

PENSION DEATH TAX

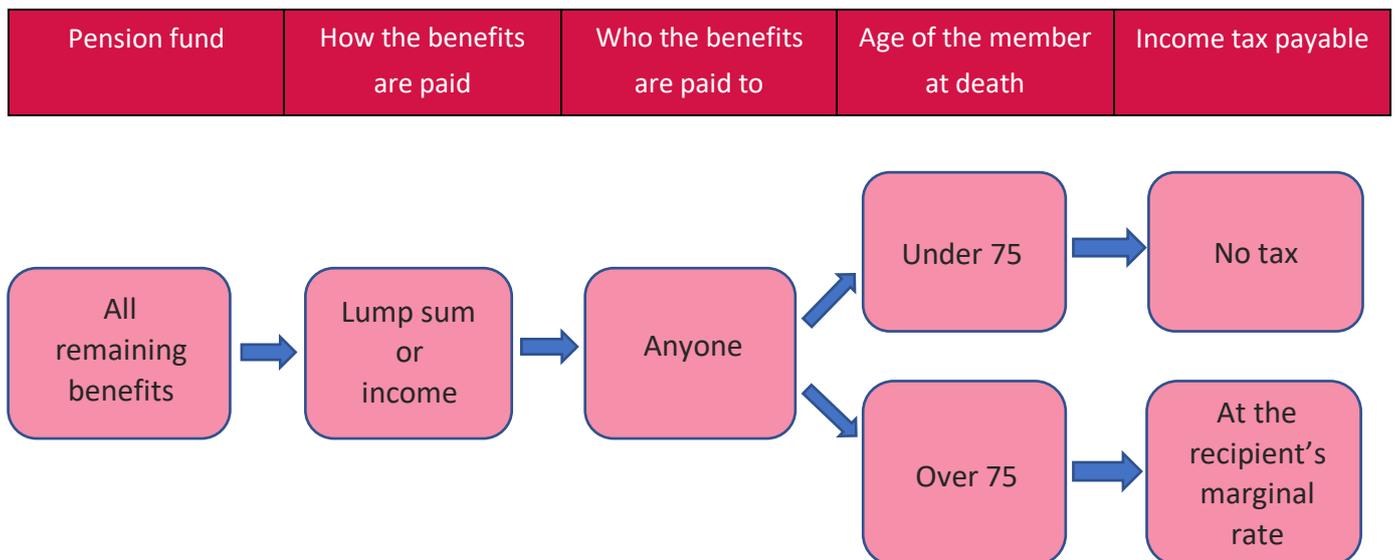
Capital held within a pension do not form part of your estate therefore any monies held within a pension are not liable to Inheritance Tax (IHT). Instead the pension capital could be subject to income tax however, if an investor dies before they reach the age of 75, they will be able to give their remaining defined contribution pension to anyone free of income tax. This is regardless of whether it is in a held in a drawdown account or uncrystallised (no benefits, be it cash or income, have been taken from it).

Anyone who dies with either a drawdown arrangement or with uncrystallised pension funds over the age of 75 will also be able to nominate a beneficiary to pass their pension to. The nominated beneficiary will be able to access the pension funds flexibly, at any age, and pay tax at their marginal rate of income tax. There are no restrictions on how much of the pension fund the beneficiary can withdraw at any one time. However, if the beneficiary elects to receive the pension as a lump sum payment, this will be subject to a tax charge at the recipient's marginal rate of income tax.

The term beneficiary (for individuals taking an ongoing income) is also no longer restricted to a spouse or financial dependent of the original investor but can include anybody that individual chooses to nominate.

This first beneficiary is known as the 'nominee'; upon the nominee's death, the pension can be passed down to a second beneficiary, known as the 'successor.'

The following diagram provides an overview. This assumes that there is not a Lifetime Allowance (LTA) tax liability on death.



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