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:

- **Personal Pension**
- **Stakeholder Pension**
- **Group Personal Pension**
- **Group Stakeholder Pension**
- **Free Standing Additional Voluntary Contributions**

This guide applies from March 2022.

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

Options

What happens to your pension plan when you die?

When you die your pension plan can 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.

You can let us know (nominate) who you would like to be considered to receive the death benefits by completing and returning the death benefits form PPP36. Please keep your nominations up to date if your circumstances change.

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 the death benefits form.

If the beneficiary is a dependant or a named beneficiary (or if you have no dependants or named beneficiaries) 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 7 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 6.

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

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

What about inheritance tax?

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

Retaining pension wealth within the pension pot and passing it down to future generations can be an extremely tax efficient estate planning solution. It can combine an IHT free legacy with tax free investment returns and, potentially for some beneficiaries, tax free withdrawals.

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 2 circumstances when there may be a tax charge under age 75.

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

- 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 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 on an ongoing basis.

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% as this is the rate of income tax that applies to trusts
- if paid as a lump sum to a charity when you have surviving dependants, the tax charge will be 45%
- if paid as 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

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.

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.

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

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. 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 your death
- any person whose financial relationship with you at the time of your 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.

2. 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 chosen by Standard Life.)

3. Expression of wish

Standard Life Assurance Limited, as the scheme administrator, will exercise discretion in deciding who should receive death benefits.

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 death benefits form PPP36.

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.

4. 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 the government. For more information on lifetime allowance please read our GEN658 leaflet.

5. Tax and legislation

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

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.

www.standardlife.co.uk

Standard Life Assurance Limited is registered in Scotland (SC286833) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.
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SCOZ0322543130-001