



A Guide to Death Benefits

**Self Invested Personal Pension
Group Self Invested Personal Pension
Self Invested Personal Pension for Wrap
and Pension Fund Withdrawal Plan**

For advisers' use only (not to be relied on by anyone else)



As the death benefits available from protected rights differ to those available from ordinary benefits, this guide has been split into two sections, one for ordinary benefits and one for protected rights. Further details are shown below.

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Death benefits available from the ordinary benefits in your client's Self Invested Personal Pension, Group Self Invested Personal Pension or Self Invested Personal Pension for Wrap

Before buying a product, your client needs to be aware of the risks and commitment involved. Details are available in the Self Invested Personal Pension (SIPP) Key Features Document (SLSIP17), Group Self Invested Personal Pension (GSIPP) Key Features Document (GSIPP17), or Self Invested Personal Pension for Wrap (Wrap SIPP) Key Features Document (WRAPSLIP17).

Introduction

Providing for loved ones is an important consideration for many people. A SIPP or GSIPP offers flexibility, choice and control in this vital area of financial planning. This is a complex area and this guide is designed to help you understand the options available.

This section of the guide explains the death benefits which are payable from the ordinary (non protected rights) benefits under the Standard Life Self Invested Personal Pension Scheme (the Scheme). The Scheme is administered by Standard Life Assurance Limited and it is responsible for paying the death benefits.

This guide does not apply to your Group Flexible Retirement Plan clients.

In the event of a client's death, please contact the SIPP Customer Centre on **0845 0845 000**. Please have your client's plan number ready when calling. Calls may be recorded and monitored. Call charges may vary.

Types of accounts

Under the Scheme, your client's fund is placed in one or more accounts. Each of these accounts can be at one of three stages at any point in time:

- ▶ **Pre-Pension Date Account**
where no Pension Date has been allocated so no benefits have been taken.
- ▶ **Post-Pension Date Account**
where a Pension Date has been set and income drawdown has been chosen.
- ▶ **Annuity purchased from the proceeds of the account**
the annuity has been purchased at the Pension Date or after income has been taken.

The benefits payable from an account on your client's death will depend on the status of the account at your client's death.

What death benefits are payable from these accounts?

Where an annuity is being paid to your client, the death benefits (if any) payable from the annuity will depend on the choices made by your client when the annuity was purchased (e.g. whether or not they have chosen a guarantee period and/or a Dependant's annuity).

The flowcharts on the following pages explain the death benefits which are payable from Pre-Pension Date Accounts and Post-Pension Date Accounts.

There are 5 flowcharts:

Flowchart A

Ordinary benefits Pre-Pension Date Accounts

Flowchart B

Ordinary benefits Post-Pension Date Accounts

Flowchart C

Ordinary benefits – Death of a member before 6 April 2011

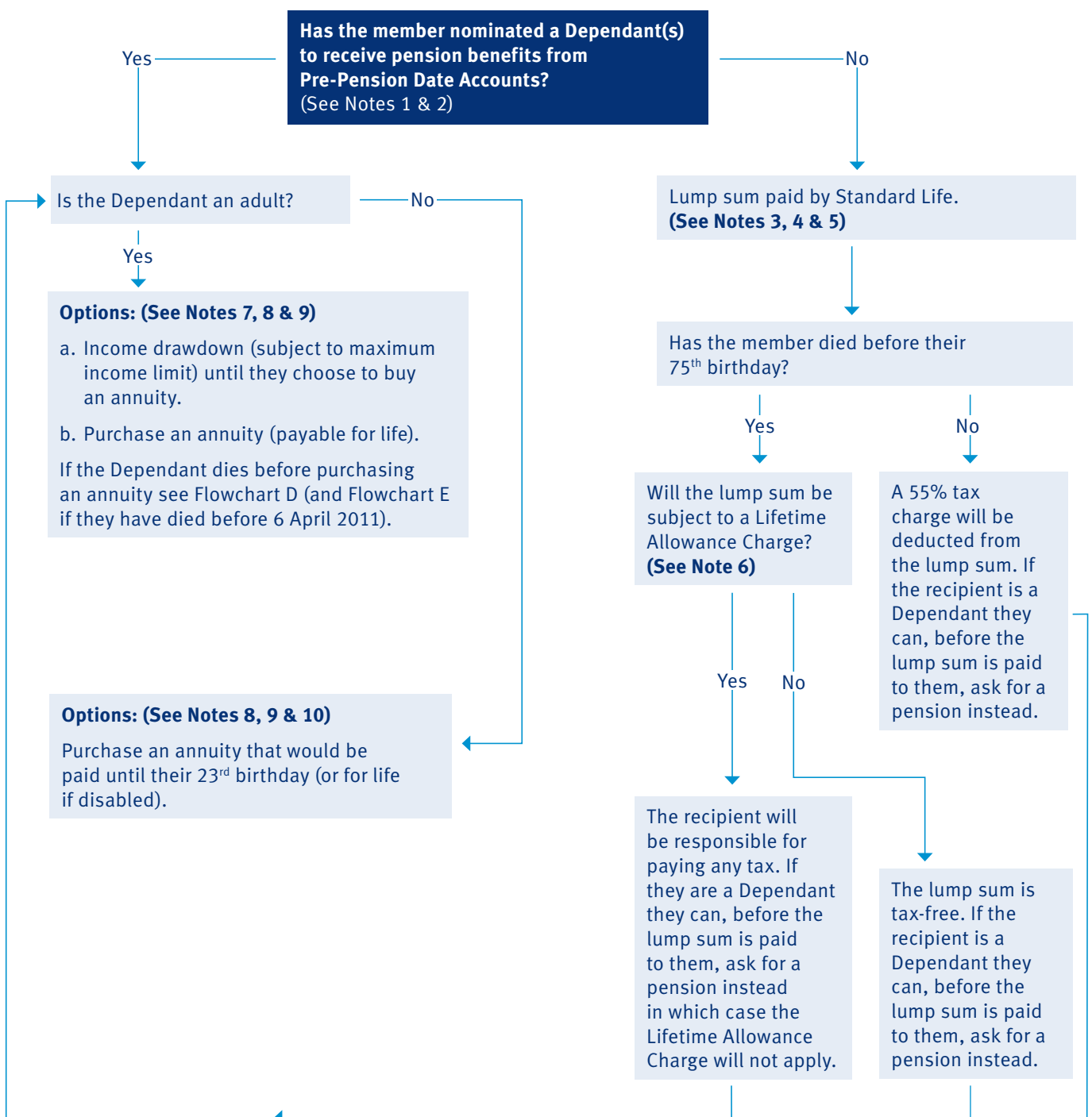
Flowchart D

Ordinary benefits – Death of a Dependant with a drawdown pension fund

Flowchart E

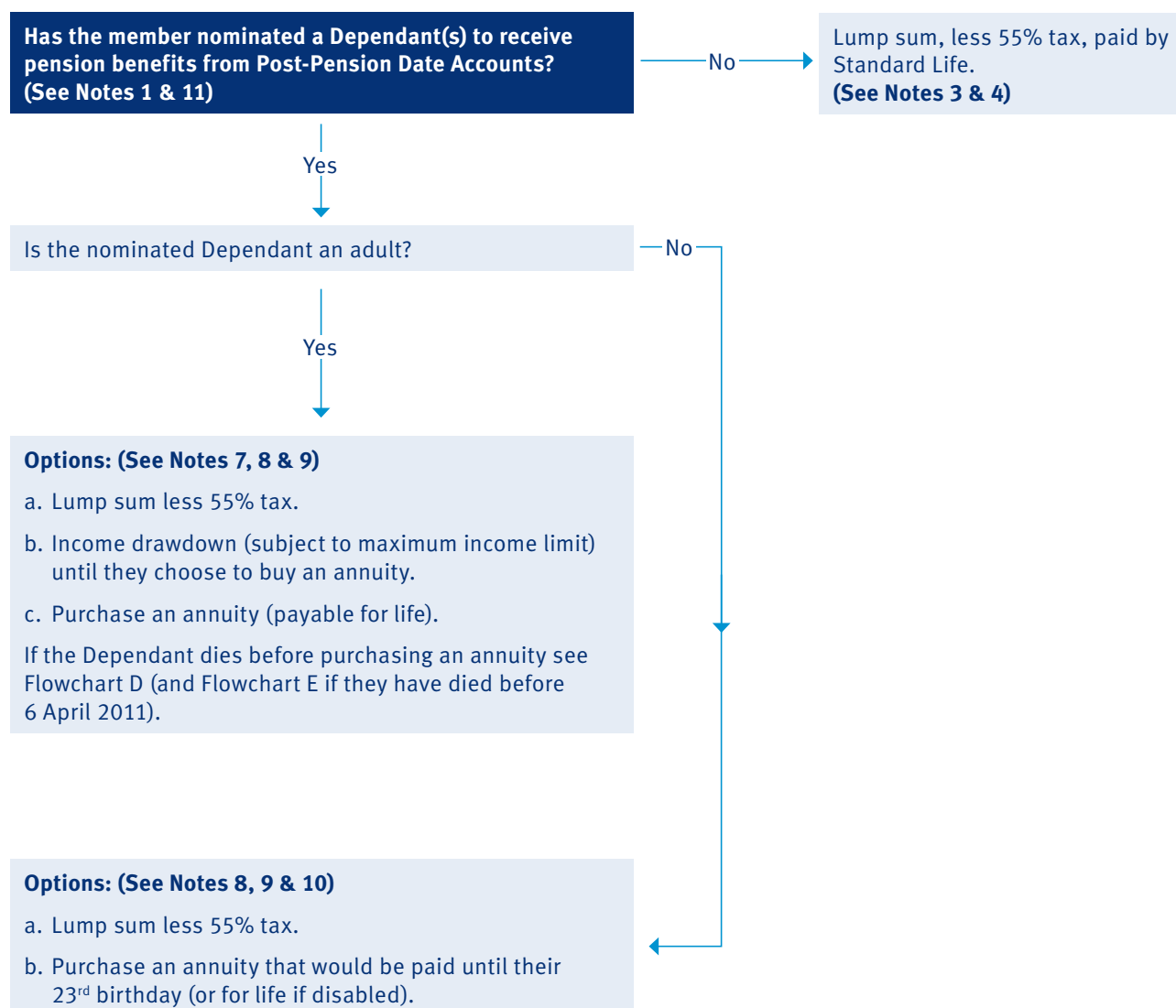
Ordinary benefits – Death of a Dependant before 6 April 2011

Flowchart A Ordinary benefits Pre-Pension Date Accounts

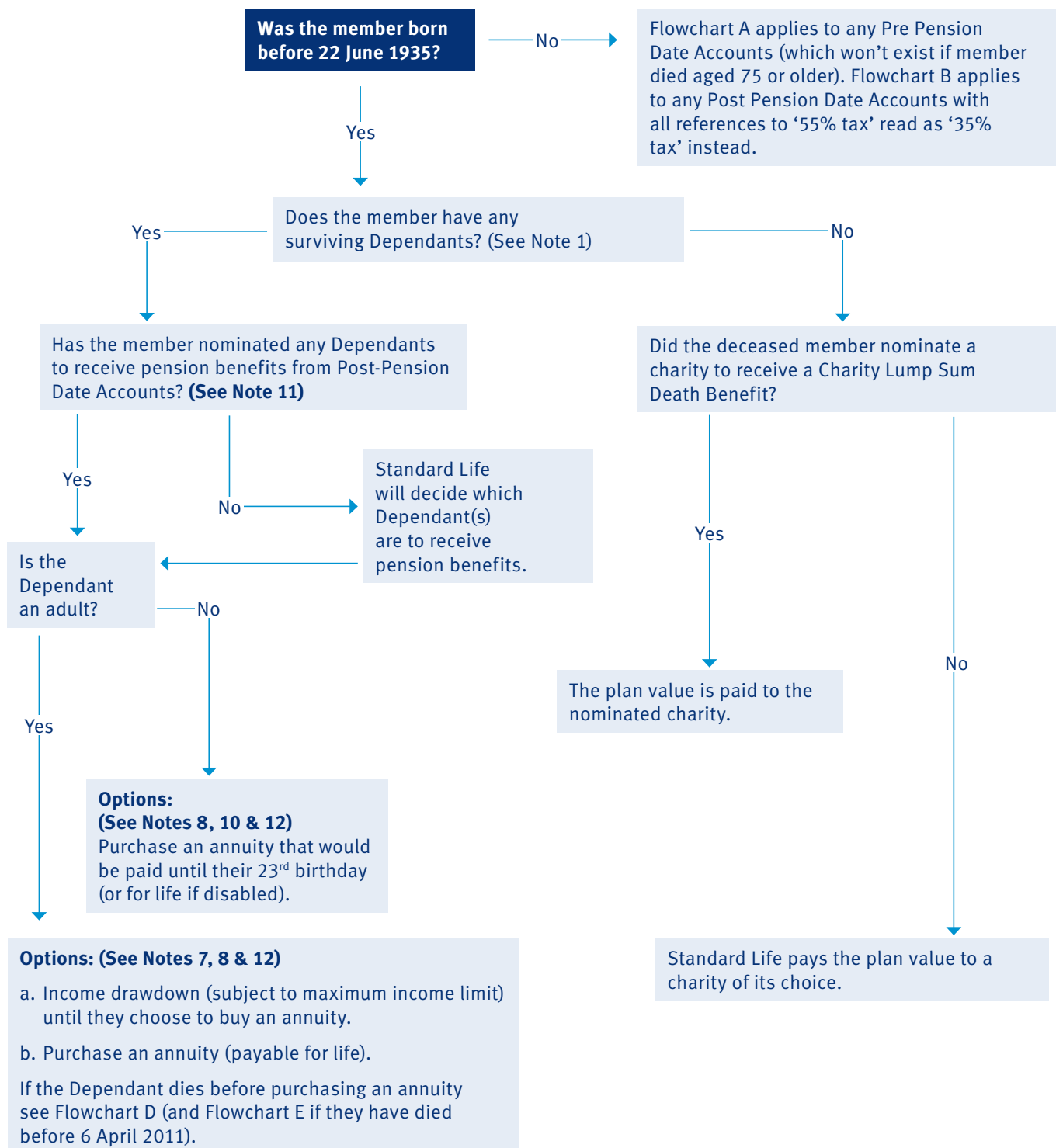


Flowchart B Ordinary benefits Post-Pension Date Accounts

Note: If the member has died before 6 April 2011, see Flowchart C.



Flowchart C Ordinary benefits - Death of a member before 6 April 2011



Flowchart D Ordinary benefits - Death of a Dependant with a drawdown pension fund

This flowchart applies if a Dependant is taking an income from the member's accounts following the member's death but dies before buying an annuity.

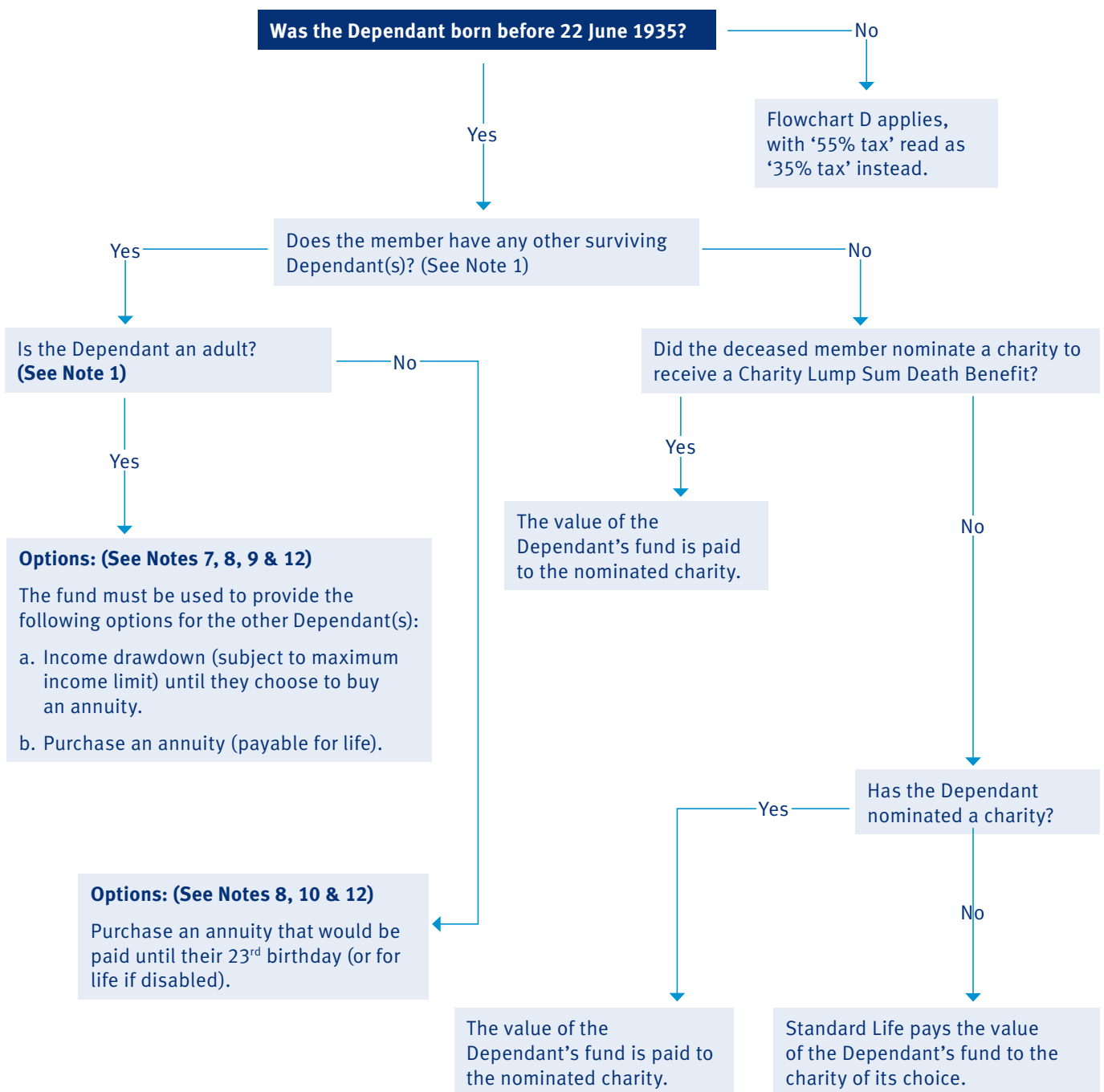
Note: If the Dependant has died before 6 April 2011, see Flowchart E.

The Dependant's share of the fund is paid out as a lump sum. (See Notes 3 & 4)

The lump sum is subject to tax at 55%.

Flowchart E Ordinary benefits - Death of a Dependant before 6 April 2011

This flowchart applies if a Dependant is taking an income from the member's accounts following the member's death, but dies before buying an annuity.



Death benefits available from the protected rights in your client's SIPP, Group SIPP, Wrap SIPP or Pension Fund Withdrawal Plan (PFWP)

Introduction

This section of the guide explains the death benefits payable from protected rights held under the Standard Life SIPP, Group SIPP, Wrap SIPP and PFWP. Before buying a product your client needs to be aware of the risks and commitment involved. Details are shown in the Key Features Documents for each product (SLSIP17, GSIPP17, WRAPSLIP17 and PFWP17 respectively).

In the event of a client's death, please contact the SIPP Customer Centre on: **0845 0845 000**.

Please have your client's plan number ready when calling. Calls may be recorded and monitored. Call charges may vary.

Types of accounts

Within the SIPP, GSIPP, Wrap SIPP and PFWP, your client's Protected Rights fund is placed in one or more accounts. The accounts can be at one of three stages. All accounts will be at the same stage except for SIPP/GSIPP which can have protected rights accounts at both the first and second stages.

- ▶ **Pre-Pension Date Account**
where no Pension Date has been allocated so no benefit has been taken.
- ▶ **Post-Pension Date Account**
where a Pension Date has been set and income drawdown has been chosen.
- ▶ **Annuity purchased from the proceeds of the account**
the annuity has been purchased at the Pension Date or after income has been taken.

The benefits payable on your client's death will depend on the status of the account(s) at your client's death.

What death benefits are payable from these accounts?

The flowcharts on the following pages explain the death benefits which are payable from Pre-Pension Date Accounts and Post-Pension Date Accounts.

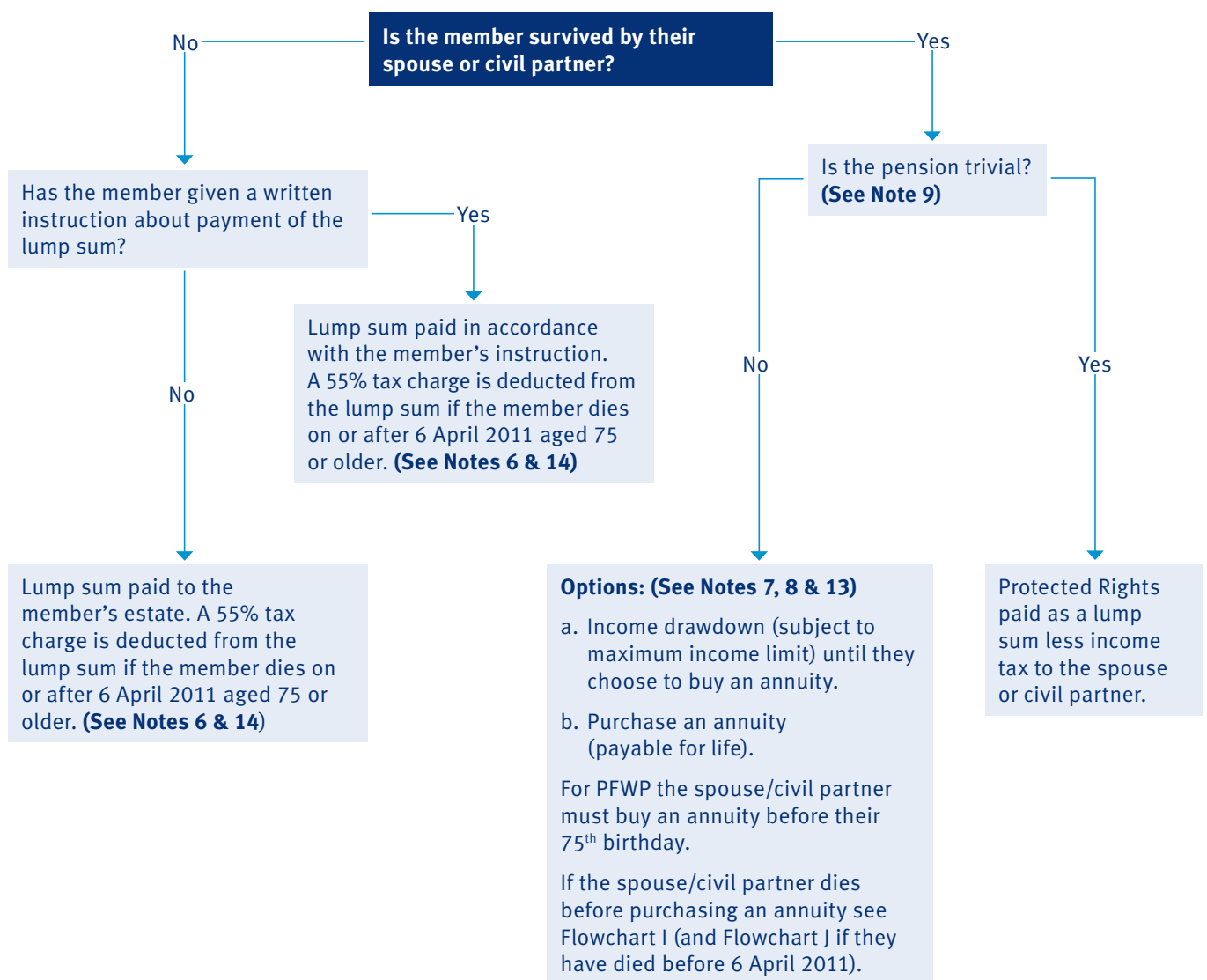
There are 5 flowcharts:

Flowchart F Protected rights Pre-Pension Date Accounts
Flowchart G Protected rights Post-Pension Date Accounts
Flowchart H Protected rights – Death of a member before 6 April 2011
Flowchart I Protected rights – Death of a Dependant with a drawdown pension fund
Flowchart J Protected rights – Death of a Dependant before 6 April 2011

Where a Protected Rights annuity is being paid to your client:

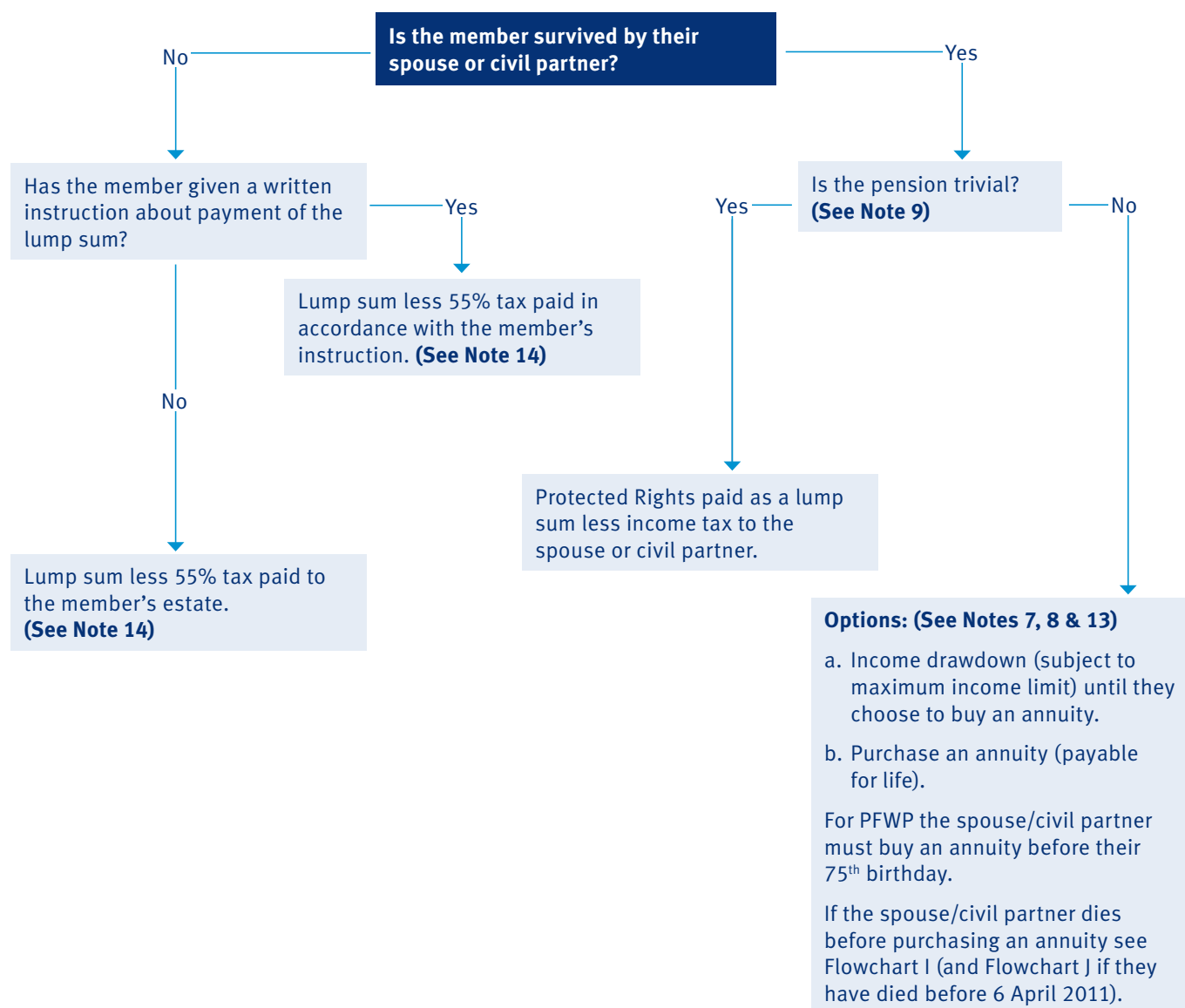
- ▶ If they were married or in a civil partnership when the annuity was purchased, the annuity will continue at half the rate to their surviving spouse or civil partner (or at full rate until the end of any guarantee period and then at half the rate).
- ▶ If your client was single when the annuity was purchased, but made provision for a spouse's pension, the annuity will continue at half the rate to their surviving spouse or civil partner (or at full rate until the end of any guarantee period and then at half the rate).

Flowchart F Protected rights Pre-Pension Date Accounts

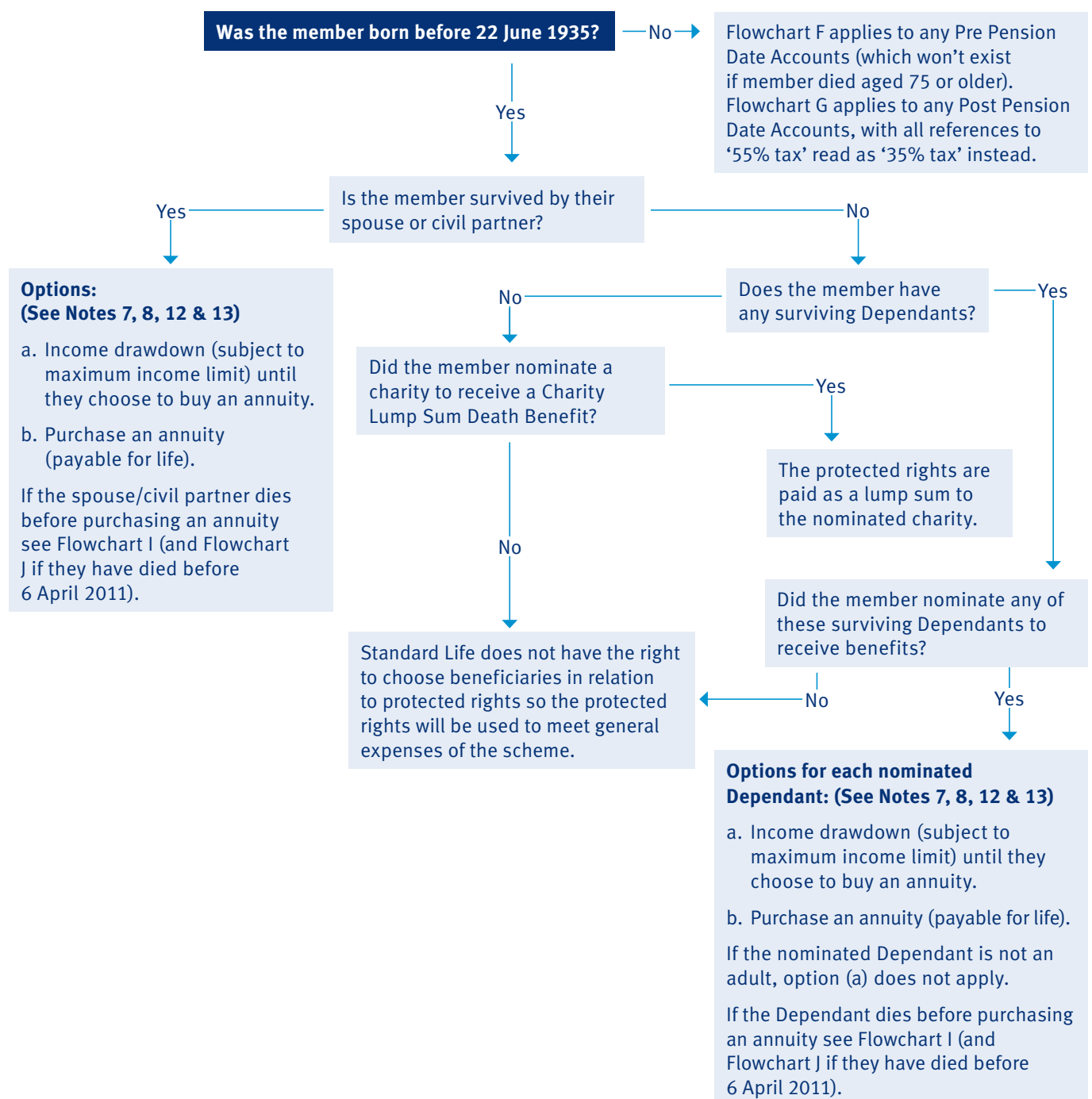


Flowchart G Protected rights Post Pension Date Accounts

Note: If the member has died before 6 April 2011, see Flowchart H.

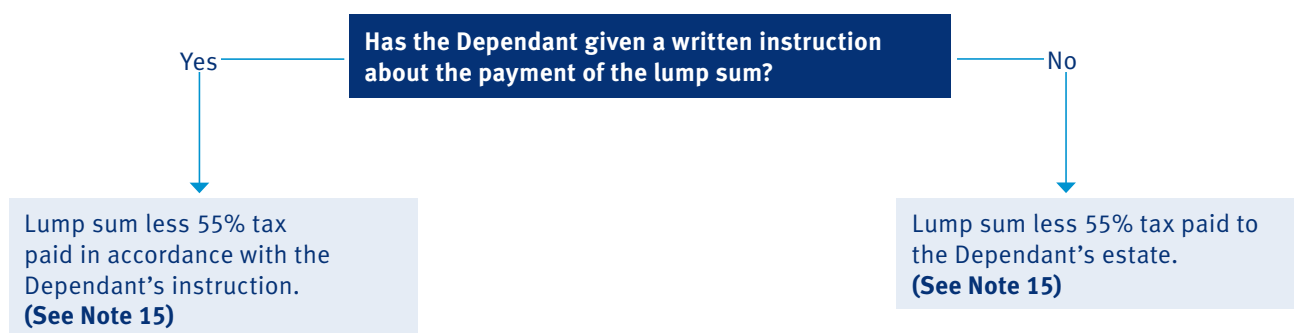


Flowchart H Protected rights - Death of a member before 6 April 2011

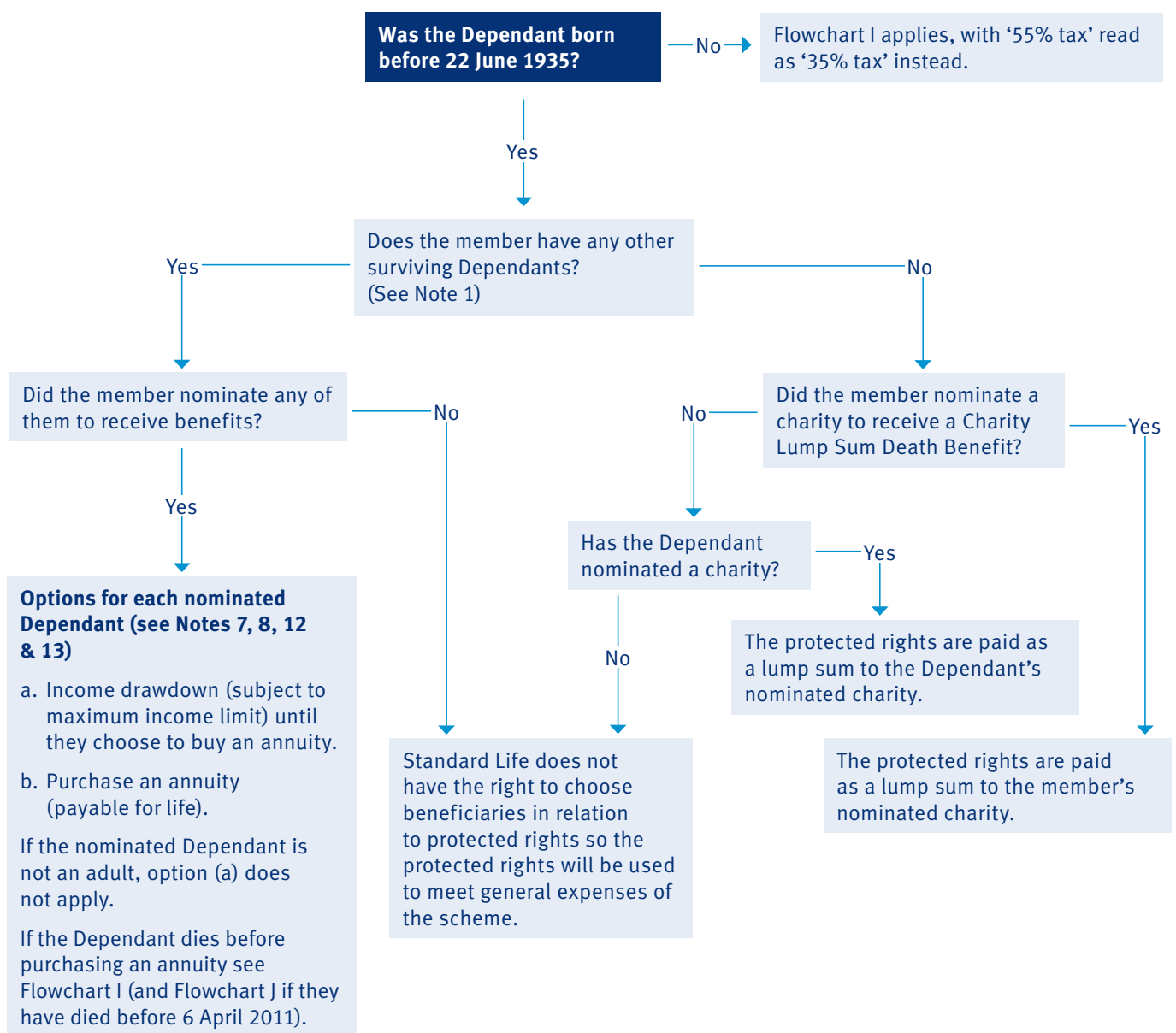


Flowchart I Protected rights - Death of a Dependant with a drawdown pension fund

Note: If the Dependant has died before 6 April 2011, see Flowchart J.



Flowchart J Protected rights - Death of a Dependant before 6 April 2011



Notes

Note 1 Dependants

A dependant is:

- ▶ Your client's husband, wife or civil partner at the date of death.
- ▶ Any child (including adopted child) of your client who is under 23 at your client's date of death.
- ▶ Any person who is dependent on your client because of disability. (A pension to a disabled person can be paid for their lifetime.)
- ▶ Any person who is financially dependent on your client at date of death.
- ▶ Any person whose financial relationship with your client 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 client's income to maintain a standard of living that depended on their joint income.

Note 2 Nominating dependants to get pension benefits from Pre-Pension Date Accounts

If your client nominates a Dependant to receive pension benefits from a Pre-Pension Date Account, their Dependant cannot choose to take these benefits as a tax-free lump sum instead, if your client dies before reaching their 75th birthday. Nominating a Dependant to receive pension benefits from Pre-Pension Date Accounts may not therefore be tax efficient.

Note 3 Trusts

Lump sum death benefits can be paid to a trust established by your client. If your client has used the Standard Life Bypass Trust documentation, your client can give us a binding but revocable instruction for their ordinary benefits to pay the lump sum death benefits to that trust and those death benefits should not be subject to Inheritance Tax as part of your client's estate.

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

Note 4 Expression of wish

If a lump sum death benefit is payable we will normally decide who should receive the lump sum. (If your client has given us a binding instruction to pay the lump sum to the Standard Life Bypass Trust, we will follow that instruction.) The scheme rules allow us to pay it to:

- ▶ Any person, charity, association, club, society or other body (including trustees of any trust whether discretionary or otherwise) whose names your client has notified to Standard Life in writing prior to the date of your client's death.
- ▶ Your client's husband/wife/civil partner, the parents and grandparents of your client (and the parents and grandparents of your client's surviving spouse or civil partner) and any children or other descendants of any 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 client's will to an interest in their estate.
- ▶ Your client's legal personal representatives.

By completing an Expression of Wish, your client can let us know who they would like us to pay the lump sum benefit to. We will take your client's wishes into account but are not bound by them.

Note 5 Lump sum payments

If your client leaves any Pre Pension Date Account(s) when they die, any lump sum from these accounts must be paid out within 2 years of us being notified of their death. The maximum amount that can be paid is the value of the funds immediately before payment, rather than the value on the date of death.

Note 6 Lifetime allowance charge

If your client dies before age 75 and the total lump sum death benefits from all Pre-Pension date funds and any term assurance under all of your client's pension plans are greater than your client's remaining Lifetime Allowance, the excess lump sum will be taxed at 55%. Any charge due is not deducted before payment and the recipient has the responsibility to settle any tax. The Standard Lifetime Allowance is £1.8m for tax year 2011/12 reducing to £1.5m from 6 April 2012 but your client may have a higher personal allowance if their pension benefits have been protected.

Note 7 Maximum income

From 6 April 2011, the maximum income is normally 100% of the income calculated from the Government Actuary's Department's tables. The limit will be calculated using the Dependant's age and their share of the fund. But if your client died before 6 April 2011 and their Dependant was born on or after 22 June 1935, the maximum income limit will be 120% until the next regular review when the new 100% limit will apply.

Note 8 Dependant's pension (annuity)

A Dependant's pension is not tested against your client's or recipient's Lifetime Allowance (LTA) and is therefore unlimited.

Note 9 Triviality

If the value of the Protected Rights in PFWP (plus the value of any other pension payable to the spouse or civil partner from the Standard Life Appropriate Personal Pension Scheme on your client's death) is no greater than £18,000, we will pay it as a lump sum to the spouse or civil partner.

If the value of the Protected Rights in SIPP or GSIPP (plus the value of any other pension payable to the spouse or civil partner from the Standard Life Self Invested Personal Pension Scheme on your client's death) is no greater than £18,000, we will pay it as a lump sum to the spouse or civil partner.

The lump sum will be subject to income tax at the recipient's marginal rate.

Note 10 Drawdown for a dependent child

We have chosen not to offer income drawdown, or an annuity from Standard Life, to a dependent child for the following reasons:

- ▶ The dependent child would stop being eligible to receive income or annuity payments once they reached 23, so these options would be of limited benefit to them.
- ▶ We do not believe that it is tax efficient to nominate a dependent child to get pension benefits from Pre-Pension Date Accounts, but if such a nomination was made we would allow an annuity to be bought from another insurer.
- ▶ We believe that, for Post-Pension Date Accounts, the option on your client's death that normally gives the best value and most flexibility is taking a lump sum less tax, but we would allow an annuity to be bought from another insurer.
- ▶ For all the above reasons we believe that few dependent children (or their legal guardians on their behalf) will want to choose income drawdown or annuity and it is not therefore viable for us to offer these options.

Note 11 Nominating dependants to get pension benefits from Post-Pension Date Accounts

To ensure that we can act on your client's wishes and the benefits are paid out without undue delay, your client should nominate the Dependant(s) who are to receive pension benefits from Post-Pension Date Accounts.

Please use the 'Instruction for payment of death benefits' form (SLSIP36) to change the instructions for the payment of death benefits for existing plans.

**Note 12 Relevant dependant
A relevant dependant is:**

- ▶ Your client's husband, wife or civil partner at the date of death.
- ▶ Any person who is financially dependent on your client at date of death.

If your client was born before 22 June 1935, has died before 6 April 2011 and a pension is paid to a Dependant who is not a Relevant Dependant, the fund used to provide their pension may be subject to an Inheritance Tax charge.

Note 13 Buying an annuity with protected rights

Your client's Dependant (who doesn't have to be the member's spouse/civil partner) can buy an annuity that remains level or increases by a fixed percentage each year.

They can't buy an annuity that's a variable amount.

Note 14 Inheritance tax - member

Any lump sum Protected Rights death benefit could be subject to Inheritance Tax (IHT) unless your client has made an irrevocable direction, in which case no IHT will apply if they survive for seven years after making the direction, or a tapering amount of IHT will apply if they die during the seven-year period.

Note 15 Inheritance tax - Dependant

Any lump sum Protected Rights death benefit could be subject to Inheritance Tax (IHT) unless the dependant has made an irrevocable direction, in which case no IHT will apply if they survive for seven years after making the direction, or a tapering amount of IHT will apply if they die during the seven-year period.

Tax and legislation

Any reference to legislation and taxation is based on Standard Life's understanding of law and HM Revenue & Customs practice at April 2011.

Tax relief may be altered and the value to the investor depends on their financial circumstances.

Pensions Savings Investments Insurance

Standard Life Assurance Limited registered in Scotland (SC286833) is the provider and scheme administrator of the Standard Life Self Invested Personal Pension Scheme and Standard Life Trustee Company Limited, registered in Scotland (SC076046) is the trustee. The registered office of each company is at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH. Standard Life Assurance Limited is authorised and regulated by the Financial Services Authority. *Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.*
www.standardlife.co.uk