Provide for your loved ones

A guide to death benefits from your pension plan

Standard Life
Part of Phoenix Group

Contents

This guide covers the death benefits from the following plans:

- **Active Money Self Invested Personal Pension**
- **Group Self Invested Personal Pension**
- **Active Money Personal Pension**
- **Group Flexible Retirement Plan**
- **Individual Flexible Retirement Plan**

This guide applies from April 2022.

Before buying a product, you need to be aware of the risks and commitment involved. Please see key features document for more information.

When we refer to 'Standard Life' in this document we mean Phoenix Life Limited trading as Standard Life.

Options

How will you know how your plan is doing?

You can register for your personal dashboard where you can check and update your plan on our website **www.standardlife.co.uk**

What happens to your pension plan when you die?

When you die any remaining funds in your pension plan will be used to provide benefits for the people (or causes) you care about. Normally Standard Life will decide who should receive the death benefits (known as the beneficiary) but we will take your wishes into consideration when making our decision.

Which Instruction for payment of death benefits form should you use?

If you have an Active Money Self Invested Personal Pension or Group Self Invested Personal Pension, please complete SLSIP36.

If you have an Active Money Personal Pension, Group Flexible Retirement Plan or an Individual Flexible Retirement Plan, please complete PPP36.

Please call us on **0345 0845 000** to obtain a form. Call charges will vary.

You can use your customer dashboard to tell us who you wish to nominate instead of using the paper form. If you change your mind in the future, just amend your choices on your dashboard.

What options does the beneficiary have?

Once Standard Life has exercised its discretion in choosing a beneficiary (or beneficiaries), the options available depend on the beneficiary's status. If you want to ensure your beneficiary will have all the benefit options, please give us their name by completing an Instruction for payment of death benefits form. You can also do this online through your customer dashboard. Just log-in and manage your plan.

If the beneficiary is a dependant or a named beneficiary they can choose to

- take a lump sum
- take a guaranteed income for life (annuity)
- take flexible income (drawdown), and if they wish, buy an annuity later.

If the beneficiary is a trust or charity, or if you die leaving behind a dependant or named beneficiary and another individual is chosen to receive a share of the death benefits, then a lump sum is normally the only option available to these beneficiaries.

Please see Notes on page 6 for definitions of dependant and named beneficiary.

After you die we will inform the beneficiary of the options available to them. It will be up to the beneficiary to decide how they want death benefits to be paid. If they choose an annuity or a flexible income, they may want to think about looking at other providers, who might give them a better deal and better benefits.

For further information on beneficiary options please read page 5.

Why is it important to nominate a beneficiary?

If there is a surviving dependant or named beneficiary, then other beneficiaries will not be eligible to take an annuity or a flexible income from their share of the death benefits.

If you want someone to get all the options above, it's important to nominate them.

Don't forget that a nomination doesn't have to be all or nothing. It's possible to nominate a number of different beneficiaries and nominate different percentages for each of them.

Tax

What about inheritance tax?

Death benefits from pension plans are not normally liable to inheritance tax.

Retaining pension wealth within the pension plan and passing it down to future generations is very tax efficient estate planning solution. It combines IHT free inheritance with tax free investment returns and, potentially for some beneficiaries, tax free withdrawals.

Tax and legislation may change. The information here is based on our understanding as at April 2022. Individual circumstances and where you live in the UK will have an impact on tax.

What are the tax charges if you die under age 75?

Minimising the tax payable when you die

If you are under age 75 when you die, normally no tax will be payable.

There are 3 circumstances when there may be a tax charge under age 75.

1. Lifetime allowance charge will be payable to the government if:

- your plan has a savings pot, and
- death benefits are settled within two years of Standard Life being notified of your death, and
- your total benefits exceed your remaining lifetime allowance.

2. If your plan has a savings pot and death benefits are not settled within two years of Standard Life being notified of your death, the following tax charges will apply –

- if paid as a lump sum, the tax charge will be set at the beneficiary's marginal rate of income tax.
- if paid as flexible income or an annuity, the income paid will be taxed at the beneficiary's marginal rate of income tax.

3. If your plan has a drawdown pot, and death benefits are not settled within two years of Standard Life being notified of your death and your beneficiary chooses a lump sum, tax will be set at the beneficiary's marginal rate of income tax.

We will endeavour to settle death benefits as soon as possible so the tax penalties for not settling benefits within two years should only apply in exceptional circumstances.

What are the tax charges if you die aged 75 or over?

If you die aged 75 or over, then death benefits paid will normally be subject to tax:

- if paid as a lump sum to an individual the tax charge will be set at the beneficiary's marginal rate of income tax
- if paid as a lump sum to a trust the tax charge will be 45%
- if paid as a lump sum to a charity when you have surviving dependants, the tax charge will be 45%
- if paid as flexible income or an annuity, the income paid will be taxed at the beneficiary's marginal rate of income tax.

If benefits are paid to a charity of your choice and you have no surviving dependants, the lump sum is tax free.

Beneficiary	Options	Member dies under age 75	Member dies aged 75 or over
Individual	Lump sum	normally tax free	Beneficiary's rate of income tax
Dependant/Named Beneficiary	Guaranteed income for life (annuity)	normally tax free	Beneficiary's rate of income tax
Dependant/Named Beneficiary	Flexible income	normally tax free	Beneficiary's rate of income tax
Charity	Lump sum	normally tax free	45% tax charge
Trust	Lump sum	normally tax free	45% tax charge

Bypass Trust

Do you want more control over who receives death benefits?

(only available if you have an Active Money SIPP/GSIPP)

You have choices when it comes to passing on your death benefits. You can choose between the Bypass Trust or named beneficiaries options.

The broad difference between the options is that the Bypass Trust gives you more control and certainty and the named beneficiaries can be more tax efficient.

You can set up a Bypass Trust and give us a binding instruction to pay to that trust that we have to follow. Although this is binding on us you can change it at any time. The Bypass Trust can only receive a lump sum payment and once that lump sum has been paid, the trustees of your Bypass Trust can decide how and when that should be paid out to the beneficiaries of the Bypass Trust. For some people, this protection and flexibility gives peace of mind, particularly where there are complicated family circumstances or potential beneficiaries that may not be good at managing their money.

Giving us the names of people you care about (known as named beneficiaries) means that we know your wishes and will take them into account when deciding who any remaining funds in your pension plan will be used to provide benefits for. You can do this by completing Part 3a of our Instruction for payment of death benefits form (SLSIP36). And if we choose some or all of those people, they can decide to take a lump sum, take an annuity, or take a flexible income. So you have less control but that may mean less tax has to be paid.

For some people, this balance of control and tax efficiency means that they want some of their death benefits to be paid to a Bypass Trust and some of their remaining pension pot to be available to people (or causes) they care about. There is also the option of having a Bypass Trust as a potential recipient of death benefits but leaving this decision up to us. We call this a non-binding instruction.

If you decide a Bypass Trust is for you and want to give us a binding instruction please answer 'yes' to question 2 in Part 3b of the Instruction for payment of death benefits form (SLSIP36). If you do so, Standard Life must pay the percentage of the lump sum death benefit given in Part 3b to the Standard Life Bypass Trust named. But you can still change your instructions in the future. If you answer 'No' to this question, this is a non-binding instruction and Standard Life will take account of your wishes and consider your Standard Life Bypass Trust as a potential beneficiary.

Whether a Bypass Trust will be right for you will depend on a number of factors so we recommend that you get legal and/or financial advice before making your decision. There is likely to be a charge for advice.

Tell us what you'd like to happen – complete an Instruction for payment of death benefits form (SLSIP36).

Further information on beneficiary options

If the beneficiary chosen by Standard Life is a dependant or a named beneficiary, they will have to decide how they want their share of your pension plan to be paid.

Lump sum

A one-off cash payment into the beneficiary's bank account.

Guaranteed income for life (annuity)

An annuity provides a guaranteed income for the rest of the beneficiary's life. The beneficiary would use their share of your pension plan to buy an annuity. Currently, once an annuity is bought, it cannot be changed or cashed in.

Flexible income (drawdown)

Flexible income allows the beneficiary to leave their share of your pension plan invested and take an income from it. The amount of income taken can vary and be changed at any time. As the pension pot stays invested, there is potential for it to grow however this is not guaranteed. It is possible that the beneficiary could lose all the money left to them. So the beneficiary will have to be comfortable taking the risk that if investments don't perform well enough they might not be able to sustain the amount of income they need. They could even run out of money.

If the beneficiary chooses this option, they will be set up with a product that provides drawdown.

Flexible income won't be suitable for everyone as it doesn't provide a guaranteed income. If the beneficiary changes their mind they can buy an annuity later.

What happens when beneficiary dies?

If the beneficiary has chosen a lump sum or annuity nothing else will be paid out when the beneficiary dies.

If they have chosen a flexible income, any remaining money in the pension pot can be passed on to their beneficiaries. They can complete an expression of wish form indicating who they would like to be considered. Their beneficiaries will have the option of lump sum, annuity or flexible income depending on their status.

If your beneficiary is under 75 when they die, then death benefits will normally be tax free. If they are 75 or over when they die, death benefits will normally be taxable.

Notes

1. Plan structure

Your plan can have a savings pot, a drawdown pot or both.

Savings pot

This represents the part of your plan that hasn't been used to provide your retirement benefits. The 'pre-pension date' part of your plan.

Drawdown pot

This represents the part of your plan that has been designated for flexible income. The 'post pension date' part of your plan.

2. Dependant

A dependant is:

- your spouse or civil partner at the date of your death
- any child of yours (including adopted child) who is under 23 at the date of your death
- any person who is dependent on you because of disability
- any person who is financially dependent on you at date of death
- any person whose financial relationship with you at date of death is one of mutual dependence. This can include an unmarried partner of the same or opposite sex who relied on your income to maintain a standard of living that depended on your joint income.

3. Named beneficiary

A named beneficiary is any individual whose name you have given to Standard Life. If you have no surviving dependants or named beneficiaries, it also includes any individual(s) chosen by Standard Life.

4. Trusts

Lump sum death benefits can be paid to a trust established by you. If you have used the Standard Life Bypass Trust documentation, you can give us a binding but revocable instruction to pay the lump sum death benefits to that trust and those death benefits should not be subject to Inheritance Tax on your death.

If you have used the Standard Life Bypass Trust documentation but do not wish to give a binding instruction or wish the lump sum death benefits to be payable to a different trust, you can give us an Expression of Wish in favour of the trust.

Please complete the Instruction for payment of death benefits form (SLSIP36 or PPP36) to give us your instruction or expression of wish.

5. Expression of wish

Standard Life as the scheme administrator, will exercise discretion in deciding who should receive death benefits. (If you have given us a binding instruction to pay a lump sum to the Standard Life Bypass Trust we will follow that instruction).

The scheme rules allow us to choose from the following potential beneficiaries:

- any person, charity, association, club, society or other body (including trustees of any trust whether discretionary or otherwise) whose names you have notified to Standard Life;
- your spouse/civil partner, your parents and grandparents (and the parents and grandparents of your surviving spouse or civil partner) and any children or other descendants of them;
- other dependants;
- any person, charity, association, club, society or other body (including trustees of any trust whether discretionary or otherwise) entitled under your will to any interest in your estate;
- your legal personal representatives.

You can let us know your Expression of Wish by completing the Instruction for payment of death benefits form (SLSIP36 or PPP36). Remember, you can also do this by using your dashboard on our website **www.standardlife.co.uk**.

As scheme administrator Standard Life is required to exercise discretion appropriately and follow government guidelines. Before we make a decision we will investigate your personal circumstances at the time of your death. We will consider, for example, anyone you have nominated or who was financially dependent on you when you were alive.

We will take your wishes into account but will not be bound by them.

6. Lifetime allowance charge

If a lifetime allowance charge is due this will not be deducted before payment of death benefits and the recipient has the responsibility to settle that tax direct with government. For more information on lifetime allowance please read our GEN658 leaflet.

7. Tax and legislation

Laws and tax rules may change in the future. The information here is based on our understanding at April 2022. Individual circumstances and where you live in the UK will also have an impact on tax treatment.

Notes

Find out more

If you'd like more information on the products or services within this literature, or if there's anything more we can help you with, just call us on this number or visit our website.

Call us on 0345 0845 000

We're open Monday to Friday. Call charges will vary.

standardlife.co.uk

www.standardlife.co.uk

Phoenix Life Limited, trading as Standard Life, is the provider and scheme administrator of the Standard Life Self Invested Personal Pension Scheme, and Standard Life Trustee Company Limited is the trustee.

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