

DEATH BENEFITS FACTSHEET:

A GUARANTEED INCOME FOR LIFE

(KNOWN AS AN ANNUITY)

There are a number of ways in which you can take the death benefits you are entitled to. One option is a beneficiary's annuity, giving you a guaranteed income for life. This factsheet explains that option.

The decision about what to do with these benefits is entirely yours, but the consequences of your decision could affect your income for the rest of your life. That's why our industry regulator, the Financial Conduct Authority (FCA), requires us to give you the information you need to help you decide whether buying an annuity is appropriate for your circumstances.

ReAssure does not provide beneficiary's annuities, but you can take the death benefits via a beneficiary's annuity supplied to you by another provider. The purpose of this factsheet is to summarise the pros and cons and where you can find further important information. You should expect your adviser or selected annuity provider to discuss this option with you in greater depth.

WHAT IS A BENEFICIARY'S ANNUITY?

A beneficiary's annuity is an insurance contract that will provide a regular income with the guarantee that the money will be paid for your lifetime. You do not need to have reached a minimum age before you begin to receive income payments from a beneficiary's annuity. The option of a beneficiary's annuity is available to beneficiaries who are dependants, and beneficiaries who had been nominated by the deceased. If there are no dependants or nominated beneficiaries, it is available to any beneficiary we nominate at our discretion. It is not available to charities or trusts.

If you choose a beneficiary's annuity, we would not be able to provide it to you. Instead, you would make arrangements with your chosen provider. We would then send the appropriate sum of money to your chosen provider, and they would later begin to make income payments to you.

WHAT ABOUT TAX?

Death before age 75

- If the beneficiary's annuity originates from pension savings that had not been accessed by the deceased, and is set up within two years following notification of death, then the payments will be free from UK income tax.
- If the total pension savings of the deceased exceed a set limit known as the 'Lifetime Allowance' (currently £1,073,100) there may be a tax charge on the excess amount. The deceased's Legal Personal Representative is responsible for reporting any excess to HMRC. You may wish to check with them to see if such a tax charge is applicable.
- If the annuity originates from pension savings that had not been accessed by the deceased but is set up outside of two years, then the payments will be subject to UK income tax, but there will be no Lifetime Allowance charge.
- If the annuity originates from pension savings that had been accessed by the deceased, then payments are paid free of UK income tax regardless of when it is set up, and there will be no Lifetime Allowance charge.

Death after age 75

- The payments from the annuity will be subject to UK income tax but there will be no Lifetime Allowance charge.

Non UK residents

- If you are subject to tax in any country outside the UK, please contact your financial adviser or a tax specialist in the country concerned, to understand whether you will be liable for tax in that other country as a result of receiving a payment from a UK pension scheme.

ADVANTAGES OF AN ANNUITY

- An annuity provides a guaranteed regular income for life and (unless it is an investment-backed annuity, the income from which can vary) it is not subject to stock-market fluctuations.
- A beneficiary's annuity will pay you for your lifetime and payments will cease on your death. Annuities are based on average life expectancy, so if you live longer than expected you will receive more in payments than the amount that was put in.
- You can choose an annuity where the income increases each year. If you have health problems or an unhealthy lifestyle (e.g. you are a smoker) you may be able to obtain a higher annuity income.
- You can shop around for the best rates from the market. Your annuity provider can explain the different annuity options which are available, and their cost.

DISADVANTAGES OF AN ANNUITY

- Buying an annuity is an irreversible decision.
- Unless you buy an inflation-adjusted annuity, you could find yourself with an income that diminishes in real terms over time.
- A beneficiary's annuity will pay you for your lifetime and payments will cease on your death. Annuities are based on average life expectancy, so if you die earlier than expected you may not get back the amount that was put in.
- Annuity income may have a detrimental effect on any means-tested state benefits you may be receiving (e.g. housing benefit or pensions credit). More information about this is available at: www.gov.uk/government/publications/pension-flexibilities-and-dwp-benefits

POSSIBLE ALTERNATIVES

- You can choose to take the death benefits in the form of a flexible income. Please refer to our leaflet 'A flexible retirement income that is not guaranteed to last for life (known as flexi-access drawdown)'. The option of a beneficiary's flexi-access drawdown is available to beneficiaries who are dependants, and beneficiaries who had been nominated by the deceased. If there are no dependants or nominated beneficiaries, it is available to any beneficiary we nominate at our discretion. It is not available to charities or trusts.
- You can request that the money is paid to you as a lump sum. Please refer to our leaflet 'Payment of a lump sum'.
- You can choose a single option, or choose a combination of the options available.

SHOPPING AROUND

- Different providers offer different beneficiary's annuity products, with different administration charges. It can pay to shop around for the product with charges that best suit the way you intend to use a beneficiary's annuity.

WHERE TO GO FOR ADVICE AND GUIDANCE

- Because the decisions you make now will influence your retirement income for the rest of your life, we recommend that you discuss your plans with your financial adviser. If you do not have a financial adviser you can find one at www.reassure.co.uk/find-an-adviser.
- At the very least you should take advantage of the Government's free Pension Wise guidance service from MoneyHelper. You can find more information about this service on their website www.moneyhelper.org.uk/pensionwise or phone 0800 138 3944.

FORMS REQUIRED TO PROCEED WITH THIS OPTION

The following documents need to be sent to us for you to proceed with buying a beneficiary's annuity.

- Death benefit instruction form (with option B selected) signed confirming that you have read and understood this factsheet.
- A letter from your chosen annuity provider to confirm that they are able to accept payment of the death benefit with confirmation of their reference number, bank details etc.

The decision is yours: This factsheet is designed to help you decide whether a regular income guaranteed to be paid for life (**an annuity**) is appropriate to your personal circumstances and is your best course of action. It is not intended to provide you with advice as to the action you should be taking.

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