

Holy Matrimoney: divorce could leave you with £30,000 less in retirement

- After divorcing, more than one-third (37%) of over-50s see their incomes fall by an average of £10,650
- One in four people who divorce are over 50, and those in their 50s save on average £57 less each month towards retirement after they split, adding up to £30,000 less by the age of 70
- A third of all people who divorce over 50 think the process ends up being financially unfair (38%) but only 3% of people seek financial advice
- More than two-thirds (69%) could be liable to a future claim from their ex-spouses

More than one-third (37%) of people aged over 50 see their incomes reduce after a divorce, with an average fall of £10,650. New research from Legal & General Retail Retirement indicates that it could have an impact on retirements as a result, yet only 3% of people seek financial advice at this critical time.

Impact on savings

One in four divorces occur after the age of 50, but this can have a significant financial impact on retirement. Legal & General's research found that 27% of people who divorce are saving less for retirement as a result: £57 less per month, on average. Nationwide, this means that nearly half a million people are saving less for their retirement.

Cutting their savings at this rate could see their pension pots shrink by £30,000 by the time they reach 70, if they do not start saving more at a later date.¹

Dividing financial assets

Citizens Advice say the coronavirus pandemic is creating an enormous strain on relationships - views of its divorce webpage were up 25% on the first weekend in September, compared with the same date in 2019. As more people look at how to separate, it is important that all assets are taken into consideration. However, Legal & General found that while people often consider the value of their family home (50%), there's a tendency for over-50s to overlook their pensions and retirement savings when agreeing a financial split.

During a divorce, just 12% consider pensions when dividing assets with their partners and 24% actively waive their rights to the value of them. Indeed, only 31% sign Clean Break Orders, meaning that more than two-thirds (69%) could be liable to a future claim from their

¹ This figure is a forward-looking estimate purely related to a reduction in contributions. The £30,000 includes the impact of investment return, charges and salary inflation up until age 70. This assumes an average annual salary growth of 3.5%, as per FCA data. Calculations assume an investment return of 5% and an investment management charge on the individuals DC pension pot of 0.56%. This represents both the service charge and fund charge on their pension product. Calculations assume that individuals continue to work on a full time basis between age 50 and 70

ex-spouses.² The research found that the perceived difficulty of disentangling shared incomes and property was a key reason behind the fact that 33% of people delayed their divorce for longer than they would have hoped.

“When going through a divorce, people are understandably keen to come to a settlement and move on, but our research indicates that too frequently people do not fully consider the financial implications and how that might impact their future retirement.

“We found that people in the process of divorcing tend to focus on the family home, and overlook the mutual value of their pensions. Considering one, but not the other, can leave one or both parties at a significant financial disadvantage.”

Sara McLeish, CEO of Legal & General Financial Advice

Financial advice for a more equitable divorce

More than one-third (38%) of over-50s consider their divorces financially unfair, yet just 3% of people sought financial advice when going through the process. Over-50s are four times as likely to seek advice from friends when going through a divorce as they are from a financial adviser; however, 20% said their divorce would make them more likely to consult financial advice in the future.

“Only 3% of people take the time to consult financial advice. Those that do could benefit from additional expertise and help to ensure all financial elements at play are fairly considered, which could help ensure an equitable separation and a ‘clean break’. Financial advice can allow both parties to be confident they have made the right decisions allowing them to embrace their fresh start on an equal footing.”

Sara McLeish, CEO of Legal & General Financial Advice

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Notes to Editors

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² A ‘Clean Break Order’ is an agreement between divorcees, which severs financial ties and protects both parties from claims over any assets they may acquire in the future.

About Legal & General Retail Retirement

Legal & General Retail Retirement (LGRR)'s mission is to help its customers lead longer, healthier, happier lives. We believe everyone should be able to have a 'more colourful retirement'.

The Division comprises the Group's individual annuity, lifetime mortgage and care solutions businesses - it has more than half a million customers and circa £21 billion of assets under administration.

In 2019, LGRR wrote £970 million of annuity premiums and issued £965 million of lifetime mortgages.

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