

Death benefits guide for the Aegon SIPP

This guide gives you an overview of the death benefit options available with the Aegon Platform self-invested personal pension (SIPP). It explains:

- what happens to any pension savings that remain in an Aegon SIPP when you die;
- what you need to think about, and
- how you can let us know your wishes.

You can find out more about the death benefit options in your [terms and conditions](#), and from the Aegon SIPP scheme rules that are available if you contact us.

The information in this guide reflects our understanding of current taxation law and HMRC practice, which may change and the value of any tax relief will depend on individual circumstances. 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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If you'd like a large print, Braille or audio CD version of this document, please contact us on 0345 604 4001 (call charges will vary).

We're always here to help so if you need some additional support from us please let us know.

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 persons 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.

The benefits available to your beneficiaries 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.

We don't offer annuity products. So your beneficiaries can shop around on the 'open market' for an appropriate annuity product 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 [Death benefit nomination 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, and
- 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 [Death benefit nomination 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 person 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, or
- whether you nominated beneficiaries for particular death benefits.

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
One or more individuals	The individual(s) you nominated	Not applicable	✓	✓	✓
	Different individual(s) from your nomination	Yes	✓	✓	✓
		No	✓	✗ ¹	✗ ¹
A trust	Your nominated trust	Not applicable	✓	✗	✗
A charity	Your nominated charity	Not applicable	✓ ²	✗	✗

Notes

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

² We 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 registered civil partner;
- any surviving child of yours under age 23;
- any person who isn't your surviving spouse or registered 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, or
- any person 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 person 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.

If you have dependants when you die	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	✓	✗ ³	✗ ³

Notes

³ This is because under 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 yourself⁴. 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, and
- whether you nominated beneficiaries for particular death benefits.

⁴ This 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	✓ ⁵	✗	✗

Notes

⁵ We 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. 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
Lifetime allowance charge	<p>Most people aren't affected by this charge as it's only relevant if you've built up a very large amount of pension savings.</p> <p>A lifetime allowance charge will apply if:</p> <ul style="list-style-type: none"> • your plan has an unused pensions savings pot when you die; • the death benefits are settled (whether as a lump sum, drawdown (this is when you take your pension as retirement income) or annuity) within two years of us being notified, or could reasonably have known about your death, and • the total of all your unused pensions savings, wherever held, exceed your remaining lifetime allowance. <p>Drawdown funds held on death aren't included for testing against your remaining lifetime allowance.</p>	<p>Doesn't apply.</p>
Income tax charge	<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>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, or • drawdown. <p>Payments to trusts, charities and personal representatives are treated differently. Speak to your financial adviser for further information.</p>

Tax type	Death before age 75 / Death after reaching age 75
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, or • 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.</p>

Important

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

Need more help?

If you have any questions you can speak to your intermediary or call us on 0345 604 4001.

Telephone lines are open Monday to Friday 8.30am to 5.30pm. We may record calls for training and quality purposes. Call charges will vary.

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