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A Guide to Death Benefits

for Self Invested Personal Pension, Group Self Invested
Personal Pension and Pension Fund Withdrawal Plan



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As the death benefits available from protected rights differ to those available from ordinary benefits, this guide has been split into two sections, one for ordinary benefits and one for protected rights. Further details are shown below.

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Death benefits available from the ordinary benefits in your client's Self Invested Personal Pension or Group Self Invested Personal Pension

Before buying a product, your client needs to be aware of the risks and commitment involved. Details are available in the Self Invested Personal Pension (SIPP) Key Features Document (SLSIP17), or the Group Self Invested Personal Pension (GSIPP) Key Features Document (GSIPP17).

Introduction

Providing for loved ones is an important consideration for many people. A SIPP or GSIPP offers flexibility, choice and control in this vital area of financial planning. This is a complex area and this guide is designed to help you understand the options available.

This section of the guide explains the death benefits which are payable from the ordinary (non protected rights) benefits under the Standard Life Self Invested Personal Pension Scheme (the Scheme). The Scheme is administered by Standard Life Assurance Limited and it is responsible for paying the death benefits.

This guide does not apply to your Group Flexible Retirement Plan clients.

In the event of a client's death, please contact the SIPP Customer Centre on **0845 0845 000**. Please have your client's plan number ready when calling. Calls may be recorded and monitored. Call charges may vary.

Types of accounts

Under the Scheme, your client's fund is placed in one or more accounts. Each of these accounts can be at one of three stages at any point in time:

- **Pre-Pension Date Account**
where no Pension Date has been allocated so no benefits have been taken.
- **Post-Pension Date Account**
where a Pension Date has been set and income is being taken.
- **Annuity purchased from the proceeds of the account**
the annuity has been purchased at the Pension Date or after income has been taken.

The benefits payable from an account on your client's death will depend on the status of the account at your client's death.

What death benefits are payable from these accounts?

Where an annuity is being paid to your client, the death benefits (if any) payable from the annuity will depend on the choices made by your client when the annuity was purchased (eg whether or not they have chosen a guarantee period and/or a Dependant's annuity).

The flowcharts on the following pages explain the death benefits which are payable from Pre-Pension Date Accounts and Post-Pension Date Accounts.

Please note: On your client's 75th birthday, any remaining Pre-Pension Date Accounts will have automatically become Post-Pension Date Accounts. If your client wishes to take a tax-free lump sum, they must elect to do so before their 75th birthday.

There are 5 flowcharts:

Flowchart A

Ordinary benefits Pre-Pension Date Accounts

Flowchart B

Ordinary benefits Post-Pension Date Accounts – death before reaching age 75

Flowchart C

Ordinary benefits Post-Pension Date Accounts – death after reaching age 75

Flowchart D

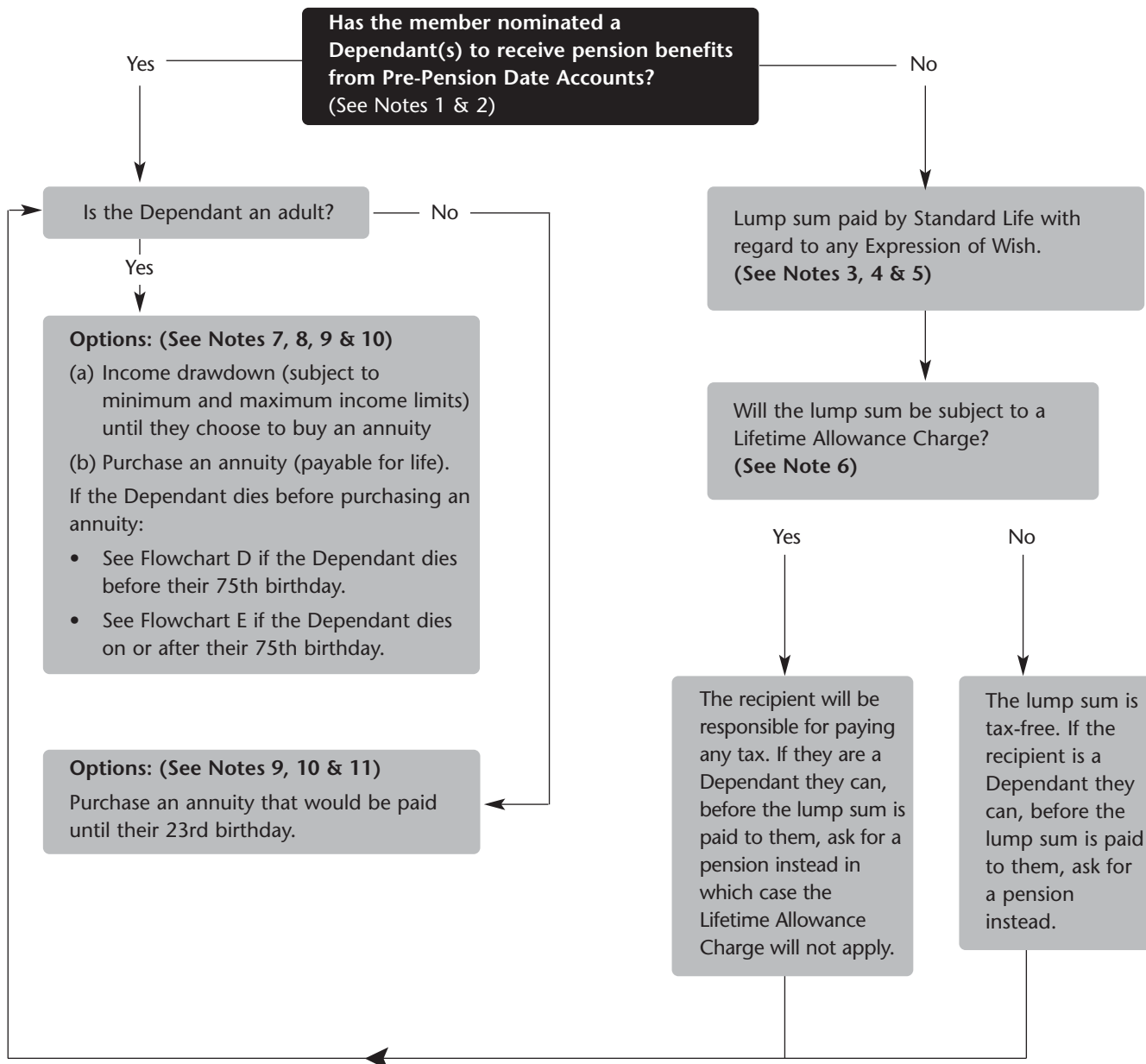
Ordinary benefits – Death of a Dependant before their 75th birthday, with an Unsecured Pension

Flowchart E

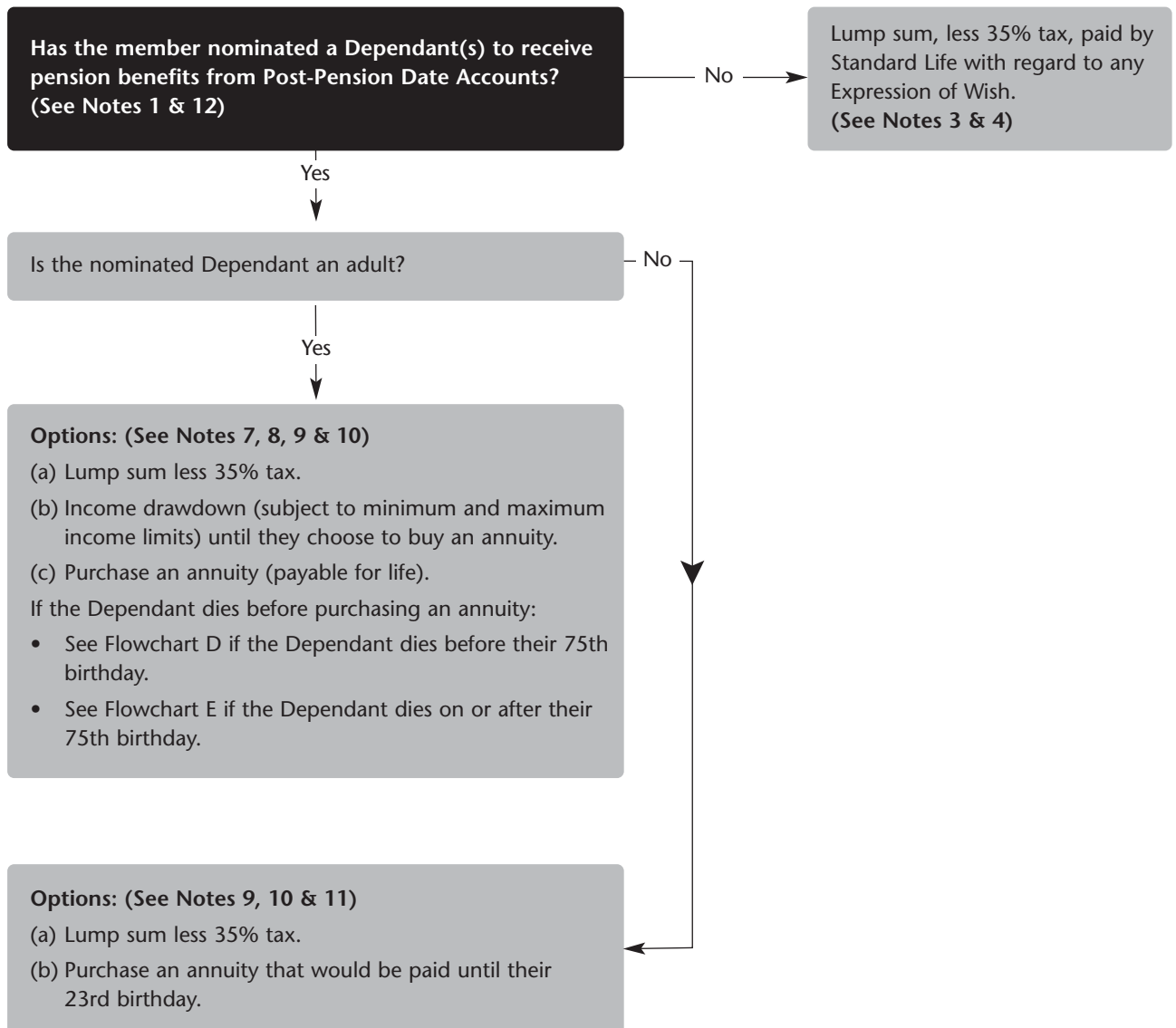
Ordinary benefits – Death of a Dependant after reaching age 75, with an Alternatively Secured Pension

Flowchart A Ordinary benefits Pre-Pension Date Accounts

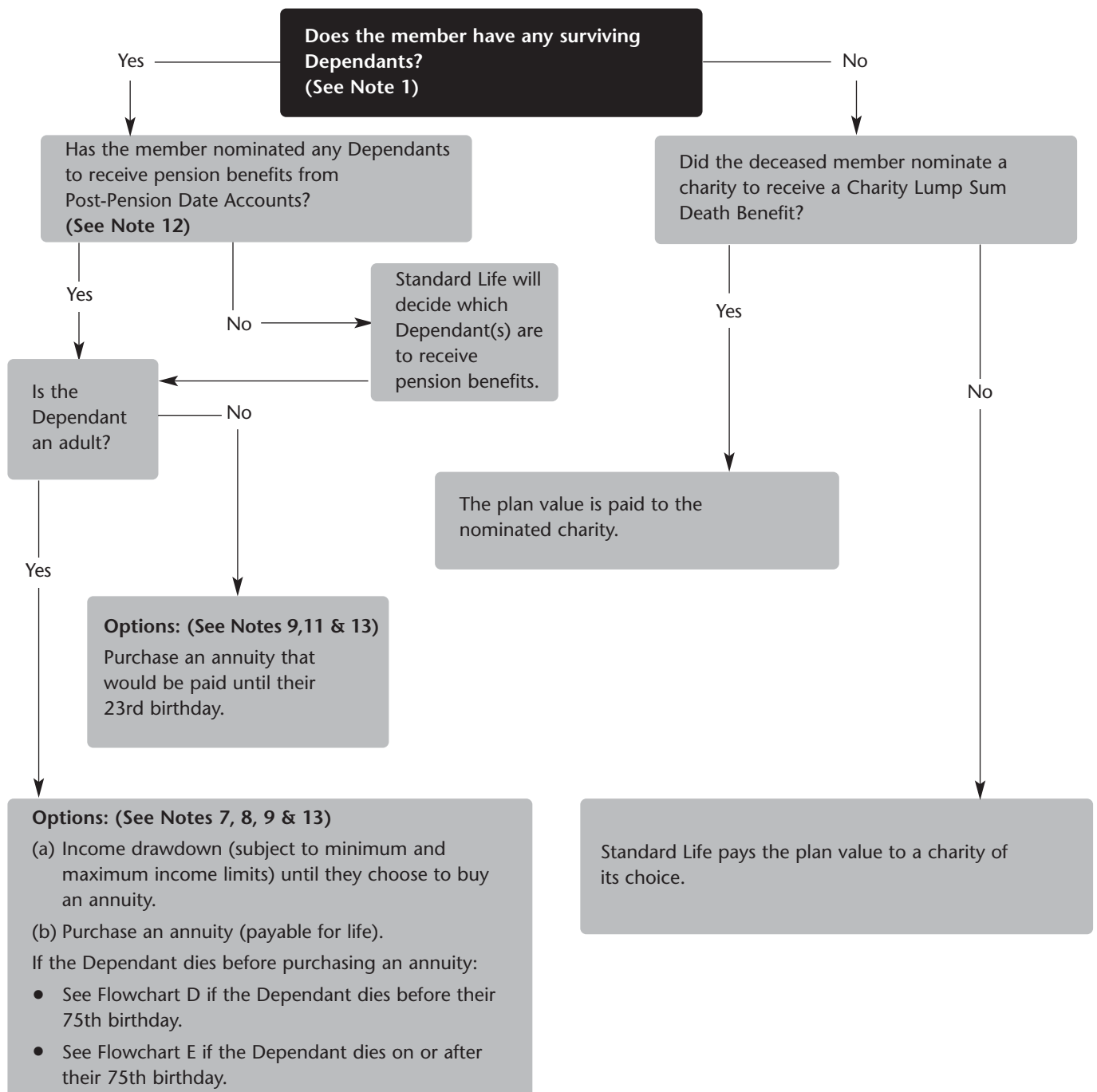
This flowchart applies on the member's death before their 75th birthday.



Flowchart B Ordinary benefits Post-Pension Date Accounts – death before reaching age 75

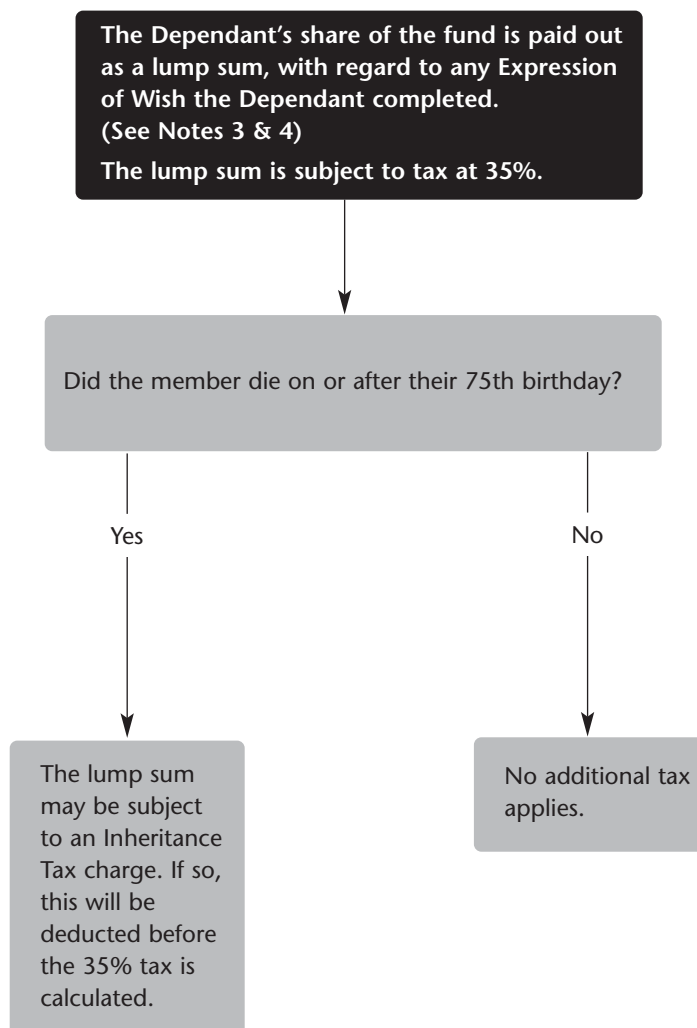


Flowchart C Ordinary benefits Post-Pension Date Accounts – death after reaching age 75



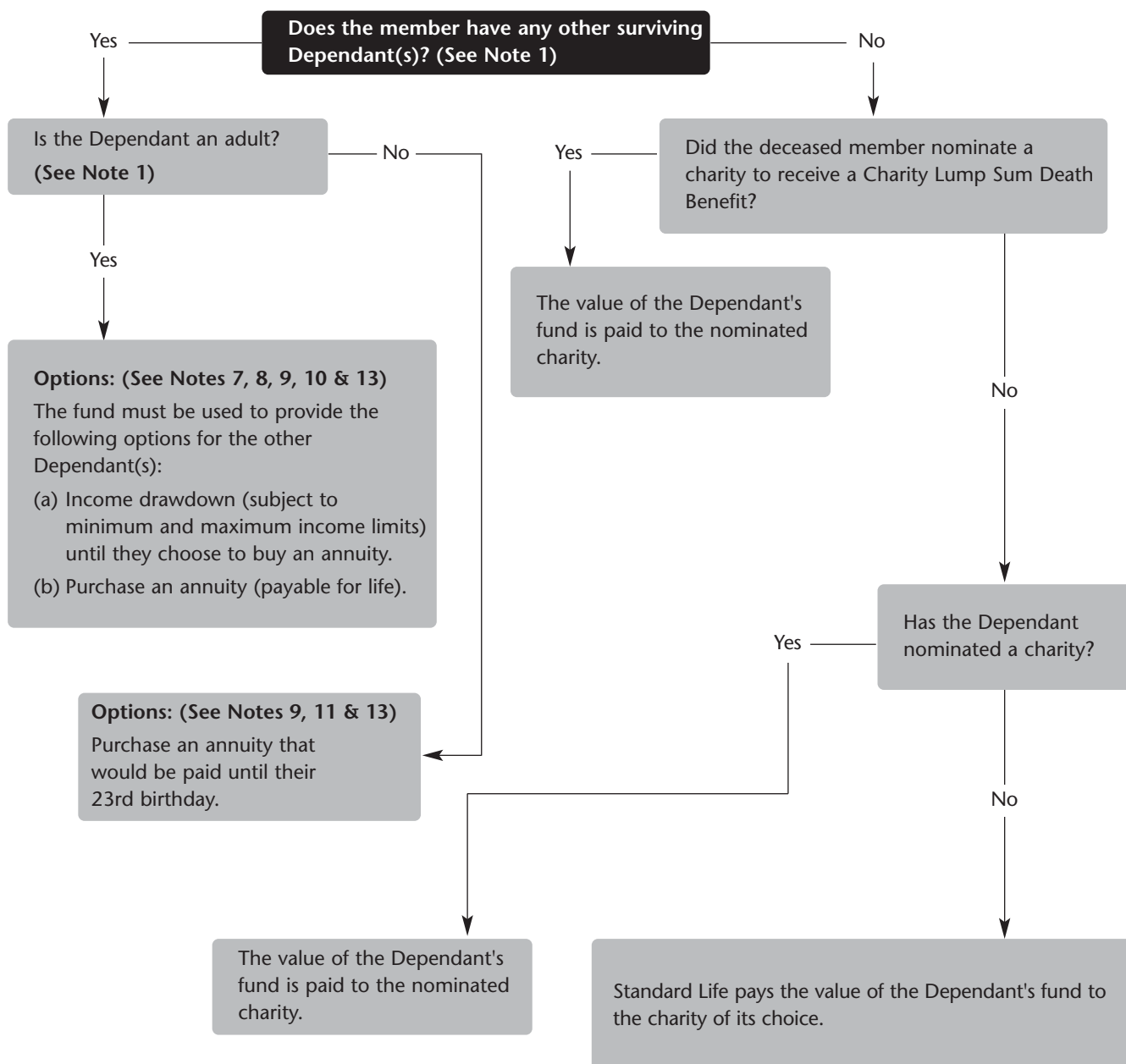
Flowchart D Ordinary benefits – Death of a Dependant before their 75th birthday, with an Unsecured Pension

This flowchart applies if a Dependant is taking an income from the member's accounts following the member's death but dies before buying an annuity.



Flowchart E Ordinary benefits – Death of a Dependant after reaching age 75, with an Alternatively Secured Pension

This flowchart applies if a Dependant is taking an income from the member's accounts following the member's death, but dies before buying an annuity.



Death benefits available from the protected rights in your client's SIPP, Group SIPP or Pension Fund Withdrawal Plan (PFWP)

Introduction

This section of the guide explains the death benefits payable from protected rights held under the Standard Life SIPP, Group SIPP and PFWP. Before buying a product your client needs to be aware of the risks and commitment involved. Details are shown in the Key Features Documents for each product (SLSIP17, GSIPP17 and PFWP17 respectively).

In the event of a client's death, please contact the SIPP Customer Centre on: **0845 0845 000**.

Please have your client's plan number ready when calling. Calls may be recorded and monitored. Call charges may vary.

Types of accounts

Within the SIPP, GSIPP and PFWP, your client's Protected Rights fund is placed in one or more accounts. The accounts can be at one of three stages. All accounts will be at the same stage except for SIPP/GSIPP which can have protected rights accounts at both the first and second stages.

- **Pre-Pension Date Account**
where no Pension Date has been allocated so no benefit has been taken.
- **Post-Pension Date Account**
where a Pension Date has been set and income is being taken.
- **Annuity purchased from the proceeds of the account**
the annuity has been purchased at the Pension Date or after income has been taken.

The benefits payable on your client's death will depend on the status of the account(s) at your client's death.

What death benefits are payable from these accounts?

The flowcharts on the following pages explain the death benefits which are payable from Pre-Pension Date Accounts and Post-Pension Date Accounts.

There are 5 flowcharts:

Flowchart F

Protected rights Pre-Pension Date Accounts

Flowchart G

Protected rights Post-Pension Date Accounts – death before reaching age 75

Flowchart H

Protected rights Post-Pension Date Accounts – death after reaching age 75

Flowchart I

Protected rights – Death of a Dependant before their 75th birthday, with an Unsecured Pension

Flowchart J

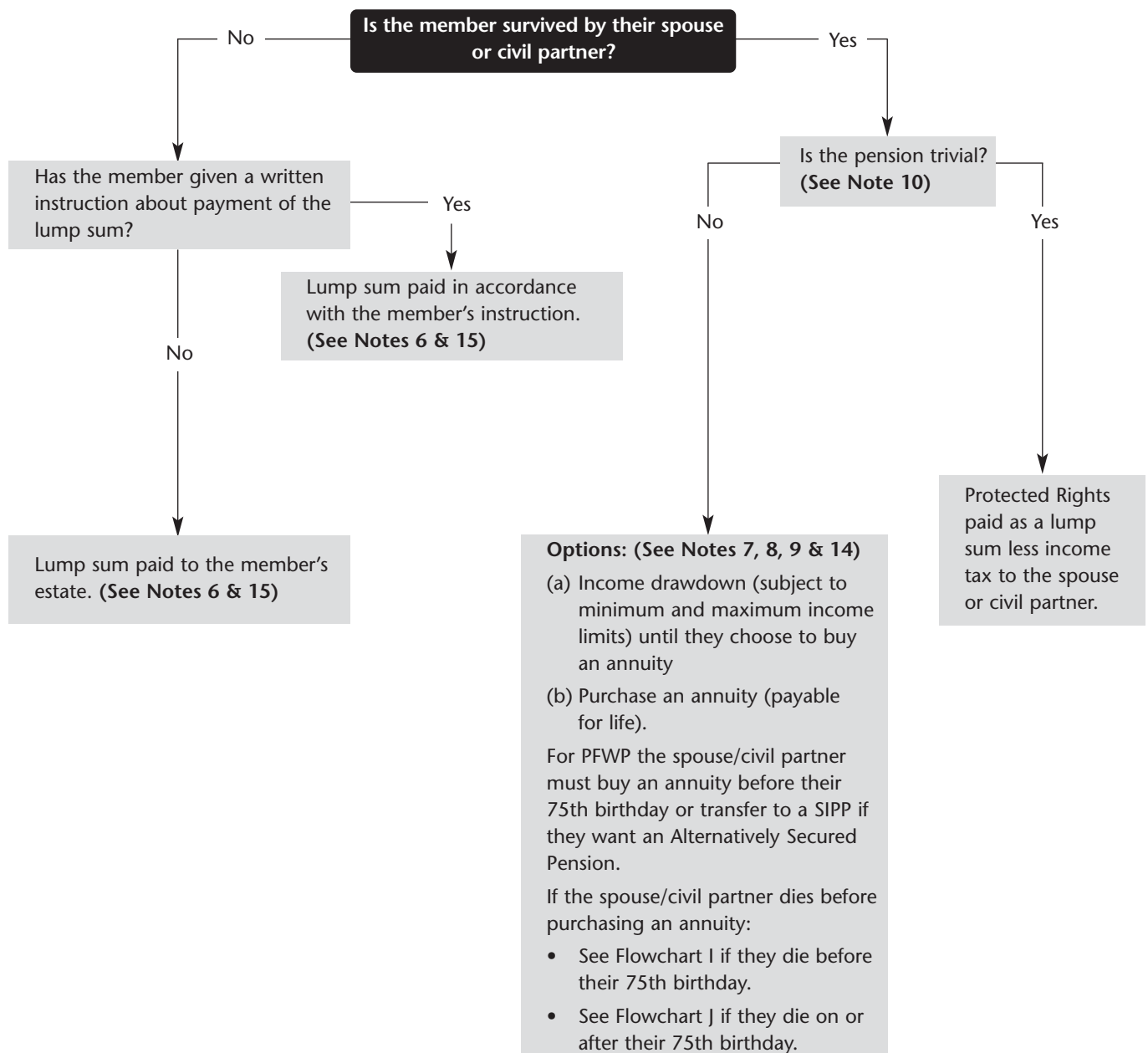
Protected rights – Death of a Dependant after reaching age 75, with an Alternatively Secured Pension

If your client has any Safeguarded Rights we will always pay out their Safeguarded Rights as a lump sum, if they die before their 75th birthday.

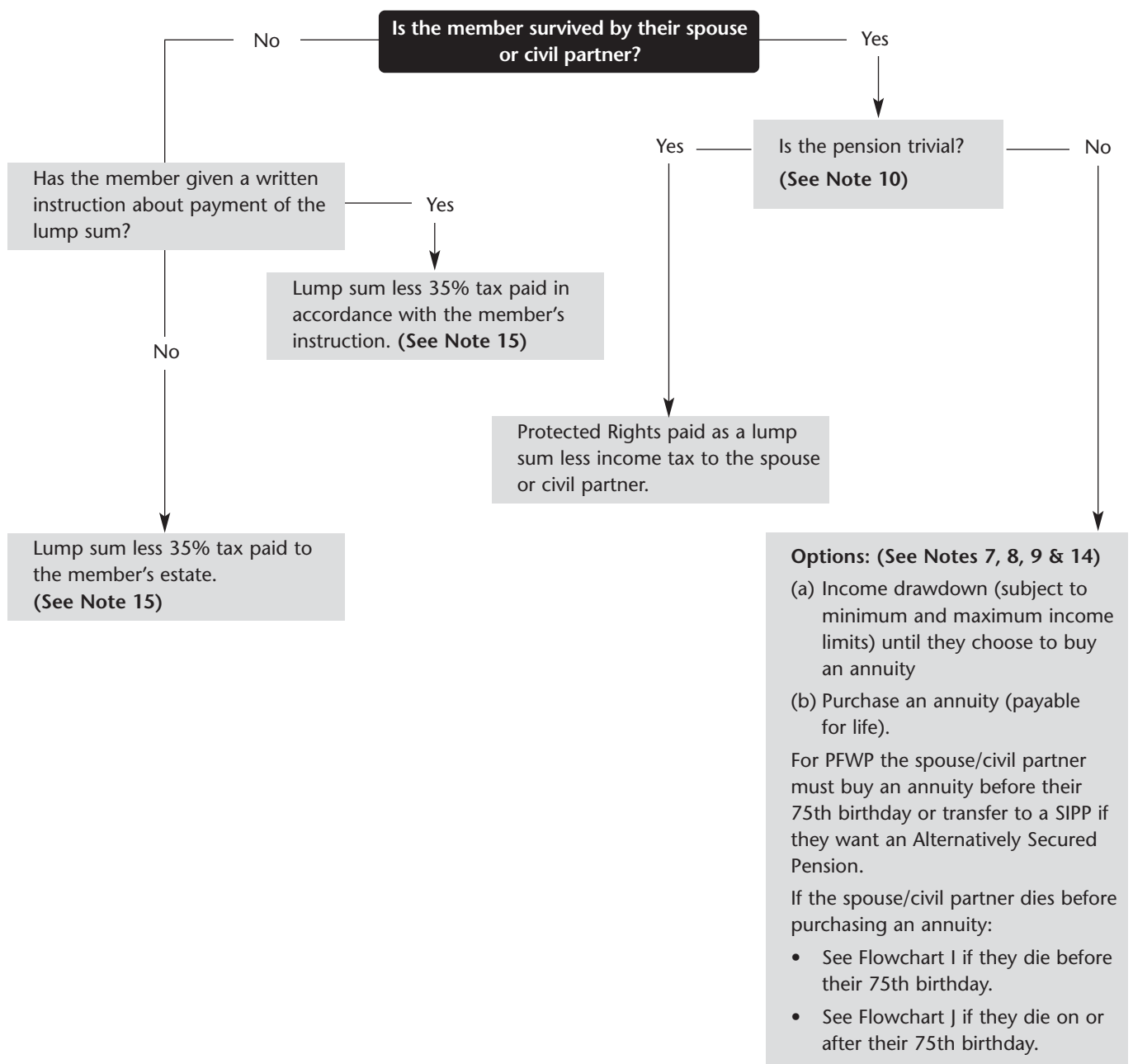
Where a Protected Rights annuity is being paid to your client:

- If they were married or in a civil partnership when the annuity was purchased, the annuity will continue at half the rate to their surviving spouse or civil partner (or at full rate until the end of any guarantee period and then at half the rate).
- If your client was single when the annuity was purchased, but made provision for a spouse's pension, the annuity will continue at half the rate to their surviving spouse or civil partner (or at full rate until the end of any guarantee period and then at half the rate).

Flowchart F Protected rights Pre-Pension Date Accounts

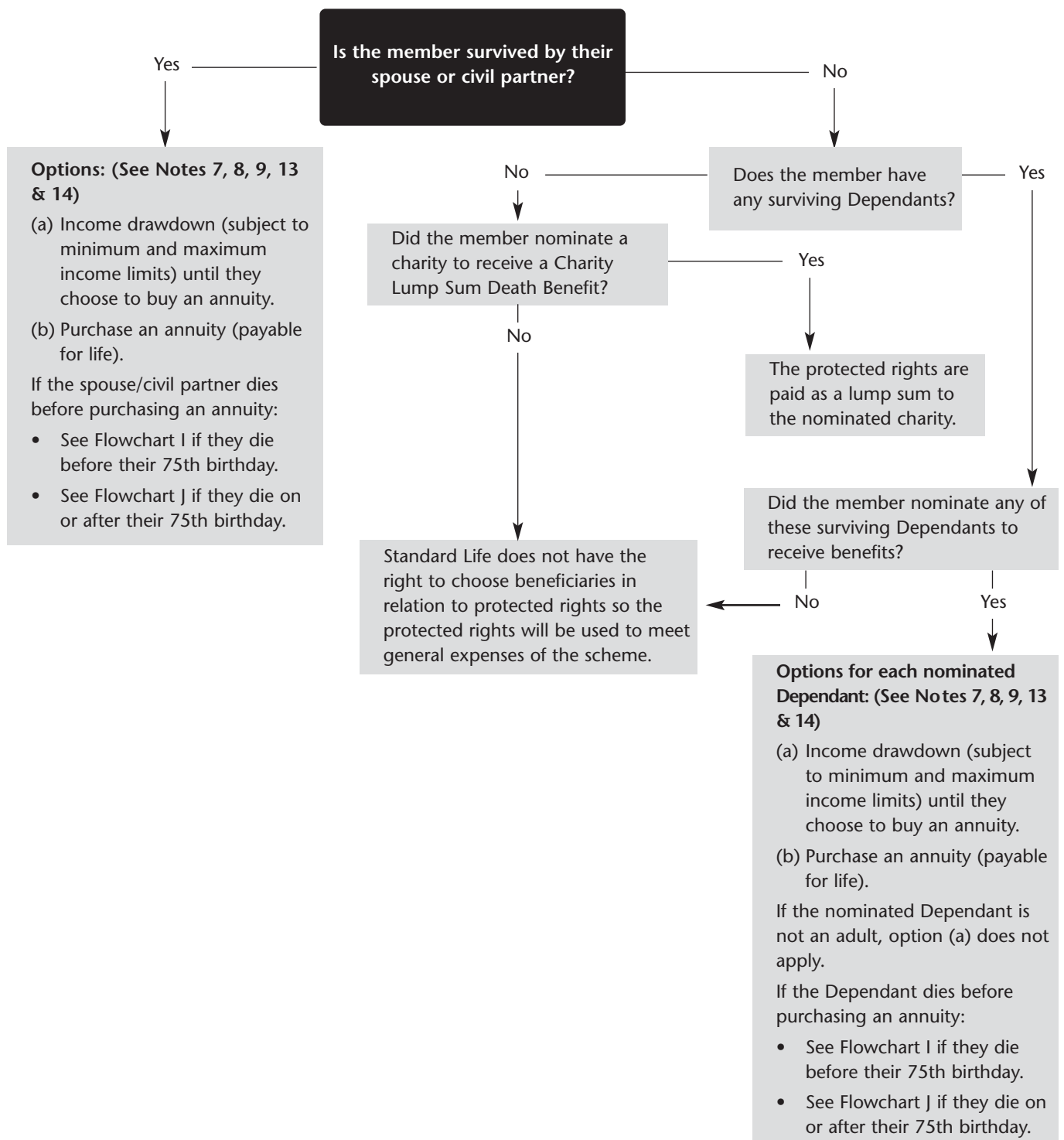


Flowchart G Protected rights Post-Pension Date Accounts – death before reaching age 75

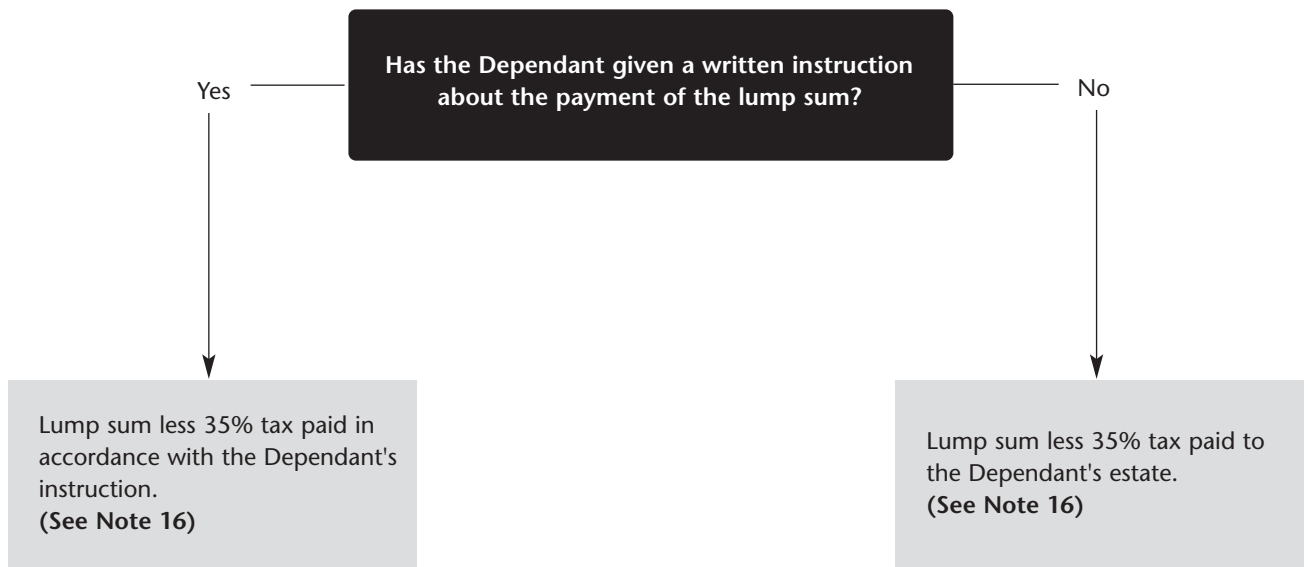


Flowchart H Protected rights Post Pension Date Accounts – death after reaching age 75

This flowchart does not apply to PFWP since your PFWP clients must buy an annuity before age 75 or transfer to SIPP if they want an Alternatively Secured Pension.

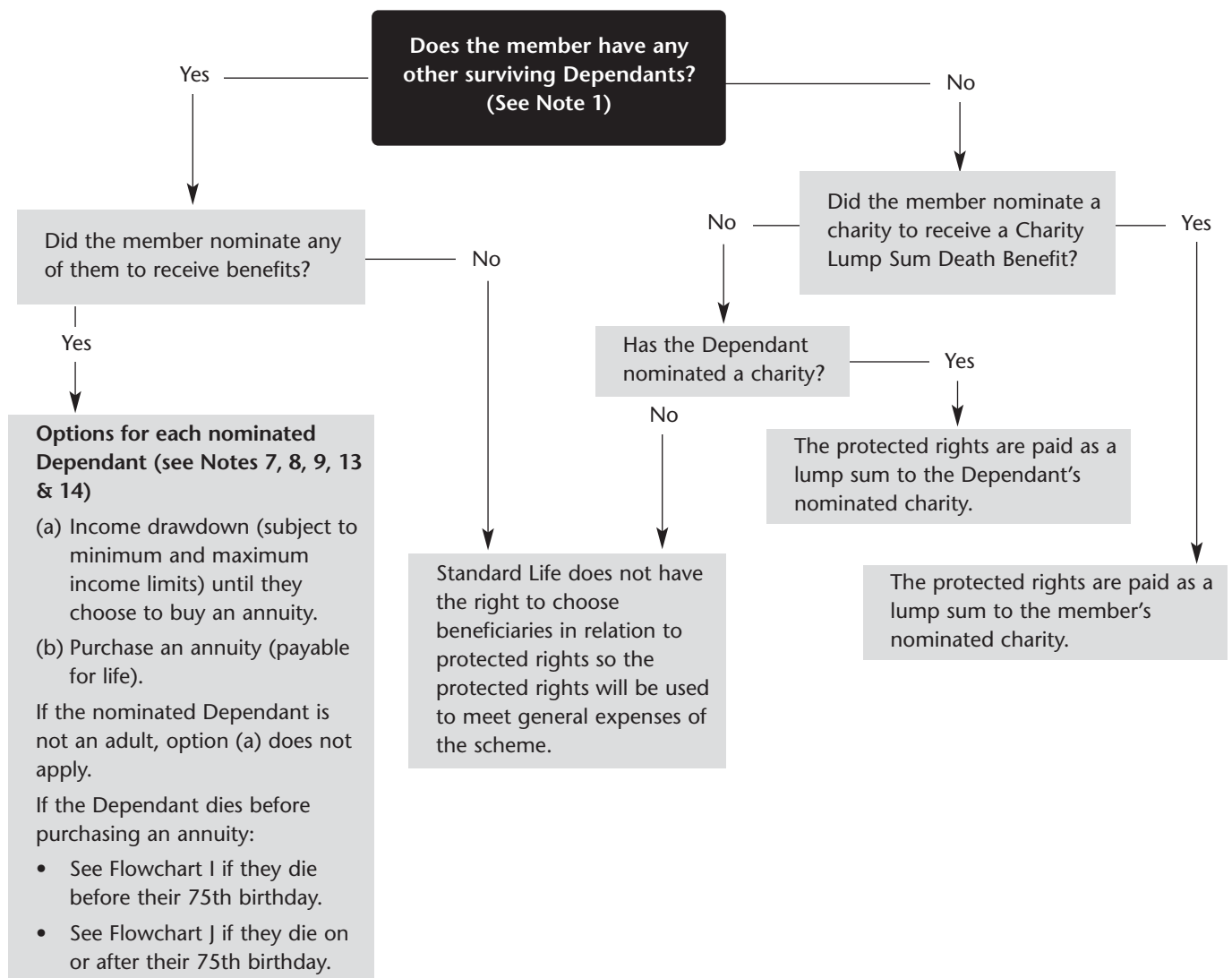


Flowchart I Protected rights – Death of a Dependant before their 75th birthday, with an Unsecured Pension



Flowchart J Protected rights – Death of a Dependant after reaching age 75, with an Alternatively Secured Pension

This flowchart does not apply to PFWP since an Alternatively Secured Pension is not available under PFWP.



Notes

Note 1 Dependants

A dependant is:

- Your client's husband, wife or civil partner at the date of death.
- Any child (including adopted child) of your client who is under 23 at your client's date of death.
- Any person who is dependent on your client because of disability. (A pension to a disabled person can be paid for their lifetime.)
- Any person who is financially dependent on your client at date of death.
- Any person whose financial relationship with your client at date of death is one of mutual dependence. This can include an unmarried partner of the same or opposite sex who relied on your client's income to maintain a standard of living that depended on their joint income.

Note 2 Nominating dependants to get pension benefits from pre-pension date accounts

If your client nominates a Dependant to receive pension benefits from a Pre-Pension Date Account, their Dependant cannot choose to take these benefits as a tax-free lump sum instead. Nominating a Dependant to receive pension benefits from Pre-Pension Date Accounts may not therefore be tax efficient. That's why the 'Application form (for transfer, single or regular payments)' does not include a section for nominating a Dependant(s) to receive pension benefits from the Pre-Pension Date Accounts. However, your client can still write to us if they wish to make such a nomination.

Note 3 Trusts

If your client has established a trust and wishes any lump sum death benefits to be paid to that trust, they can name the trustees of that trust in an Expression of Wish. However, if we choose to pay the lump sum death benefits to the trustees, the benefits could be subject to Inheritance Tax when they are paid out of that trust.

Note 4 Expression of wish – before age 75

If a lump sum death benefit is payable we will decide who should receive the lump sum. The scheme rules allow us to pay it to:

Any person, charity, association, club, society or other body (including trustees of any trust whether discretionary or otherwise) whose names your client has notified to Standard Life in writing prior to the date of your client's death.

Your client's husband/wife/civil partner, the parents and grandparents of your client (and the parents and grandparents of your client's surviving spouse or civil partner) and any children or other descendants of any of them.

Other Dependants.

Any person, charity, association, club, society or other body (including trustees of any trust whether discretionary or otherwise) entitled under your client's will to an interest in their estate.
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Your client's legal personal representatives.

By completing an Expression of Wish, your client can let us know who they would like us to pay the lump sum benefit to. We will take your client's wishes into account but are not bound by them.

Note 5 Lump sum payments

If your client dies before their 75th birthday, any lump sum from their Pre-Pension Date Account(s) must be paid out within 2 years of us being notified of their death. The maximum amount that can be paid is the value of the funds immediately before payment, rather than the value on the date of death.

Note 6 Lifetime allowance charge

If the total lump sum death benefits from all Pre-Pension date funds and any term assurance under all of your client's pension plans are greater than your client's remaining Lifetime Allowance, the excess lump sum will be taxed at 55%. Any charge due is not deducted before payment and the recipient has the responsibility to settle any tax. The Standard Lifetime Allowance is £1.65m for tax year 2008/09 but your client may have a higher personal allowance if their pension benefits have been protected.

Note 7 Maximum income

The maximum income is:

- 120% (if the Dependant is under the age of 75), or
- 90% (if the Dependant is age 75 or over)

of the income calculated from the Government Actuary's Department's tables. The limit will be calculated using the Dependant's age and their share of the fund. However, if the Dependant is age 75 or over the calculation will always use age 75.

Note 8 Minimum income

The minimum income is:

- 0% (if the Dependant is under the age of 75), or
- 55% (if the Dependant is age 75 or over)

of the income calculated from the Government Actuary's Department's tables. The limit will be calculated using the Dependant's age and their share of the fund. However, if the Dependant is age 75 or over the calculation will always use age 75.

Note 9 Dependant's pension (annuity)

A Dependant's pension is not tested against your client's or recipient's Lifetime Allowance (LTA) and is therefore unlimited.

Note 10 Triviality

If the value of the Protected Rights in PFWP (plus the value of any other pension payable to the spouse or civil partner from the Standard Life Appropriate Personal Pension Scheme on your client's death) is no greater than 1% of the Standard Lifetime Allowance, we will pay it as a lump sum to the spouse or civil partner.

If the value of the Protected Rights in SIPP or GSIPP (plus the value of any other pension payable to the spouse or civil partner from the Standard Life Self Invested Personal Pension Scheme on your client's death) is no greater than 1% of the Standard Lifetime Allowance, we will pay it as a lump sum to the spouse or civil partner.

1% of the Standard Lifetime Allowance would amount to £16,500 for the tax year 2008/09. The lump sum will be subject to income tax at the recipient's marginal rate. It must be paid out before the day that would have been your client's 75th birthday.

Note 11 Drawdown for a dependent child

We have chosen not to offer income drawdown, or an annuity from Standard Life, to a dependent child for the following reasons:

- the dependent child would stop being eligible to receive income or annuity payments once they reached 23, so these options would be of limited benefit to them;
- we do not believe that it is tax efficient to nominate a dependent child to get pension benefits from Pre-Pension Date Accounts, but if such a nomination was made we would allow an annuity to be bought from another insurer;
- we believe that, for Post-Pension Date Accounts, the option on your client's death before 75 that normally gives the best value and most flexibility is taking a lump sum less tax, but we would allow an annuity to be bought from another insurer;
- for all the above reasons we believe that few dependent children (or their legal guardians on their behalf) will want to choose income drawdown or annuity and it is not therefore viable for us to offer these options.

Note 12 Nominating dependants to get pension benefits from post-pension date accounts

To ensure that we can act on your client's wishes and the benefits are paid out without undue delay, your client should nominate the Dependant(s) who are to receive pension benefits from Post-Pension Date Accounts.

Please use the 'Instruction for payment of death benefits' form (SLSIP36) to change the instructions for the payment of death benefits for existing plans.

Note 13 Relevant dependant A relevant dependant is:

- Your client's husband, wife or civil partner at the date of death.
- Any person who is financially dependent on your client at date of death.

If your client dies on or after their 75th birthday and a pension is paid to a Dependant who is not a Relevant Dependant, the fund used to provide their pension may be subject to an Inheritance Tax charge.

Note 14 Buying an annuity with protected rights

Your client's Dependant can buy an annuity that remains level or increases by a fixed percentage each year.

They can't buy an annuity that's a variable amount.

Note 15 Inheritance tax – member

Any lump sum Protected Rights death benefit could be subject to Inheritance Tax (IHT) unless your client has made an irrevocable direction, in which case no IHT will apply if they survive for 7 years after making the direction, or a tapering amount of IHT will apply if they die during the 7-year period.

Note 16 Inheritance tax – Dependant

Any lump sum Protected Rights death benefit could be subject to Inheritance Tax (IHT) unless the dependant has made an irrevocable direction, in which case no IHT will apply if they survive for 7 years after making the direction, or a tapering amount of IHT will apply if they die during the 7-year period.

Tax and legislation

Any reference to legislation and taxation is based on Standard Life's understanding of law and HM Revenue & Customs practice at the date of publication.

Tax relief may be altered and the value to the investor depends on their financial circumstances.