is no substitute for expert legal and financial advice and the costs involved should be considered an investment.”

ENDS

Annual deficit of £5bn is calculated by taking the average amount of money in pensions owned by married couples (£71,286 in own pension + £60,342 in partner’s pension), multiplying by 71% of the divorces in a year (107,071 in 2016) and dividing by two for an equal 50-50 split between the two parties.

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Note to editors

- The research was carried out online by YouGov across a total of 5,314 nationally representative adults in April 2017. Additional research was carried out by Opinium across a total of 5,000 nationally representative adults in September 2017.

- Scottish Widows was founded in 1815 as Scotland's first mutual life office and is one of the most recognised brands in the life, pensions and investment industry in the UK.
- Scottish Widows has won a number of awards in 2017, including 'Pensions Firm of the Year' at the FD Service Excellence Awards, 'Pensions Provider of the Year' at the Pensions Age Awards, 'De-Risking Provider of the Year' at the Pension and Investment Provider Awards and 'Risk Reduction Provider of the Year' at the UK Pensions Awards.
- Last November, Scottish Widows was awarded the '5 Star' Service Award for both the Life & Pensions and Investment categories at the Financial Adviser Service Awards. Scottish Widows also picked up the 'Most Improved Provider' award.
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