Divorce

Chris and Emma got in touch to discuss how best to split their finances before engaging a solicitor and starting divorce proceedings. This was a smart move and enabled us to provide them with the financial break they had both agreed on.

Chris wanted to share his final salary pension with Emma and use it to pay off their mortgage so he could transfer the house mortgage free to Emma, enabling her to remain living in the family home with their son Oliver.

Being a higher rate tax payer already Chris didn't want to receive any pension income.

Client: Chris & Emma with a teenage son
Age: 55 & 50 respectively
Location: Oxfordshire
Pension: Chris final salary £920,000 & Emma £60,000
Annual Income: Chris £60,000 & Emma £22,000

Our Advice

The starting point was to establish the value of Chris' final salary pension which turned out to be £920,000 and how much was left to pay off the family home which was £30,000.

By performing a thorough cashflow planning review, we made certain both Chris and Emma would be able to maintain their current lifestyles now and into retirement.

Chris and Emma agreed she would receive 32% of Chris' pension.

Initial Advice

We took the first step to accessing Chris's final salary pension by transferring it to a personal pension that would provide flexible access. Then, following a pension sharing order from the court, we helped Emma to set up her own personal pension which received her £300,000 pension credit.

This left Chris with a £620,000 pension of which he crystalised £120,000 and took a tax free lump sum of £30,000 to pay off the mortgage on the family home, leaving £90,000 invested tax efficiently in his pension to meet his future income needs.

As a firm we managed both Chris and Emma's financial matters swiftly and efficiently as a plan of action had been agreed in advance.

Initial Outcome

By coming to us first to take care of their finances whilst still married, Chris and Emma achieved the result they both wanted with the minimum of fuss and fees.

Had they got divorced first then it would have been a very different situation, as Chris' final salary pension would have been subject to a Pension Sharing Order restricting access to the funds.

On completion of the divorce, both Chris and Emma took advantage of our Guardian service to access one of our trusted solicitors to each create a new Will; we contributed 10% of our ongoing fee towards the solicitor costs via Guardian.

Chartered Financial Planners

Herbert & Webster

Ongoing Service

Five years on we still advise Chris and Emma separately via our ongoing service.

Ongoing Service – Chris

Chris is approaching retirement age and living in a rented house costing around £800 per month, his pension pot had grown to £700,000.

At a review meeting we discussed his retirement plans and purchasing a house; Chris thought it wasn't possible to get a large enough deposit together and a suitable mortgage as he was aged 60.

Using our cashflow planning tool, we modelled two scenarios:

1. Renting through retirement and never purchasing a house
2. Using a tax-free lump sum from his pension to purchase a house and paying it off in full by age 65 and retiring

Scenario two was the clear winner as Chris avoided paying £800 per month in rent during retirement. So, we organised the drawdown of a £150,000 tax-free lump sum from his pension pot to use as a deposit and put him in touch with one of our specialist mortgage brokers. The whole process took around 8 weeks to complete.

Ongoing Service – Emma

Emma has now re-married and still lives in the family home. Oliver is due to start university next year.

Her pension pot has grown from £300,000 to £360,000; she is looking to reduce her hours at work as she approaches retirement age and will start to drawdown on the pension funds this year.

As Oliver is still financially dependent on Emma, we recommended taking out critical illness and life cover so should the worst happen, Oliver will have the funds available to see him through university and allow him to begin life independently.

The Result

Chris and Emma remaining friends partly helped by how easily their finances were dealt with once they decided to separate. Their son Oliver is financially secure as both parents have private pensions and a house each which will form part of his inheritance.