



Pension sharing on divorce

(or lack thereof)

Christopher Brooks, 5 December 2019



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Report:

https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/rb_aug18_women_retirement_expenditure_and_pensions.pdf

Press release:

<https://www.ageuk.org.uk/latest-press/articles/2018/september/women-losing-out-on-money-in-divorce/>



Household decision-making (1)

Collaborative

- 70% women (66% men) pool some or all of their income.
- Joint decision-making in many areas (combined with individual discretion).
- 25% of women (28% men) keep income separate
- More investigation is needed to understand who and why
- Most people consult with their partner before taking a previously undiscussed decision

	Net consult (always or sometimes)	Always	Sometimes	Never
Women	96%	53%	43%	2%
Men	97%	75%	22%	1%



Household decision-making (2)

However...

- Doesn't mean everything's rosy. Still issues for women, can disproportionately spend own pension pot on groceries/children
- Doesn't necessarily mean equal weight with decision-making
- And many people taking decisions on a low income, where 'collaboration' takes on a different meaning.
- This doesn't improve pension decision-making

- Even where people say they pool all income, **they still retain something**
 - Focus groups found this important for financial independence and identity



Who usually takes the spending decisions?

Women less likely to take financial decisions, which includes pensions

	Women			Men		
	Me	Partner	Joint	Me	Partner	Joint
Groceries	58%	1%	40%	13%	26%	61%
Large financial commitments	16%	4%	80%	40%	1%	59%
Utility bills	30%	6%	63%	51%	4%	45%
Special one-off purchases	14%	2%	84%	11%	3%	85%
Major financial products	17%	5%	71%	34%	1%	61%

Source: ComRes polling (2017)



Spending and gender

Proportion of expenditure made by women in 55+ couple households:

> 60%	40-60%	< 60%
Food	Alcohol/tobacco/gambling	Holidays
Children	Utility bills	Recreation
Gifts	Mortgage/rent/home insurance	Motoring
Home maintenance	Savings	

Source: Age UK analysis of the Living Costs and Food Survey, 2014



Divorce

c.40%

of marriages end in divorce

12.5 years

is the average length of marriage among divorcing couples (2018)

nearly 1/3rd

of married women have divorced before their State Pension age

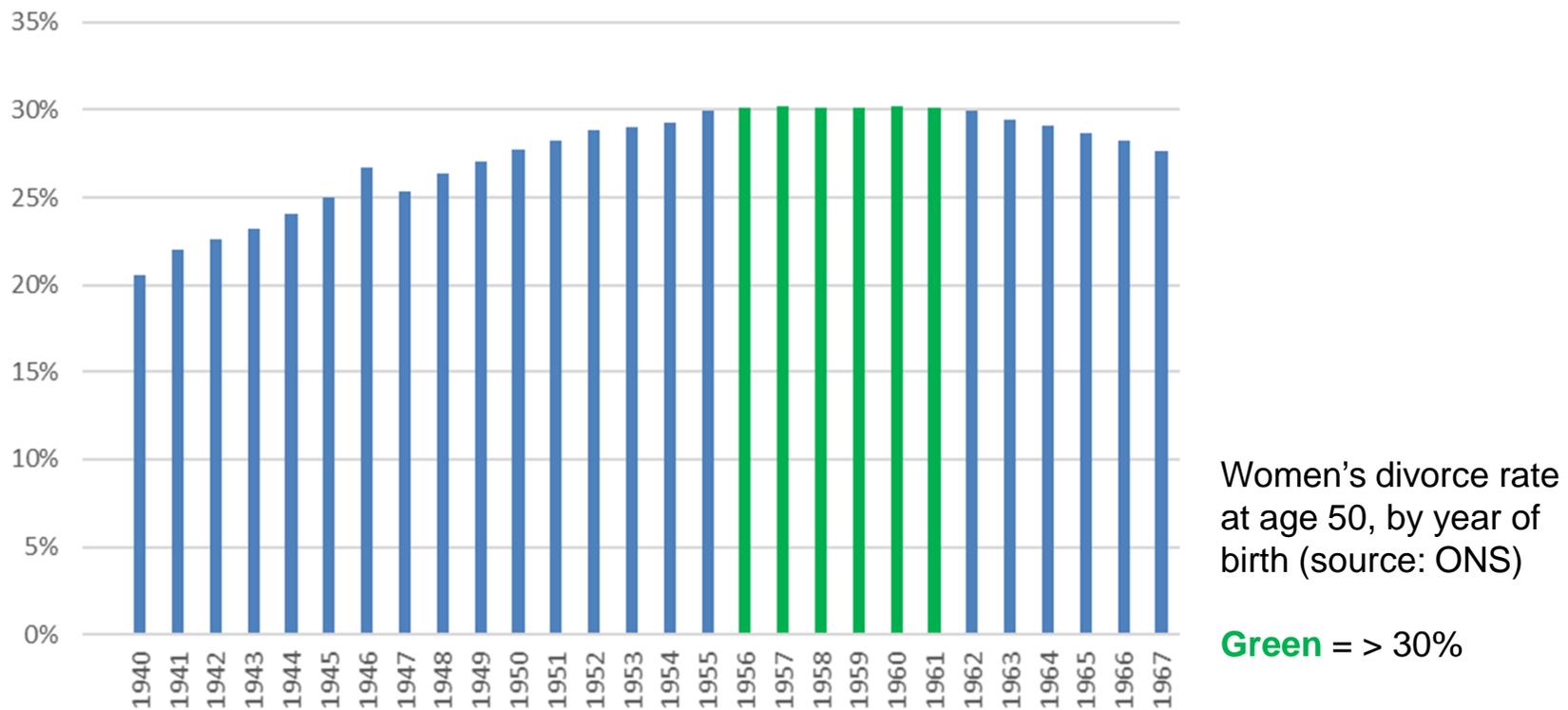


Divorce rates by age

Female all age divorce rate = 0.75% of married women (2018)

Female 60+ divorce rate = 0.14% of married women (2018) – much lower

However, divorce across life-course very common



Pensions - out of sight, out of mind

- Previous research suggests **47% of divorcing couples from 1996-2011 sought no legal advice**
- Scottish Widows research (2017) found:
 - **71% of divorcing couples did not discuss dividing their pension**
 - Only **22% of women would discuss their pension** as part of a divorce
- Similarly, the Nuffield Trust (2013) found 80% of divorce cases involved a pension, but **only 14% resulted in a pension sharing order**
- Feedback from focus groups suggests that the house is the sought after asset – people forget about the pension



Divorce – case studies

All quotes are from Age UK focus groups, or were provided by the Pensions Advisory Service (TPAS)



Re-setting the savings clock

“I’ve ended up on my own, starting again from scratch. I’m starting what you do in your early 20s again.”

Focus group participant, 54

“You don’t expect that when you’re younger, that you’ll have to rely on yourself later.”

Focus group participant, 62



Individual saving

“We’ve been divorced now for 10 years. My life changed. I really wish I’d put more money into my pension rather than relying that I would be able to rely on my then husband. I should have looked after myself.

Focus group participant, 64

“To people now – don’t worry about what’s going to happen to you – concentrate on your own pension rather than relying on someone else’s.”

Focus group participant, 64



DIY divorce – lack of legal help

“I was married to my husband for 23 years and now divorced for almost seven. I myself have a pretty worthless workplace pension. Unfortunately when we were divorcing neither party consulted with any legal bodies and we resolved the property issue between ourselves. However nothing was said regarding pensions. I am now wondering what my rights are if any?”

Divorcee aged 57, from the Pensions Advisory Service



Unfairness within the system

- Woodward & Sefton (2013), highlighted unfairness for women due to:
 - lack of access to legal representation
 - partners frequently excluding their pensions from settlement
 - and widely inaccurate perceptions about the real value of pensions

“I was told at the time it wasn’t worth pursuing based on the value of all the pensions and to be honest I didn’t have the expertise and it would have cost me a fortune [to pursue], so I decided to leave it.”

Focus group participant, 62



Personal pensions...

- Scottish Widows found 16% of divorced women had lost access to a pension

Hannah's story:

“I never, ever thought I was going to get divorced. You don't think these things are going to happen to you.”

During their years together, Hannah had been willing to let her husband manage their finances. But during the divorce, Hannah realised she had been paying into a pension in her husband's name from their joint account. On divorcing, Hannah saw none of the benefit of the contributions she had made. “He's ended up with a fantastic pension and I haven't... I really wish I'd put more money into my pension rather than relying on the fact that I'd be able to [share with] my husband. I should have looked after myself.”

Impact on means tested benefits

“My [divorced] mother-in-law is is in receipt of housing and council tax benefits. I know any money she gets [in a lump sum from father-in-law] will be deducted from her benefits but if she receives a lump sum, a) can she buy an annuity and b) if she can, will it be classed as "deliberately deprived the state of cash?"

Query asked to the Pensions Advisory Service



What to do...

Three areas for improvement:

1) Change in the divorce process – strengthen requirements around pensions for DIY divorcees.

For example, **a strong 'nudge' to include pensions in divorce settlements**

E.g. both parties sign a form declaring that they have at least considered the pension(s)

2) Public information campaign – make people aware

3) Spread good practice among divorce lawyers – embed Pension Advisory Group's work



Thanks!

