

## Three tips for passing your pension on to your loved ones

 a 5 minute read

There are some things you'll want to bear in mind about passing on your pension to the people you care about most. Here are three tips for passing your pension on to your loved ones.

Do you consider your pension an asset in the same way that you think about assets like property, bank accounts, cars, and investments? Some people see pensions differently to those types of assets, but the truth is that your pension is another valuable asset (sometimes worth even more than the family home).

That's why planning for what happens to your money when you die should include planning for what happens to your pensions too.

### 1. Find out what death benefits your pension provides

Pensions rules and regulations can be very complex. When considering what you want to happen with your pension when you die, you need to know what the pension's rules are.

Some pensions have automatic rules for what happens on your death. For example, they only give an income to a dependent (such as your spouse) on your death. Other pensions have more flexibility on who you can leave your pension to and how they can access it.

This information is based on our current understanding of taxation law and practice in the UK, which may change. The amount of tax you pay and relief you receive depends on your own personal circumstances which may also change in the future.



## 2. Complete a nomination of beneficiary form

For pensions that let you choose who you can leave your money to, you can complete a form called a “nomination of beneficiary”. This lets your pension scheme know who you want to leave your money to. In certain cases the scheme may pay to people not nominated if they feel that this is the best thing to do.

Completing a nomination of beneficiary form is important. If your loved ones aren't on the form they may not be able to keep the money in a pension, which offers tax advantages. Instead, they may simply get a lump sum paid to their bank account.

So knowing what the scheme can offer can then help guide how you write the nomination of beneficiary form. Or perhaps you may want to look at an alternative pension that can provide the options you want for your loved ones.

## 3. Know what tax may be due

There are potentially three types of tax that may be due on a pension, they are:

**Lifetime Allowance (LTA)** – Your pension may be subject to LTA charges based on the total value of all your pensions you have used in your lifetime and passed on after your death. The current LTA is £1,073,100 and any amount over this could be subject to tax – although you may have or could qualify for a LTA protection that is higher than this.

**Income Tax** – There can also be income tax considerations for your loved ones. This can depend on what age you are when you die, or when your money is paid out.

**Inheritance Tax** – While pensions are usually free from inheritance tax there can be instances where it would apply.

## Your adviser can help

Your pension is likely to be one of your most valuable assets and can provide much needed income for your loved ones once you're gone.

Let your adviser help you make the most of your pension. Your adviser can also review how your pension fits in with your overall intergenerational financial plan to help you transfer your wealth to the next generation in the smoothest and most tax efficient way.

### A checklist for passing on your pension

- ✓ Find out what death benefits your pension provides
- ✓ Make sure your nomination of beneficiary forms are up to date
- ✓ Work out if tax will be due



### What to do next?

The good news is with the help of your adviser, you'll be able to find out the best way to pass on your pension to your loved ones. Contact your adviser to get started.

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