

Self-Invested Personal Pension

Platinum SIPP

Death Benefit Options and Request Form

from 6th April 2024

Introduction

This is a basic guide to the options available on death of a member or beneficiary of the Platinum SIPP scheme. It is based on our understanding of the law and regulations, which may change. It is not intended to replace the need to obtain financial advice, which will be particularly important when making choices of this nature. InvestAcc 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 trustees. 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 flexi access drawdown plan, **or**
- A beneficiary annuity purchased on the open market.

Lump sums can be paid to anyone, including trustees of an appropriate trust.

Beneficiary flexi-access drawdown and beneficiary annuities can be paid to your dependants, and any person nominated by you.

If you have no dependants, you also have the option of nominating a charity to receive the value of your pension fund as a lump sum, but any charity must be nominated by you whilst you are alive.

What is the Lump Sum and Death Benefit Allowance?

The standard Lump Sum and Death Benefit Allowance is £1,073,100 in 2024/25. You may have a higher amount than this, if you have certain types of transitional protection, or a lower amount.

The tax-free element of the following Relevant Benefit Crystallisation Events taken on or after 6th April 2024 will be deducted from your Lump Sum and Death Benefit Allowance:

- Pension Commencement Lump Sums and the tax-free element of any Uncrystallised Funds Pension Lump Sums.
- Uncrystallised Funds Lump Sum Death Benefits.
- Drawdown pension fund lump sum death benefits and flexi-access drawdown lump sum death benefits from benefits crystallised on or after 6 April 2024.
- Serious Ill-Health Lump Sums.
- Defined Benefit lump sum death benefits.
- Pension protection lump sum death benefits.
- Annuity protection lump sum death benefits.

The following are not deducted from your Lump Sum and Death Benefit Allowance:

- Taxable pension income.
- Lump sum death benefits paid after age 75 or paid more than two years after the date of notification when death occurred before age 75.
- Charity Lump Sum Death Benefits.
- Trivial Commutation lump sum death benefits.
- Small pots (small pension lump sums).
- Amounts transferred to a Qualifying Recognised Overseas Pension Scheme (QROPS).
- Disqualifying Pension Credit.

How are death benefits taxed?

Death of a member before age 75 - uncrystallised funds

A tax-free amount up to the level of your unused Lump Sum and Death Benefit Allowance can be paid as a lump sum, or designated to a beneficiary pension plan, within two years of the scheme administrator becoming aware of your death.

From 6th April 2024, the amount of the lump sum payment which exceeds the unused Lump Sum and Death Benefit Allowance is taxed at the beneficiaries' marginal rate of income tax. The full amount is paid to the beneficiaries and the Legal Personal Representatives will be responsible for gathering details of the payment(s) and providing this information to HMRC, who will then inform the beneficiaries of the amount of tax they must pay.

Note that if the funds are designated as pension via a beneficiary flexi-access drawdown plan or a beneficiary annuity, within two years, the amounts will be paid tax free when they are withdrawn; they are not tested against the unused Lump Sum and Death Benefit Allowance.

If the uncrystallised funds are paid as a lump sum or designated to a beneficiary flexi-access drawdown plan or beneficiary annuity more than two years after the scheme administrator was aware of your death, they will not be tested against the Lump Sum and Death Benefit Allowance, but payments will become taxable at the beneficiary's marginal rate of income tax.

Death of a member before age 75 - crystallised funds

Any crystallised funds can be paid as a tax-free lump sum within two years of the scheme administrator being aware of your death, otherwise they will be taxed at the beneficiary's marginal rate of income tax. Alternatively, they can be designated to a beneficiary flexi-access drawdown plan or beneficiary annuity at any time, tax free.

Death from age 75 onwards - all funds

If you die having reached your 75th birthday, benefits will be taxed at each beneficiary's marginal rate of income tax. If the beneficiary is not a qualifying individual (e.g. a trust) then the rate of tax deducted is 45%. In some cases, the beneficiaries may be able to claim a credit against the tax deducted.

Inheritance tax

Inheritance tax does not usually apply to pension death benefits, unless HMRC deems there to have been a transfer of value out of the estate. You should seek tax advice if this is something which may affect you.

Payments to charity

Charity lump sums are normally paid free of tax and as these payments are not treated as Relevant Benefit Crystallisation Events, they are not tested against the Lump Sum and Death Benefit Allowance. Any payment must be used for charitable purposes and the charity must have been nominated by the member before they died. If the death is of a beneficiary (i.e. dependant, nominee or successor), then they can only be made to a charity of the original member's choice. If no charity was nominated by the original member, the charity lump sum can be made to a charity selected by the deceased beneficiary. Note that no charity lump sum payments can be made when, at the time of payment, the original member has any surviving dependants.

What is a beneficiary flexi-access drawdown plan?

A beneficiary who chooses to have an income from the deceased's pension fund may do this through a beneficiary flexi-access drawdown plan, designated in their name. The beneficiary can choose to withdraw any amount of income as and when they want. A beneficiary flexi-access drawdown plan is provided subject to the scheme rules, terms and conditions and the appropriate schedule of fees.

What is a beneficiary annuity?

A beneficiary who chooses to have a guaranteed income from an annuity provider can select this option, purchased from the open market. We do not offer a facility to help you select an annuity or annuity provider, so this is something you must arrange yourself or speak to a financial adviser.

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 flexi-access drawdown plan may avoid the need to sell assets, so long as there is an income stream or capital readily available to provide the required benefits and any tax. However, if other benefit options are chosen then assets may need to be sold.

Some SIPP investments can be illiquid, for example commercial property and land 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.

What happens when a beneficiary dies?

A beneficiary is normally someone who is either a dependant or someone nominated by the member when they were alive (a 'nominee').

When a dependant or nominee dies holding a beneficiary flexi-access drawdown plan, designated in their name, there is a range of options similar to when the original member dies, potentially allowing the any unspent funds to be cascaded to their own beneficiaries, called 'successors'.

In these circumstances, there will be no further tests against the Lump Sum and Death Benefit Allowance. Whether tax applies on the payments depends on whether the person from whom these funds were last inherited had reached age 75.

Example:

Margaret is age 82 when she dies, her fund is transferred to her nominated beneficiary, William. At the time Margaret dies, she is aged over 75, so the payments William receives will be taxable for the rest of his life. If William then dies at age 71, leaving his funds to Rachael and Susan, the income Rachael and Susan each receive will be tax free for their lives, as William was under age 75 when he died.

What is the two-year rule?

In some cases, tax-free benefits can become taxable, if the payment of a lump sum or designation of benefits to a beneficiary flexi-access drawdown or beneficiary annuity, is done more than two years after the date the scheme administrator became aware of the death or could reasonably have been expected to have known of the death, whichever is sooner.

Note that there is an exception to the two-year rule, where the member was already in drawdown when they died prior to age 75, in which case death benefits can be designated to a beneficiary flexi-access drawdown or beneficiary annuity at any time, without making benefits taxable.

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.investacplatinum.co.uk

In the event of the death of a member or beneficiary, 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 from member funds

The table below may assist in understanding the options available, and the likely tax treatment, for death benefits being designated on or after 6th April 2024.

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
Death occurs before age 75	<ul style="list-style-type: none"> Lump sums paid to any beneficiary within two years, tax free up to the available Lump Sum and Death Benefit Allowance. Beneficiaries will be liable for income tax at their marginal rate, on the amount above the available Lump Sum and Death Benefit Allowance. Lump sums paid to any beneficiary after two years will not be tested against the Lump Sum and Death Benefit Allowance but will be taxed at the beneficiary's marginal rate of income tax. Pension income designated within two years to a beneficiary flexi-access drawdown plan or beneficiary annuity, for any dependant or nominated beneficiary, tax free. Pension income designated after two years to a beneficiary flexi-access drawdown plan or beneficiary annuity, for any dependant or nominated beneficiary, taxable at the beneficiary's marginal rate of income tax. Tax free lump sum paid to a charity chosen by the member, provided there are no living dependants at the date of death. 	<ul style="list-style-type: none"> Lump sums paid to any beneficiary within two years, tax free. Lump sums paid to any beneficiary after two years, taxed at the beneficiary's marginal rate of income tax. Pension income designated to a beneficiary flexi-access drawdown plan or beneficiary annuity for any dependant or nominated beneficiary, tax free. Tax free lump sum paid to a charity chosen by the member, provided there are no living dependants at the date of death.
Death occurs from age 75 onwards	<ul style="list-style-type: none"> Lump sum paid to any qualifying individual beneficiary, taxed at the beneficiary's marginal rate of income tax (otherwise at 45%). Pension income designated to a beneficiary flexi-access drawdown plan or beneficiary annuity, taxed at the beneficiary's marginal rate of income tax. Tax free lump sum paid to charity chosen by the member, provided there are no living dependants at the date of death. 	<ul style="list-style-type: none"> Lump sum paid to any qualifying individual beneficiary, taxed at the beneficiary's marginal rate of income tax (otherwise at 45%). Pension income designated to a beneficiary flexi-access drawdown plan or beneficiary annuity, taxed at the beneficiary's marginal rate of income tax. Tax free lump sum paid to a charity chosen by the member, provided there are no living dependants at the date of death.

Death Benefit Option Request

As a beneficiary, please complete the form below to confirm which option(s) you require.

I confirm I am a beneficiary under the following SIPP, and I have made the following choice(s):

	Please indicate choice(s) below*
Option 1 - a beneficiary's flexi access drawdown pension	%
Option 2 - a lump sum death benefit	%
Option 3 - a beneficiary's annuity with an external annuity provider	%

*If you are choosing more than one option, please insert the percentage for each.

Please provide the following documentation:

- Beneficiary's verification of address and identity.
- Beneficiary's bank account details.
- If the beneficiary was the spouse of the member, a certified copy of the spouse's birth certificate and a copy of the marriage certificate.
- Platinum SIPP Transfer Out Request, if selecting **Option 3**.

I understand that if I choose **Option 1**, InvestAcc will send me a further form to allow benefits to be designated in my name under a beneficiary flexi access drawdown plan, subject to the fees and charges as though this was a plan in my name. I have read the Key Features and Schedule of Fees for this type of SIPP and confirm my acceptance of the fees which may change from time to time.

Deceased member full name and SIPP number		
Beneficiary full name		
Beneficiary date of birth	Beneficiary national insurance number	
Beneficiary phone number	Beneficiary email address	
Beneficiary address (1st line)		Beneficiary address (2nd line)
Beneficiary address (city)	Beneficiary address (county)	Beneficiary postcode
Beneficiary bank account name		
Beneficiary bank account number		Beneficiary bank account sort code
Beneficiary signature		Date

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.
 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.



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