



Neil Hewitt
Chartered & Certified Financial Planner

POTENTIAL IMPACT TO DIVORCE SETTLEMENTS AFTER PROPOSED STATE PENSION CHANGES



Gary Riches
Chartered & Certified Financial Planner

At the beginning of this year the Department of Work & Pensions (DWP) published a White Paper titled "The single-tier pension: a simple foundation for saving" followed shortly afterward by the draft Bill.

This InfoByte aims to put these changes into context of pensions in divorce settlements.

Pension Sharing

The arrival of pension sharing brought the possibility of a clean break regarding pension assets that was previously only available by offsetting pension assets against other assets.

Subsequently, in the majority of cases, only pensions built up to the point of divorce are considered in the financial settlement. The proposed changes in the draft Bill in relation to current divorce settlements will actually have little impact.

What does it mean to me?

As the Bill is currently drafted, it will remove the substitution entitlement in Section 48 of the Social Security Contributions and Benefits Act 1992.

The substitution rules will allow an ex-spouse or civil partner to substitute their former spouse or civil partner's National Insurance record for their

own; if this would give them a higher Basic State Pension (BSP).

Effectively, the substitution entitlement is to be withdrawn for anyone who reaches State Pension Age (SPA) after 5 April 2016, irrespective of their date of divorce.

Looking ahead

The imminent and retrospective demise of the substitution rules means that it may not always be appropriate to disregard BSP as was previously the case. This is largely a matter of judgement or agreement between the parties. If both have a very similar current entitlement it might be considered reasonable to disregard BSP in any income equalisation calculations - or if the current BSP entitlements are very small it may be decided to ignore them.



May 2013

For more information, please contact us:

Ipswich:	Neil Hewitt	neil.hewitt@scruttonbland.co.uk
Colchester:	Gary Riches	gary.riches@scruttonbland.co.uk
	Grant Buchanan	grant.buchanan@scruttonbland.co.uk