

A Guide to Pensions and Divorce

Understanding your pension rights during separation and how to protect your financial future

This guide contains 14 pages and will take approximately 15 minutes to read



What's Inside

Everything you need to know about protecting your pension during divorce, from understanding your options to taking the right next steps.

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The Forgotten Asset

When couples divorce, the pension is often the most overlooked asset. In fact, 70% of divorcing couples do not divide their pension assets. This is a significant oversight, as pensions can represent a substantial portion of a person's net worth. In the UK, the average pension pot is around £10,000, but many people have much larger pots, especially those who have been saving for a long time. It's important to ensure that your pension is properly valued and divided as part of your divorce settlement.

There are several reasons why pensions are often overlooked. First, many people are unaware that their pension is a marital asset. Second, the process of valuing and dividing pensions can be complex and time-consuming. Finally, many people are focused on the more obvious assets like the house and cars, and forget about their pension. It's essential to seek professional advice to ensure that your pension is properly handled during your divorce.

Why pensions get overlooked

- Many people are unaware that their pension is a marital asset.
- The process of valuing and dividing pensions can be complex and time-consuming.
- Many people are focused on the more obvious assets like the house and cars, and forget about their pension.



The Numbers That Matter

Understanding the scale of the problem is the first step to producing a solution. These figures should only be used as part of every divorce conversation.

£53,160

Average pension gap between divorced men and women

71%

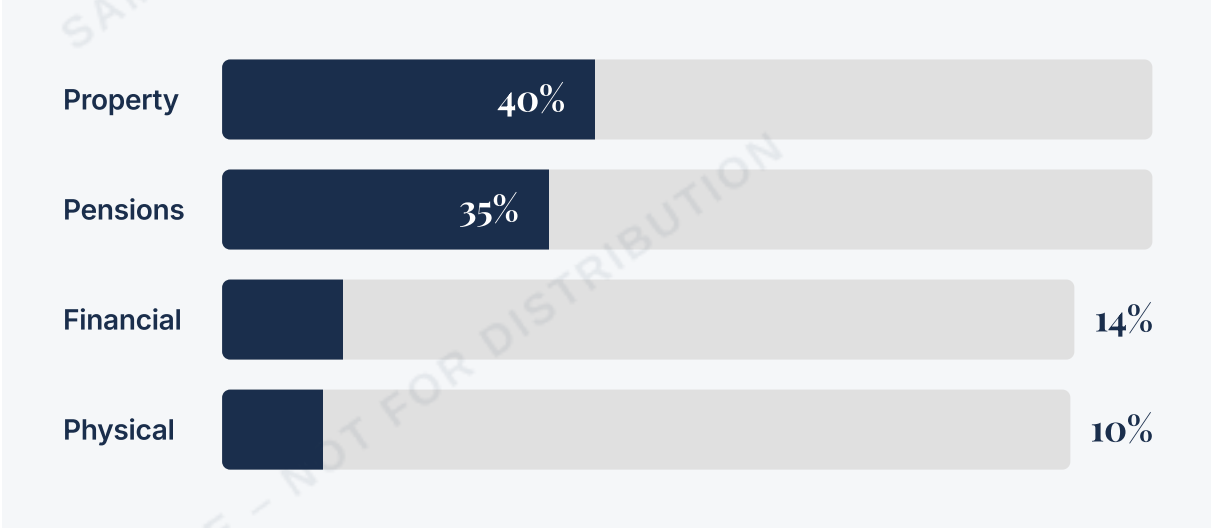
Of divorce settlements ignore pension assets entirely

35%

Of total household wealth held in pensions

Where does household wealth sit?

Pensions are the most valued component of household wealth, yet they are the most overlooked asset in divorce.



Your Three Options

When dividing pensions during divorce, there are three legal mechanisms available. Each works differently, and the right choice depends on your circumstances. We will help you understand each approach and protect your financial future.

Pension sharing

A Pension Sharing Order (PSO) transfers a percentage of one partner's pension to the other. The recipient gets their own independent pension, creating a clean break. This is generally the preferred approach because it gives both parties certainty and independence. Once implemented, neither party's financial circumstances affect the other's share.

Pension offsetting

One partner keeps their pension while the other receives a large share of other assets, typically the family home. While simpler to arrange, offsetting can leave one partner with no pension provision at all. Comparing the value of a house today with a pension that provides income for life is extremely difficult, and courts increasingly prefer pension sharing for these cases.

Did you know?

Private pension schemes (including self-invested pension plans) are not automatically covered by a Pension Sharing Order. They require the pension holder to give a portion of their benefits to the ex-spouse either through a Pension Sharing Order, they do not provide a clean break, or they can opt for the recipient's pension, and the recipient has to either take the pension lump sum or transfer to state.

Sharing vs Offsetting

These are the two most common approaches. Here's how they compare.

Pension Offsetting

- ✔ Simple to arrange
- ✔ Available across all assets
- ✘ No cash flow to parties
- ✘ No tax relief on contributions
- ✘ No transfer of assets

NOT FOR
 High earners or those with significant assets

RECOMMENDED

Pension Sharing

- ✔ Available to most assets
- ✔ Cash flow to both parties
- ✔ Independent retirement funds
- ✔ Inflationary coverage
- ✘ Involvement for both

NOT FOR
 High earners, especially with significant assets

Don't forget the bigger picture

These are the two most common approaches. Here's how they compare.

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Understanding the Process

Identifying the key stages of the process
Understanding the role of the court
The importance of legal advice
The role of mediation and arbitration
The impact of financial disclosure
The role of the expert valuer
The importance of a clear agreement
The role of the court in finalising the divorce

The key stages of the process
Understanding the role of the court
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The key stages

- 1. Identifying the key stages of the process
- 2. Understanding the role of the court
- 3. The importance of legal advice
- 4. The role of mediation and arbitration
- 5. The impact of financial disclosure
- 6. The role of the expert valuer
- 7. The importance of a clear agreement
- 8. The role of the court in finalising the divorce



Valuing Your Pension

Before pensions can be divided, they need to be valued. This is often a quite complicated process and all pension values are for the full value.

Cash Equivalent Transfer Value

The CETV is the standard measure used to value the defined contribution (DC) pensions. The calculation is set at 20%, the 20% value equals the total value. For defined benefit (DB) pensions, such as final salary or career average schemes, the CETV is a calculated estimate that can significantly underestimate the true value of the pension during the pension period.

When you need expert help

The Pension Advisory Group (PAG) recommends taking a Pension or Divorce Expert (PDE) when the DC value exceeds £100,000, when there is a mix of DB and DC pensions, or when public sector schemes such as NHS or Teachers' pensions are involved. A PDE can help you with the value of your pension and help you with the process.

DB vs DC: a crucial difference

A DB pension is a pension where the value is based on your salary and years of service. A DC pension is a pension where the value is based on the amount of money you have put into it.

Key Figures

£100k+

10% CETV

4

months

£100k

£100k-

£1,000

10%

Case Study: Sarah and David

How is Sarah's pension sharing order calculated for a couple separating without...

SD Sarah and David

Sarah's goals: Retire at 60

Financial independence

David's DB pension **£320,000**

Sarah's DC pension **£48,000**

How Sarah's pension sharing order works

David's DB pension CETV	£320,000
Pension sharing order (39%)	- £124,800
Plus Sarah's existing DC pension	+ £48,000
Sarah's total pension wealth	= £172,800

What this means for Sarah

When you have a pension sharing order, you can choose to transfer the value of your pension to a new pension provider. This means you can have your own pension pot, which you can control and invest as you see fit.

Frequently Asked Questions

Common questions about pension sharing orders, answered clearly

Q Can the State Pension be shared or divided?
A The State Pension cannot be shared as a pension sharing order. However, the State Pension can be shared with a partner when making other assets. The total amount is £10,000 per year (£10,000).

Q What if we are not married?
A Pension sharing orders can be made for civil partners or registered partners. There is no "common law marriage" in England and Wales. Pension sharing orders are only available through divorce or civil partnership dissolution.

Q Are there any restrictions?
A Pension sharing is not available at the point of divorce. Pension credits do not count towards your annual allowance (£10,000 for 2025/26). Income from the credit is based on your own income.

Q How long does the whole process take?
A Typically it is 8 weeks from start to end. However, it can take up to 12 weeks to obtain the credit. A pension sharing order has 8 months to implement the sharing order.

Mistakes That Cost Thousands

Identifying and avoiding common mistakes can help you save thousands and avoid stress. Use this checklist to ensure you're getting it right.

1 Failing to identify all assets This includes pension pots, ISAs, stocks, bonds, and other investments. It's crucial to get a full picture of what you own.	2 Not understanding the rules of pension pots Different pension schemes have different rules regarding withdrawals and tax implications. Consulting a professional is key.
3 Ignoring the value of the marital home The home is often the largest asset. Understanding its value and how it can be divided is essential for a fair settlement.	4 Not considering the impact of children Child maintenance and the needs of any children can significantly affect the financial arrangements between ex-spouses.
5 Failing to consider the future needs of both parties Financial independence and long-term security should be a priority for both individuals.	6 Not understanding the implications of tax Tax can have a major impact on the net value of assets and the cost of living post-divorce.
7 Ignoring the importance of legal advice A solicitor can provide expert guidance on the legal aspects of divorce and asset division.	8 Not understanding the implications of a prenuptial agreement If you have one, it's vital to know its terms and how they apply to your situation.

Your Next Steps

Following your pension sharing meeting, you will start with setting up the early release if that is what you want.

1 **Attend to us first** 30 MINS

Book a confidential video meeting so we can understand your situation, review your pension, and explain your options clearly.

2 **Gather your pension documents** 15 MINS

Collect recent statements from your pension providers, including workplace pensions and any self-invested pensions. Bring these to your meeting with us.

3 **Request your DFPs**

We will help you request your Distribution Frequency Tables from each pension provider. These are essential for any negotiation and can take up to 3 months to arrive.

Ready to protect your pension?

Call us on **0800 000 0000** or email **info@pensionshare.com** to book your free 15-minute consultation. We are here to help you make informed decisions about your financial future.



Your Financial Adviser

Expert guidance for your financial future

Our team of experienced financial advisers is here to help you navigate the complexities of pension division during divorce. We will search the whole market, model the numbers for your situation, and ensure you receive a fair settlement that protects your long-term financial security.

Book a consultation

Call

| Email

| Visit

Your Financial Adviser | 123 High Street, London EC1A 1AA

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