

Self-Invested Personal Pension

# SIPP

**Death Benefit Options** 

## Introduction

This is a basic guide to the options available on death of a member of the Minerva SIPP scheme (including SIPP Lite) and Flexi SIPP schemes. It is not intended to replace the need to obtain financial advice, which will be particularly important when making choices of this nature. InvestAcc Pension Administration Limited is not authorised to give financial advice.

## Death Benefit Options

In common with most pension schemes, benefits paid on death are made at our discretion. It is important that you tell us who you would like to benefit, in the event of your death. We will consider any written nomination you have made before we make our decision. You should update your nominations regularly.

Your beneficiaries may choose:

- A lump sum, **or**
- A Beneficiary's Flexi Access Drawdown pension, **or**
- A Beneficiary's pension annuity purchased on the open market.

Lump Sums can be paid to anyone, including trustees of an appropriate trust.  
Beneficiaries pensions can be paid to your dependants and anyone nominated by you.

## Tax on lump sum benefits

### Death Before age 75

If you die before age 75 then your uncrystallised funds, up to the level of your unused Lifetime Allowance, can be paid tax free within two years of death. The amount of the lump sum that exceeds the unused Lifetime Allowance is taxed at 55%.

The Lifetime Allowance is £1,030,000 (2018/19) and may change in future. It is possible that you may have a higher allowance than this if you have a valid protection certificate from HMRC.

Any crystallised funds can be paid tax free within two years of death, otherwise they will be taxed at 45%.

### Death from age 75 onwards

If you die having reached your 75th birthday, lump sum benefits will be taxed at your beneficiaries' marginal rate of income tax. No inheritance tax is normally payable on lump sum death benefits.

### Tax on pension payments (Beneficiary's Flexi Access Drawdown or Beneficiary's Annuity)

If you die before age 75 income payments to your beneficiaries will be tax free. If you die having reached your 75th birthday then these payments will be subject to income tax at the beneficiary's marginal rate.

### What is a Beneficiary's Flexi Access Drawdown pension?

Beneficiaries choosing to have an income from the deceased's pension fund will do this through a Flexi Access Drawdown account, designated in their name. The beneficiary can choose to withdraw any amount of income as and when they want. Flexi Access Drawdown pension is provided subject to the Scheme Rules, Terms and Conditions and the appropriate Schedule of Fees.

### Liquidity - planning ahead

Depending on the form of the benefits to be paid following death of the member, it may be necessary to sell investments so that the proceeds can be used to make payments to beneficiaries, and to settle any tax liability for the pension scheme.

In the short term, a Beneficiary's Flexi Access Drawdown pension may avoid the need to sell assets, so long as there is an income stream or capital readily available to provide the required benefits. However, if other benefit options are chosen then assets may need to be sold.

Some investments can be illiquid, for example Commercial Property can take time to find a willing buyer, in some market conditions a quick sale is likely to result in a reduced sale value. When purchasing jointly held commercial property, your solicitor may anticipate future sale issues by drafting a syndicate agreement granting pre-emption rights to other SIPP members, and / or other parties.

## Notifying the SIPP Trustees

Members can nominate beneficiaries at any time. Nominations can be changed as often as you require to reflect your changing circumstances. A Nomination of Beneficiaries form is available on our website [www.investaccpensions.co.uk](http://www.investaccpensions.co.uk)

In the event of a member's death, the person dealing with the deceased's estate / an Executor of the Will of the Deceased, should write to us attaching the Death Certificate. We will then issue a form requesting further information.

## At a glance guide to SIPP Death Benefits

The table below may assist in understanding the options available, and the tax treatment.

Note that Uncrystallised Funds are those from which the member had not started to withdraw benefits (i.e. pre-retirement). Crystallised Funds are those which had been used to pay some benefits (as a Lump Sum and / or Drawdown Pension). It is possible that there may be a combination of Crystallised and Uncrystallised funds within a SIPP at the point of death.

	Uncrystallised funds	Crystallised funds
<b>Death occurs before age 75</b>	<ul style="list-style-type: none"> <li>• If paid within 2 years, lump sum paid tax free to any beneficiary, up to the available Lifetime Allowance.</li> <li>• Lump sums paid after 2 years will be subject to special 45% tax charge.</li> <li>• Pension income (Flexi Access Drawdown or Annuity) for any dependant or nominated beneficiary, tax free up to the available Lifetime Allowance.</li> </ul>	<ul style="list-style-type: none"> <li>• If paid within 2 years, lump sum paid tax free to any beneficiary. Lump sums paid after 2 years will be subject to special 45% tax charge.</li> <li>• Pension income (Flexi Access Drawdown or Annuity) for any dependant or nominated beneficiary, tax free.</li> </ul>
<b>Death occurs from age 75 onwards</b>	<ul style="list-style-type: none"> <li>• Lump sum paid subject to income tax at the beneficiary's marginal rate.</li> <li>• Pension income (Flexi Access Drawdown or Annuity) for any dependant or nominated beneficiary, subject to income tax at beneficiary's marginal rate.</li> </ul>	<ul style="list-style-type: none"> <li>• Lump sum paid subject to income tax at the beneficiary's marginal rate.</li> <li>• Pension income (Flexi Access Drawdown or Annuity) for any dependant or nominated beneficiary, subject to income tax at beneficiary's marginal rate.</li> </ul>

Our SIPP products are offered without advice of any kind.

A SIPP may not be suitable for all investors. If in doubt you should consult a suitably authorised financial adviser.

InvestAcc Pension Administration Limited is the Operator and Scheme Administrator and is responsible for the maintenance and running of the scheme.

InvestAcc Pension Trustees Limited is the Scheme Trustee.

The levels of and bases of taxation can change.

The value to an investor of any tax benefits will depend on that investor's tax position.

Investors should consult their own tax advisers in order to understand any applicable tax consequence.



Minerva House  
Port Road Business Park  
Carlisle  
Cumbria  
CA2 7AF  
t: 01228 538 988  
f: 01228 535 988  
e: sales@investacc.co.uk

[www.investaccpensions.co.uk](http://www.investaccpensions.co.uk)

