Your Future Compass

RETIREMENT GUIDE

Retirement planning as a couple: two pots, one plan, and the first death

Planning as a couple adds three things a single plan does not have: two of most allowances, two retirement dates to bridge between, and a first death that cuts income far faster than it cuts spending. Here is how each one works, with the arithmetic on the survivor gap most tools skip.

Guidance and illustrations only, not regulated financial advice. Figures are illustrations, not forecasts. Tax rules change and depend on your circumstances. For free impartial guidance see MoneyHelper, or Pension Wise if you are 50 or over.

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Guidance and illustrations only, not regulated financial advice. The figures here are illustrative arithmetic, not a projection of your own plan. Survivor benefits differ by scheme and your position depends on your circumstances; consider speaking to a qualified, regulated financial adviser.

Two people is not one plan doubled

Most retirement guidance is written for a single person, whereas retiring as a couple brings more complexity and more to think about.

1. **You have two of most things.** Two State Pensions, two personal allowances, two ISA allowances, and for inheritance tax two sets of nil-rate bands.
2. **You probably stop working at different times**, so there's a stretch where one income has gone and the other has not.
3. **One of you will very likely outlive the other**, and the plan has to keep working for whoever is left, on much less income.

The third is the one that gets skipped, and it's the one that does the most damage.

The quiet advantage: two of nearly everything

Two full new State Pensions are **£25,096 a year** between you in today's money, which is a substantial guaranteed, inflation-linked base that a single person simply does not have.

Two **personal allowances** matter almost as much. Each of you can receive £12,570 a year before paying any income tax, so a couple drawing £25,140 between them, split evenly, could pay no income tax at all, while one person drawing the same £25,140 alone would pay tax on half of it. Where pots are held in one name only, that second allowance can go unused.

For inheritance tax, a couple has **two nil-rate bands** (£325,000 each) and potentially **two residence nil-rate bands** (£175,000 each), up to £1m combined where a home passes to direct descendants.

The first death: what actually changes

This is the part worth sitting with, because the pieces move in different directions.

The deceased's State Pension stops. There's no general inheritance of the new State Pension. For most people reaching State Pension age under the new system, that income simply ends.

A final-salary pension usually reduces, often by half. Most defined-benefit schemes pay a survivor's pension of around 50%, though it varies and some pay nothing at all if you were not married or in a civil partnership. Your scheme handbook is the authority.

Defined-contribution pots normally pass to the survivor, and from April 2027 most unused pensions are also expected to count towards the estate for inheritance tax.

Spending does not halve. One person in the same house still pays most of the standing charges, the council tax (with a 25% single-person discount), the insurance and the maintenance. A common planning assumption is that a survivor needs roughly **70%** of the couple's spending, not 50%.

The arithmetic nobody expects

Take a couple with two full State Pensions and one £10,000 final-salary pension that pays a 50% survivor's benefit, spending £43,000 a year.

While both are alive

Two State Pensions	£25,096
Final-salary pension	£10,000
Guaranteed income	**£35,096**
Spending	£43,000
Drawn from pots	**£7,904**

After the first death

One State Pension	£12,548
Final-salary pension at 50%	£5,000
Guaranteed income	**£17,548**
Spending at 70%	£30,100
Drawn from pots	**£12,552**

Guaranteed income has fallen by exactly half. Spending has fallen by 30%. So the amount the pots have to find each year rises from £7,904 to £12,552, an increase of **59%**, at the very moment the household became one person.

That is the survivor gap. A plan that looks comfortable for two can be tight for one, and the figure that hides it is a household total that never gets split.

Inheritance tax: usually nothing first time

Assets passing to a spouse or civil partner are **exempt from inheritance tax**, so the bill on a first death is commonly zero. Better still, any unused nil-rate band **transfers** to the survivor, which is why a couple can often pass on up to £1m before inheritance tax applies.

The bill, if there's one, usually lands on the **second death**, when everything passes to children or others. That's also when the April 2027 pension change bites, since unused pensions are expected to be inside the estate by then.

One thing to check rather than assume: leaving a large legacy to someone **other** than your partner on the first death uses up part of the nil-rate band that would otherwise have transferred, so it can increase the bill later.

Two retirement dates, one bridge

Couples rarely stop on the same day, and the gap is worth modelling rather than averaging. While one of you is still earning, that income covers spending the pots would otherwise fund, which protects the pots in exactly the years they are most exposed to a bad market. Stopping together and stopping three years apart can produce noticeably different outcomes from identical savings.

What to find out about your own position

- **The survivor's percentage on each defined-benefit pension.** 50% is common, not universal, and some schemes pay nothing to an unmarried partner.
- **Whether your scheme's survivor benefit depends on marriage or civil partnership.** Many do.
- **Who is nominated on each defined-contribution pot.** An out-of-date expression of wish can send a pot somewhere you did not intend.
- **Whose name the pots are in.** Two personal allowances only help if there's something in each person's name to draw from.
- **Your two State Pension forecasts**, separately. They are rarely identical.

Where to get free, impartial help

For free, impartial guidance, the government's MoneyHelper service covers retirement options and bereavement, and over-50s can book a free Pension Wise appointment. For your own circumstances, and for anything involving a defined-benefit scheme or a large estate, speak to a qualified, regulated financial adviser.

Related reading: what happens to my pension when I die covers nominations and the rules on inherited pots, and inheritance tax on pensions from 2027 covers the change landing on second deaths.

See it for your own numbers.

Build a free plan at **yourfuturecompass.co.uk/app**