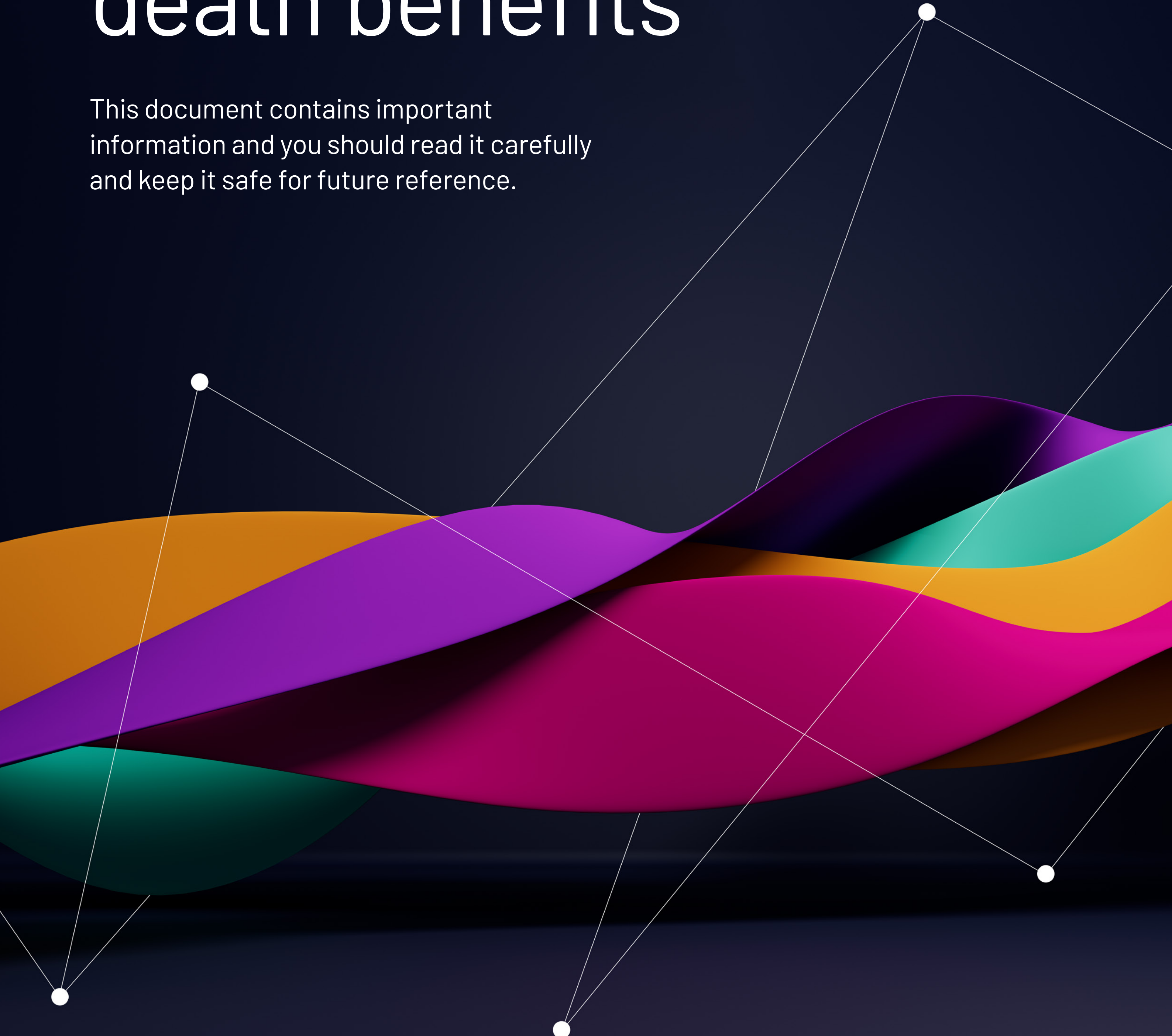
7IM SIPP: Settlement of death benefits

This document contains important information and you should read it carefully and keep it safe for future reference.



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Important notice

This document explains the process for settling death benefits from a 7IM SIPP and the options for recipients.

You should read this in conjunction with the following documents:

- Your Personal Illustration
- 7IM SIPP Fees and Charges
- 7IM SIPP Terms and Conditions
- 7IM SIPP Guide to Your Retirement Options
- 7IM SIPP Glossary.

The Financial Conduct Authority is a financial services regulator. It requires us, 7IM Investment and Retirements Solutions Limited (7IM IRS), to give you this important information to help you decide whether our 7IM SIPP is right for you. You should read this document carefully so that you understand what you are committing to, and then keep it safe for future reference.

In this document, certain terms have a particular meaning and are capitalised (e.g. Annual Allowance). You can find a list of these terms and an explanation of what they mean in the 7IM SIPP Glossary on our website **www.7im.co.uk**.

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Information

Notification of death

Once we have received notification of the 7IM SIPP member's death, we must immediately cease any income payments that are currently being paid to the member. Please send us a copy of the original death certificate.

Please note that, if the informant is not a person already known to us, we will need to verify that they are an appropriate person to act.

Scheme investments

The 7IM SIPP will remain invested until benefits are paid out and may therefore either increase or decrease in value over that period.

The decision making process

To ensure that the value of a member's benefits do not form part of their estate and therefore become subject to inheritance tax, death benefits are paid at the discretion of 7IM Trustees Limited, who is the trustee of the 7IM SIPP.

The Trustee will need to evidence that they have considered all potential beneficiaries and taken all relevant factors into account. In order to do this, they'll need to ask for certain information and documentation.

They will request:

- a copy of the member's last will and testament (if one exists)
- a completed 7IM SIPP Beneficiary Information form.

They will also refer to the latest Expression of Wish form that the member provided.

Once the Trustee has used the above information to decide who they should pay benefits to (the beneficiary or beneficiaries), they'll write to them individually to ask how they would like the benefits to be paid to them. The available options are explained later in this guide.

Lump Sum Death Benefit Allowance

Where a member dies under the age of 75 and they still have uncrystallised funds from which they have not yet started to take benefits, we will need to test those funds against the Lump Sum Death Benefit Allowance (LSDBA). Any excess over your available LSDBA will be subject to the income tax rate applicable to the beneficiary. Funds which are allocated to provide beneficiary drawdown pension are not tested against the LSDBA.

Please refer to website at www.7IM.co.uk for further details.

Options for the settlement of benefits

Option 1: Lump sum payment

Some or all of the fund can be paid out as a lump sum to the beneficiary:

A lump sum death benefit will normally be paid in cash, and therefore the assets will need to be sold first before payment can be made. However, it may be possible to settle part or all of the claim by transferring certain assets to the beneficiary instead of making a cash payment, subject to there being sufficient cash to meet any tax liability.

If the deceased member was under the age of 75 when they died, this payment will be free from income tax as long as it is made within 2 years of the Trustee becoming aware of the death.

If the deceased member was over the age of 75, the lump sum will be taxed as income of the recipient. If it is a large payment, or where a combination of their current taxable income and the lump sum exceeds the higher rate or additional rate tax thresholds they could pay as much as 40% or 45% income tax on some or all of the amount that is withdrawn. They may also lose all or part of their personal tax allowance.

If the lump sum is paid to a trust rather than to individuals, it will be subject to a fixed 45% tax charge on death after age 75. However, when benefits are paid out of that trust, the recipient may be able to reclaim the difference between 45% and their normal rate of income tax.

Where there are no dependants and a charity is nominated as a beneficiary, this will be paid tax free.

Once a lump sum has been paid to the beneficiary, it will form a part of their estate and may therefore be subject to inheritance tax when the beneficiary subsequently dies.

Option 2: Purchase of an annuity for the beneficiary

Part or all of the fund can be used to buy an annuity from the provider of a beneficiary's choice. Payment for the annuity must be made from cash funds, therefore sufficient assets will need to be sold to meet the purchase price.

A Lifetime Annuity is a financial product that, in return for payment of a lump sum, provides regular payments of income for the rest of your life. The guaranteed features of the annuity will depend on what is agreed at outset with the annuity provider and can include a guarantee period, provision of a dependant's pension and fixed increases to the income each year.

If the deceased member was under the age of 75 when they died, the income paid by the annuity will be free from income tax as long as the annuity is bought within two years of the Trustee becoming aware of the death.

If the deceased member was over the age of 75, the income paid by the annuity will be taxed as income of the recipient.

Unless a dependant's pension or a guarantee are purchased at outset, the annuity will stop when the beneficiary dies and their spouse and dependants will not receive an income or a lump sum.

Option 3: Income paid to the beneficiary using Flexi-Access Drawdown

Under Flexi-Access Drawdown (FAD), the fund remains invested in a tax efficient pension wrapper and the beneficiary can withdraw an income directly from it.

There are no restrictions on the amount or frequency of withdrawals that can be made, and they may even withdraw the whole of the fund at any time. However, payments will only be made in line with our monthly payroll runs.

There is also no minimum amount that they have to withdraw.

If the deceased member was under the age of 75 when they died, any withdrawals of income under FAD will be free from income tax as long as the funds are allocated for the provision of FAD within two years of the Trustee becoming aware of the death.

If the deceased member was over the age of 75, any income taken under FAD will be taxed as income of the recipient. However, the ability to vary levels of income means that the beneficiary is able to control the amount of tax they pay (for example, they could take just enough income to keep them below the higher or additional rate bands for income tax).

In order to take an income under FAD, the beneficiary will need to establish a new pension arrangement to receive the drawdown funds. This can either be a new 7IM SIPP, or a pension arrangement with another provider.

If the beneficiary chooses to retain the existing assets, these can be transferred In Specie to a new 7IM SIPP or a SIPP with another provider to avoid selling and re-buying the investments.

Some insurance companies also offer FAD arrangements, but transfers to these will need to be made from cash funds and will therefore need the existing assets to be sold first.

Once the new pension arrangement has been established and the benefits transferred to it, the beneficiary will need to decide how the money should be invested within the available options under the arrangement they have chosen.

The beneficiary should also complete a new Expression of Wish form advising the trustee of the new arrangement who they would like to receive benefits on their death.

On the death of a beneficiary in receipt of FAD, any remaining funds may be applied to provide death benefits in a similar way as for the original member. However, the tax treatment of any lump sum or income paid out will depend on the age of the beneficiary when they died, rather than on the age of the original member. If the recipient of their fund also elects for FAD, it is known as a survivor's FAD. In this way, it is possible to continue to keep the pension invested whilst passing it down through the generations.

Option 4: Any combination of the first three options

It is possible to take a combination of the above options – for example, to take a lump sum from part of the fund and then use the remainder to buy an annuity or to provide a beneficiary's FAD.