

WHAT HAPPENS TO YOUR PENSION WHEN YOU DIE?

The way you take your pension will affect how you can leave it to your nominated beneficiary (the person or persons you'd like to inherit it) when you die. Most pensions will allow anyone to inherit your pension - they don't have to be your spouse or civil partner. Make sure your pension provider has up-to-date details of your beneficiary. And don't forget, if you have more than one pension, let all your providers know!

KEY ISSUES

Beneficiaries have the following options:

- If your death comes before age 75 the whole pension can be taken tax free.
- If your death comes after age 75 it can be taken at the beneficiary's personal income tax rate.

Your beneficiary might pay extra tax if the amount you take from your pot before you die plus the amount you leave behind is more than £1 million.

LEAVING BEHIND CASH

If you take your tax-free lump sum but don't use it before you die (e.g. it's left in your bank account), it becomes part of your estate. It then forms part of everything you own and all your money when you die. Your beneficiary may need to pay Inheritance Tax on it. This is also true if you take your whole pot in one go or in chunks but don't use it all before you die. Your beneficiary can take money still in your pot as a single lump sum or use it to buy an annuity or adjustable income.

WHEN WOULD YOUR BENEFICIARY PAY TAX?

The table below provides a summary of tax liabilities for beneficiaries, this will usually depend on:

- The type of payment they receive.
- The type of pension pot you're handing down.
- Your age when you die.



Payment type	Type of pension pot	Age on death	Tax payable by beneficiary
Most lump sums	Defined contribution or defined benefit	Under 75	No tax
		75 or over	Income Tax deducted by the provider
Trivial Commutation lump sums*	Defined contribution or defined benefit	Any age	Income Tax deducted by the provider
Annuity/money from a new drawdown fund - set up, or converted and first accessed from 6 April 2015	Defined contribution	Under 75	No tax
Money from an old drawdown fund - where the beneficiary took an income payment before 6 April 2015	Defined contribution	Under 75	Income Tax deducted by the provider
Annuity or money from a drawdown fund	Defined contribution	75 or over	Income Tax deducted by the provider
Pension provided by the scheme (i.e. dependant's scheme pension)	Defined contribution or defined benefit	Any age	Income Tax deducted by provider

*Lump sums taken from small pension pots ([click here for more information](#))

USEFUL LINKS

For further information on Pensions Inheritance you might like to visit the following:

www.pensionwise.gov.uk/en/when-you-die

www.gov.uk/tax-on-pension-death-benefits

The Financial Conduct Authority does not regulate tax advice.