

THE IMPACT OF DIVORCE ON RETIREMENT INCOME

September 18, 2013

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Abstract

Divorce has a considerable impact on the income level of the divorced individuals in retirement. Our analysis demonstrates that in the potential event of a divorce women lose on average monthly pension income corresponding to 7.1 percent of their monthly pension, since divorced couples will not share their pensions. For the same reason, men on average stand to gain pension income worth 2.9 percent of their monthly pension. This difference in the effect of divorce on men and women arises from differences in the value of their pensions, which in turn reflects the difference in their work specializations within the family. Men most often work in the labor market. Women work more often in non-market roles, such as caring for children, households and elderly parents. Divorced ex-spouses furthermore lose the right to any potential widow's or widower's pension. Despite a significant change in the level of retirement income for divorced individuals, the current legislation does not even them out. Property is, however, settled equally following divorce, and some future costs are shared, too. The equalization of pensions would be fair. The spouse specializing in non-market work provides conditions for the second spouse to work in the labor market. The first spouse should, therefore, be ensured a share of the pension allowance for that work. By introducing shared compulsory pension contributions, both spouses would make the same contribution to the pension system during their marriage, and thus would have fulfilled the criteria of sharing all remuneration for work. Our simulation, based on the example of potential divorce when the woman is 40 years old, shows that shared pension contributions would bring an increase in the woman's pension of 6.0 percent on average, and a decrease in the man's pension of 2.6 percent.

[Download](#) the complete study (in Czech only).

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¹ The study was co-financed by Gender Studies o.p.s. and supported by the Open Society Fund Prague.