

A guide to pension death benefits

A step-by-step guide for family members, Legal Personal Representatives, and other professional advisers

April 2020

What is in this guide and how it can help

We want to make sure it is as easy as possible for you to complete the process of taking death benefits. This guide has been created to provide you with all the information you require, taking you through each step of the process.

If at any time you need further assistance then do not hesitate to contact us using the details below:



0844 728 9090



seniorreviewteam@hornbuckle.co.uk

To ensure you have the right support throughout the entire process we have set up a specialist team. You will have a nominated point of contact who will manage your case. We will inform you of their contact details when we send out the initial letter in response to the notification of the death of a member.

Please note this booklet relates to single member Self Invested Personal Pensions (SIPP) only and should not be used for those members within a Small Self Administered Scheme (SSAS) or group scheme.

In this guide you will find the following sections:

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How we support your case

All of our pension schemes are written under trust, which essentially means we take certain decisions in order to protect the assets held by our members within their pension. On the death of a member we will exercise discretion, as the trustee of the scheme, taking certain decisions based on the information gathered including confirmation of any beneficiaries and how we should treat a benefit payment. Acting in this way helps to ensure that any payments made to beneficiaries are not liable to Inheritance Tax.

The information on the next two pages provides further detail about how we treat a death benefits case and any subsequent payments:

Our commitment to you

- ✓ We will provide you with a **named person in our specialist team** to contact as and when you need to.
- ✓ When we have all of the information we need we will make a decision **within one working day** of receipt of the information.
- ✓ A letter communicating the decision on where **we will pay benefits will be issued to the beneficiary within five working days** of discretion being exercised by us.
- ✓ Once all the necessary documentation has been provided, **we will set up a Dependant's, Nominee or Successors Pension within five working days.**
- ✓ Once all the necessary documentation has been provided, **a cash lump sum payment will be made within five working days.**

Legal Personal Representative (LPR)

On receiving notification of the death of a member we will request the details of the Legal Personal Representative (LPR) as defined in our glossary of terms. We will then collate the relevant facts about the scheme before the trustees can exercise their discretion.

Exercising trustee discretion

We want to facilitate the choices you/the beneficiaries wish to make in order to take benefits from a scheme. As the trustees of the pension we must consider all of the relevant facts about the scheme before we can do this, and in turn, we will exercise discretion when coming to a final decision about to whom benefits can be paid.

Inheritance tax (IHT)

The payment of death benefits usually remains outside of the estate for inheritance tax purposes.

Expression of wish

Our members can complete an Expression of Wish on establishing a scheme. This indicates to whom they wish the remaining funds to be paid to on their death. This expression can be altered by the member at any time during the life of the scheme. The latest Expression of Wish signed by the member will be followed by us as the trustees unless there are reasonable grounds not to do so.

How we support your case

Pension assets that are jointly held

In some cases assets are jointly held with other schemes or third parties. In these instances it may be necessary for Hornbuckle to liaise with other investors in order to arrange the orderly processing of investments held within a deceased member's SIPP. In such cases, the individual circumstances of each case will need to be considered.

The relationship with a financial adviser

The death of a member ultimately ends any existing relationship with the financial adviser. We strongly recommend that anyone making a decision about how death benefits should be taken, obtains financial advice.

Performance of investments

Whilst we are in the process of taking care of the payment of death benefits, we may receive notification regarding the performance of an asset and / or a reinvestment or sale opportunity relating to one of the investments contained within the scheme. Should we receive any of the above communications in respect of these assets, we will assess all of the information provided and exercise our discretion on how to proceed. The protection of the scheme is our primary duty of care, and this may include trustees taking control of assets. Under our duty of care our normal approach is to :

- Analyse investments and make preparations for liquidation to ensure a reasonable time period for sale;
- Take liquid investments "off risk" and into Inflation Linked Bonds to protect the scheme until discretion has been applied. We would make this recommendation by default to the LPR and only not act if they evidenced a positive instruction to remain "on risk".

Embark Services Limited

Embark Services Limited (ESL) is the scheme administrator and will deal with the administration of the fund on the death of a scheme member. ESL will ensure benefits are paid out in line with HMRC guidance, the prevailing tax legislation at the time, and in accordance with the governing trust deed and rules of the scheme concerned.

Hornbuckle Mitchell Trustees Limited/Embark Trustees Limited

Hornbuckle Mitchell Trustees Limited (HMTL) and Embark Trustees Limited are non-trading companies which own the assets of the various SIPPs Hornbuckle administers under trust.

A step-by-step guide

Our step-by-step guide sets out what happens at each stage of the process. Throughout this process we will communicate with all relevant parties to ensure they are aware of key decisions; to obtain consent; or to inform you of important developments.

1

Benefit/income payments are stopped (where applicable)

At the point that we have been notified of a member's death we will stop all benefit / income payments.

2

Confirming the Legal Personal Representative (LPR)

When we receive notification of the death of a member we will confirm who the Legal Personal Representative(s) (LPR) is, as defined in our glossary of terms (see page 7).

3

Receipt of essential information

To ensure we can complete a death benefits payment we require the following documentation which we will request from the LPR (see page 8 for details of our full postal address):

- Death certificate / coroners interim certificate / other evidence of death
- Details of dependants and any other possible beneficiaries at the time of death
- Details of any pensions sharing orders or earmarking orders
- A Hornbuckle Death Benefits Questionnaire
- Confirmation of any change of circumstance of the deceased member prior to death

4

Notifying all third parties

All third parties associated with the pension plan will be notified of the death of a member. They will include investment providers connected to the plan. Some of these companies may require sight of the original death certificate, which we will forward by secure post.

We will obtain details of how to sell and re-register these assets as well as their current value.

5

Exercising Trustee Discretion

As the trustees of the pension we will consider all of the relevant facts about the scheme once we are in receipt of the required documentation and exercise discretion to determine who the beneficiaries are.

Once discretion has been exercised we will write directly to the beneficiaries confirming which options are available and the documents we require to effect this.

6

A decision on how benefits will be paid

All beneficiaries will need to confirm to us which option they wish to take. At this time, we will confirm how an instruction can be given to us to take that option and what documentation is required to proceed. A complete list of all the options that may be available to the beneficiaries of the pension scheme can be found on page 5.

7

Payment of benefits

When we receive written confirmation of how you wish to take your benefits we will process these without delay.

We will also keep you updated regularly.

Please note

The step-by-step guide provides a view of how our normal process works for all death benefits.

There may be times where we are able to complete steps together and reduce the time it takes to complete the process. Equally there may be times when completing a step in the process is delayed due to unforeseen circumstances or complications.

The options available to the beneficiaries

Possible options available to the beneficiaries of the plan:

Once the trustees have exercised discretion and determined who the beneficiaries are, there are several options available to take benefits from the scheme.

The options

We have set out the options that may be available below. They are split in two broad categories initially: where the member died before reaching age 75 or after. By following the steps you will be able to identify which options apply to your circumstances.

| Member's age at date of death | Options and taxation at date of death |
|---|--|
| Pre age 75 (within a two year timescale) | <ul style="list-style-type: none"> • Tax free lump sum • Tax free income via drawdown • Beneficiary's annuity free of tax |
| Age 75 or over | <ul style="list-style-type: none"> • Drawdown taxed at beneficiary's marginal rate • Lump sum payment taxed at beneficiary's marginal rate • Beneficiary's annuity taxed at marginal rate |

Two year timescale

There will be tax implications where death benefits are not paid within two years of the earlier of:

- The day the Scheme Administrator first knew of the death; and
- The day the Scheme Administrator could first reasonably have been expected to know of the death

Seeking financial advice

We appreciate that when someone close to you dies there are emotional and practical challenges to face and getting financial matters in order can be daunting.

Taking benefits involves some important decisions that can be irreversible and costly if you get them wrong. This is why we require you to seek financial advice and take advantage of the Government's free and impartial guidance service, Pension Wise. Their website is at www.pensionwise.gov.uk.

If you do not have an adviser and want help finding one in your area please refer to our 'find a financial adviser' tool on our website, www.hornbuckle.co.uk, or visit www.unbiased.co.uk. If you do not seek advice about taking drawdown benefits we will not be able to progress your application.

Glossary of terms

Glossary of terms

Annuity: An annuity is a guaranteed annual pension. In return for a lump sum payment, and depending on factors such as age and state of health, a company will agree to pay a guaranteed pension income for the rest of an individual's life. The simplest type of annuity pays a fixed amount each year.

Crystallised: When a member draws an income or benefits from their pension fund and / or takes a tax free lump sum there will be a benefit crystallisation event (or BCE) where a capital value is calculated for the pension rights a member is taking.

Dependant: A person who was a dependant at the date of the member's death is defined as:

- A person who was married to or was the civil partner of the member;
- A child under age 23;
- A child of the member who has reached age 23 and was, at the date of the member's death, dependent on the member because of physical or mental impairment;
- A person who is neither the spouse, civil partner nor a child of the member but was financially dependent on the member, or was one of mutual dependence or was dependent on the member because of physical or mental impairment.

Drawdown Pension: Some personal pension schemes can also be used to provide a drawdown pension, sometimes known as income drawdown or income withdrawal. This is a type of pension under which the payments are not guaranteed, but depend on how the value of your pension plan changes over time.

Inflation Linked Bonds: With this type of investment both its principal (the final payment at maturity) and its coupon (the interest rate paid during the life of the bond) are linked to an inflation index. This means that the investor receives the real (i.e. adjusted for inflation) face value of the bond at maturity, and the real value of the interest rate in the meantime.

Inheritance Tax (IHT): A tax that is paid when an individual(s) receives property (an asset) through inheritance or legal succession. The tax that is paid is based on the value of the property (or asset) that is received by the person(s) inheriting the asset(s).

Legal Personal Representative: An individual who another has entrusted to manage their financial affairs following death or incapacity. Further responsibilities of an LPR are:

- Ascertaining whether a member's lifetime allowance has been breached by payment of a lump sum death benefit, and report this to HM Revenue & Customs (HMRC), who would then assess the chargeable amount on the recipient of the lump sum (where any lump sum death benefit is paid from the pension fund administered by Hornbuckle, we will provide confirmation to the LPR of the lifetime allowance used up).
- A member may have pension arrangements other than membership of a Hornbuckle scheme. The LPR will need to review all of the member's arrangements. For information regarding the current standard lifetime allowance, please visit www.gov.uk/tax-on-your-private-pension.
-

Glossary of terms

Lifetime allowance: The lifetime allowance is the amount of pension provision a member can build up across all of their pension arrangements in their lifetime without triggering certain tax charges and where the limit is breached, this attracts a tax charge on any excess. Details of the current standard lifetime allowance can be found at www.gov.uk/tax-on-your-private-pension

Liquid Investments: An investment that someone has immediate access to where they are able to convert to cash quickly and without impact to the price that is received.

Nominee: An individual who is nominated to receive death benefits by the member, or in the case where no nomination has been made to an individual or a charity and there is no dependant, by the Scheme Administrator.

Self Invested Personal Pension (SIPP): A pension plan that enables the member to choose and manage the investments made, giving greater choice and control for how someone might save for their retirement. Like all pensions certain tax relief on contributions will apply, dependent on the individual's circumstances.

Small Self Administered Scheme (SSAS): A Small Self Administered Scheme (SSAS) is an occupational pension scheme set up under trust with no more than 12 members.

Successor: An individual nominated by either the dependant of the member, the nominee of the member, a successor of the member or where a nomination has not been made previously to either a nominee, successor or charity and there are no dependants, by the Scheme Administrator.

Uncrystallised: If a member has not taken any income or benefits from the pension fund then it is said that no benefits are 'crystallised'.

Useful links and information

A list of useful documents available to view and download from our website at www.hornbuckle.co.uk/clients

- Our fees: go to the 'What we charge' page to view details of all fees that we charge.
- SIPP Key Features Document: go to the 'All Literature' page.
- Hornbuckle Mitchell SIPP Terms and Conditions: go to the 'All Literature' page.
- Our full postal address for returning documentation:

Hornbuckle
Tyman House
42 Regent Road
Leicester
LE1 6YJ

Other useful links

- www.gov.uk/tax-on-pension-death-benefits
- www.pensionsadvisoryservice.org.uk/about-pensions
- www.moneyadviceservice.org.uk

Get in touch with us

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0844 728 9090



8:30am-6pm Monday to Friday



www.hornbuckle.co.uk

Hornbuckle is a SIPP provider and is unable to provide financial advice.
Please speak to your financial adviser for advice or further information.

* Calls to this number are charged at the national rate.

Hornbuckle is a trading name of Embark Services Limited, which is authorised and regulated by the Financial Conduct Authority.
Financial Services Register Number: 120820.