For UK financial adviser use only

Protected Retirement Plan

Death Benefits Guide
Customer Version

In this guide

Please note this guide is for the standalone version of our Protected Retirement Plan. There are different death benefits, using different terminology, that apply to our trustee version of the plan.

Overview

The LV= Protected Retirement Plan (PRP) can be set up in two ways:

1. As an investment by the Trustees of a Self Invested Personal Pension (SIPP), or
2. directly by an individual (a 'customer').

This document details death and survivor benefits available if the policy is set up directly by an individual ("Customer Version"). Your client can select from a range of death benefit options to protect their investment as well as providing death benefits for a:

- Surviving spouse, or
- Civil partner or
- Beneficiary

Who is named in the policy schedule at outset.

When setting up the plan, it's important to consider adding one or more death benefit options.

The plan will stop on the member's death with nothing further payable, unless a death benefit option is included at outset.

Details of the available death benefits, together with information showing how and when they become payable, are explained in this guide.

The guide should be read in conjunction with the Key Features and Plan Conditions documents.

Please note:

All references to taxation contained within this guide are based on our understanding of current legislation and HM Revenue & Customs practice, which can change.

Death benefit options available

At the outset of the plan it's possible to choose from one or more of the following options:

- No death benefit
- Guarantee period
- Value protection
- Beneficiary's income option. This is a drawdown pension for a beneficiary named in the policy schedule.

Death benefits are paid according to the death benefit rules relating to drawdown pension funds.

Please note:

The trustees version of our Protected Retirement Plan has different death benefits, where Plan Protection replaces the beneficiary's income and guaranteed period options covered in this guide. For details of Plan Protection, please refer to the Trustees version of the Death Benefits guide.

Options at a glance

The following table provides more detail of the death benefit options available that can be chosen at outset:

- Beneficiary's income
- Value protection
- Guarantee period

Beneficiary's income	Value protection	Guarantee period
When setting up the plan, your client can select to provide their beneficiary with a drawdown pension if they die before the plan's maturity date. The beneficiary must be named in the policy schedule and aged 40 or over when the plan is set up. In this guide we refer to plans with a beneficiary's income selected as "joint life", and those without as "single life".	Value Protection provides the option to protect up to 100% of the original investment in the PRP on death of the member before the plan's maturity date.	This provides the option to protect the income from the plan for a set period of time (1-10 years or to the end of the PRP term).

If your client chooses to provide a beneficiary's income it's possible for them to choose both:

- Beneficiary's income and a guarantee period, or
- Beneficiary's income and value protection.

It's not possible to have both a guarantee period and value protection on the same plan.

For any death benefits paid as income, if the member was aged under 75 at date of death the income will be tax free. If they were aged 75 or over, the beneficiary will pay income tax at their marginal rate, where applicable. For any lump sum death benefit, if the member was aged under 75 at date of death the income will be tax free. If they were aged 75 or over, the lump sum payable will be taxed at the beneficiary's income tax rate.

Death of a member

The following flowcharts show what would become payable and when depending on which death benefits have been included in a Protected Retirement Plan.

Flowchart 1:
No death benefit selected

PRP set up

No death benefit selected at outset

↓

Member dies before maturity date

↓

No death benefits payable under the plan

Please note:
Although no death benefits have been selected, any "excess income" (see "Definitions" section of the "PRP Plan Conditions – Capped Drawdown") will be paid in the same way as value protection – see Flowchart 4.

Flowchart 2:
Value protection only selected ("single life")

PRP set up with value protection (selected proportion (up to 100%) of initial investment less amount of gross income withdrawn) selected at outset

↓

Member dies before maturity date

↓

LV= have discretion as to who they'll pay the value to and it can be paid as a lump sum

Instead of receiving a lump sum, the proceeds can potentially be used to secure:

an annuity, or a drawdown product (from LV= or another provider)

Please note:
Any "excess income" (see "Definitions" section of the "PRP Plan Conditions – Capped Drawdown") in respect of the member will form part of the death benefits.

Flowchart 3:

Guarantee period only selected ("single life")

PRP set up with a guarantee period selected at outset

Guarantee can be selected for:

- any period in whole years up to 10 years, or
- to the PRP maturity date

↓

Member dies before maturity date

↓

Has the guarantee period ended?

↓ No

LV= have discretion as to who they'll pay the remaining guaranteed income to as a lump sum

Instead of receiving a lump sum, the proceeds can potentially be used to secure: an annuity, or a drawdown product (from LV= or another provider)

↓ Yes

No further benefits payable under the plan

Please note:

Any "excess income" (see "Definitions" section of the "PRP Plan Conditions – Capped Drawdown") in respect of the member will form part of the death benefits.

Flowchart 4:

Beneficiary's income only selected ("joint life")

PRP set up with a beneficiary's % (i.e. amount specified between 1% and 100% of member's income) selected at outset

Member dies before maturity date

Is the named beneficiary alive and still eligible?

No

No further benefits payable under the plan

Yes

Beneficiary's % is payable to the earlier of: Beneficiary's death, or PRP maturity date

If the beneficiary survives until the PRP maturity date the beneficiary's %* of the maturity value is paid. The beneficiary can use the maturity value to provide them with income benefits (drawdown or annuity)

*% used for maturity value is the same as the % used for income

Beneficiary dies before maturity date

Income from beneficiary's % ceases. No further benefits payable under the plan

Please note:

Any "excess income" (see "Definitions" section of the "PRP Plan Conditions – Capped Drawdown") in respect of the member will form part of the death benefits.

Flowchart 5:

Value protection and beneficiary's income selected ("joint life")

PRP set up with:

Value protection (VP - selected proportion (up to 100%) of initial investment, less amount of gross income withdrawn)

Plus, Beneficiary's % (i.e. amount specified between 1% and 100% of member's income) selected at outset

↓

Member dies before maturity date

↓

Is the named beneficiary alive and still eligible?

No ↓

VP becomes payable

Treat as "single life" (see flowchart 2)

↓

Beneficiary survives until the maturity date

↓

If the beneficiary survives until the PRP maturity date the beneficiary's %* of the maturity value is paid

The beneficiary can use the maturity value to provide them with income benefits (drawdown or annuity)

*% used for maturity value is the same as the % used for income

Yes ↓

Beneficiary's % is payable first

Beneficiary's % is payable to the earlier of: Beneficiary's death, or PRP maturity date

↓

Beneficiary dies before maturity date

↓

VP becomes payable

Lump sum (selected proportion of initial investment, less amount of gross income withdrawn by the member and the beneficiary) becomes payable at the discretion of LV=

Any death benefit nomination by the beneficiary will be taken into account, as well as any charity lump sum death benefit nomination made by the member before they died

Instead of receiving a lump sum, the new beneficiary can potentially secure: an annuity, or a drawdown product (from LV= or another provider)

Please note:

Any "excess income" (see "Definitions" section of the "PRP Plan Conditions – Capped Drawdown") in respect of the member will form part of the death benefits.

Flowchart 6:

Guarantee period and beneficiary's income selected ("joint life")

PRP set up with: Guarantee period (can be for: any period in whole years up to 10 years, or to the PRP maturity date)

Plus, Beneficiary's % (i.e. amount specified between 1% and 100% of member's income) selected at outset

Member dies before maturity date

Is the named beneficiary alive and still an eligible beneficiary?

No

Guarantee becomes payable

Treat as"single life"(see flowchart 3)

Yes

Member's income will continue to be paid until the end of the guarantee period (which could be the full PRP term)

Beneficiary's income % is payable after the guarantee period ends

Beneficiary's % is payable to the earlier of: Beneficiary's death, or PRP maturity date

Beneficiary survives until the maturity date

If the beneficiary survives until the PRP maturity date the beneficiary's %* of the maturity value is paid. The beneficiary can use the maturity value to provide them with income benefits (drawdown or annuity)

*% used for maturity value is the same as the % used for income

Beneficiary dies before maturity date

Has the guarantee period ended?

Yes

Income from beneficiary's % ceases. No further benefits payable

No

LV= have discretion as to who they'll pay the value to and it can be paid as a lump sum

Any death benefit nomination by the beneficiary will be taken into account, as well as any charity lump sum death Benefit nomination made by the member before they died

Instead of receiving a lump sum the original member can potentially secure:

- an annuity, or
- a drawdown product (from LV= or another provider)

Please note:

Any "excess income" (see "Definitions" section of the "PRP Plan Conditions – Capped Drawdown") in respect of the member will form part of the death benefits.

Flowchart 7:

Value protection only applied as standard ("single life")
(after 5 April 2012 – former protected rights funds put into payment before 6 April 2012)

100% value protection always included (initial investment less amount of gross income withdrawn)

Member dies before maturity date

Value protection becomes payable Lump sum (initial investment less amount of gross income withdrawn)

Is there a surviving spouse or civil partner at the date of the member's death?

No

Did the member make a death benefit nomination before they died?

No

Lump sum paid to the member's estate

Yes

Lump sum will be paid to the member's nominated beneficiary. LV= have no discretion

Instead of receiving a lump sum a beneficiary can choose to secure:
an annuity, or
a drawdown product from LV= or another provider of their choice

Yes

Beneficiary can choose to secure:
a beneficiary's annuity, or
drawdown product from LV= or another provider of their choice) with the lump sum

Instead of securing income using an annuity or beneficiary's drawdown pension, the beneficiary can choose to receive a lump sum*

*Requirement for the beneficiary to take only income benefits was removed where the member died on or after 6 April 2012

Please note:
Any "excess income" (see "Definitions" section of the "PRP Plan Conditions – Capped Drawdown") in respect of the member will form part of the death benefits.

Flowchart 8:

Value protection and beneficiary's income selected ("joint life")
(after 5 April 2012 – former protected rights funds put into payment before 6 April 2012)

100% Value protection always included (initial investment less amount of gross income withdrawn)

Plus, PRP set up with: Beneficiary's % selected by the member at outset (always 100% of member's income)

Member dies before maturity date

Is the named beneficiary alive and still an eligible dependant?

No

VP becomes payable. Treat as "single life" (see flowchart 7)

Yes

Beneficiary's % is payable first

Beneficiary's % is payable to the earlier of: Beneficiary's death, or PRP maturity date

Beneficiary survives until the maturity date

If the beneficiary survives until the PRP maturity date 100% of the maturity value is paid. The beneficiary can use the maturity value to provide them with income benefits (drawdown or annuity)

Beneficiary dies before maturity date

VP becomes payable

Lump sum (100% of initial investment, less amount of gross income withdrawn by the member and the beneficiary) becomes payable

Yes

Lump sum will be paid to the nominated beneficiary. LV=have no discretion

No

Lump sum paid to the beneficiary's estate

Please note:
Any "excess income" (see "Definitions" section of the "PRP Plan Conditions – Capped Drawdown") in respect of the member will form part of the death benefits.

For more information, call the LV= Retirement Desk

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For Textphone dial 18001 first.

You can get this and other documents from us in Braille or large print by contacting us.

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