

CASE STUDY

NO EXPRESSION OF WISHES

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With no expression of wishes in place, a bereaved partner is left at risk of not being able to set up a beneficiary's drawdown account with her inherited benefits.

The Challenges

When Arnold set up his SIPP, he left the expression of wishes section blank as he wasn't sure who to nominate. Arnold and his wife had been discussing separation for a while; he didn't want to name her, only to have to change his nomination again soon afterwards. The couple did not have any children.

By the time Arnold and his wife separated a year later, he had forgotten about completing the expression of wishes. He also didn't think about it when he began a new relationship with Laura.

When Arnold died four years later, age 60, he and Laura had been living together for three years. Arnold hadn't spoken to his estranged wife for years, although they had never divorced.

Laura contacts Arnold's SIPP provider to inform them of his death.

The Actions

The SIPP provider can see that Arnold did not complete an expression of wishes; therefore they must start from scratch to use their discretion to decide how to distribute the death benefit.

Laura explains Arnold's situation with his estranged wife and confirms that he didn't have any other close family members. The provider is also able to contact Arnold's estranged wife, who verifies the information supplied by Laura and

confirms that she does not want to be considered as a beneficiary and is financially comfortable. The SIPP provider decides that Laura is the most appropriate beneficiary for the pension.

Laura's close friend recently inherited a pension, and she remembers that there were three options available. Laura isn't interested in purchasing an annuity as she has other sources of guaranteed income and is concerned that her outgoings could fluctuate while she adjusts to her new situation. She doesn't want a lump sum as she has no immediate need for the entire amount. Laura would like to set up a beneficiary's drawdown account. She knows this will give her flexibility over the amount of income to draw, keep the funds out of her estate for inheritance tax purposes and potentially enable her to pass any remaining funds to her nephews on her death.

However, when Laura contacts the SIPP provider they explain that this might not be possible, and that Laura might only be able to receive a lump sum. Without an expression of wishes in place, the provider's ability to offer drawdown is limited by the legislation, which states that:

- If there are no surviving dependants, the provider can offer drawdown to any beneficiary
- If there are surviving dependants, only the dependants will have the option of drawdown (other beneficiaries can only receive a lump sum).

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As Arnold was still legally married, his estranged wife is still classed as a dependant.

The provider asks Laura for more information about her situation with Arnold. The provider explains that if Laura can demonstrate that she was financially dependent on Arnold, or that their finances were mutually dependent, she could also be classed as a dependant and could therefore have the option of drawdown.

The Results

Luckily, Laura is easily able to provide evidence to the SIPP provider that her finances were mutually dependent on Arnold's, and she is able to open a beneficiary's drawdown account.

Laura recognises that if hers and Arnold's situation had been different, she would have had no option but to take the death benefits as a lump sum, and much of the money could have been lost to inheritance tax when she died. Laura has a few friends whose circumstances are similar, and she urges them to complete their expressions of wishes so that they don't end up in the same situation.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

Contact Details

If you'd like to speak to us about anything in this case study, please contact us on:

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