

SIPP Information Booklet

Death Benefits

April 2024

This Information Booklet provides general information on death benefits, the options available from our Self Invested Personal Pension (SIPP) and the process that will be followed on the death of a SIPP member.

This Information Booklet is based on our understanding of current legislation and HM Revenue & Customs (HMRC) practice. The purpose of this document is to provide general information on the subject, it should not be used as a substitute for advice. This booklet is issued by DP Pensions Ltd for use by our SIPP clients and their Legal Personal Representatives and no responsibility to any third party is accepted if the information in this document is used for any other purpose. DP Pensions Ltd assumes no responsibility or liability for any errors or omissions in this booklet. The legislation and HMRC practice may change in the future.

Accessing death benefits is a complex process which can lead to irreversible decisions and we recommend that you obtain advice from an FCA regulated financial adviser and/or guidance from Pension Wise to help you with your decision making. This Information Booklet is not in any way intended to form financial advice, it is only intended to provide information on the options available from the SIPP, the process that will be followed and to highlight any areas that may require consideration. There is a glossary at the end of this booklet to explain in further detail some of the terms used.

A financial adviser will be able to advise you on all of the options available to you and identify which ones best suit your needs. Pension Wise is a free and impartial service set up by the government which offers guidance and will help you understand what options you have. The Pension Wise website is <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise> alternatively you can call 0800 138 3944.

Please contact us if you would like this document in an alternative format

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General Information

The Taxation of Pensions Act 2014 made widespread changes to the way that death benefits can be paid from a SIPP and introduced death benefits for *nominees* and *successors* of deceased scheme members whilst keeping the ability to pay death benefits to dependants. In this document we will refer to nominees, successors and dependants using the umbrella term ‘beneficiaries’.

In this Information Booklet we have made reference to what happens when the member dies. The same options are available where the SIPP has been passed to a beneficiary and the beneficiary dies.

The taxation of death benefits is governed by the age of the deceased individual at the time of their death and their available lump sum and death benefit allowance (LSDBA).

A SIPP is a defined contribution pension scheme. This means that the size of the pension fund is determined by the amount of contributions and transfers paid into it, investment performance and the choices that are made at retirement. It does not promise a specific income in retirement.

The pension scheme is administered by DP Pensions Ltd and is written under Trust. This means that the death benefits are paid at the discretion of the Scheme Trustee, D A Phillips & Co Ltd. The Scheme Trustee will take into account any beneficiaries nominated by the member on their Expression of Wish form but will not be bound by the nominations.

The benefits payable usually fall outside of the deceased’s Estate for Inheritance Tax purposes, however Inheritance Tax may apply where someone who is expected to live less than 2 years does the following:

- Makes unusually large pension contributions to their scheme
- Transfers benefits from one scheme to another
- Assigns benefits into trust
- Alters the terms of the pension contract

The death benefits payable under the Scheme can be paid in cash or by the in specie transfer of assets. This means that if the beneficiaries choose, assets such as shares and commercial property can be transferred to the beneficiaries rather than having to sell them.

SECTION 1 - OPTIONS

The death benefit options available and the tax that applies to them can be split into two categories, death before or after age 75. The table below and on page 3 detail the options available if the funds were *uncrystallised* or *crystallised* at the member’s death and the tax that may apply. A mixture of these options can be chosen. Further information regarding uncrystallised and crystallised funds can be found in the Glossary at the end of this document.

The 2 year period referred to below starts on the date the scheme administrator first knew, or could reasonably have been expected to know, of the member’s death.

Death before age 75

Uncrystallised funds	Crystallised funds
These are funds that have not been used to provide any pension benefits	These are funds that the deceased member has used to provide pension benefits
<p>Uncrystallised Lump Sum Death Benefit (ULSDB) This means that a lump sum is paid to the beneficiary</p> <p>If paid within 2 years and if the payment is within the deceased members Lump Sum and Death Benefit Allowance the payment is normally tax free.</p> <p>If paid outside 2 years and / or if the payment is in excess of the deceased members Lump Sum and Death Benefit Allowance the payment will be taxed at the recipient’s marginal rate of income tax</p>	<p>Lump Sum Death Benefit (LSDB) This means that a lump sum is paid to the beneficiary</p> <p>If paid within 2 years and if the payment is within the deceased members Lump Sum and Death Benefit Allowance the payment is normally tax free.</p> <p>If paid outside 2 years and / or if the payment is in excess of the deceased members Lump Sum and Death Benefit Allowance the payment will be taxed at the recipient’s marginal rate of income tax</p>

	** Lump sum death benefits paid from crystallised funds where the crystallisation occurred before 6 th April 2024 will not be tested against the LSDBA.
<p>Flexi Access Drawdown pension This means that the funds remain within the pension scheme and the beneficiary is able to take an income from the funds</p> <p>Not usually subject to income tax if designated within 2 years</p> <p>Only available to dependants, nominees or successors</p>	<p>Flexi Access Drawdown pension This means that the funds remain within the pension scheme and the beneficiary is able to take an income from the funds</p> <p>Not usually subject to income tax if designated within 2 years</p> <p>Only available to dependants, nominees or successors</p>
<p>Annuity purchase This means that the beneficiary gives the funds to an annuity provider who will pay an income to the beneficiary. The income and how long it is paid is agreed between the annuity provider and the beneficiary</p> <p>Not usually subject to income tax if designated within 2 years and if the payment is within the deceased members Lump Sum and Death Benefit Allowance</p> <p>Only available to dependants, nominees or successors</p>	<p>Annuity purchase This means that the beneficiary gives the funds to an annuity provider who will pay an income to the beneficiary. The income and how long it is paid is agreed between the annuity provider and the beneficiary</p> <p>Not usually subject to income tax if designated within 2 years and if the payment is within the deceased members Lump Sum and Death Benefit Allowance</p> <p>Only available to dependants, nominees or successors</p>
<p>Charity Lump Sum Death Benefit This is where the fund is paid to a charity</p> <p>Normally tax free</p>	<p>Charity Lump Sum Death Benefit This is where the fund is paid to a charity</p> <p>Normally tax free</p>

Death after age 75

As shown in the table below any payments from uncrystallised or crystallised funds when the member dies after the age of 75 are taxed at the recipient's marginal rate:

Uncrystallised funds These are funds that have not been used to provide any pension benefits	Crystallised funds These are funds that the deceased member has used to provide pension benefits
<p>Uncrystallised Lump Sum Death Benefit (ULSDB) This means that a lump sum is paid to the beneficiary</p> <p>Taxed at recipient's marginal rate</p>	<p>Lump Sum Death Benefit (LSDB) This means that a lump sum is paid to the beneficiary</p> <p>Taxed at recipient's marginal rate</p>
<p>Flexi Access Drawdown pension This means that the funds remain within the pension scheme and the beneficiary is able to take an income from the funds</p> <p>Taxed at recipient's marginal rate</p> <p>Only available to dependants, nominees or successors</p>	<p>Flexi Access Drawdown pension This means that the funds remain within the pension scheme and the beneficiary is able to take an income from the funds</p> <p>Taxed at recipient's marginal rate</p> <p>Only available to dependants, nominees or successors</p>
<p>Annuity purchase This means that the beneficiary gives the funds to an annuity provider who will pay an income to the beneficiary. The income and how long it is paid is agreed between the annuity provider and the beneficiary</p> <p>Taxed at recipient's marginal rate</p>	<p>Annuity purchase This means that the beneficiary gives the funds to an annuity provider who will pay an income to the beneficiary. The income and how long it is paid is agreed between the annuity provider and the beneficiary</p> <p>Taxed at recipient's marginal rate</p>

Only available to dependants, nominees or successors	Only available to dependants, nominees or successors
Charity Lump Sum Death Benefit This is where the fund is paid to a charity	Charity Lump Sum Death Benefit This is where the fund is paid to a charity
Normally tax free	Normally tax free

Lump Sum and Death Benefit Allowance

The Lifetime Allowance ceased to exist on the 6th April 2024 and has been replaced with two new allowances – the Lump Sum Allowance (LSA) and the Lump Sum and Death Benefit Allowance (LSDBA).

If a beneficiary chooses to have the death benefits from a pension scheme paid out as a lump sum (regardless of whether the funds were crystallised or not) the payment will be tested against the deceased members Lump Sum and Death Benefit Allowance.

For an individual with no form of protection the Lump Sum and Death Benefit Allowance is currently set at £1,073,100.

If the payment of the lump sum would mean that the Lump Sum and Death Benefit Allowance has been exceeded any funds paid out as lump sums in excess of the Allowance will be taxed at the beneficiaries marginal rate of income tax.

What happens if benefits were taken before the 6th April 2024

Lump sum death benefits paid from funds crystallised by individuals before the 6th April 2024 who die under the age of 75 after the 6th April 2024 will not be tested against the Lump Sum and Death Benefit Allowance.

Enhanced Protection

An individual with Enhanced Protection will have a Lump Sum and Death Benefit Allowance equal to the value of their uncrystallised funds on 5th April 2024.

Options on how death benefits are distributed and taxation

There are a number of options available as to how the benefits can be distributed following the members death a beneficiary could choose one option or a combination of the options for example take part as a lump sum death benefit and designate some funds to a Flexi Access Drawdown pension fund.

1. Lump Sum Death Benefit

This is normally a cash payment direct to the beneficiaries bank account but it is also possible for an in specie payment of a lump sum death benefit. An in specie payment would involve an asset being transferred into the beneficiaries name instead of being sold for example a property being transferred into their name.

Lump sum payments with effect from 6th April 2024 will be tested against the new Lump Sum and Death Benefit Allowance. If the member was under the age of 75 on death, then the lump sum death benefit will be tax free providing that payment is made within 2 years of the death and is within the Lump Sum and Death Benefit Allowance, otherwise it will be taxed at the beneficiaries marginal rate of income tax. If the member was over the age of 75 on death, then the lump sum is taxable at the beneficiaries marginal rate of income tax.

Lump sum death benefits paid from funds crystallised by individuals before the 6th April 2024 who die under the age of 75 after the 6th April 2024 will not be tested against the Lump Sum and Death Benefit Allowance.

2. Flexi Access Drawdown Pension (FAD)

This option will only be available to dependants, nominees or successors.

This option means that the beneficiary will leave the funds in a pension scheme and will arrange with the pension scheme provider to be paid a pension from the fund. A pension scheme can be set up with us or the beneficiary can opt to transfer the pension benefits to another provider. There is no minimum or maximum limit on the amount that can be drawn as a pension payment from a flexi access drawdown pension fund.

If the member was under the age of 75 on death, pension payments to a beneficiary will be income tax free if designated within 2 years, otherwise they will be taxed at the recipient's marginal rate. If the member was over 75 on death, then any pension payments will be taxed at the recipient's marginal rate.

3. Annuity purchase

This option will only be available to dependants, nominees or successors.

An **annuity** is an insurance company product which is used to pay an income, usually for the rest of the beneficiary's life, and is purchased using a lump sum payment from the SIPP. It is the only product that will provide a guaranteed income. A SIPP is not an annuity and we cannot provide an annuity, if this option is chosen funds are transferred out of the SIPP to the annuity provider.

The option of purchasing an annuity is available at any time from uncrystallised or crystallised funds and regardless of age. Advice from an FCA regulated Financial Adviser is recommended if the beneficiary is considering this option.

If the dependant is a child of the member the annuity must stop when that child ceases to be a dependant. Further information regarding this can be found at <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm072200>.

Annuities purchased with effect from 6th April 2024 will be tested against the new Lump Sum and Death Benefit Allowance. If the member was under the age of 75 on death, then payments from the annuity will be tax free providing that payment to the annuity provider is made within 2 years of the death and is within the Lump Sum and Death Benefit Allowance, otherwise there will be a tax charge on the excess at the beneficiaries marginal rate of income tax. If the member was over the age of 75 on death, then the annuity payments will be taxable at the beneficiaries marginal rate of income tax.

4. Charity Lump Sum Death Benefit

If a member has no dependants they can nominate one or more charities to receive a Charity Lump Sum Death Benefit. This will be tax free provided the charity uses the payment for charitable purposes, otherwise it will be taxed as an unauthorised member payment.

Where the death benefits were paid to a beneficiary's pension and the beneficiary dies, a Charity Lump sum Death Benefit can still be paid provided there are no dependants of the original member and it is paid to a charity nominated by the member or, if the member didn't select a charity, it is paid to a charity nominated by the deceased beneficiary. The scheme administrator cannot choose the charity receiving the payment, the nomination must be made by the member or their beneficiary.

Other information

We can make payments to a UK or non-UK bank account or building society account but the account must be in the name of the beneficiary or in joint names with someone else and the funds to make the payment can only come from the audit trail account.

If we are making a payment to a non-UK bank account bank charges and conversion charges may apply. The sterling amount will be converted to the currency requested, the exchange rate used is determined by the bank and we do not have any control over the timing and rate used.

Further information regarding pension payments can be found in our pension payments guide which is available from our website <https://www.dapco.co.uk/>.

Payments to a Trust

If a pension scheme pays a taxable lump sum to a trust as part of the settlement of death benefits, the payment is taxed at 45%.

If the trust makes a payment to a beneficiary from this lump sum, the beneficiary may claim a credit for the 45% tax paid by the pension scheme administrator on the original lump sum.

Please refer to <https://www.gov.uk/government/publications/hm-revenue-and-customs-trusts-and-estates-newsletters/hmrc-trusts-and-estates-newsletter-september-2017> for further information on what forms should be completed.

Reclaiming overpaid tax on death benefits

HMRC have provided forms on their website to enable beneficiaries to reclaim any overpaid tax deducted, this can be found at <https://www.gov.uk/government/collections/income-tax-forms>.

Probate

The benefits payable from a SIPP usually fall outside of the deceased's Estate for Inheritance Tax purposes. Discretion over their distribution on death, therefore, allows beneficiaries access to the funds before probate is granted.

SECTION 2 - PROCESS

This part of the Information Booklet is designed to provide information on the processes we will follow upon the death of a member. It also applies to cases where the death benefits were passed to a beneficiary SIPP and the beneficiary has now died.

Point of contact

Upon notification of the death of a member we will start to liaise with the deceased member's Legal Personal Representative. The Legal Personal Representative is normally confirmed in the member's **Will** (if they have one).

Financial advice

The agreement between the SIPP member and their appointed financial adviser ceases upon the member's death. If the **Legal Personal Representative** (LPR) or beneficiaries would like to continue using the deceased member's financial adviser, or to appoint a financial adviser of their own choice, we will need a letter of authority to confirm the appointment.

Until we receive a Will we are unable to identify who the Legal Personal Representative is and so cannot accept a letter of authority until we have received this.

We are unable to accept a letter of authority from a beneficiary until we have completed our checks and determined that they are a beneficiary.

Any ongoing fees, sometimes known as adviser charges, being paid to the members appointed financial adviser will stop when we receive notification of the member's death.

Investments

Once we have received an original or certified copy of the members death certificate we will notify any investment companies of the members death.

No changes to the investments or investment strategy can be made until we have either identified the beneficiaries or Legal Personal Representative.

If investments are to change (for instance selling assets to reduce risk) we would need instructions from the LPR and we may also require the agreement of the potential beneficiaries. Otherwise, once the beneficiaries have been identified and upon receipt of our payment of benefits on the death of a member form we will arrange for the assets to be sold or transferred in specie (depending on the option chosen).

We will however stop any regular withdrawals from investments being paid back to the SIPP.

Please note we are not authorised to give investment or financial advice.

Documentation required

On confirmation that a member has died we will require the following documents to be sent to us:

- 1) A certified copy or original of the deceased's death certificate
- 2) A certified copy of the deceased's last Will & Testament
- 3) Confirmation of any financial dependants
- 4) Certified ID documents for the Legal Personal Representative (evidence of their identity and address)

If the documents are being certified this should be completed by a solicitor, a financial adviser authorised and regulated by the FCA or by the Post Office through their checking service.

Decision

We will consider the Expression of Wish held on our records but will not be bound by the nominations made by the member.

All of the information available to us will be reviewed and checks will be carried out to establish if there are any other potential beneficiaries that should be taken into account. Once we have determined the beneficiaries we will write to them confirming our decision and provide a Payment of Benefits form for the beneficiaries to confirm how they wish to proceed. If tax on the death benefits is due to HMRC sufficient cash will be retained in the SIPP to cover this. We strongly advise that the beneficiaries seek financial advice on the options available to them.

Pension Wise is a service set up by the government that offers free and impartial guidance. Confirmation of how to access Pension Wise is provided within the Payment of Benefits form. Depending on the option chosen, if the beneficiary does not take advice from an FCA regulated financial adviser the FCA requires us to ask some additional questions and take them through three additional steps before we can process any request. These three additional steps are detailed below. We provide a link to an online questionnaire in the payment of benefits form which guides them through these three processes and the payment of benefits form also confirms who needs to complete these additional processes. A paper based version is also available if required:

The Stronger Nudge

If the beneficiary has not received advice from an FCA regulated Financial Adviser or has sent the paperwork that we require directly to us regardless of whether they are advised or not, the FCA requires us to take them through the Stronger Nudge process. The process requires us to encourage them to take pensions guidance if they have not been advised by a regulated financial adviser.

Retirement Risk Warnings

If a beneficiary has not received advice from an FCA regulated financial adviser, the FCA requires us to ask them some additional questions about their individual circumstances so that we can provide them with some additional information (risk warnings). The purpose of this is to make sure that they have taken into account all of the factors necessary to make an informed decision based on the benefits and risks involved. We will not be able to proceed with processing any payments until they have answered those questions and been provided with the risk warnings. Once they have that information they can then decide if they wish to continue as originally instructed, or if they would like to do something different.

Investment Pathways

The FCA published a review in June 2018 in response to the "pensions freedom" rules applying to drawdown from 2015. Under the review the FCA wanted to ensure that scheme members were fully engaged with their pension options and made 'informed decisions'. Where people received advice on their pension arrangements, the FCA thought these individuals were overall well supported, However, the FCA were concerned that advice was not affordable or appropriate for everyone and it was these individuals who were perhaps most at risk when presented with the array of options available when coming to take their pension benefits. In short, the FCA are concerned that members are not making active investment decisions in drawdown and are not considering if their existing investments are still appropriate.

To address this concern, the FCA has introduced 'Investment Pathways' which is a process for consumers who are moving funds into drawdown (either when taking benefits or as an option for the payment of death benefits) without receiving any financial advice. This guides the member or beneficiary through some options for the ongoing investment of the fund.

If the beneficiary does not have a financial adviser they can refer to MoneyHelpers website for more information about finding one <https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser>.

Requirements for Beneficiaries

Once the trustees of the scheme have made a decision on how the benefits are to be distributed a Payment of Benefits form will be issued to the beneficiaries. This form details the Anti Money Laundering documents required for each option.

Beneficiary Pension

If a beneficiary pension has been offered as an option by the trustees our Application for Beneficiary SIPP will be issued with the Payment of Benefits form. The beneficiary can choose to open a beneficiary SIPP with us or with another provider. We may also need to request further documentation to enable us to process the request. Any further requirements will be communicated to the beneficiary or their financial adviser.

The ability of the SIPP to pay the desired benefits is dependent on there being sufficient funds. It is the beneficiary's responsibility with the help of their financial adviser, if they have one, to ensure that arrangements are in place to have sufficient cash to meet these payments.

We operate a payroll system which pays pension under PAYE on the last working day of each month. If the beneficiary chooses to take an income payment from the SIPP, cleared funds must be in the SIPP's bank account by the 20th of the month. Changes to pension payment levels will be processed as soon as possible, but DP Pensions Ltd must receive an instruction before the 20th of the month otherwise this will not be processed until the following month.

If the beneficiary pension is to be opened with an alternative provider we will need our Transfer Out paperwork to be completed.

Annuity

If the annuity option is chosen we will require further documentation to enable us to process the request. Any further requirements will be communicated to the beneficiary or their financial adviser.

Charity Lump Sum Death Benefit

We will contact the charity directly to obtain any required information.

Lump Sum and Death Benefit Allowance (LSDBA)

The table on pages 2, 3 and 4 show when a test against the members Lump Sum and Death Benefit Allowance will take place. If the Lump Sum and Death Benefit Allowance is exceeded a tax charge will apply. This charge will be at the recipients marginal rate of income tax

We will provide the LPR with information on the Lump Sum and Death Benefit Allowance from our scheme, they will also need to obtain this information from any other schemes held by the member and provide all of the information to HMRC. Any tax due will be calculated by HMRC and they will contact the recipient / beneficiary to arrange payment. Further information on reporting requirements can be found on <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm174200>.

Valuations for RBCEs

Payment of a lump sum death benefit is a Relevant Benefit Crystallisation Event (RBCE). We will value the SIPP on the date that we receive all the documents required to be able to proceed with paying the death benefits. We can also provide a valuation of the SIPP for the date immediately before the death of the member if required.

Legislation and regulations determine how assets should be valued for RBCEs for example properties must be independently valued by a surveyor and be dated up to 6 months before the calculation. In addition some "non standard" investments e.g. unlisted shares can be difficult to value but must be valued by an independent expert up to 6 months before the calculation. In valuing some assets we are relying on the advice of professionals and there could be costs attached to obtaining these valuations which will be paid by the SIPP. Should HMRC challenge any of these valuations then any resulting tax consequences will be paid by the beneficiary personally and/or the SIPP.

SECTION 3 – ALSO FOR CONSIDERATION

LPR's responsibilities

The Legal Personal Representative has additional responsibilities regarding reporting details about the Lump Sum and Death Benefit Allowance to HMRC. The actions the LPR must take can be found here <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm088500>.

Directly held properties

If there is a property held within the SIPP we will continue to invoice the tenant for rent in line with the terms of the lease. If the deceased member was responsible for managing the property we may need to contact the LPR and/or the potential beneficiaries if and when queries arise on the property. If there is a property manager managing the property we will liaise with them and they will continue to manage the property until the beneficiary is identified. If the beneficiary is unsure of the insurance details we can add the property to our block insurance policy upon request.

If the property was held in trust with other parties there may be a joint owner's agreement in place. The terms of this agreement will be followed.

In order for the property to be sold, passed onto one or more beneficiary SIPPs, or paid out in-specie as part of a lump sum settlement, we will need to appoint a solicitor to arrange the sale or transfer, the cost of which will be met by the SIPP.

We will require a Red Book valuation of the property to be carried out by a RICS qualified surveyor as at the date of death. There will be a cost to obtaining this valuation and this cost can be met from the SIPP.

Pension payments

If pension payments were being taken from the SIPP these will cease with immediate effect. If any payments were made after the date of death these will need to be returned to the SIPP.

Contributions

If the deceased was making regular contributions the LPR should ensure that any standing order held at the bank is cancelled as soon as possible. In addition, if employer contributions were being made the LPR should also arrange for these to be stopped.

Fees

Our fees for administering the SIPP will continue to be charged until the benefits have been distributed and the account is closed. Our latest fee sheet can be found on our website at <https://www.dapco.co.uk/literature/>.

Pension transfers received within 2 years of death

When a scheme member dies within two years of a transfer into the SIPP taking place, the proceeds of a pension scheme may fall within the deceased's Estate. This means that it could become subject to Inheritance Tax. If this is relevant the beneficiaries are required to notify HMRC using form IHT409. As the tax may fall to the SIPP to pay this could cause a delay in paying out part or all of the death benefits.

Further information

Please also see the Money and Pension Service Leaflet. This is a free and impartial guidance service provided on behalf of the Government which you may wish to contact to discuss your next steps.

Neither DP Pensions Ltd nor D A Phillips & Co Ltd are authorised to provide advice however we can assist with any technical queries with regards to the payment of death benefits.

DISCLAIMER

This Information Booklet is based on our understanding of current legislation and HM Revenue & Customs (HMRC) practice. The purpose of this document is to provide general information on the subject, it should not be used as a substitute for advice. This booklet is issued by DP Pensions Ltd for use by our SIPP clients and their Legal Personal Representatives and no responsibility to any third party is accepted if the information in this document is used for any other purpose. DP Pensions Ltd assumes no responsibility or liability for any errors or omissions in this booklet. The legislation and HMRC practice may change in the future.

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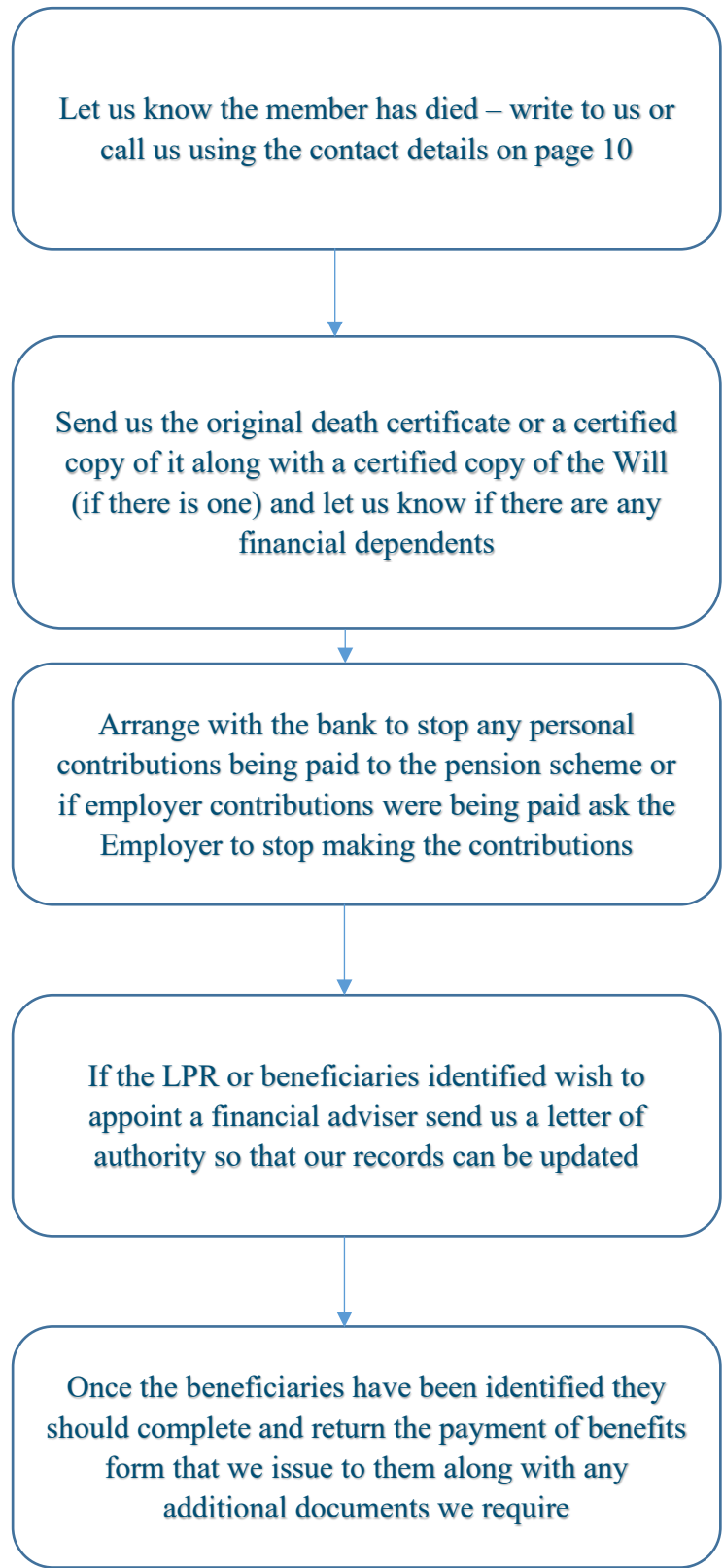
Help & Support

Further help and support can be found at:

<https://www.bereavementadvice.org/>

<https://www.gov.uk/browse/births-deaths-marriages/death>

Step by Step – What to do



Glossary of Terms - Death Benefits

This section is provided to help explain some of the terms that you may come across when looking at the death benefits that are available from a SIPP.

A

Annuity

A type of retirement income product that you buy with some or all of your pension pot. It pays an income for life or a set period and is the only method of providing a guaranteed income.

C

Crystallised Funds

A pension pot that the member has accessed to provide benefits from either in the form of a tax free cash lump sum and / or pension.

D

Dependent

A dependant is defined in Legislation as:

- i) The person was married to or was the civil partner of the member at the date of the member's death
- ii) Was a child of the member when the member died and the child either:
 - a) Has not reached the age of 23
 - b) Has reached the age of 23 and, in the opinion of the scheme administrator, was at the date of the member's death dependent on the member because of physical or mental impairment, or
- iii) Was neither married to, or the civil partner of, the member at the date of the member's death, nor a child of the member but, in the opinion of the scheme administrator, at the date of the member's death
 - a) Was financially dependent on the member, or
 - b) Their financial relationship with the member was one of mutual dependence or
 - c) Was dependent on the member because of physical or mental impairment

Dependant's flexi-access drawdown fund

A flexi access drawdown fund set up after a members death to enable the payment of pension income to a dependant which has been nominated by the member.

Designation of funds

A decision is made on what to do with the funds and the scheme administrator is told how to proceed.

L

Legal Personal Representative

Is the person or persons who is legally entitled to administer the estate of the person who has died.

Lump Sum and Death Benefit Allowance

An allowance which all authorised lump sums and lump sum death benefits are tested against. For an individual with no form of protection the Lump Sum and Death Benefit Allowance is currently set at £1,073,100.

N

Nominee of the member

An individual nominated by the member or nominated by the scheme administrator who is not a dependant of the member.

R

Relevant Benefit Crystallisation Event

These are events defined by HM Revenue and Customs (HMRC) when an individual's pension fund is required to be tested against the Lump Sum and Death benefit Allowance (or any personalised lifetime allowance that the member may have). An example of a RBCE event is when you crystallise pension benefits.

S

Successor of the member

An individual nominated by a dependant of the member, nominated by a nominee of the member, nominated by a successor of the member or nominated by the scheme administrator.

U

Uncrystallised Funds

A pension pot that the member has not accessed to provide any benefits from, either in the form of a tax free cash lump sum and / or pension.

W

Will

A form of instructions as to how someone wishes to dispose of their assets on death.