

## The problem

**MARITAL** breakdown, distress and the prospect of coping alone with young children — Lesley H, 44, has been hit with all three and is not in the best shape to make longlasting decisions about her money. But that is what she must do as her divorce goes through.

As part of her settlement, she expects £73,000 from her husband's work pension and she already has £15,000 in a Pearl plan.

"Should I put the £73,000 into Pearl or is there a better-performing provider?" Lesley asks.

## The solution

**INDEPENDENT** adviser Nicola Downs says: "The paperwork required to complete divorce pension pay-outs is absolutely horrendous. At the moment, Lesley appears to have a pension sharing order, a bit of paper stamped by a judge, but this is only the start. The really hard work of sorting out the monies has yet to come."

Downs has seen a familiar pattern emerge in such situations. "Lesley now has a series of choices," she says. "She can decide to tackle this properly. This means she follows through the transaction, gets the right amount of money she is owed — which is by no means a given in such complex circumstances involving many sets of people — and invests that wisely."

However, Downs says Lesley may lose her will, like so many ex-wives ground down with what they have gone through. "The usual scenario is: the parties wrangle about the projected pension value split, finally settle, the judge stamps the sharing order and the one getting the pay-off, usually the wife, puts the paper in a drawer."

"The ex gets angry because failure to complete the process delays the granting of the decree nisi. The wife panics, takes what she thinks is the right sum and puts it into the first pension plan she comes across, probably a lousy deal with high commission. When she reaches retirement age, she is much impoverished: first, because the cash

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value of the pension she received was far less anyway, with none of the extra benefits had she stayed married, and second: because she failed to get the best deal with the money she did get."

Downs insists: "Lesley needs one expert in pensions and divorce. They are very thin on the ground but she will never do it alone. She must find out if she can make an internal transfer into her husband's work pension scheme. The scheme may, or may not, allow this. If it does, she could benefit from what the scheme offers: a guaranteed pension at a set age in future, for example."

"However, the scheme may come back

with another offer: for her to put her money in a money purchase scheme (that is one without guarantees) instead. In that case, she would need help assessing whether that one is worth going into or if she could do better."

Depending on what she finds out, Lesley could also consider the alternative: an external transfer to another scheme. That could be Pearl or another provider.

"Her next challenge is to find a scheme with maximum fund choice, good investment returns and the freedom to switch during the term until she retires in 15 to 20 years time," says Downs.

Lesley has to investigate the investment choice with Pearl and compare it with other companies.

"I am sure she will find more flexible, comprehensive plans elsewhere," Downs says. "With her Pearl money and her £73,000, she has a reasonable chance of getting a very good personal pension offering 500 funds which an adviser can manage for her to ensure she gets the best value consistently."

However, Downs stresses that



**NIGHTMARE:** Coping with divorce, stress, children and finances

getting to that stage takes some doing. "Lesley must get all the options she explores set out in writing. This could easily take four to six weeks. Then she needs the expertise to assess them."

Getting the pension monies transferred could easily take up to four months, Downs warns. "Her adviser has to be well versed in this area because the cash equivalent transfer value (CETV) she is to receive will be a percentage of the CETV of the pension."

"If Lesley's ex-husband is still employed, the CETV will be increasing for each day he works and her £73,000 will be increasing accordingly. He may not be too pleased to learn this and that needs addressing."

"The money she gets will have to

be re-calculated by the pension plans trustees to reflect this and transferred on a day agreed by all parties. The potential for slip-ups in all the paperwork is enormous."

The pension scheme's trustees must be chosen carefully, Downs points out. "The monies need to be moved properly. The trustees will expect their fees in advance before they do any work implementing the sharing order. The amount will be in accordance with the CETV percentage split. "Sometimes there is a lengthy search just to find out the right name to write as the payee on the cheque."

"It is a notorious nightmare. I wish her luck."

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