

# 50/50?

Divorces are always a stressful time, with both parties vying for their fair share. Give your clients one less thing to worry about and advise in favour of a 50/50 pension split. It's the most amicable solution and the ideal way for you to make the whole experience a little easier for everyone.

## PETITIONING FOR A LOSS OF BENEFIT NOT A STRAIGHT SHARE OF THE ASSETS

It's increasingly tempting to become focused on the pension assets as listed within the Form E (an equivalent Fact Find document) when dealing with a divorcing couple and often this can have detrimental effects not just to one party but in some cases to both.

We should remember that a settlement should be a combination of a share of the assets available and also a settlement in lieu of benefits being lost by the divorce, that could otherwise have reasonably been expected to be available for enjoyment.

## IMAGINE BEING FACED WITH THE FOLLOWING SCENARIO:

A man has two policies and ordinarily his spouse/registered civil partner could have expected to petition for a 50% award of the pensions available. The Form E shows you the following pensions information.

PENSION POLICY 1	PENSION POLICY 2
Cash equivalent transfer value (CETV) £100,000	Cash equivalent transfer value £100,000
Personal Pension Plan	Retirement annuity contract
Insurance Company A	Insurance Company B
No guarantee	Guaranteed annuity rate of 10%

At face value a settlement of £50,000 transfer value from policy one and £50,000 transfer from policy two might appear reasonable. This after all equates to a 50% award from both the pension CETV's available.

This is a simple example and the actual rate will depend on your client's age and circumstances.

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## OR TRY THE FOLLOWING:

By applying the guaranteed annuities rate available to pension two this would give an income of £10,000 each year and the ex-spouse could have reasonably expected to enjoy the benefits of half this amount that is £5,000 each year.

To buy an equivalent income of £5,000 each year using current annuity rates it might cost £83,333 (assumed 6% annuity rate).

So in this case the ex-spouse is faced with replacing the benefits from policy two at a cost of £83,333 to satisfy a 50% claim. This means a total pension claim of £50,000 + £83,333 = £133,333 could be sought.

This could be achieved in a number of ways, though one route could be as follows. Taking 100% of policy one (£100,000) and trading other assets (bank accounts, savings plans etc) of £33,333 instead of the balance could be a realistic alternative.

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This very simple example has showed that achieving a 50% award of £200,000 could be done by a £133,333 total settlement offer concentrating on the benefits lost, not just the obvious assets available.

The value of investments can go down as well as up and is not guaranteed.