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IN LATER LIFE

# Who Will You Nominate?

THE NOMINATION OF PENSION DEATH BENEFITS IS A HOT TOPIC THAT IS EXTREMELY SIGNIFICANT FOR THE INDIVIDUALS INVOLVED.

Our useful summary highlights when expert advice might be needed.

## CONSIDER THIS SITUATION

“Helen has lived with Graham for 20 years since his divorce. Under his Will, Graham is leaving all his property and financial assets to his two daughters from his previous marriage. Helen says she will benefit from his pension. With Graham now 75 we asked him about his pension scheme nominations and he said it was all left to Helen.

To be certain, we checked ... The nomination was crystal clear, and drafted 25 years' ago. It left everything to his former wife. Helen is his unmarried Partner. The children were not mentioned on this nomination.”

## THERE ARE SOME IMPORTANT LESSONS:

- Your nominations should be kept up to date if you want beneficiaries to have access to all benefit options including flexi-access drawdown.
- Careless drafting of nominations could stop benefits reaching the desired dependants or successors. The scheme administrator/trustee has no flexibility within the rules.
- Review them alongside your Will to ensure all individual nominations work together and everyone is fairly considered.
- On divorce, it is vital to update pension(s) nominations.

## GETTING PENSION NOMINATIONS IN ORDER

There are excellent Income and Inheritance Tax (IHT) planning opportunities for you and your beneficiaries. If you are to take full advantage of the radical changes regarding pension benefits, expert advice is recommended for what will often be a significant family asset.

- Passing down wealth to future generations under a pension wrapper, is usually free of IHT. Be clear what you are dealing with.
- The funds can stay invested in the tax-advantaged wrapper until they are needed. If they are not needed they can be passed to the next generation on death.
- Nominees and/or successors can receive a flexible income. This is tax-free where their predecessor dies before age 75.
- When updating your Will, we believe that a thorough review of all nominations should take place to ensure consistency of approach. Include all pensions, death-in-service and life policies.

Money purchase schemes have become a valuable family trust. There are new rules that allow for the nomination of anyone, of any age. Getting the drafting right is important; there are opportunities to get things wrong and these could have significant tax consequences.

**Take an example where a member doesn't make a nomination. He is survived by his spouse and his brother. The spouse wants some benefit to be paid to the brother. The Trustees can pay him a lump sum, but cannot pay drawdown as an alternative, because he was not nominated by the member. The Trustees cannot nominate him because there is a dependant. Payment of the lump sum will attract income tax at the brother's highest rate –perhaps 45%.**

Many policies have a Spousal Bypass (or Pilot) Trust and you may not even know if you have one! They are standard in many providers' policies and should be reviewed. Whilst useful in many situations a problem with them is that funds could be brought into a taxable environment, which may be decidedly unhelpful!

There is little doubt that this aspect of strategic financial and estate planning is likely to benefit from solicitors/accountants and pension experts working together for benefit of the client. At Hurley Partners we receive many enquiries on this basis.

#### WHAT CAN YOU DO NOW?

- Review all pension schemes and their nominations –will they work as intended from both a beneficiary and tax perspective, on death both pre and post age 75?
- Be aware of the significant IHT advantage of pensions and also consider the most tax-efficient way of taking income in retirement.
- Don't just nominate one person –think of the next generations. For example if a married couple were killed in a car accident.
- More complex scenarios, such as second marriages and children from more than one marriage, require very carefully worded nominations if they are to be effective and tax-efficient.

#### WHAT NEXT?

Pension legislation is notoriously complex. Hurley Partners has both the expertise and experience to help you understand and effectively utilise the opportunities that are available. If you have any concerns or questions regarding your circumstances please do get in contact with us.

#### CAN WE HELP?

If you would like to learn more contact:  
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#### Important Information

The tax reliefs referred to in this document are those currently available under current legislation which may be liable to change and their value depends on your individual circumstances. Nothing in this document constitutes advice.



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REF: WWYN 1118