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TILL DEBT DO US PART: DIVORCE KNOCKS MORE THAN £3,000 A YEAR OFF EXPECTED RETIREMENT INCOMES

- **Expected annual income for divorcees is £16,300 compared to £19,400 for those who have never been divorced**
- **Nearly one in three retirees who have been divorced expect to retire with debts, compared with only one in five of those who have never been divorced**

Divorcees planning to retire this year expect annual retirement incomes of up to 16 per cent , or £3,000, lower than those who have never divorced, and they are also more likely to be in debt, according to new research from Prudential¹.

The insurer's unique annual study – which for the past ten years has tracked the finances, future plans and aspirations of people planning to retire in the year ahead – shows that for the *Class of 2017*, expected annual retirement income is £16,300 for those who have previously divorced compared with £19,400 for those who have never suffered a marriage break-up.

In addition, around one in three people who have been divorced expect to retire with debts (32 per cent), compared with just one in five (21 per cent) of those who have not been divorced.

Those who have been divorced are also more likely to have retirement incomes below the annual minimum income standard for single pensioners set by the Joseph Rowntree Foundation (JRF). Around one in five who have been divorced (21 per cent) expect to have incomes lower than the JRF's benchmark of £186.76 a week², or £9,712 a year, compared with 13 per cent of those who have never been divorced.

Clare Moffat, pensions specialist at Prudential, said: “The financial impact of divorce can be devastating both in the short and longer-term, lasting well into retirement as divorcees experience expected retirement incomes of as much as 16 per cent lower than those who’ve never divorced. Deciding on living costs and childcare at the point of divorce is difficult enough, but a pension fund is likely to be one of the most complicated assets a couple will have to split in the event of a divorce.

“Retirees who divorced a while ago may want to consider seeking updated professional financial advice on any post-retirement plans they have made, particularly in the light of recent changes to pension legislation. There are also important differences in divorce law between Scotland, and England and Wales. Legal advice in the early stages of separation is therefore crucial.”

Richard Collins, divorce lawyer and Partner at Charles Russell Speechlys, commented: “Next to the family home, the pension is often the biggest asset in a divorce case. If pension savings have been built during the marriage, they are commonly split equally.

“Given recent pension changes and the increased flexibility of some pensions, there is a rising trend for divorcing wives to seek a pension rather than taking other assets in place of pensions, which used to be the typical position. Additionally, new pension rules allow some pensions to be passed down one or two generations in a tax-efficient manner. These advantages appear to be attractive to increasing numbers of divorcing wives who are keen to trade other types of assets in a financial settlement to secure pension provision.”

Prudential’s analysis of the most recent divorce statistics from the Office of National Statistics (ONS)³ shows that, while the overall divorce rate is falling, the only age group seeing an increase in divorce rates is women aged 55 and over – a large proportion of whom will be planning their retirement or already retired.

Clare Moffat continued: “The rise in divorce rates among women aged 55-plus is particularly worrying as women, unfortunately, tend to have lower retirement incomes than men.”

Richard Collins added: “Baby boomers, now in their 50s and 60s, are fuelling the rise in divorces among older couples. With husbands or wives approaching the ends of their careers and regular earned incomes, pension provision is especially important

for a divorcing couple. They have to focus on financing separate lives in retirement which could last, in some cases, for a number of decades.”

- Ends -

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Notes to editors

¹ Research Plus conducted an independent online survey for Prudential between 8 and 22 November 2016 among 10,605 non-retired UK adults, including 1,000 intending to retire in 2017.

² Figures taken from the 2016 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-2016>

³ Latest divorce statistics from the Office of National Statistics, published 5 December 2016

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/bulletins/divorcesinenglandandwales/2014>

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