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### **DIVORCE COSTS £3,800 A YEAR IN RETIREMENT INCOME**

- **Expected annual income for divorcees retiring in 2018 is £17,600 compared to £21,400 for those who have never been divorced**
- **Divorce also means people are more likely to retire in debt and without private pension savings, Prudential research shows**

Divorcees who plan to retire in 2018 can expect their yearly income to drop by £3,800 compared to those who've never divorced, new research from Prudential<sup>1</sup> shows highlighting the impact of marriage breakdown on pension saving.

Our annual study has run for the last 11 years and it's tracked the finances, future plans and aspirations of people planning to retire in the year ahead. For the *Class of 2018*, expected annual retirement income is £17,600 for those who have previously been divorced compared with £21,400 for those who have never experienced a marriage break up.

Prudential analysed the latest available divorce statistics from the Office of National Statistics<sup>3</sup>. The figures, covering up to 2016 showed that, the number of people getting divorced has started to rise again and that those over the age of 55 saw the greatest increase in 2016 compared to 2015.

Those who have been divorced are more likely to retire in debt (23 per cent) than those who have never been divorced (16 per cent). It's not all bad news for divorcees though, as they will retire with lower debts (£30,500 compared with £36,900).

But divorcees are more likely to have no pension savings at all when they retire (15 per cent) than those who haven't been through a divorce (11 per cent). And they're less likely to reach the minimum standard for their annual income set by the standards the Joseph Rowntree Foundation (JRF)<sup>2</sup>. Around one in seven (14 per

cent) who have been divorced expect to have incomes lower than the JRF's benchmark of £192.27 a week, or £9,998 a year, compared with 12 per cent of those who have never been divorced.

**Clare Moffat, pensions specialist at Prudential, said:** "Divorce can have a huge financial impact on people's lives. Many may not realise that the cost of divorce can last well into retirement, as divorcees expect retirement incomes of nearly £4,000 less each year than those who have never been divorced.

"The stress of getting through a divorce can mean people understandably focus on the immediate priorities like living arrangements and childcare but a pension fund and income in retirement should also be a priority. A pension fund is one of the most complex assets a couple will have to split so anyone going through a divorce should seek legal and financial advice to help them do so. For many more couples, the increase in value of pensions mean that it is often the largest asset. It goes without saying that advice is crucial as early as possible in any separation where couples have joint assets.

**Richard Collins, Family Law Partner at Charles Russell Speechlys, said:** "We are beginning to see many more people divorcing just prior to or during retirement. These decisions can only be made easily if there is proper financial provision in place for both spouses' retirement. Often a pension has been built after a long marriage and is a valuable asset. With easier access to pensions and more flexibility on how pensions can be treated, couples now seem to be less wary about divorcing in their retirement years knowing that they have financial security and the free time to pursue the lives they wish to lead after divorce."

"This research highlights the importance of divorced couples continuing to pay into their pensions even after a pension share on divorce has been implemented. Usually, a pension built up during the marriage is shared equally on divorce. If the divorcing couple are some way off retirement, this often gives the person receiving the pension share the chance to plan.

"The fact that divorcees tend to have lower debts than their married counterparts may be down to the courts encouraging a clean break between divorcing couples where a

clean break is affordable. This allows divorcing couples to regain control over their own finances and consider how they want to plan for their separate futures. Many divorced couples re-evaluate their spending and finances after divorce and take this opportunity to build a stable financial future for themselves including growing enough pension provision for their retirement. I've seen people post-divorce relishing their independent financial status and seizing the opportunity to make financial decisions for themselves, knowing that they are building up wealth and securing their future."

- Ends -

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Radio interviews via ISDN or various smartphone apps can be arranged on request.

### Notes to editors

<sup>1</sup> Research Plus ran an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in **2018**.

<sup>2</sup> Figures taken from the 2017 update of the Minimum Income Standard for the United Kingdom published by the Joseph Rowntree Foundation -

<https://www.jrf.org.uk/report/minimum-income-standard-uk-2017>

<sup>3</sup> Latest divorce statistics from the Office of National Statistics, published 18 October 2017 -

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/bulletins/divorcesinenglandandwales/2016>

All expected income figures rounded to the nearest £100.