CURTIS BANKS

CASE STUDY

NAMING ALL POSSIBLE BENEFICIARIES

APPROVED FOR CLIENT USE | APRIL 2024

A small difference between two clients' expressions of wishes makes all the difference when it comes to the choices available for their beneficiaries.

The Challenges

Solomon has two clients, Warren and Rishita, who both recently passed away.

Warren was married with no children. His only other family members were his sister and a cousin with a severe medical condition, to whom Warren was a full-time carer. Warren held a SIPP which named his spouse as his only beneficiary.

Remarkably, Rishita's circumstances were identical to Warren's. The only difference is that Rishita completed her expression of wishes more recently after opening a Your Future SIPP with Curtis Banks, and the form featured a declaration statement which Solomon had not seen before. It stated that along with the named beneficiaries on the form, Rishita was also nominating everyone who would be eligible to receive death benefits under the scheme rules. Solomon had not had a chance to investigate what this meant in practice before Rishita's death.

Solomon is now gathering information to help his clients' SIPP administrators decide how to pay out the death benefits in each case.

The Actions

First of all, Solomon speaks to the clients' spouses. Both confirm with Solomon that they are inheriting funds from their deceased spouses' estates and are comfortably wealthy in their own rights.

Neither particularly wants or needs the death benefits from the SIPPs. They both ask Solomon if it's possible for the SIPP administrators to consider paying the funds elsewhere.

Solomon confirms to both spouses that they aren't obliged to take the death benefits, and he can confirm their decisions to the SIPP providers. Each spouse tells Solomon that they strongly feel that some of the death benefits should go to their deceased spouses' cousins, and they also think that the sisters in each case will be expecting to receive some of the funds, which they would also happily support.

Solomon contacts each client's sister. They were both under the impression that they were due to receive some of the death benefits from the SIPPs and would still like to be considered. Each confirms that they also expected their cousin to receive some of the funds.

Solomon relays all of this information to Warren and Rishita's SIPP administrators. Both decide not to follow the expressions of wishes and to split the death benefits equally between their customer's cousin and sister.

Warren's administrator provides Solomon with the options available for each beneficiary. Warren's cousin, who is classed as a dependant, will have the option to receive a lump sum or open a beneficiary's drawdown account.

Warren’s sister, however, will only be able to receive a lump sum. The administrator explains that as Warren’s sister wasn’t named on the expression of wishes and there are surviving dependants (Warren’s cousin and spouse), they cannot offer her the option of drawdown.

Solomon then contacts Curtis Banks, expecting to be told the same thing about Rishita’s beneficiaries’ options. However, the Curtis Banks representative says that Rishita’s cousin and sister will both be able to have drawdown. Solomon questions this, wondering why the two cases are different.

The Curtis Banks representative confirms that it is due to the declaration statement which Solomon had noticed previously. In practice, it means that any beneficiary the administrator chooses has been nominated by the scheme member, even if they weren’t named in the main body of the expression of wishes. That means that anyone the administrator chooses as a beneficiary can have the option of drawdown, as they have been named on the expression of wishes.

The Results

Although Warren and Rishita’s circumstances appeared to be the same, the small difference between their expressions of wishes means that Warren’s sister can only take a lump sum death benefit, missing out on the flexibility and potential tax advantages of beneficiaries’ drawdown.

Solomon makes a note to review the expression of wishes in place for his other clients. Although he knows that not all administrators will have forms with declarations like Curtis Banks, he wants to check which providers would allow his clients to submit a written expression of wishes to the same effect. For Solomon, this case has highlighted the need to make sure that an expression of wishes allows beneficiaries to have all options available to them in the event of unforeseen circumstances.

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:

T 0370 414 7000

We may record and monitor calls. Call charges will vary.

E enquiries@curtisbanks.co.uk

Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.