

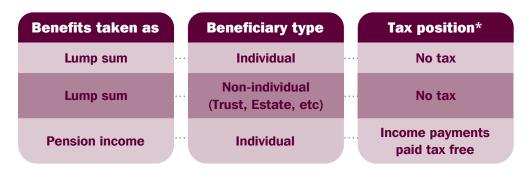
HOW DEATH BENEFIT PAYMENTS ARE TAXED

There are different factors that determine what level of tax your dependants or nominated beneficiaries would pay when they receive death benefits.

The tables below clarify how they may be affected.

1) If you have an uncrystallised or drawdown fund...

You are under 75
 when you die and
 your pension fund
 is paid out within
 two years of the
 notification of your
 death.



- * Lump sum death benefits in excess of the lump sum and death benefit allowance (LSDBA) will be subject to income tax at the recipient's marginal rate. However, any death benefits taken as pension income will be tax free and aren't considered against the LSDBA.
- You are over 75 when you die;

OR

You are under 75
 when you die and
 your pension fund
 is paid out <u>after</u>
 two years of the
 notification of your
 death.

Benefits taken as	1	Beneficiary type		Tax position
Lump sum		Individual	• • • •	Taxable via PAYE at beneficiary's marginal rate
Lump sum		Non-individual (Trust, Estate, etc)		Taxed at flat rate of 45%*
Pension income		Individual	• • • •	Taxable via PAYE at beneficiary's marginal rate

* Individual beneficiaries of a trust who indirectly receive part of the lump sum as a payment from the trust may be liable at a lower rate of income tax on they amount they receive. They may be able to claim a refund of some, or all, of the tax paid by the scheme administrator.



You need to think about:

Successor drawdown is an option when the beneficiary dies. The tax treatment and options are the same as we've shown in this leaflet.

2) If you have a scheme pension through a Family Suntrust scheme...

You are under 75
 when you die and
 your pension fund
 is paid out within
 two years of the
 notification of your
 death.

Benefits taken as Beneficiary type Tax position Taxable via PAYE Remaining fixed period Individual at beneficiary's payments marginal rate **Annuity Protection Individual** No tax **Lump Sum (APLS) Beneficiary flexi-access** Income payments paid Individual drawdown tax free

You are over 75 when you die;

OR

You are under 75
 when you die and
 your your pension
 fund is paid out <u>after</u>
 two years of the
 notification of your
 death.

Remaining fixed period payments

Annuity Protection Lump Sum (APLS)

Beneficiary flexi-access

drawdown

Individual

Individual

Tax position

Taxable via PAYE at beneficiary's marginal rate

Taxed at flat rate of 45%

Taxable via PAYE at beneficiary's

marginal rate

Next steps

If you want to tell us how you would like your pension benefits to be dealt with when you die, depending on the type of pension you have, please send us a completed copy of either the:

- **Death benefits options** form. This is available from our literature library at www.phoenixwealth. co.uk/Literature.
- Scheme pension death benefit instructions form. Please ask your financial adviser for a copy.

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