

Pension Death Benefits

We've designed this paper to summarise the key changes to the pension death benefits rules since April 2015 and help you identify the potential opportunities this has created for your business.

Background

The new rules, which allow anyone to benefit from drawdown pensions on the death of a pension scheme member, rather than only dependants, make pension arrangements the ideal long term planning product, not simply for providing an income in retirement but also as a way of passing on assets down the generations.

This provides an ideal business opportunity for you and good reasons to regularly review clients' retirement plans and death benefit nominations as, along with potential benefits, there are pitfalls for unwary individuals to avoid.

Reminder of the new drawdown options on death

When a pension scheme member dies the potential death benefit options are:

- A dependant's or nominee's scheme pension.
- A dependant's or nominee's annuity.
- A dependant's or nominee's flexi-access drawdown.
- A lump sum or;
- A charity lump sum death benefit.

Drawdown vs Lump Sum – who can benefit?

Nomination/EOW made by the member?	Surviving dependant of the member?	Scheme can potentially offer (using discretion)
✗	✗	<ul style="list-style-type: none"> ■ Income options to any individual, and/or ■ Lump sum to any individual/trust
✗	✓	<ul style="list-style-type: none"> ■ Income options to dependants only, and/or ■ Lump sum to any individual/trust
✓	✗	<ul style="list-style-type: none"> ■ Income options to any nominated individual only, and/or ■ Lump sum to any nominate charity, and/or ■ Lump sum to any individual/trust
✓	✓	<ul style="list-style-type: none"> ■ Income options to dependants and any nominated individual, and/or ■ Lump sum to any individual/trust

Potential opportunities and how LV= can help are summarised on the next page



Actions to consider

- Set up regular reviews for existing clients
- Review dormant clients who may benefit
- Identify clients likely to leave funds on death
- Remind clients of IHT advantages of using non-pension assets first
- Review nominations as part of the review service.



Warning

Adult children of the member in general will not be dependants and therefore cannot benefit from income payments if there is a surviving dependant of the member, unless they have been specifically nominated.



Let us know what you think – we invite you to send us your questions or comments via [LV.com/adviser/insights](https://www.lv.com/adviser/insights)



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Dependants, nominees and successor's flexi-access drawdown

Options available

- ✓ Nomination can be made by the dependant, nominee (or successor), or the scheme administrator
- ✓ Nominated successor/nominee(s) (no age restriction) don't need to be a dependant of the original member.

Options not available

- ✗ Scheme administrator can't make a nomination if there is a surviving individual nominated by the dependant, nominee or successor*
- ✗ Beneficiary can't make contributions to their successor's flexi-access drawdown fund.

*Note: nominations are not binding (in terms of IHT treatment) as the scheme administrator still has discretion and could decide to pay a lump sum (for example) to someone else.



Potential opportunities to explore

- Create new business opportunities by identifying whether a client has full pension freedoms flexibilities in their existing contract and whether a switch to a new contract provides benefits which are not currently available.
- The FCA's cap on early exit charges of 1% was introduced in April 2017. Now may be a good time to revisit any clients who were previously put off a transfer due to high exit penalties, but would now like to take advantage of pension freedoms.
- Create business opportunities by carrying out ongoing reviews of existing cases, particularly to ensure that the client's nominations are up to date.

Check out our Literature Library to find out more.

We've created a number of **questionnaires** and **template letters** to help you identify:

- What the client wants to achieve in terms of any residual fund on death:
- Spouse, dependants and other beneficiaries.
- Whether existing arrangement offers required flexibility.
- How to meet future potentially changing needs and the importance of appropriate nominations.



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How LV= can help



- **LV=Retirement Account** (with full death benefit options)

Our Retirement Account is the easy way for you to recommend and blend a wide combination of LV= retirement income products in one simple account. Take a look [here](#).

- Our **Flexible Transitions Account** and our **Protected Retirement Plan** allow multiple beneficiaries and access to the full range of options. Take a look [here](#).
- Don't forget to check out our **literature library** for our predesigned questionnaires and template letters. Take a look [here](#).



If you'd like more information on partial transfers or the LV= solutions available, please speak to your usual retirement consultant or call the LV= Retirement Desk on **08000 850 250** or email them at retirement@lv.com

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