



When relationships end

Getting protection and pensions right

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April 2026

This is for financial adviser use only and shouldn't be relied upon by any other person.

Learning objectives

After the session you should be able to:

- Recognise and manage client risks post-relationship
- Confidently use suitable restructuring strategies
- Clarify pension treatment after separation
- Answer key pension questions related to divorce.



Protection: Why divorce matters



Why divorce matters

Alteration of financial dependency and insurable interest



Plans can quickly become misaligned



One of the biggest risks is that benefits are paid to an unintended recipient



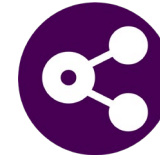
Children and maintenance



Access to support services



Affordability



Legal considerations



Reviews

Protection triggers

Discuss a feature?	Make a claim?	Change cover?	New baby?	Marriage?
Divorce/separation?	Child moving out?	Market update?	New products?	Increase cover?
Reduce cover?	Place a plan in trust?	Review trustees?	Review letter of wishes?	Review beneficiaries?
Cost of living concerns?	Re-mortgaging?	Estate planning?	Retirement planning?	Starting a business?

Plan ownership



Plan ownership



Who legally owns the plan



Who is paying the premiums



Who has authority to make changes



Assumed joint control



Who owns the plan?

Single vs joint

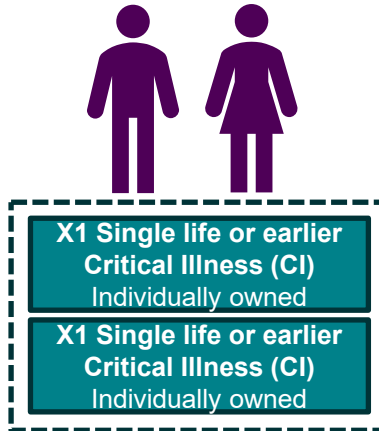
68%

of couples assume joint cover offers better protection, despite only 12% saying they understand the difference.

51%

of couples said single life plans offer better overall protection and value after a simple explanation of the difference.

Who owns the plan?

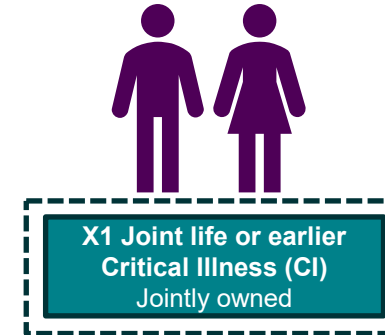


Benefits

- If a claim is made the other plan remains in force.
- A breakdown in relationship means each party can 'take' their plan.
- Only the planholder can cancel their plan.
- Multi-cover plans could offer a mixture of individually owned and jointly owned covers.
- Single life plans could utilise beneficiary nomination.

Considerations

- Multi-cover plans with different ownership could require several trusts.
- Premiums might be higher for two single life plans.



Benefits

- Designed for shared financial commitments such as a mortgage.
- Lower overall premium cost.
- Simplicity - one plan, one premium, one renewal date.

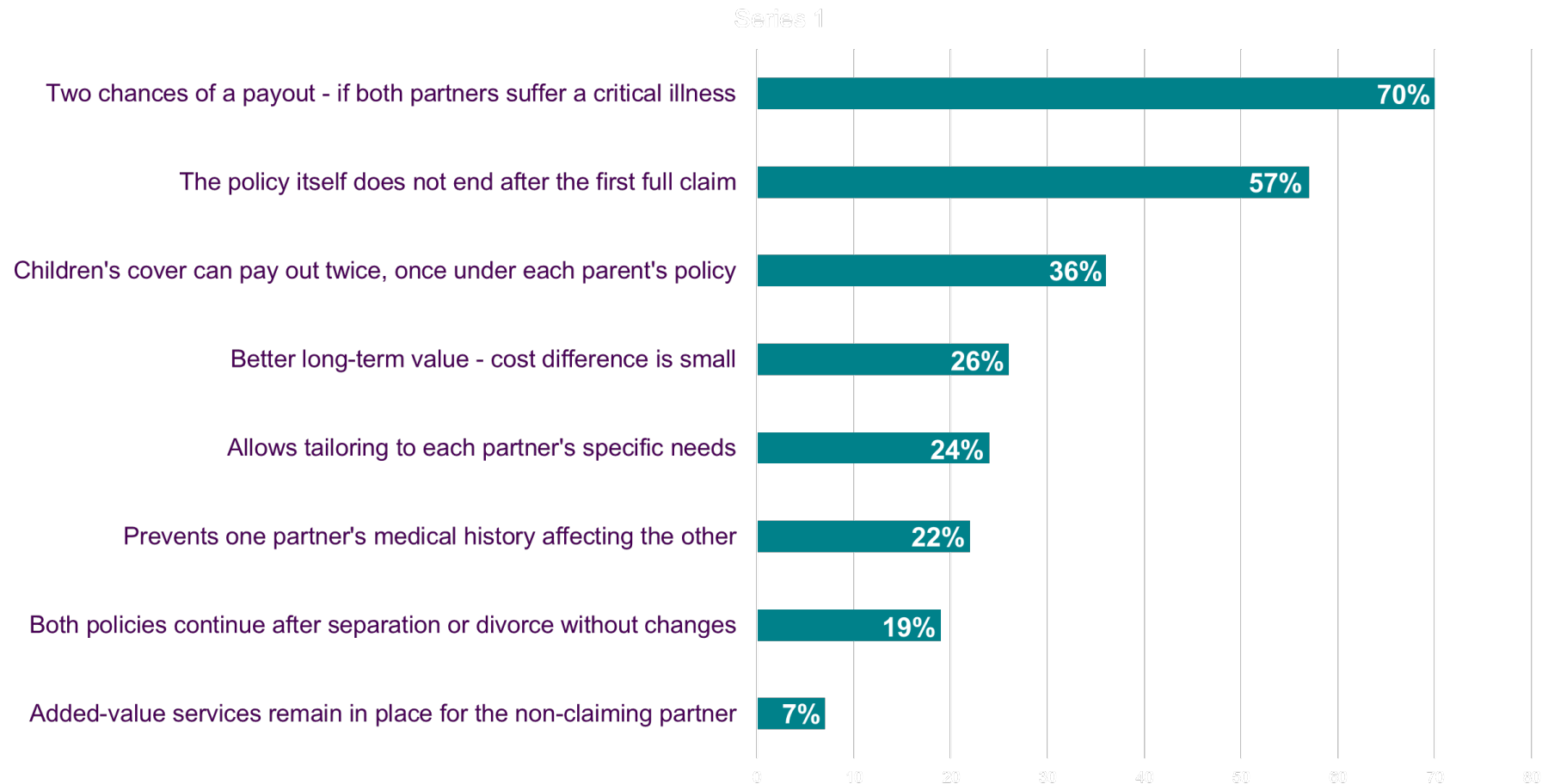
Considerations

- Only one payout at claim.
- One party might not know about missed premiums.
- Easier for mismanagement of the plan if a relationship breaks down.

Who owns the plan?

Positioning single vs joint

“When recommending two single Critical Illness Cover plans instead of joint, which benefits do you most often emphasise to clients?”



Children and maintenance



Children and maintenance



When children are involved, protection becomes even more critical



Maintenance (spouse or children) represents financial dependency



If the paying party dies or becomes ill that income may stop



Life cover can be structured specifically to protect these obligations

A spotlight on Family Income Benefit (FIB)

The nuts and bolts



Term assurance (life only / life or earlier critical illness)



Pays a regular income on death / CI until the end of the term



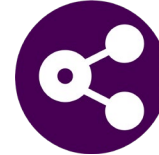
Can be commuted to a lump sum



Income paid tax-free



Sum assured can be level or indexed



Single / joint / dual life



Placed in trust / nominated beneficiaries



Access to support services

A spotlight on FIB

Positioning the cover

Laura (28) and Chris (32)

- They have two dependent children, Alfie (5) and Maisie (3).
- Laura and Chris own their own property which has an outstanding mortgage of £175,000.
- The remaining term on the mortgage is 25 years.
- Laura is a part-time Civil Servant earning £15,000 per year and Chris is a nurse earning £40,000 per year.
- They're both non-smokers with a retirement age of 67.
- Their monthly outgoings are £2,643.00.



A spotlight on FIB

The impact on outgoings

Outgoings (Chris and Laura)	(£)
Mortgage	1024
Mortgage Protection	20
Utility Bills	259
Phone	80
Buildings & Contents	30
Car & Insurance	270
Gym	60
Credit Cards	100
Groceries	600
Entertainment	200
Total	2,643
Income (Chris and Laura)	(£)
Income Laura	1,193
Income Chris	2,693
Total	3,886
Surplus	1,243

What if Chris died suddenly?

How could FIB help?

Questions to ask your clients

If something happened to you, who would need financial support?

Right hands

When would they need that support? Immediately or over time?

Right time

What type of support would work best? A lump sum? Income? Or both?

Right money

Trusts and nomination of beneficiaries



Where does the money from a life insurance plan claim go?

The estate

A trust

Life of another

Nominated
beneficiaries

Questions to ask your clients

Is it important to you that the people you want to get the money from your life insurance plan get it?

Right hands

Is it important to you that they get it quickly when bills and financial stress are immediate?

Right time

Is it important to you that the plan doesn't add to or create an Inheritance Tax (IHT) liability of up to 40% on your estate?

Right money

The right choice?

Beneficiary nomination

Straightforward situations

- Most single own-life
- Partner (or kids)

Terminal illness retention

Trust not ready

Don't want trustees

Want easy updates

Trust

Complex cases

- Young beneficiaries
- Blended families

Beneficiary 'protection'

Joint – simultaneous deaths

IHT planning:

- Cover is to pay IHT
- Generation skipping / loans



Wills



Why update your will on divorce/separation

- Divorce doesn't fully update your will (re-marriage usually revokes a will entirely).
- Risk of unintended beneficiaries or intestacy.
- Children's inheritance may lack control or protection.
- Ex-partner could still have indirect influence.

Review and rewrite a will to:

- Protect assets.
- Safeguard children.
- Ensure wishes are followed.





Guardianship



Questions to ask your clients

Who would look after your children if anything happened to you?

Right hands

Would these people be well enough to look after the children until they're 18?

Right time

Would they be financially able to take on such a responsibility?

Right money

If both parents die tomorrow

Who raises the children?

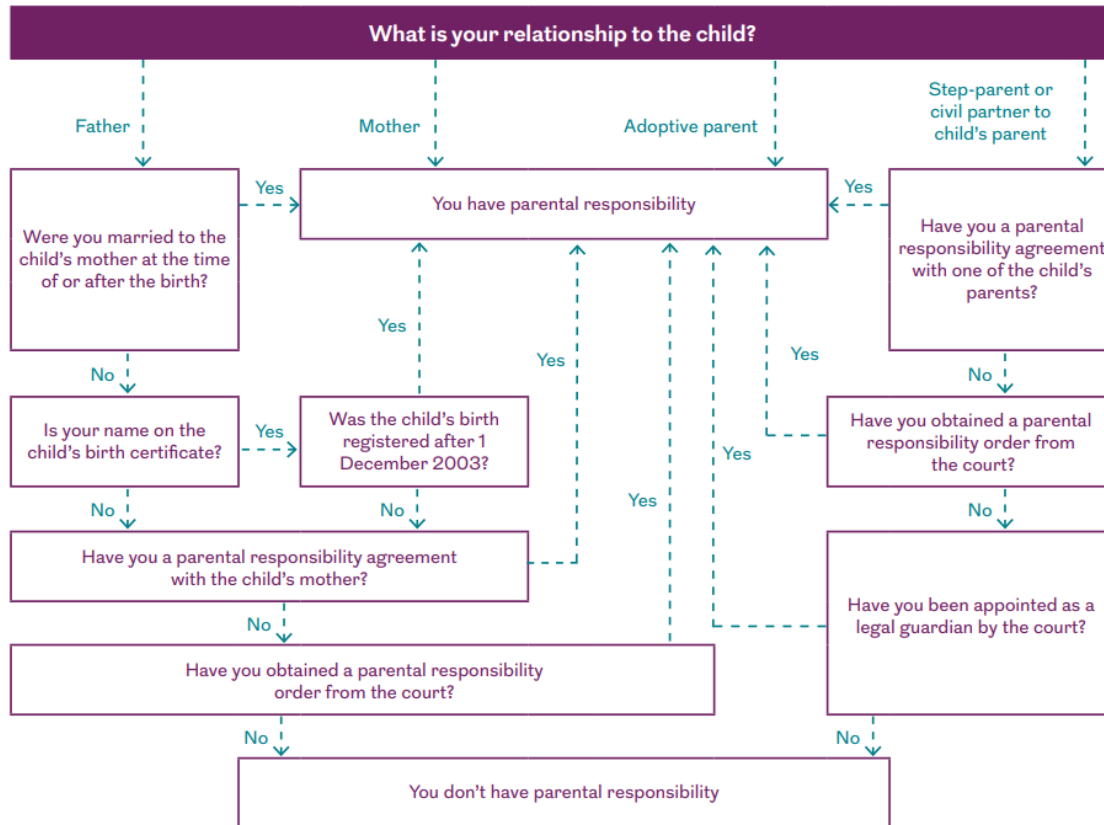
Child guardianship arrangement (parental appointment)

- Made by a parent with parental responsibility.
- Usually written in a will.
- Takes effect on the death of the last surviving parent.
- The appointed person becomes the child's legal guardian.

Guardianship order (court appointment)

- Made by the family court.
- Usually arises through care proceedings / family disputes.
- Social services may be involved.
- The process can take time.

Who has parental responsibility?



- Unmarried fathers may not automatically have parental responsibility.
- Step-parents don't automatically gain parental responsibility.
- Grandparents don't automatically have parental responsibility.
- Blended families could create competing expectations.

Affordability



Dealing with breakups

Affordability



Post divorce affordability is often under pressure



Household income is typically reduced - protection needs may increase



Legal considerations



Reducing cover might be better than cancelling

Protection remains key

Vulnerability and safeguarding



Dealing with breakups

Economic abuse



Can coincide with domestic abuse - financial or economic abuse

Clients may not have control over their finances or plans

Coercion into taking out or altering a plan

Ensure independent access, control and secure communication channels

Aligns closely with vulnerability obligations

Additional considerations



Dealing with breakups

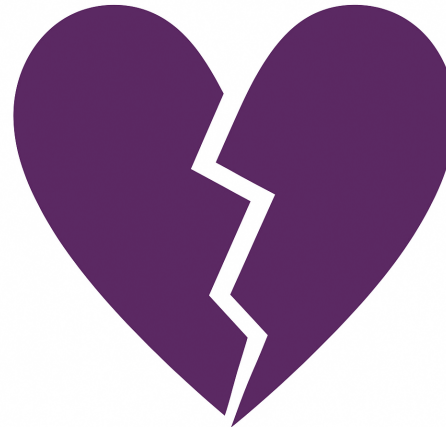
Additional considerations

Purpose of the cover

- Usually set up with a purpose
- Mortgage, income replacement or family security
- Always revisit the original rationale

Employer benefits

- Frequently overlooked
- Often rely on nomination forms
- Review and update with HR



Professional connections

- Family lawyers
- Will writers
- Independent Financial Advisers
 - pension experts
- Mortgage brokers

Added value support service

- Counselling
- Support for children
- Legal helpline
- Holistic remedies

Dealing with breakups

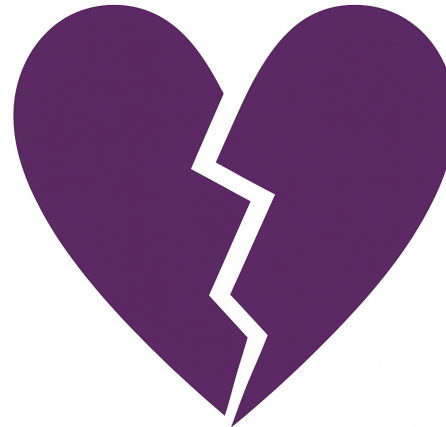
Recap on risks

Income change risk

- More reliance on separate income
- Child maintenance
- Reduced financial resilience

Policy structure risk

- Jointly held plans
- Ownership complications
- Premium affordability pressures



Beneficiary risk

- Outdated trustees
- Ex-spouse still named
- Impact on children

Economic abuse risk

- Coercion, threats and leverage
- Forging signatures and misrepresentation
- Denying access or cancelling plans

Planning points



Review regularly

Life rarely stands still, protection should change as family responsibilities, mortgages and relationships change.



Consider plan ownership

Who owns the plan, and how benefits are paid, can be as important as how much cover is in place.



Liquidity for the guardian

Do guardians need to give up work or reduce their working hours, would they incur additional childcare and living costs?



Highlight added value services

Support services can be just as important as the payout when families are under pressure.



Focus on outcomes

Who receives the money, and how quickly, is critical. Trusts and beneficiary nomination shouldn't be seen as optional extras.



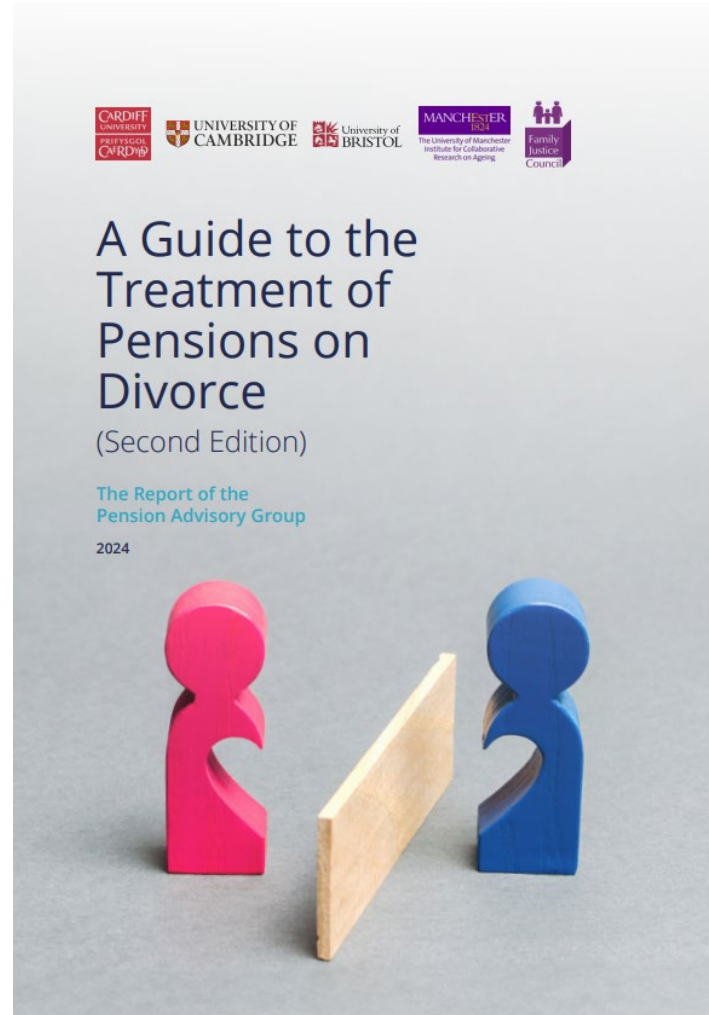
Professional connections

Building a reliable referral network improves both client outcomes and advice reputation.

Pensions and divorce



A Guide to the Treatment of Pensions on Divorce



Pensions and divorce - options



Offsetting

- Clean break.
- Can be straightforward.
- Most common.
- Don't need to go to court.



Earmarking or attachment order

- Least common.
- No clean break.
- Can cause problems on subsequent marriage.
- Owner of the pension is in control of where funds are invested and when they're taken.
- Potentially affected by pensions freedoms.

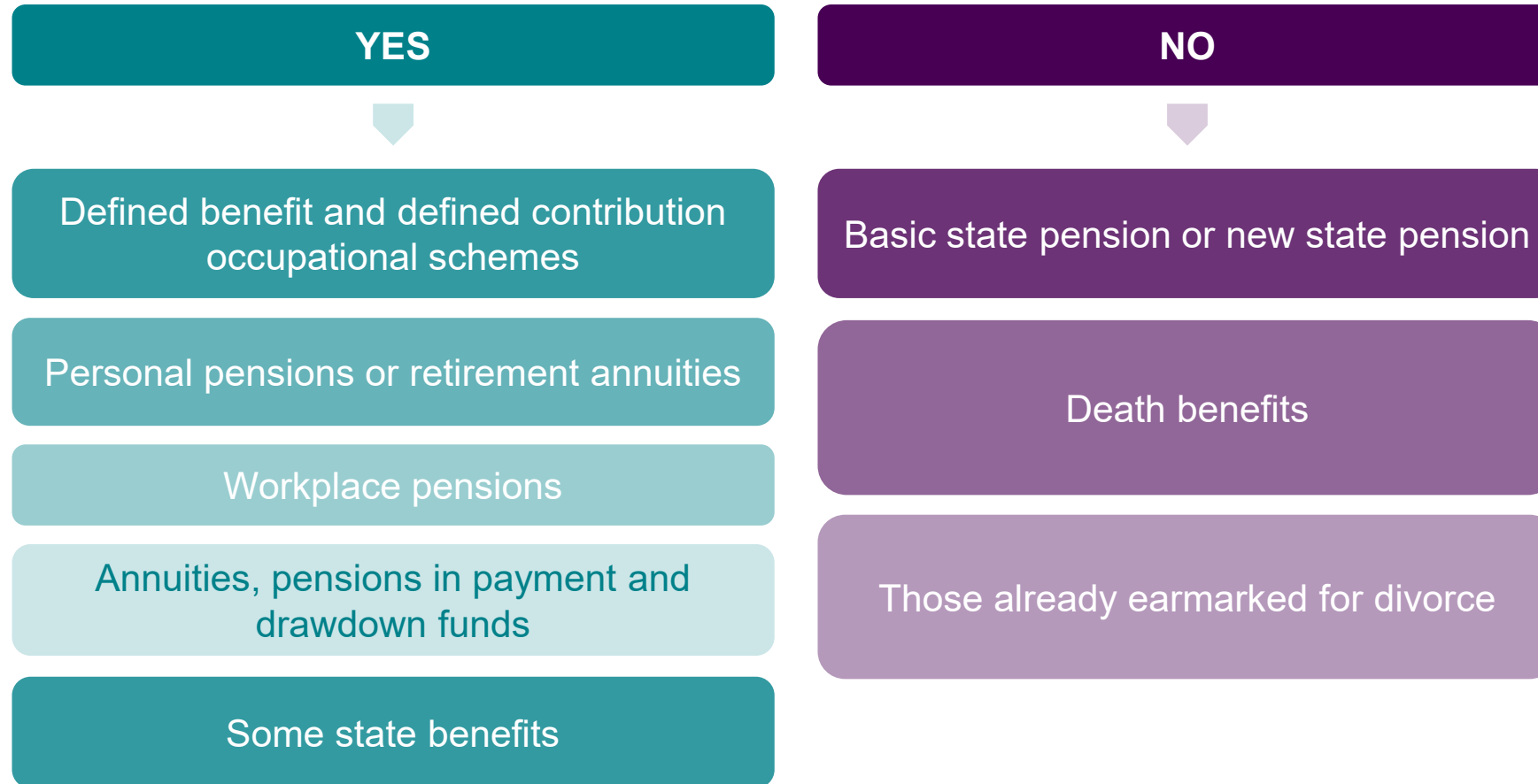


Sharing

- Clean break.
- Requires a court order (England).
- Often used when offsetting can't provide a fair outcome.
- Recipient receives a pension credit – could remain in the scheme or transfer out.



Which types of pension can be shared



Divorce – frequently asked questions



Questions



Sharing

What's a disqualifying pension credit?



Sharing

Does the adviser need transfer permissions?



All options

Is the pension accrued prior to the marriage included?



All options

When is a pension on divorce expert required?



Sharing

Can you share a pension if you're not married?

Questions



Sharing

Does a pension credit use up annual allowance?



Sharing

When can the recipient of a pension credit access it?



All options

Is the taxation taken into account? Is a £200k house the same value as a £200k pension?



All options

Do you need a lawyer if you want to share a pension?



Sharing

Can you share a non-UK pension?

“Lawyers are not regulated, qualified or insured to give financial advice.”

Where can the adviser help?



Consider the impact separation, divorce and remarriage might have on **death benefits**.



Consider independent valuations for defined benefit schemes.



Review any pension **attachment** orders keeping in mind pensions freedoms.



Help **rebuild** pension assets. Or advise on the best place for a pension credit.

Learning objectives

You should now be able to:

- Recognise and manage client risks post-relationship
- Confidently use suitable restructuring strategies
- Clarify pension treatment after separation
- Answer key pension questions related to divorce.





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