

Good to KNOW...

What happens to my pension AFTER DIVORCE?



If your relationship ends your retirement income might be the last thing on your mind – but a plan will make the process much easier

Breaking up is never easy. It can be a confusing, overwhelming and distressing time for everyone involved. Working out how you will afford to live apart can be a huge challenge and it's important that you include pensions when you work out how to separate your lives.

Pensions and divorce

Divorce law says that pensions can be shared along with other assets if you and your partner decide to go your separate ways. You must never assume that you will be entitled to some of your partner's pension pot if you divorce, so it's very important that you talk these things through if you can.

If the end of your relationship is less than civil, you might want to get a mediator to help you negotiate your way through everything. A mediator remains impartial and is there to help you reach an agreement outside of court, to save you time and money. They can't advise you on the legal side though, so it's important that each of you get independent advice.

✦ Find a mediator through the Family Mediation Council call 0844 556 7215 or visit www.familymediationcouncil.org.uk/

Dividing up pension

You and your partner will need to tell the divorce court the value of your pension pots. If you live in England, Wales or Northern Ireland, you need to know the value of your pension at the date your divorce.

If you live in Scotland, it's the

increase in the value of your pension over the course of your marriage that is counted. You can get these from your pension provider but be prepared to pay for the information you need.

Pensions are usually the biggest asset after the matrimonial home, so, given what's at stake, it's vital you get advice from a pension adviser. Essentially, pension pots can be split three ways, as Mary Banham-Hall – lawyer, mediator and author of *Love Lose Live: Divorce is a Rollercoaster* – explains (right).



HOW TO... GET YOUR FINANCES ON TRACK

✦ Review your budget and spending needs to ensure you spend less than you receive and save the difference.

✦ A divorce nullifies a Will so you need to make a new one – March 2016 is Free Wills Month which allows you to make or change a Will free of charge through a number of charities if you are 55 or over. Find out more at <http://freewillsmoonth.org.uk>

✦ It's also a good time to consider organising or

changing your Lasting Power of Attorney (LPA) arrangements. Yours Retirement Services will write your Will for free if you arrange both a Health & Welfare and a Financial & Property Affairs LPA with them. Call 0800 915 4714.

✦ Review the amount of life and health insurance you have.

✦ Check to see if you are now entitled to any state benefits as a single person

✦ If there is a maintenance

order or alimony in place, ensure your ex-spouse has sufficient life insurance to cover these payments should he die before you.

✦ If in doubt take advice from a financial planner who will be able to help you get back on track. Find an independent financial adviser in your area by calling 0800 112 3405 or visit www.financialadvisorbureau.co.uk



DID YOU KNOW?

Money matters typically take 11½ months to settle following a break-up Source: Aviva

1 "Pensions sharing" – the pensions will be split at the time of divorce so that you each get a separate pension pot. This will allow you to continue building on your pension for the future if you need to.

2 "Pensions offsetting" – you each keep your own pension, but you adjust the amount of other assets you get. So for example if one person has a large pension pot the other might get to keep the family home if it is of a similar value.

3 "Pensions earmarking" – an agreement that states that when one person's pension starts to be drawn down, the other person is paid part of it."

I didn't work – does it matter?

If your husband was always the breadwinner and you stayed at home to bring up a family you won't be penalised for not working. The law sees both working and raising a family or supporting your husband as an equal contribution. If your husband has a pension pot and you have none then it's likely that you will need to share his pension pot.

What about my state pension?

This is where it gets very complicated! "Much depends upon your own National Insurance history and whether the State Pension is being paid or not. If one spouse has an incomplete

In happier times, it's important that both partners understand financial circumstances including their pensions

National Insurance Contributions (NICs) history to receive the full State Pension, because of time out of work to bring up children for example, they can 'substitute' their divorced spouse's record to get a full State Pension at no cost," says Danny Cox at financial adviser Hargreaves Lansdown (hl.co.uk). "Any Additional State Pension (once called SERPs) is also shared."

The rules change from April though where everyone builds their own entitlement to the State Pension. You need at least ten years of National Insurance contributions to qualify for any State Pension, to get the full amount you need to 35 years of contributions. However, it may be possible to share in your ex-partner's State Pension.

What if we're already drawing down our pensions?

If you are already retired and are drawing down on your pension when you divorce it doesn't matter. "The same principles apply," says Danny. "The pension is an asset, or it's an income stream which is taken into consideration in the division." So you may still end up sharing your pension pots.

I'm worried I won't have enough to live on

If you are still working you could try topping up your pension, though there are limits to how much you can pay into it and receive tax relief. If you are close to retirement age it's quite difficult to top-up your pension, so you may want to consider continuing to work or going back to work.

If you are worried, your local Citizen Advice Bureau could help with practical advice. Call 03454 04 05 06 or visit www.citizensadvice.org.uk

Stay safe and know your finances

Having full knowledge of your own pension and other finances is vital. "Some unscrupulous individuals may be tempted to strip out their pension pot and spend it before the divorce settlement to avoid sharing it with their ex-partner. To avoid this, it's important that, in happier times, couples understand what pension both parties have built up," says financial expert Kate Smith from Aegon.

✦ NEXT ISSUE Relationships – relight that fire!