



CLWOMEN

Financial Planning designed by women for women

The investment and retirement specialists for women

A Guide to

Pensions & Divorce



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Cockburn Lucas 4 Women (CL4Women) is here to make financial planning easier and more focused on your needs. So I think you'll find this is a friendlier guide to pensions and divorce than you'll read anywhere else.

We're a woman-only team that - you've guessed it - provides financial advice for women only. We felt it was high time that women had a more personal approach to dealing with the financial issues they face, particularly before, during and after divorce.

I understand

When you choose someone to help you plan for your future, it helps if that person can really empathise with what you're trying to achieve. And if you're going through a divorce, it certainly helps if you're working with someone who can show you they understand at least some of what you're going through.

I'm a divorced woman. And I'm pleased to say that I've come through my divorce feeling stronger and more secure. If I had a mission in my life, it would be to help as many more women as possible get through their divorce feeling equally optimistic about their future.

Everyone experiences divorce differently. Everyone expresses their feelings in their own ways. But I know from my own experience - and from the experience of the women I've worked with - that just having someone there who genuinely understands the sometimes volatile mix of emotions you're feeling can be really useful.

Work with CL4Women and we'll help you settle one of the greatest assets in your marriage - the pension fund. But we'll also help you make your way through the process in one piece! We know what it's like, so we'll be there to give you an informed range of choices when you're ready for them. We'll be patient when you need some time to think, and we'll listen when you just want to talk things over.

Here's how we'll help you

It's a two-stage process. First, we'll assess the value of any pension fund/s and suggest the widest range of options open to you. Our aim is to work towards a settlement that will give you the basis of a secure retirement. You'll have the benefit of knowing that your future financial security is in expert hands - and that you can work towards your vision of retirement independently of your ex-partner.

But getting through divorce successfully takes much more. So as well as the financial advice, CL4Women will do whatever we can to help you make that transition into your new life. We'll talk a lot throughout the process. We'll get to know each other well, and I promise that working with us will feel different to working with any other financial adviser you've ever worked with.

Another important feature of the CL4W approach is our Sisterhood. We arrange regular get togethers and charity events which are a great opportunity for us all to relax, enjoy one another's company and have fun. (Another good way of helping you make that transition.)

Looking towards a more secure future

I know how important a certain level of financial security is in determining a future you can really look forward to, and we can set you on the path to achieving that. But I also know that feeling better about your future means feeling better about yourself. And I know we can help you with that too.

Above all, I hope this guide can go some way towards reassuring you that this can be the start of a very positive new phase in your life.



Why the right financial advice could just safeguard your retirement

I know for a fact that achieving a fair and amicable split in a divorce or separation is a lot easier when you've got a financial expert on your side. Their clarity and objectivity - as well as their professional skill - gives you the perspective you need.

If you work with CL4Women, we'll make sure you always have the information you need to make all the right judgements; so that you can secure equitable settlements. You won't need to take on the additional stress of trying to negotiate your rights to an ex-partner's pension, or manage their rights to your pension after separation or divorce; you've got more than enough to cope with in getting your life back on track.

The second biggest asset

After the home, the pension is usually the second largest asset to be administered in a divorce settlement. And we'll talk you through some of the most popular options for pension splitting in this guide.

For now though, I want you to remember this:

Never forget you have a right to an equitable settlement. Perhaps you were the major breadwinner. Or perhaps you stayed at home and looked after your children while your partner worked. Either way, you will have made a significant contribution to this asset - and you rightfully deserve to claim your fair share.

I also want you to remember this:

Whatever you do; whether you work with CL4Women or not, please make sure you investigate the full range of options at your disposal if you want to ensure a fair resolution.

I've met too many women who have agreed to a settlement without ever investigating alternative options. I absolutely understand that they were in a position where they just wanted to get the process over and done with, but they could have secured a better deal for themselves if they'd taken the time to consider all the options.

Working with us gives you the time to make considered decisions that take all the facts into consideration. So you won't ever need to make any premature decisions that you might come to regret.

So what happens to your finances following divorce?

They haemorrhage!

Without wishing to be too alarmist, research shows that many of us do tend to get just a little bit crazy in the aftermath of our divorce...

Holidays are a popular post-divorce tonic, with 13% celebrating their newly single status. And that's on top of the money we've already spent, and the financial sacrifices we've already made to make it this far.

If your finances were tied up in a joint account, it can affect your ability to manage your finances on an ongoing basis when the finances are disentangled. Alarming, 42% of women say that they will be worse off after divorce, compared with 39% of men* who actually claim they will be better off!

Clearly there are some significant disparities here. In this guide we're concentrating particularly on safeguarding your long-term future. So let's see what we can do to demystify the three ways pensions can be administered following divorce...



**Source: ICM Research – 9-11 July across the UK – figures taken from a study of 616 adults 18 plus who had been married or co-habited with a partner within the last 10 years.*

What is your pension worth?

The first step in assessing how to split a pension fairly is to find out exactly what it's worth.

(A pension valuation.)

This will be the responsibility of the person who is the member of the scheme: If you or your partner paid into a pension pot as part of a workplace pension, or had a personal pension scheme, it might be as simple as checking the last annual statement.

Or it might not... The value of some workplace pensions are based on the value of your (or their) salary. This makes things a bit trickier. The value of the pension will be determined according to length of service, the amount of contributions that have been made and how much of your (or their) salary builds up for every year of membership to the scheme.

Unfortunately working out your entitlement isn't as straightforward as splitting the pension valuation in half. The actual transfer value of your pension will be reduced by any penalties or charges for transferring the pension.

Your options

Without getting too bogged down in the nitty-gritty, I'd just like to give you a snapshot view of the three ways pensions are treated following a divorce. I'll also give you a quick rundown on some of the pros and cons in each case.

The most important thing to mention here is that these options will give you some very different outcomes. Without financial advice, some people choose what they think will be the most attractive option, but find that, from a long-term perspective, it hasn't worked out how they would have hoped. Indeed, in some cases, separated couples have found that a method that disadvantages one of them actually benefits the other. (Not a very attractive prospect, no matter how amicable your separation might have been!)

Don't worry. Together we can choose the right solution for you, taking your current and future needs into account.



What is your pension worth?

Pension offsetting

This is basically a form of asset trading. Let's say you and your partner owned a house worth £500,000. In this scenario we'll imagine that you gave up your career to raise a family, so you don't have a pension in your name, but your husband's pension is worth £250,000.

You have built a comfortable home and a happy environment for your children, so you can choose to offset the value of the pension settlement against the value of the house. So instead of claiming your right to circa £125,000 of the pension, you elect to put that value towards sole ownership of the house, while your partner retains the full value of their pension.

Is pension offsetting right for you?

Well, this is probably the simplest and easiest to administer of the three methods. But that shouldn't be your sole concern, especially if you're getting professional help, (whether that's from CL4Women or not). Because it's so easy to administer it does mean that you won't incur any Court fees, so that could represent a useful saving.

Do be aware that if you enter into an offset agreement for the family home (for example) you won't have any pension entitlement to your name. Certainly something to think about...



Pension sharing

Quite simply, the value of the pension is split at the time of the divorce. This will all be regulated by the Courts who'll inform you or your ex-partner what percentage of the pension should be transferred. Again this will be a percentage of the transfer value which will be assessed on the day before the pension sharing order comes into effect - and that may be higher or lower than the value of the pension figure you'll have been given at the start of the proceedings.

The award is called a pension credit. Whoever receives the award can choose to leave it where it is, (subject to Trustee permission) or transfer it to a new pension scheme (which will usually need to be chosen by the pension owner). We can review the pros and cons in more detail as and when.

What is your pension worth?



Pension earmarking

In this scenario, you enter into an agreement with your ex-partner that says when the pension matures an agreed part of the pension will be paid to or from you. The amount will be agreed as part of the settlement process.

There are further conditions around the payment of lump benefits and the enforcement of guarantees; we can discuss those if they apply.

Do note that you or your ex-partner are entitled to apply to the Court to change the amount of the pension that you or they feel is appropriate in the event of changed circumstances.

Is pension earmarking right for you?

The big selling point of pension earmarking is the long-term benefit. So this could be a good choice if you're trying to cement a decent retirement plan. It might also help to know that both you and your ex-partner can both benefit equally.

However, it isn't a totally mutually convenient solution: you could be dependant on your ex-partner's decision to retire before being able to receive any payments. In that scenario, you will also need to remember that your pension will be payable at your ex-partner's tax rate. So this is one of those situations that is going to require some careful calculations.

It may also be a disadvantage that you'll need to stay in contact with your ex-partner in order to manage the pension arrangement between you. If you think that's going to be impossible, then this won't be the solution for you.

There are further amendments to conditions that can kick in on re-marrying and the death of the scheme member which we can talk you through as necessary.

State pensions and death benefits

Cashing on national insurance numbers

The State Pension can't be split as part of a divorce settlement. However, if your partner has been working and you haven't, you may be able to claim basic State Pension, or improve your pension allowance using their national insurance number. (Their pension won't be affected in the slightest.)

It might sound strange using your ex-partner's national insurance number like this, but it's a perfectly legitimate way of claiming a pension for the years you were together. In fact, the rules for State Pension benefits will be based on national insurance records exclusively in the future. So this is actually a very good way of compensating people who may not have had an opportunity to work while married.

Do be aware that the entitlement will end if you get married again or enter into a civil partnership before you reach pensionable age.

Eligibility for death benefits

The whole point of pensions is to accrue retirement savings, but they also give the security that, in the event of the pension-holding partner dying in marriage, the remaining partner would be entitled to a death benefit to help them cope financially. This rule holds true after divorce if the pension member dies before they can draw their pension.

The importance of a death benefit needs to be carefully considered as part of your pension settlement plans. If, as potential recipient you or your children would be badly affected by the loss of the death benefit, we should push to retain it as part of your settlement.



Working with professional partners

As Family Lawyers are generally involved in any divorce proceeding you may ideally want your Financial Planner to work closely with your legal representative. This will reduce costs and improve efficiency in all cases, to provide you with a seamless service, taking the burden away from you. Working with a Financial Planner and Solicitor you can trust, is hugely important. As a starting point, if you require help choosing a divorce lawyer, we have a recommended panel of experienced ladies you can work with.

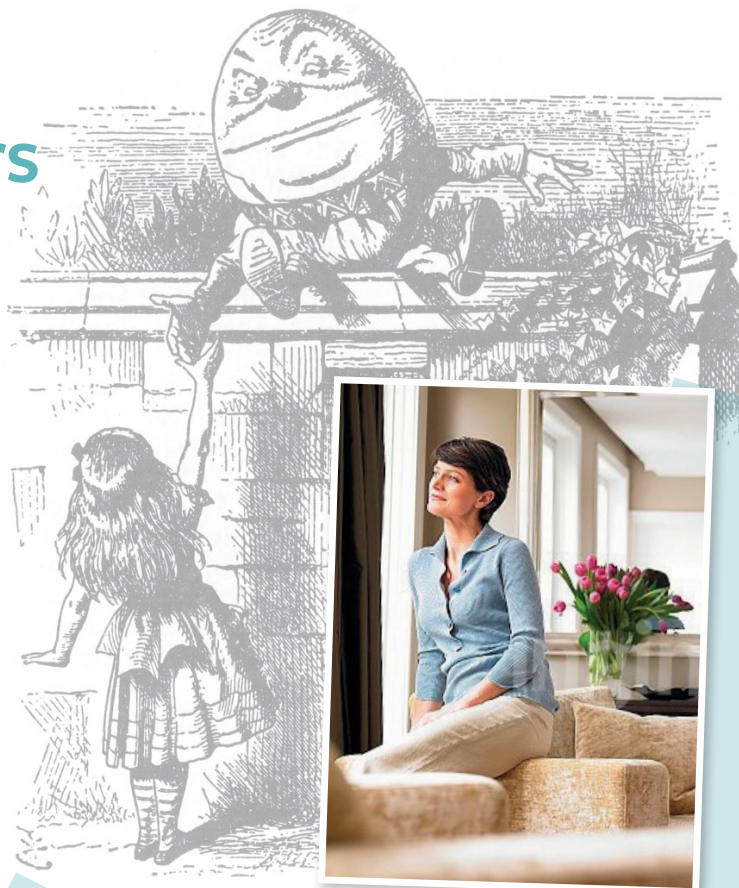
We're here to help you get through this

At the moment, everything seems daunting. (Trust me, I know.) And everything comes with questions attached. Even if you are 100% sure about your decision to divorce, it won't stop you asking yourself if you're doing the right thing, over and over again.

I was lucky. I had an amicable divorce. We're still friends, and we work hard to put our son's needs first in every decision we make. But because of the job I do, I've worked with hundreds of divorcees who have experienced things differently.

Whether your experience of divorce is (relatively) amicable or not, you will still face many of the same uncertainties. Starting again, whatever the divorce process was like, is hard. It can be lonely. And it can be daunting.

But having lived through that transition, I can promise you without reservation, that things will get better. And I think everyone I've ever helped get through their divorce would agree with me.



However you're feeling now, please believe me when I tell you that things will improve, both personally and financially. You've already been brave enough to make your decision, now is the time to think about your future and to consider the life you want to lead.

Whatever stage of the process you're at, I'm sure we can help. Please just give us a call.

Get in touch to arrange a no obligation meeting

Let's talk

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“

The key to realising a dream is to focus not on success, but significance – and then even the small steps and little victories along your path will take on greater meaning

- Oprah Winfrey

”

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