



Finding financial fairness:

supporting women in later life divorce

Divorce can be a costly exercise, especially if a couple have multiple financial assets to consider as they approach retirement. It's often women who feel the financial burden from a later life divorce.





Mind the gap

Research from 1984 showed that almost half (49%) of the UK population thought that a woman's 'place' was to look after the home and family¹. Fortunately, attitudes to women in the workforce have changed drastically since then.

In 2020, the number of women in employment in the UK reached a record high of 72.7%, compared to 80.1% of men; a figure that was just 52.8% when records began in 1971². Despite this progress, the gender pay gap remains a vast 15.5%, with the gap at its widest for women over 40³.

This gender disparity has become even more visible during the coronavirus pandemic, with over 133,000 more women than men furloughed across the UK between March and August 2020⁴. Women with children are 47% more likely to have permanently lost work and 14% more likely to have been furloughed since the start of the crisis⁵.

The motherhood penalty

Beyond the gender pay gap and the glass ceiling, social inequality has had a lasting effect on the finances of women, especially mothers.

Women who take time out of work to raise children, not only have less financial independence as a result, but also face more barriers when returning to work, because of a perceived skills gap, a changing environment and prejudice.

A lot of women over 50 may have also been 'sandwich carers', juggling care for children as well as elderly parents. Women sandwich carers account for 68% of all those providing at least 20 hours of adult care every week, providing less opportunity for them to pursue careers and paid work⁶.

For women who divorce in later life, this inequality is amplified, as they often absorb most of the financial risk.

Waiving rights to pensions

On average, a woman now in her 60s will retire with approximately £51,000 of savings. By comparison, men of this age group will retire on average with the more comfortable sum of £156,000 – triple the wealth⁷.

For a divorced woman, these savings are halved, falling to just £26,100⁷. Often not the primary breadwinner in a household, women tend to see their income fall by 33% following divorce, compared to just 18% for men⁸.

Despite the inequalities women face as a result of the financial sacrifices they have endured, almost a quarter of women still choose to waive their rights to their partner's pension as part of a divorce settlement⁸. For women who divorce in their 60s, this figure increased to 31%, despite having less time to make up for any shortfall they might experience in income⁸.



Ignoring pension assets, or trading them away without ever knowing their true value, is often a terrible route for women, who may well end up in poverty in later life as a result. They are part of the assets that a couple has built up together, and the law says that they must be properly thought about.⁹

Debora Price,
Professor of Social Gerontology
at the University of Manchester

How advisers can help

Only 3% of people seek financial advice when going through a divorce process, but advisers can play an essential role in helping a couple find financial fairness⁸.

The support of an adviser can be particularly beneficial to women, 31% of whom said they were financially worse off in the year following their divorce, compared to just 20% of men⁸.

Advisers can support their clients by:

- **Developing professional relationships with solicitors**
The earlier an adviser can be involved in divorce proceedings, the more value they can add. A solicitor can provide a referral to a divorcing client, so the adviser can engage at a stage where they can help the woman build a stable financial future.
- **Creating an environment of trust**
Divorce can take a significant emotional toll on clients. An adviser must be sensitive and empathetic to the specific needs and circumstances of each individual client, while providing clear explanations and rationale about the advice process.
- **Identifying the financial options that would be right for your client**
Tackle the taboo around pension splitting and sharing options, by having open and honest discussions with your client. Understand their unique financial situation and help them visualise the long-term impact of their financial decisions.

One option to divide assets in divorce is a **pension sharing** order, where pension assets are split between the partners on a basis decided by a court. This creates a pension debit against the member's pension benefits, matched by a pension credit for their ex-partner.

Another option is **pension offsetting**, where one partner keeps their pension benefits, which means the other is entitled to a greater share of the couple's remaining assets. Typically, the pension is offset against the value of the family home.

Get in touch

We specialise in helping advisers support their clients to achieve their financial goals in retirement.

If you'd like to discuss how you can support your client during a later life divorce, please contact your account manager or leave us a message using our digital contact form below. We can arrange a time to talk that's convenient for you.

[Contact us here](#)

Footnotes

¹ ONS (2019) Women's labour market participation – Long-term trends in UK employment: 1861 to 2018

² Catalyst Research (2020) Women in the Workforce – UK

³ ONS (2020) Gender pay gap in the UK: 2020

⁴ Women's Budget Group (2020) On Equal Pay Day: HMRC data prompts concern of 'gender furlough gap'

⁵ Institute for Fiscal Studies (2020) Parents, especially mothers, paying heavy price for lockdown

⁶ ONS (2019) More than one in four sandwich carers report symptoms of mental ill-health

⁷ NOW: Pensions (2020) Divorced women reach retirement with just £26,100

⁸ Opinium Research ran a series of online interviews among a nationally representative panel of 2,008 UK adults aged 50+ who are divorced, from 19 to 23 September 2020

⁹ Legal & General (2021) The Divorce Gap

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