

Small Self-Administered Scheme

SSAS

Death Benefit Options →

Introduction

This is a basic guide to the options available on death of a member of an InvestAcc SSAS. 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 the discretion of the Managing Trustees. It is important that you inform them who you would like to benefit, in the event of your death. They will consider any written nomination you have made before making their 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 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 2 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 beneficiary's pension income (Beneficiary's Flexi Access Drawdown or Beneficiary's Annuity)

If you die before age 75 then 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 your 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, do this via a Flexi Access Drawdown account, designated in their name.

The beneficiary can choose to withdraw any amount of income, at any time. Flexi Access Drawdown pension is provided subject to the SSAS Scheme Rules.

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 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.

Schemes with more than one member

It is a pre-requisite that all decisions must be made by the unanimous agreement of the managing trustees (also known as the member trustees).

With a SSAS, investments are held on a pooled basis, and this means that it is not usually possible to identify investments specifically held for the provision of benefits for one particular member. Benefits paid following the death of a member would be paid based on their share of the value of the scheme as a whole. For schemes with more than one member, with insufficient liquid funds, the remaining managing trustees will therefore need to come to a unanimous decision as to which investments may need to be sold in order to pay benefits.

Notifying the SSAS Scheme Administrator

Members can nominate beneficiaries at any time. Nominations can be changed as often as you require to reflect your circumstances. A Death Benefit Nomination form is available on our website 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 SSAS Death Benefits

The table below may assist in understanding the options available, and the tax treatment at the time of publication.

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 SSAS at the point of death.

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

InvestAcc Pension Administration Limited is authorised and regulated by the Financial Conduct Authority.
InvestAcc Pension Administration Limited is registered in England and Wales, Company number 7118349.
InvestAcc Pension Trustees Limited is registered in England and Wales, Company number 2875892.



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

