

Exploring Pensions

Express • Express • Express • Express • Express • Express •

EXPRESSION OF WISH FORMS

Benjamin Franklin once wrote “In this world nothing can be said to be certain, except death and taxes”, and this phrase rings true with regard to pension benefits. We are all guaranteed to die at some point (whether it be before we retire, or long into our retirement), and the issue of taxes will also raise its head. However, with regard to death benefits there are ways of mitigating and controlling the amount of tax we do, or do not pay with regard to our pension benefits.

The contributions that are paid into the money purchase pension ‘pot’ can be looked at as a death benefit should death occur before taking any pension benefits. Current legislation dictates that should you die before taking pension benefits and before age 75, then the value of your money purchase pension ‘pot’ can be paid out as a lump sum benefit to any dependant.

In the majority of cases, if benefits are payable under either trust or contract, they can by-pass the estate in the event of death before retirement, and as such do not form part of your estate for the purposes of inheritance tax purposes, and indeed can be paid out prior to any reading of a will or probate.

On joining the pension scheme all members were asked to complete an expression of wish form or nomination form. This provides the company and the pension provider with an indication of how you would wish any death benefits to be paid in the event of your death.

Death benefits are paid at discretion and whilst the expression of wish form is taken into consideration it is not legally binding. It is important that members regularly review and update expression of wish forms or nomination forms, especially in the event of changes in personal circumstances, i.e. marriage, divorce, or children.

For those also eligible for separate lump sum death-in-service benefits, the expression of wish form can also be used for purposes of the separate insured lump sum payment.

An expression of wish or nomination form does not need to be in a prescribed format and can be done by a written instruction to the company. Any member wishing to update their expression of wish or nomination should contact their appropriate payroll department or Mattioli Woods.

Article by Karena Woodall – May 2010