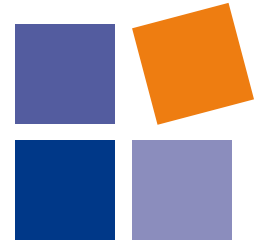


Trust Alliance

WILLS & TRUSTS



# THE PENSION DEATH BENEFITS TRUST

A WORKBOOK TO EXPLAIN THE BEST WAY OF PROTECTING  
YOUR PENSION FUND FOR GENERATIONS AHEAD

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PROTECTING YOUR WEALTH FOR MANY GENERATIONS, NOT JUST ONE LIFETIME.

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# Death in service...

## What does it mean to you?



- Death in service will pay out a lump sum if you die whilst employed by a company that provides this benefit as part of your overall employment package
- Death in service is a scheme normally offered free of charge as part of the benefit package from your employer
- If you leave the company and don't have alternative cover, **your family could be at risk**
- Death in service is normally two to four times your annual salary
- Schemes are often set up under a **discretionary trust, this means you cannot be assured who will receive the benefits** in the event of your death
- You cannot assign your benefits to cover your mortgage



You need to plan ahead for your family's protection. By putting a few simple steps in place you can protect your payout from the following dangers.

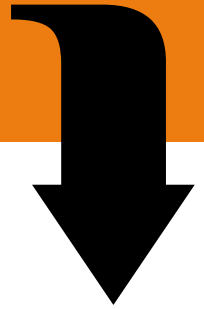
**Read on to see what you need to do...**

# THE PENSION DEATH BENEFITS TRUST

- We can safeguard your pension payout and protect your family's wealth from **Inheritance Tax**
- We can show you how we can provide protection against **Long-Term Care**
- We will also protect your wealth from **Remarriage after your Death**
- We will also protect your pension payout from **Creditors or Bankruptcy**

# Let us explain:

EXAMPLE



**Married couple  
Mr & Mrs Smith.**

**Mr Smith** is employed by a company that provides death in service benefits as part of his overall employment package.



Sadly **Mr Smith** dies whilst still employed. The pension fund now passes to **Mrs Smith**.

## Mrs Smith is now susceptible to:



- Inheritance Tax
- Remarriage After Death
- Divorce After Death
- Long-Term Care Costs
- No Bloodline Protection

### **Inheritance Tax**

Whilst there is unlikely to be Inheritance Tax (IHT) when the pension fund passes to Mrs Smith, it will now become part of her own estate. If she dies, 40% of that whole fund could be taken in IHT depending on her circumstances. The funds would then add to her children's estate and could be taxed again at 40% when they die and pass these original funds to their children. This is known as Generational IHT.

### **Remarriage After Death**

If Mrs Smith subsequently remarries and is then the first to die of that partnership, the fund could pass to her husband and his family. A lack of informed planning could mean that her children lose out.

### **Divorce After Death**

Alternatively, that new marriage might simply not work out. In that case a part of her pension fund could be taken as a divorce settlement.

### **Long-Term Care Costs**

If Mrs Smith needs care, the Local Authority can take the fund and use it to pay for the cost of care. The average annual cost of care in England and Wales is estimated at £33,000. This can very quickly reduce, or even wipe out altogether, the fund she has built up.

### **No Bloodline Protection**

On the eventual death of Mrs Smith the assets will pass directly to her children. If her children are subject to divorce proceedings then half of what she intended them to receive is at risk to any future divorce settlements. Similarly, if her children are subject to creditor claims or bankruptcy the entire amount is fully at risk.

## What **Mr Smith** needs to do is create a **PENSION DEATH BENEFITS TRUST**



- ✓ **Making Mrs Smith a TRUSTEE**
- ✓ **Making Mrs Smith a BENEFICIARY**

- ✓ No need to worry about **Inheritance Tax**
- ✓ No need to worry about **Remarriage After Death**
- ✓ No need to worry about **Divorce After Death**
- ✓ No need to worry about **Long-Term Care**
- ✓ No need to worry about **Bloodline Protection**

### THE PENSION DEATH BENEFITS TRUST

On Mr Smith's death instead of passing the pension fund directly across to his wife, Mr Smith has arranged for it to go into a **Pension Death Benefits Trust**. This will only happen if Mr Smith dies before drawing his pension.

This will nominate Mrs Smith as a Trustee (controlling the assets) and she will also be a beneficiary (having access to the funds). She will be able to treat the money as her own. Nevertheless the protection of the Trust, if used correctly, **will make all those dangers disappear**.

# The Client Journey



**1 Initial Consultation**  
Establishing our working relationship and analysing your current financial situation including your dangers, opportunities and strengths.

**3 Implementation**  
Signing and completing all relevant documentation.

**2 Presentation**  
Providing the solutions to help solve the issues outlined in the initial consultation.

**4 Review**  
Setting a blueprint for future reviews.

