

Death Benefits

The purpose of this fact sheet is to give an overview of the death benefits available from James Hay SIPPs.

Applicable to Modular iSIPP, iSIPP, Private Client SIPP, Partnership SIPP, IPS SIPP, IPS (2008) SIPP and IPS Pension Builder SIPP.

How James Hay Partnership will manage the process

What we will do as soon as we are informed of the member's death

- Cancel any regular income payments and associated disinvestments
- Complete a valuation to allow the available benefits to be calculated
- Remove any Power of Attorney's authority
- Request an original Death Certificate
- Request a copy of the Will
- Issue a Death Benefits Enquiry Form for completion by all relevant parties
- Check whether the deceased member had completed an Expression of Wish.

Financial adviser instructions including trading instructions

If there is a financial adviser appointed for the plan we will continue to accept instructions from them including trading instructions, until we are notified otherwise in writing by all the beneficiaries of the plan.

James Hay Partnership is unable to accept responsibility for any reduction in the value of the funds held within the plan following trading completed by us when acting on instructions provided by the financial adviser for the plan.

Following a member's death, any previously agreed adviser charges will cease to be paid from the plan. If a beneficiary takes over the plan and reappoints the existing financial adviser, the beneficiary will need to complete a new Adviser Charges Form (available on our website) to authorise any future adviser charges.

Issuing the options to the identified beneficiaries

Upon receipt of the Death Benefits Enquiry Form and copy of the Will, we will calculate the estimated benefits available to the identified beneficiaries and issue these details along with the relevant form to allow confirmation of the required benefits.

This will be sent directly to the financial adviser associated with the plan and the identified beneficiaries where requested.

The benefits calculated are not guaranteed, as they will fluctuate with the underlying plan value.

Reminders we will send

We will remind the financial adviser and beneficiary as appropriate to ensure the death claim is dealt with in a timely manner.

Things to consider before completing the death benefits option form

How the identified beneficiary wishes to receive the death benefits will depend on their personal circumstances and we recommend that they seek appropriate advice from a regulated financial adviser if they are in any doubt about what to do. However, there are a number of generic points to consider before reaching any decision, including:

- Whether they need the money now or wish to keep it invested within a largely tax-free pension environment
- What other income they currently receive and any pensions they own that they may wish to draw benefits from in the future
- What their future needs may be
- Remember that inflation can erode the real value of the income received from savings and pensions, and so they may need to increase their levels of income in the future just to maintain the same level of purchasing power
- The identified beneficiary should be aware that if they take death benefits as an income they may have to pay additional charges. Charges they pay will reduce the value of the fund over time and therefore affect the income available
- Any lump sum and/or income they receive may affect their entitlement to means tested benefits
- Any creditor may have a call on any money taken from the plan
- However the identified beneficiary decides to receive the death benefits, please remember that investment scams exist and they should be careful when deciding whether and where to invest the money
- If a beneficiary is considering using the death benefits to purchase an annuity, they should be aware that normally it is not possible to change the chosen level of annuity income in the future. Consideration should be given to future circumstances to ensure that the annuity income will remain adequate in the future.

Completing the death claim

To allow the benefits to be paid we require the following;

- Original death certificate
- A Death Benefits Enquiry Form completed by any relevant party
- Copy of the Will
- The return of any identified unauthorised income payments
- A fully completed death benefits option form that is signed and dated to confirm the death benefits required.

NB: If there is more than one beneficiary, we will not initiate payment of any of the above options until all confirmed beneficiaries have provided their written instructions. This includes the surrendering of investments.

- Evidence of identity in all cases and evidence of age if either taking flexi-access drawdown or purchasing an annuity
- If beneficiary flexi-access drawdown is being requested, a completed Beneficiary Application Form
- If an annuity is to be purchased, a copy of the annuity provider's application form will be required.

Please be aware that where we have received forms by secure message, we will require receipt of the original form by post, signed by the beneficiary, along with the supporting documentation before the benefits can be paid or income records set up.

Confirmation of benefits

Confirmation of when this has been completed will be sent to the financial adviser(s) or beneficiary(ies), as appropriate, upon completion of the death claim.

Types of beneficiary

There are three types of beneficiary:

1. Trust
2. Dependant beneficiary
3. Non-dependant beneficiary

What benefits are available?

Dependant beneficiary: A dependant beneficiary can take flexi-access drawdown from the SIPP, purchase an annuity on the open market or take a lump sum payment.

Non-dependant beneficiary: A non-dependant beneficiary can take a lump sum payment or may be entitled to receive an income in the form of flexi-access drawdown. Availability of the flexi-access drawdown option will be dependent upon various circumstances arising at the time of the member's death. James Hay Partnership will advise separately whether or not this option is available.

Trust: If a Trust is nominated to receive the death benefits, the fund may be paid as a lump sum to the trustees of the trust less any tax due.

Any lump sum payable where the member was aged over 75 at the time of death will have tax charges deducted under PAYE by the Scheme Administrator.

When tax is deductible from beneficiary flexi-access drawdown payments

Drawdown payments will normally be made tax free, where the member was aged under 75 at the time of death. However, any funds designated for drawdown more than 2 years after the notification of death, will be taxable at the beneficiary's marginal rate of income tax.

Drawdown payments made where the member was aged over 75 at the time of death will be taxable at the beneficiary's marginal rate of income tax.

Tax charges and restrictions payments

Ordinarily, any payment from the SIPP will not form part of the deceased's estate for inheritance tax purposes, however the following tax charges and restrictions can apply.

Lump sum payments

Any lump sum payable will be paid without deduction of tax, providing it is paid within two years of the notification of death and does not exceed the lump sum and death benefit allowance. Where the lump sum payment is made after the two year deadline has expired tax charges will be deducted under PAYE by the Scheme Administrator.

PAYE deductions applied to income and lump sum payments

In accordance with guidance from HM Revenue & Customs (HMRC), the tax deducted from income payments will either be on the official emergency code or in accordance with any tax code for the beneficiary that HMRC has provided to us.

For lump sums, which are a one-off payment, emergency code will be applied. A form P45 will be issued to enable the beneficiary to either claim a refund from HMRC or calculate additional tax payable, depending on the beneficiary's personal circumstances.

What happens if the member has not nominated a beneficiary?

Under the terms of the trust deed and rules we have discretion to pay death benefits to any eligible person(s) whether or not a nomination is made. We will take into account any information provided by the deceased's legal personal representative(s).

Further information



Telephone the Claims Team on:
03455 212 414

We are able to provide literature in alternative formats. For a Braille, large print, audio or E-text version of this document call us on 03455 212 414 (or via the Typetalk service on 18001 03455 212 414).

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