

For customers

Death benefits guide for ARC SIPP and One Retirement



This guide gives you an overview of the death benefit options available with the Aegon Retirement Choices (ARC) self-invested personal pension (SIPP) and One Retirement account. It explains:

- What happens to any pension savings that remain in an ARC SIPP or One Retirement account when you die.
- What you need to think about.
- How you can let us know your wishes.

The information in this guide is relevant to any nominations you made on or after 22 July 2016 using our Nomination of beneficiaries form. You should discuss with your financial adviser any nominations made before this date that you haven't updated or replaced. If you don't have a financial adviser, you can visit [MoneyHelper](#) to find the right one for you. There may be a charge for advice.

You can find out more about the death benefit options in your terms and conditions for [Aegon Retirement Choices](#) and for [One Retirement](#).

The information in this guide reflects our understanding of current law and regulation, which may change. This guide isn't a substitute for legal or other specialist advice. It's important to review your own personal circumstances and take suitable advice. Please speak to a financial adviser if you need further information.

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1. An introduction to pension death benefits

Your pension savings can be passed on after you die as a death benefit. You can nominate one or more individuals, a trust or a charity to be considered as beneficiaries, and also set out how much you'd like to allocate to each of them when you die.

Important points

- You should be aware that the nominations you make aren't binding on us. This means that while we can take your wishes into account, the final decision on who to award the death benefits to, and how much to allocate to them, rests with us. We may choose other or additional individuals as beneficiaries.
- Your product contains conditions or restrictions, such as a minimum amount that we can accept for drawdown, and that the beneficiary must be a UK resident for drawdown. We may only be able to offer a lump sum where these apply.
- Special rules apply if you hold any Secure Retirement Income investments and you choose the joint-life option. Please see **Section 4** for full details.
- There are some restrictions who you can choose as a beneficiary of your pension benefits after you die, here is a list of who we can consider:
 - Your dependants.
 - Your grandparents or your surviving spouse or civil partner and the children and remoter issue of those grandparents (meaning relatives that are more than one generation away).
 - The individuals entitled to any interest in your estate under your Will or who would be entitled to such an interest when you die intestate and the estate had been of sufficient amount.
 - Any individual or individuals (including trustees) who has or have been named or identified to the scheme administrator by you in writing prior to your death.
 - Your legal personal representatives.

The benefits available on your death can be affected by a range of factors, but typically, they can be in the form of one or more of the following:

Lump sum

Flexi-access drawdown

Annuity on the open market

What is flexi-access drawdown?

A flexi-access drawdown pension lets you keep money invested and gives full access to take a regular income and/or one-off lump sums from investments when you need to.

What's an annuity on the open market?

An annuity is a product that provides a guaranteed regular income in retirement for life, or for a fixed number of years.

If you decide an annuity is for you, you don't need to buy an annuity from the provider you save with. Instead, you can shop around on the open market for a higher retirement income with another provider. This is because different providers offer different rates and types of annuity products.

Death-benefit nominations

What's a death-benefit nomination?

This is your request to tell us who you'd like to pass your pension savings on to when you die. Whoever you choose is known as your nominated beneficiary.

How do I make a death-benefit nomination?

You can do this by completing our **Nomination of beneficiaries form**.

Why it's important to make a nomination

It's important to consider making a death-benefit nomination and to keep it up to date as:

- We can take your wishes, and any other relevant information available to us, into account when we decide who to award death benefits to.
- We may also be able to offer a wider range of options to any individual beneficiaries you nominate if we choose them.

Please make sure we have an up-to-date **Nomination of beneficiaries form** as we'll always refer to the most recent form we received before your death.

2. What happens to pension funds I saved when I die?

The benefit options from pension funds that you saved yourself (which includes any contributions from employers and other individuals on your behalf) are different to those available from pension savings you may have inherited from another individual on their death. There are a number of factors that can affect the benefit options and tax position when you die, such as:

- What your pension scheme and product allow.

- Whether you die before or after taking pension benefits.
- Whether you die before or after age 75.
- Whether you leave any surviving dependants.
- Whether you nominated beneficiaries for particular death benefits.

Special rules apply if you hold any Secure Retirement Income investments and you choose the joint-life option when you die. Please see **Section 4** for full details.

I provided a nomination – what are the potential benefit options?

The table below summarises the potential options.

You nominated	And we choose	Are they a dependant?	Potential benefit options		
			Lump sum	Annuity	Flexi-access drawdown
	The individual(s) you nominated	Not applicable	✓	✓	✓
One or more individuals	Different individual(s) from your nomination	Yes	✓	✓	✓
		No	✓	✗ ¹	✗ ¹

You nominated	And we choose	Are they a dependant?	Potential benefit options		
			Lump sum	Annuity	Flexi-access drawdown
A trust	Your nominated trust	Not applicable	✓	✗	✗
A charity	Your nominated charity	Not applicable	✓ ²	✗	✗

Notes

¹Under current pension tax rules, for the purposes of income options, priority is given to individuals nominated by you, and to your surviving dependants.

²We can't pay a charity lump sum death benefit if there are surviving dependants.

Who is a dependant?

A dependant is:

- Your surviving spouse or civil partner.
- Any surviving child of yours under age 23.
- Any individual who isn't your surviving spouse or civil partner, and isn't your child, but in the scheme administrator's opinion was financially dependent on you or interdependent with you at the date of your death.
- Any individual who in the scheme administrator's opinion was dependent on you at the date of your death because of physical or mental impairment. This could include a child of yours over 23 who satisfies these conditions.

This definition is only relevant to any pension savings you've built up. It doesn't apply to any pension savings you may have inherited from another individual on their death.

I didn't provide a nomination - what are the potential benefit options?

The table below shows the options available - these may be restricted if you have dependants.

Do you have dependants?	We choose to pay	Potential benefit options		
		Lump sum	Annuity	Flexi-access drawdown
No	An individual(s)	✓	✓	✓
Yes	A dependant(s)	✓	✓	✓
	An individual(s) who isn't a dependant	✓	✗ ¹	✗ ¹

Notes

¹Under current pension tax rules, for the purposes of income options, priority is given to individuals nominated by you, and to your surviving dependants.

3. My drawdown plan contains inherited pension funds – what happens to them when I die?

The benefit options from inherited pension funds are different to those available from pension funds that you saved yourself³. There are a number of factors that can affect the benefit options and tax position when you die, such as:

- What your pension scheme and product allow.
- Whether you die before or after age 75.
- Whether you nominated beneficiaries for particular death benefits.

Special rules apply if you hold any Secure Retirement Income investments and you choose the joint-life option when you die. Please see **Section 4** for full details.

³This also includes any contributions from employers and other individuals on your behalf.

Potential benefit options

The table below summarises the potential benefit options.

You nominated	We choose to pay	Potential benefit options		
		Lump sum	Annuity	Flexi-access drawdown
One or more individuals	The individual(s) nominated by you	✓	✓	✓
	An individual(s) you didn't nominate	✓	✗	✗
No nomination provided	An individual(s)	✓	✓	✓
A trust	Your nominated trust	✓	✗	✗
A charity	Your nominated charity	✓ ⁴	✗	✗

Notes

⁴We can't pay a charity lump sum death benefit if there are surviving dependants of the individual who originally saved the pension funds under the scheme and which were inherited or if that individual had nominated a different charity.

4. I have Secure Retirement Income investments – what happens to these funds when I die?

If you have Secure Retirement Income (SRI) investments the death benefits payable will depend on:

- Whether or not you're taking income.
- If you're taking income, whether it's payable for your life only (known as single life), or for your life and then for the life of another individual (known as joint life).
- Whether you're the individual who originally saved the pension funds⁵ or you inherited funds from them.

⁵This also includes any contributions from employers and other individuals on your behalf.

I've selected joint-life secure income

Your nomination of a joint-life dependant will be followed by us on your death and won't be subject to our discretion, as long as the joint life qualifies as a dependant at that time. We'll allocate those savings to them, and only them. They can:

- Continue taking a secure income at 50% of the income rate you were taking until they die.
- Take or apply any remaining savings available as either, one, or a combination of:
 - A lump sum
 - Flexi-access drawdown
 - An annuity on the open market.

Any guarantees are based on the ability of the issuing insurance company – in this case Scottish Equitable plc – to pay them. If, for example, that company no longer existed, then the guarantees it provides would be affected.

I'm a joint-life dependant taking secure income

Any remaining savings when you die will be dealt with as described in **Section 3** above.

I have other SRI savings

The value of any other SRI savings will be included along with any other savings you hold in your plan, and dealt with as described in **Sections 1, 2 and 3**.

5. Will tax be payable on the benefits paid or applied on my death?

The tax position generally depends on your age when you die. If you die under age 75, then normally no tax will be due. If you die age 75 or over, death benefits will normally be subject to tax. The table below summarises the position:

Tax type	Death before age 75	Death after reaching age 75
<p>Marginal income tax rate</p>	<p>Most people aren't affected by this as it's only relevant if you've built up a very large amount of pension savings.</p> <p>If the total amount of relevant lump sum death benefit exceeds the lump sum and death benefit allowance (LSDBA), any excess is subject to income tax at the recipient's marginal rate. <u>You can find the latest lifetime allowance figures on the Government website.</u></p> <p>Drawdown funds held on death aren't included for testing against your remaining LSDBA (see exception below).</p>	<p>Benefits paid after 75 charged at marginal income tax, they still count as relevant lump sum death benefits, but as they're taxable they don't use up any of the deceased member's remaining LSDBA.</p>
<p>Marginal income tax rate cont.</p>	<p>Payments of annuity income, drawdown pension income, or lump sums are usually tax free.</p> <p>An exception applies where a lump sum is paid, or an annuity or a drawdown fund is set up, more than two years after we were notified of, or could reasonably have known about (for example the death may have been disclosed in the newspapers but not directly to the scheme), your death.</p> <p>Where the member dies after age 75 or where death benefits are paid after the end of the relevant two year period, these still count as relevant lump sum death benefits, but as they're taxable they don't use up any of the deceased member's remaining LSDBA.</p>	<p>Payments made to an individual are taxed at the beneficiary's marginal rate of income tax, whether paid as:</p> <ul style="list-style-type: none"> ▪ Lump sum ▪ Annuity ▪ Drawdown. <p>Payments to trusts, charities and personal representatives are treated differently. Speak to your financial adviser for further information. If you don't have a financial adviser, you can visit <u>MoneyHelper</u> to find the right one for you. There may be a charge for advice.</p>

Tax type	Death before and after age 75
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Inheritance tax	<p>Death benefit funds aren't normally treated as part of an individual's estate on death for inheritance tax purposes, when the scheme administrator has absolute discretion over who benefits from the pension death benefit funds. There are some limited exceptions.</p> <p>When an individual has a power to direct who the death benefit funds are paid to, but this power is limited to selecting someone who qualifies as a dependant, we believe this power wouldn't normally result in the funds being treated as part of the individual's estate; the individual can't choose to benefit:</p> <ul style="list-style-type: none">▪ Themselves▪ Their estate;▪ Their personal representatives▪ Anyone else they might favour. <p>However, inheritance tax is a complex area and we can't give any advice or provide any guarantees that there will be no inheritance tax liability in your situation or in any circumstances. You should speak to your adviser, or take your own specialist advice if you're concerned about any inheritance tax implications. If you don't have a financial adviser, you can visit MoneyHelper to find the right one for you. There may be a charge for advice.</p>
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Important

You should seek your own specialist advice on how the tax rules, including inheritance tax, may apply to you and your beneficiaries.

If your personal circumstances mean you need any additional support, or if you'd like a large print, Braille or audio version of this document, please visit [**aegon.co.uk/additionalsupport**](https://aegon.co.uk/additionalsupport) or call us on 0345 608 1680 (call charges will vary).

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