Emily McAlister <emilym@pensionpractitioner.com>

Rutherford Pension Plan

1 message

Gavin <gavinm@pensionpractitioner.com> 17 March 2021 at 20:20
To: rosi.cullen@btinternet.com
Cc: Emily McAlister <emilym@pensionpractitioner.com>

Hi Rosi,
It was nice to catch up with you last week. As promised, I confirm the following.

I enclose the nomination of beneficiary we have on file, which is not binding but does confirm the intention at the time. Ultimately, it is for you to decide on how to distribute the fund. In respect of the distribution of death benefits, it may be helpful if I explain how the rules work under your pension fund which is slightly more flexibile than private pensions.

HMRC tax rules state that the administrator i.e. you "*has 2 years to distribute funds tax free in respect of those funds in the scheme which are classified as drawdown pension lump sum death benefit*" . This basically means it is the balance of the fund that was left over after Neil's passing where he was in receipt of drawdown benefits.

We technically have until this summer to make this payment to avoid income tax on the distribution down the line, however we flexibility as Neil was the trustee registered administrator, and your appointment as the replacement could not have been completed until the end of last year, given system delays with HMRC. We therefore have some flexibility on timescales but we do need to attend to this. I had hoped to cover this off after 5 April when I complete the accounts for the fund and wanted to get together but we might have to do this via phone and email.

As things stand, all of the death benefit fund, including the property and cash can be transferred to you tax free or paid in parts to Jane and Claire in whatever proportions you decide. The payments to Jane and Claire of £50,000 each could be paid straight away tax free.

You could also simply move the Rutherford Pension Plan from it's present status as a pension fund into a family trust under the same scheme name with the beneficiaries remaining the same. You would have oversight as you have at present and it would sit outside of the estate for IHT purposes. We would need to consider stamp duty etc.. on the transfer but it would keep the fund intact and allow capital lump sums at the point of transfer to be paid out free of tax. There are some tax rules around this that need to be worked through in respect of future investment income, and whilst a family trust would not provide you with the full tax on income and gain exemptions which HMRC allow under pension fund rules, it is quite tax efficient for you and does avoid the IHT issue as I said.

I guess the decision that needs to be made is whether you want us to do the work on this or use the financial planner. My private thoughts are that this is pension tax exercise as opposed to one of investment advice (which is presently provided by Brewins) and it would be fairly straightforward to organise this for you as a conversion from a pension fund into a family trust, which we administer for a number of clients who have sadly gone through the same thing as you.

Please let me know your thoughts on how you wish to proceed.
Kind regards
Gavin

Pension Practitioner

T: 0800 634 4862
F: 020 8906 6611

Administration Centre: Venture Wales, Pentrebach. Merthyr Tydfil. CF48 4DR
Pension Practitioner is a tradestyle of The Practitioners Partnership LP
Registered Number: 00159
Registered Office: 1st Floor, World Trade Centre, Baytree Road, Gibraltar GX11 1AA

photo print.pdf
104K