

WHAT YOU NEED
TO KNOW ABOUT

Pensions and Divorce

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Do you need to protect your pension arrangements? Or are you unsure whether you're entitled to your spouse's pension?

...here's what you need to know.

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Your pension can be one of your biggest assets after the family home.

Yet, 71% of divorce settlements* do not take pensions into account.

*Pensions Policy Institute in July 2020

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The end of your relationship
may affect your pension
arrangements or your
retirement plans.

It can often leave one person
worse off.

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What happens to your pension on divorce?

It depends. You can reach an informal agreement between yourselves or make an application for the courts to decide.

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The courts usually deal with pension arrangements in one of three ways.

- 1) Offsetting
- 2) Pension Sharing
- 3) Pension Attachment Orders

Read more about each option next.

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ONE: Offsetting

This is when the value of a pension is offset against other assets. One party keeps the full pension amount, while the other person is compensated through other assets. For example, one person receives the marital home in lieu of receiving any pension rights.

This can be an option for couples who still have many years before retirement or if the value of the pension is quite small.

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TWO: Pension Sharing

When you choose the pension sharing option, a certain percentage of the pension will be transferred from one spouse to the other. The person who receives the percentage of the pension will then have an entirely separate pension fund of their own.

This option provides a clean break between parties, as the pension assets are split immediately.

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THREE: Pension Attachment Orders

The courts make an order for all or part of a pension to be paid to one party when their former spouse starts to draw pension benefits. It redirects part or all of the pension benefits to the ex-spouse or civil partner when it comes into payment.

This option doesn't provide a clean break, as an on-going link with your ex-spouse or civil partner will remain.

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When You Agree Between Yourselves

You and your former spouse can reach an informal agreement. A solicitor can make your agreement legally binding through a consent order. This makes sure it is enforceable if your ex-spouse or civil partner changes their mind in the future.

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Remember, if you choose to prepare your own divorce application or there is a significant pension amount, you may wish to seek professional legal or financial advice about protecting your pension or pension entitlement before you take any action.

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