



Making arrangements for a Collective Retirement Account following a death

We understand that when someone you know passes away, dealing with their financial affairs can be challenging. This guide is here to explain the next steps if they owned a Collective Retirement Account with Quilter.

What is a Collective Retirement Account?

The Collective Retirement Account is a pension account under the Quilter Personal Pension Scheme. The account value is based on the performance of the investment funds chosen by the pension owner, as well as how much money has been paid in and taken out.

What happens when the owner of a Collective Retirement Account dies?

This brochure is designed to explain Quilter's process, who can be a beneficiary of the pension, and what options are available to them.

If you haven't notified us of the death already, the simplest way is to go online. Just go to our website quilter.com and search for '**Notifying us of a bereavement**'. Complete the details on screen and submit them direct to our dedicated Bereavement Team.

Alternatively, you can notify us by:

▶ Calling us on **0808 171 2626**

▶ Writing to us at:

Bereavement Team
Quilter
SUNDERLAND
SR43 4JP

Please let us know the person's name, date of death and account number where known.

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Who inherits the money when the pension owner dies?

This section explains how a beneficiary is chosen.

The pension owner may have expressed their wishes

When somebody opens a Collective Retirement Account with us, we ask them to let us know who they want to receive the pension money when they die by completing an 'Expression of Wish'. Whilst the expression of wish is not legally binding, it guides us on who the pension owner would like us to consider as a beneficiary. They can give us a new expression of wish at any point, as many times as they like.

Quilter has discretion over who the beneficiaries are

A pension beneficiary is someone who receives money from a pension after the owner has died. Because our scheme rules give us discretion over who the beneficiaries are, money in the pension is classed as outside of the deceased's estate. This means probate does not apply and the money is not subject to inheritance tax (Note that for deaths on or after the 6 April 2027 the Government have announced that the value of unused pensions and death benefits will be included in your estate for Inheritance Tax Purposes)

We will ask for information to help us establish the beneficiaries

To exercise our discretion, we must first gather information about all potential beneficiaries before establishing who the beneficiaries are. To do this, we ask the person in charge of the deceased's estate to complete our 'Proposed Beneficiary Details' form. We may ask you for a copy of the Will or other legal documents if we need to check who the legal representatives in charge of the estate are. We may also ask for additional information if we think the information is necessary to help us make our decision. Once we have all relevant information, we will assess that information and come to a decision about who will be a beneficiary.

We will assess the pension owner's circumstances and then confirm who receives the pension money

We will always take the deceased's wishes into account, but this does not guarantee who will receive the money from the pension as circumstances may have changed since the expression of wish was completed, or there may be dependants who are not included in the expression of wish. We will assess each case individually.

Who can be a beneficiary?

Under the Collective Retirement Account the following people are classed as potential beneficiaries:

- ▶ Any person or entity nominated by the deceased in an expression of wish which they completed during their lifetime.
- ▶ Any person **nominated by Quilter**.
- ▶ Any of the deceased's **dependants**.
- ▶ Any descendant or step descendant of the grandparents of the deceased, deceased's spouse, or civil partner.
- ▶ Any person named as entitled to part of the estate in the deceased's Will.
- ▶ The legal representatives who will then distribute in line with the rest of the estate.



What does 'nominated by Quilter' mean?

As the pension administrator, Quilter can nominate a person if there are no dependants of the original pension owner and no living person or charity already nominated by the pension owner before they died.



What does 'a dependant' mean?

Where we describe the type of pension beneficiary as a 'dependant', this is defined as:

- ▶ a spouse or civil partner
- ▶ a child aged under 23
- ▶ a person who was financially dependent on the pension owner
- ▶ a person who was dependent on the pension owner for physical or mental reasons.

Beneficiary options

There are three options available under the Collective Retirement Account. Beneficiaries can choose to take multiple options.

Before deciding which option to take, we recommend that beneficiaries seek financial advice. For help finding an adviser, if they do not already have one, go to our website [quilter.com](https://www.quilter.com) and search for 'Find an adviser'.

1

Take a bit at a time (flexi-access drawdown)

If you choose flexi-access drawdown, your money will be invested in your choice of investments within a new pension, which will be set up in your name. You can leave it invested or take money out as either a lump sum or a regular income.



Advantages

- ▶ Money held in a pension is tax efficient because any profits and income earned on the investments are free of tax.
- ▶ You can manage how much income you take and when.
- ▶ You can use this money to buy a guaranteed income for life (an annuity – explained in option 2) at any point in the future.
- ▶ Money in your pension will be outside of your estate, so when you die probate will not need to be granted for your beneficiaries to access the money, and it will not be subject to inheritance tax (Note that for deaths on or after the 6 April 2027 the Government have announced that the value of unused pensions and death benefits will be included in your estate for Inheritance Tax Purposes)
- ▶ Any money you withdraw will not limit how much you can pay into your own pension each year.
- ▶ Choosing this option will not count against the deceased's lump sum and death benefit allowance, nor will any money you take count against your allowance.



Disadvantages

- ▶ Unlike a guaranteed income for life (an annuity), the income you receive with this option is not guaranteed for the rest of your life because the value will go up and down depending on how it is invested and how much income you take.
- ▶ Inflation could erode the value of your account over time.
- ▶ If your payment is taxable (see page 8), any income you take may push you into a higher tax bracket, leading you to pay a higher rate of tax.
- ▶ Any income you take may have a detrimental effect on any means-tested benefits you are receiving, such as housing benefit or pensions credit. More information can be found at www.gov.uk/government/publications/pension-freedoms-and-dwp-benefits



Flexi-access drawdown is available to dependants or someone nominated by either the pension owner or Quilter.

2

Buy a guaranteed income for life (an annuity)

If you choose a guaranteed income for life (an annuity), you will use the value of the deceased's pension pot to buy a regular income that will be paid for your lifetime by an insurance company.



Advantages

- ▶ The income you receive will be guaranteed and is not subject to stock market fluctuations (unless you buy an investment-backed annuity).
- ▶ You will continue to receive income for the rest of your life.
- ▶ You can buy an annuity that increases each year to guard against inflation.
- ▶ You may be able to buy a higher rate annuity income if you have a shorter life expectancy due to health or lifestyle choices (such as smoking).
- ▶ Choosing this option will not count against the deceased's lump sum and death benefit allowance, nor will any money you take count against your allowance.



Disadvantages

- ▶ Once you buy an annuity, after your initial cancellation period, you will not be able to change your mind.
- ▶ If your payment is taxable (see page 8), any income you take may push you into a higher tax bracket, leading you to pay a higher rate of tax.
- ▶ An annuity ceases upon your death unless you buy a lower annuity income in exchange for an amount to be paid out on death. As the income you buy is based on an average life expectancy, if you die sooner, you may not get income equal to the amount you paid to buy the annuity.
- ▶ Annuity income may have a detrimental effect on any means-tested benefits you are receiving, such as housing benefit or pensions credit. More information can be found at www.gov.uk/government/publications/pension-freedoms-and-dwp-benefits



Annuities are available to dependants or someone nominated by either the pension owner or Quilter.

3

Take a lump sum

If you choose to take the pension money as a lump sum, you will receive a payment of cash into your bank account. If you would like to take a series of lump sums, you can do this by choosing option 1 - Take a bit at a time (flexi-access drawdown) if that is available to you.



Advantages

- ▶ You can use a lump sum to pay off any debts you might have.
- ▶ You can use a lump sum to invest for the future.
- ▶ You can spend the money as you wish.



Disadvantages

- ▶ If your payment is taxable (see page 8) this may push you into a higher tax bracket, leading you to pay a higher rate of tax than if you were drawing smaller lump sums.
- ▶ Taking a lump sum may also have a detrimental effect on any means-tested benefits you may be receiving, such as housing benefit or pensions credit. More information can be found at www.gov.uk/government/publications/pension-freedoms-and-dwp-benefits
- ▶ Any lump sum you take will become part of your estate if you don't spend it. This could mean it will be subject to inheritance tax after your death.
- ▶ If you are investing the money elsewhere, other investment wrappers may not be as tax efficient as leaving the money within the pension.
- ▶ Inflation can erode the value of any cash held over time.
- ▶ Choosing this option may count against the deceased's lump sum and death benefit allowance.

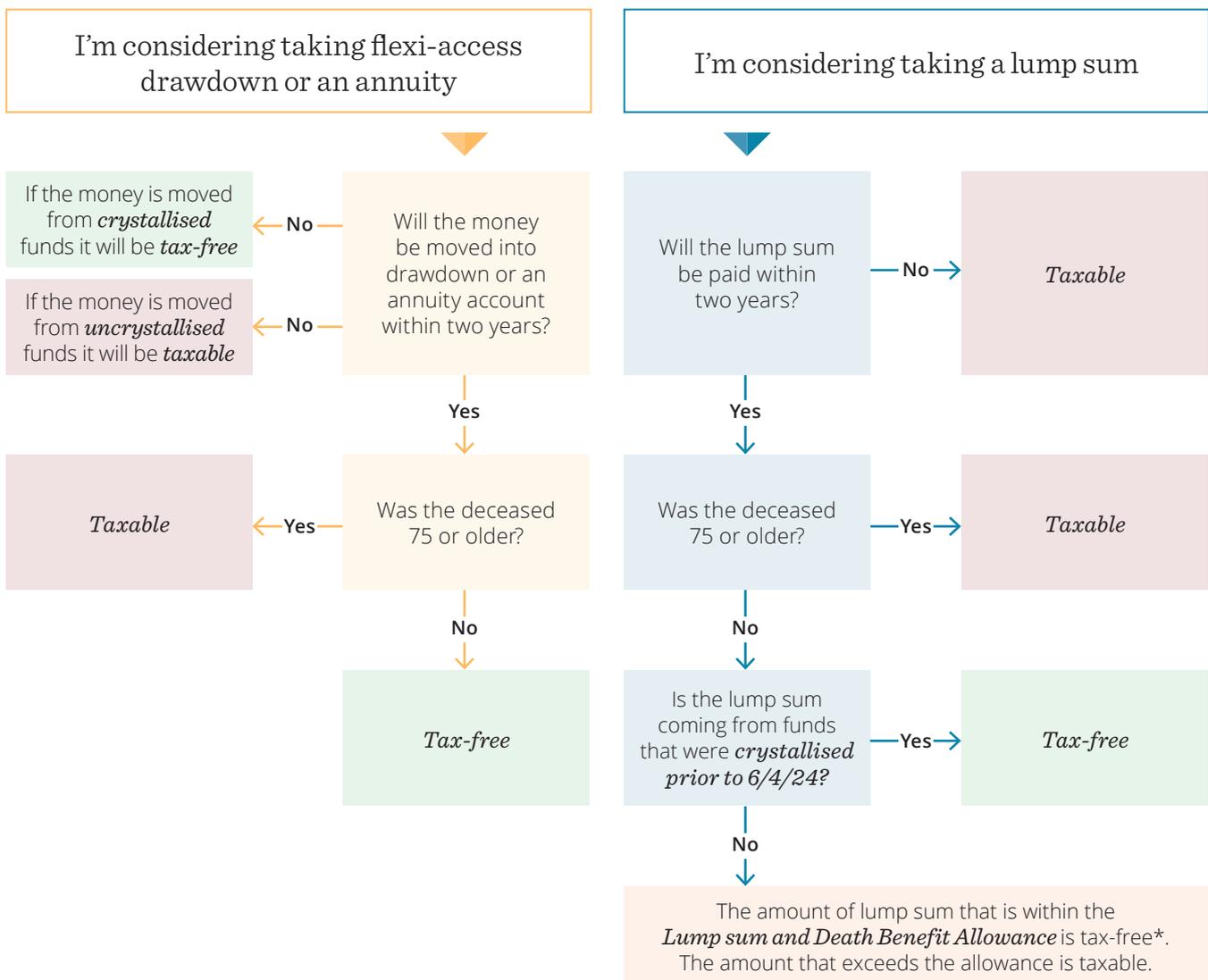


Lump sums are available to any type of beneficiary mentioned on page 4.

Will I have to pay tax?

This section explains the factors that determine if UK tax is due*.

This flow chart will help you see if an option you choose will be taxable.



An explanation of the italicized terms can be found on page 9.

*A payment to a nominated charity when there are no dependants is always tax-free.
- This is called a 'Charity lump sum death benefit'. See page 9 for further information.

This section explains the terms we use in the flowchart.

Tax-free

Any benefits that are tax-free are free of UK tax but they may be taxable if you live outside of the UK. If this applies to you, you should check with the tax authority in your country of residence whether the benefit you choose is taxable there.

Taxable

Where the option chosen is taxable, the tax due will be:

- ▶ the marginal rate (the rate you usually pay on your income) for an individual or a bare trust
- ▶ basic rate if you are a company, charity or legal representative
- ▶ the applicable trust rate, if the trust is not a bare trust

Crystallised

Once tax-free cash is withdrawn from an uncrystallised fund, the remaining 75% is termed crystallised. This portion is ring-fenced, and any withdrawals from these crystallised funds will be considered taxable income.

Uncrystallised

If funds have not been accessed they are called uncrystallised funds. This means they have never been used to take tax-free cash whilst the member was alive. Each time you access this money, you can normally take up to 25% of it tax-free.

Funds crystallised prior to 6/4/24

Funds that were crystallised before 6 April 2024 are not counted against the deceased's remaining Lump sum and death benefit allowance (see below). This is important because it could affect whether a lump sum taken is taxable or not. When we send out a bereavement pack, we will tell you the split of how much money is uncrystallised, crystallised before 6/4/24 and crystallised after 5/4/24. You can use this information along with the flow chart on page 8 to see whether the benefit option you chose will be taxable or not.

Lump sum and death benefit allowance

The lump sum and death benefit allowance is a limit on how much can be taken from the pension in tax-free lump sums during the pension owner's lifetime and by their beneficiaries after the pension owner's death. Most people have the standard allowance which is currently £1,073,100. However, it is possible to have a higher allowance – if the pension owner applied for a form of protection that enhances their allowance.

Where the beneficiaries request the death benefit as a lump sum, the proceeds from the Quilter pension will be paid out gross (meaning we won't take any tax from it). We will then send the legal representative notice of how much allowance is used up by the pension proceeds so that they can work out if these have exceeded the allowance. To work this out, the legal representative will need to find out what lump sum and death benefit allowance was used up by the deceased during their lifetime across all of their pensions.

If the lump sum and death benefit allowance has been exceeded, the legal representative will need to notify HMRC and confirm who the beneficiaries of the pension are. HMRC will then issue a request to the beneficiaries to pay income tax if any is due.

Charity lump sum death benefit

A lump sum paid to a charity nominated by the member is tax-free if there are no dependants of the member. If there are dependants then whether the lump sum is taxable or not follows the normal rules on page 8.

Note: This information is based on Quilter's interpretation of current tax rules. We recommend seeking financial advice before deciding which option to take.

What happens after Quilter is notified of a death?

This section explains the process we follow after being notified that the owner of a Collective Retirement Account has died.

1

We start the process of selling the investments in the pension.

- ▶ We will stop all instructions on the pension, including cancelling any income payments to the deceased and cancelling Direct Debits from their account.
- ▶ Because the contract with the owner of the pension ends upon death, we will sell the pension investments and this money will be placed in the pension's cash account until it can be distributed. We will add interest to the amount distributed.

2

We'll send you a pension bereavement pack which you need to complete and return.

In this pack we'll ask you to:

- ▶ send us the **death certificate**
- ▶ complete a **'Proposed Beneficiary Details' form**
Because Quilter has discretion over who the beneficiaries of the pension are, we need to assess the information we receive to establish this
- ▶ complete a **'Death Benefit Distribution Request' form.**

3

When we have the information we need, we'll let you know who the pension beneficiaries are.

- ▶ We may request further information, such as asking you to complete a death benefit distribution request form if this wasn't done as part of the previous step.
- ▶ We will contact any pension beneficiaries who haven't received financial advice to talk them through their options.

4

We pay the pension money out or make it accessible to the beneficiaries.

Depending on what the pension beneficiaries have chosen to do, as soon as we have the information we need, we will either:

- ▶ pay the pension money out as a lump sum
- ▶ give the beneficiaries access to their own accounts so they can withdraw the money as and when they choose (called a flexi-access drawdown account)
- ▶ transfer the money to a new pension or annuity provider.



Further information

Advice and guidance

We strongly recommend you seek advice from a professional financial adviser. They can discuss your needs and advise which option is the most suitable for you. However, if you don't want to seek advice you can find guidance at Pension Wise.

Pension Wise

If you want more information about your options, you are entitled to free guidance from the Government-backed organisation, Pension Wise. Although their website says you must be 50 or above to use this service, there is no minimum age for discussing your options when you are a pension beneficiary. Appointments must be booked by phone if you are under 50.



Visit www.moneyhelper.org.uk/pensionwise



Phone: **0800 138 394**

Bereavement support

The National Bereavement Service team is committed to providing comprehensive information and advice to bereaved people. They are there to help with the practical aspects of bereavement, as well as sourcing the emotional support you may need.



Visit thenbs.org



Phone: **0800 0246 121**



Alternatively, if you need any help or information, please contact us on **0808 171 2626**.

Need additional help reading documents?

More and more of our investors are using screen-reading software as a quick and easy way to read their documentation if they are blind, partially sighted, or dyslexic. Alternatively, we can write to you in several alternative formats, such as large print, braille, audio, and OpenDyslexic font.

Find out more about screen readers, accessing your documents online, and our alternative format options at www.quilter.com/document-help.

The value of investments and the income from them can go down as well as up.

You may not get back as much as you invested.

This document is based on Quilter's interpretation of the law and HM Revenue & Customs practice as at April 2024. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change.

quilter.com

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