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Relationship breakdowns

Why sorting out your pension may not be the biggest priority

What is likely to be a divorcing couple's most valuable asset? The family home will spring to most people's minds first. But the value of a pension could well be the biggest single asset in the relationship.

When and how pensions are divided on divorce depends on the circumstances of you and your family. If your marriage has been short and both of you are in your twenties or thirties, then your pensions may not need to be divided formally at all, although their value may still be taken into account in other ways.

CENTRAL PART IN NEGOTIATIONS

If you and your partner are in your 50s, pensions are likely to play a far more central part in your negotiations or the decision a court has to make. It will be necessary to look at them within the overall context of your family finances.

New research^[1] shows that a fifth of people with pensions in the UK (20%) have no idea who will inherit their pension pot when they die. Surprisingly, 17% of divorcees don't know who stands to inherit their pension, even though this could be their ex-partner. This figure rises to 28% among people who are separated from their partner.

UPDATE PERSONAL INFORMATION

Of those who were formerly in a relationship that has since broken down, just 24% say they updated their pension policy immediately, while half (50%) said they had no idea they needed to update their personal information. A further 16% did eventually update their policy, but waited for over three months to do so, with men more likely to update a pension policy when a relationship ends. More than a quarter (28%) of men do so straight away, versus just 20% of women. Three fifths of women (60%) don't know they should be updating a policy, compared to 42% of men.

Co-habitees are also leaving themselves exposed as there is no guarantee a partner would receive pension savings if they are not named as a beneficiary on the policy. Over a quarter (28%) of co-habitees are unsure who will inherit their pension if the worst were to happen.

SORTING OUT YOUR PENSION

A relationship ending can be a really stressful time and sorting out your pension may not be the biggest priority. However, it is important that you know who stands to inherit a pension when you die – for all you know, it could be an ex from many years ago.

Likewise, just because you and your partner live together and are in a committed relationship, there is no guarantee they'll receive your pension savings when you die unless you make specific requirements.

TAKING A FEW SMALL ACTIONS

In general terms, it is recognised that some women's retirement prospects are worse than men's. This is largely because of the persistent gender pay gap and maternity and other career breaks, which can all hold back women's earning potential.

That's why it is even more important that women review their finances and who will benefit from pensions. Taking a few small actions can financially insure their future, and that of any dependents who could benefit from pensions after they're gone.

STAYING ON TOP OF YOUR FINANCES

1. Make sure you know who stands to inherit your pension pot when you die
2. If you are co-habiting, many pension policies will require you to name that person on your policy as the beneficiary upon your death
3. Periodically check all finances including pension pots, bank accounts and insurance schemes and ensure the right dependents and beneficiaries are named.

PROTECTING YOUR FINANCIAL POSITION

Obtaining the right professional financial advice is vital in the event of a divorce. Often pensions aren't even considered in the divorce discussions, but the older you get the bigger the size of your pension, so it may not be that dissimilar to the value of your property. Please speak to us about any concerns you may have or for further information.

Source data:

[1] The research was carried out online for Scottish Widows by Opinium across a total of 5,000 nationally representative adults in September 2017.