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The gender pay gap has become a prime measure of inequality in the workplace, and a focal point for anti-discriminatory policies. Yet while it receives far less attention, the gender pension gap is an even bigger issue – especially for divorced women.

**The most recent research from Prospect<sup>1</sup> found the gender pension gap – the difference in pension income between female and male pensioners – increased to 37.9% in 2019-20, more than twice the level of the gender pay gap (15.5%).**

Analysis from the University of Manchester and Pensions Policy Institute<sup>2</sup> showed that while “around 90% of couples have some pension wealth between them, in about half of couples with pensions, one partner has more than 90% of the pension wealth.”

**Fewer than 15% of couples have pensions that are approximately equal, with women on average retiring with less than half the income of men.**

The pension gap in part reflects the fact that women generally are still paid less than men. But a recent UK government briefing paper<sup>3</sup> also highlighted various other factors, including women’s higher propensity for part-time employment to undertake unpaid caring for young children or relatives, and to spend time outside the labour market. Labour market factors are then exacerbated by demographic differences – women are more likely to live longer, while in heterosexual marriages, wives tend to be younger than their husbands (by two years on average, according to the Scottish Widows Women and Retirement 2021 report)<sup>4</sup> so will be relying on their deceased husband’s pension.



This gender divide shows how important pensions can be when divorcing, with divorced women at much greater risk of being underfunded at retirement.

The improved expediency of divorcing following the recent No Fault Divorce law change may also lead to pensions being discussed or factored in less, aggravating the issue. As spouses can receive notice of the divorce just a few months before the court is asked to grant the first divorce order, pensions may be omitted from discussions as

1 <https://prospect.org.uk/article/what-is-the-gender-pension-gap/>

2 <https://www.manchester.ac.uk/discover/news/pension-inequality-a-major-issue-when-couples-divorce-research-finds/>

3 <https://commonslibrary.parliament.uk/research-briefings/cbp-9517/>

4 <https://adviser.scottishwidows.co.uk/assets/literature/docs/60528.pdf>

spouses try to keep relations amicable and avoid mentioning assets that might be seen as “personal”.

**So how can you help your clients improve their situation?**

- **Suggest a full review of their private pension arrangements with a wealth manager or IFA.**
- **Consider the potential for making additional pension contributions, using past three years carry back rules if relevant UK earnings exist.**
- **Check their state pension entitlement and National Insurance records on HMRC. For example, they could make extra National**

**Insurance contributions or be eligible for National Insurance credits if they were looking after children.**

- **Ensure all pension funds are invested appropriately and not sitting stagnant in cash, being eroded by inflation.**
- **Consolidate pensions where appropriate.**
- **Suggest opting back into a scheme if they opted out.**
- **Consider buying additional years.**

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