



Keeping it Brief

Death Benefits

This explains how your defined contribution (money purchase) pension pot can be paid out on death.

When you die, your pension pot does not die with you but, depending on the choices you have made, the way it is paid out can differ and, most importantly, you can nominate who should receive it.

What happens to my pension pot when I die?

This depends on your age when you die and whether you have accessed your pension pot.

	Before age 75	Aged 75 or over
Before accessing your pension pot	<p>Your entire pot will be paid to your beneficiaries who can take a tax-free income from it, or it can be paid as a tax-free lump sum. This may depend on you having enough unused Lump Sum and Death Benefit Allowance (LSDBA). The LSDBA is £1,073,100.</p> <p>Any payments made to your beneficiaries in excess of the LSDBA may be taxed at their marginal rate of income tax.</p>	<p>Your entire pot will be paid to your beneficiaries who can draw an income from it, or it can be paid as a lump sum. All payments made to your beneficiaries will be taxed at their marginal rate of income tax.</p>
After accessing your pension pot	<p>Payments made to your beneficiaries will normally be free of income tax.</p>	<p>Payments made to your beneficiaries will be taxed at their marginal rate of income tax.</p>

If you have accessed your pension pot, what is paid out will depend upon whether you purchased an annuity or are taking income directly from the pension pot.

From April 2027, most pension savings will be included in the value of your estate to work out if inheritance tax is payable, unless they are paid to a surviving spouse/civil partner or registered charity. Please see our '**Keeping it Brief... IHT and your pension**' for more information.

The Lump Sum and Death Benefit Allowance

The LSDBA commenced on 6 April 2024 and is the maximum amount of tax-free lump sum benefit that can be paid on death before age 75. Any tax-free lump sums that an individual has already taken from their pensions are deducted from the LSDBA. There are certain other payments that also count towards this limit such as serious ill health lump sums.

Prior to the introduction of the LSDBA, pension benefits were tested against the Lifetime Allowance (LTA), which was removed from 6 April 2024. Pension savers have previously been able to protect pension benefits in excess of the LTA from any tax charges by applying for protection through HM Revenue & Customs (HMRC). With the introduction of the LSDBA, these protections are still recognised and anyone with a protected amount that is higher than the LSDBA will be entitled to the higher amount. You should seek financial advice to understand how this impacts you.

Nominating a beneficiary

A nomination form or an 'expression of wish' allows you to say who you wish to be considered as a beneficiary of any pension benefits on your death. This can be family, friend, charity, or a trust.

You should complete one for each pension pot you have and update if your circumstances or wishes change.

It's also important to be aware that, although they will take your wishes into account, the provider or trustees of your pension pot have the discretion to choose who should receive any benefits payable. This discretion enables payments to be made outside of your estate and so free of inheritance tax. This will no longer be the case for most pension savings when the changes outlined above come into force from April 2027.

If you have not nominated any beneficiaries to be considered and have no surviving spouse or other dependants, payment of your fund could be made to an unintended recipient or to your estate, which could result in it being subject to an inheritance tax charge.

If you are unsure whether you have completed a nomination, you can contact your pension provider to check or simply complete a new one. The forms can usually be obtained on pension provider websites or by contacting the provider or scheme administrator.

Some pension schemes allow a binding nomination. This removes the scheme trustees'/administrator's discretion, and the lump sum will be paid as instructed. However, this would usually mean that the benefits paid would form part of your estate for inheritance tax purposes. If there is more than one option form to complete with your provider, make sure to check you are completing the right one for you.

Most binding nominations can still be revoked by the scheme member if circumstances change.

More information on pension death benefits can be found here:

www.moneyhelper.org.uk/en/pensions-and-retirement/pension-problems/pensions-after-death

Please note:

This briefing note gives an overview only; it does not provide specific advice. It is based on our understanding of tax regulations for the 2026/27.

The tax treatment of pensions in general will be based on individual circumstances, tax legislation and regulation which may change in future.