

It can be really important to know what happens to your pension when you die.

What is paid to your beneficiaries or loved ones depends on which retirement option you choose when taking your pension pot.

What if I drawdown from my pot?

If your pension pot is in drawdown, this means your pension pot is still invested and you can take lump sums or income from it when you need, until your money runs out or you choose another option. You decide when and how much to take out.

If you die while drawing money from your pot, whatever is left will pass on to your dependents. This is usually tax-free if you die before age 75.

If you die after your 75th birthday your beneficiaries will need to pay income tax on any pensions you leave behind. This will be charged at their marginal rate of income tax.

What if I buy an annuity?

When you come to take your pension pot, you can exchange this for a guaranteed income for life, called an annuity.

You should check carefully what happens when you die after buying an annuity. At the time you buy an annuity, you will need to decide what passes to your dependents when you die. You cannot decide this later in life.

You will have the option of a survivor's pension. This means your pension will continue to your husband, wife or civil partner after you die. You can pick the rate that it continues at.

You will also have the option of a guarantee period. If you die within this period, the remaining amount for that period is paid as a lump sum.

If you die before age 75, the annuity is usually passed on tax-free. If you die after your 75th birthday your beneficiaries will need to pay income tax on any pensions you leave behind. This will be charged at their marginal rate of income tax.

What if I take my pot as cash?

If you take your whole pot as cash, we pay this directly into your bank account. After this, it is up to you to decide how to use this money. What is left for your loved ones will depend on how you use this.

If there is any money left when you die, this will be considered as part of your Estate and there might be inheritance tax due.