

Death benefits, dependants, beneficiaries and tax

What is my death benefit?

In the event of your death, Equisuper will pay your death benefit to your beneficiaries. Your death benefit will depend on the type of superannuation account you have with us. For example, if you are an accumulation member with insurance, the benefit payable will be the sum of the insurance cover plus your superannuation account balance, less any applicable taxes and surcharges. For defined benefit members, we pay the death benefit defined in the Fund Rules, plus any extra top-up cover you may have chosen to take out, less any applicable taxes. For pensioners, the benefit will depend on the type of pension and its taxable components (discussed below).

How does Equisuper decide who gets your death benefit?

Essentially, your death benefit must be paid to either your dependant/s (see below) or your estate or (Legal Personal Representative (LPR)). Collectively, these are known as beneficiaries.

Defining dependants

A dependant for superannuation purposes is defined as:

- > Your spouse (including a person who is legally married to you or a person with whom you live on a genuine domestic basis as a couple (includes same-sex couples);
- > Your child, or children (of any age including natural, adopted, step, ex-nuptial children or children of your spouse);
- > A person who is either wholly or partially financially dependent on you; or
- > A person with whom you have an interdependency relationship. (Where an interdependency relationship is deemed to exist varies widely, but may include elderly siblings who live together or perhaps an adult child living with, and caring for, an elderly parent).

If you do not have any dependants, your benefit may be paid to your estate (or LPR). Special arrangements may apply for beneficiaries who are under the legal age of 18 years or who cannot manage their own affairs.

Nominating beneficiaries

Nominating beneficiaries is not compulsory, however, if you do so it will assist us to identify any dependants or the LPR who should receive all or part of your death benefit. There are two ways you can advise us of your beneficiary (or beneficiaries) nomination.

Preferred nomination:

- > You can make a preferred nomination of beneficiaries in your membership application when you first join Equisuper, or by completing the *Nomination of Preferred Beneficiaries* form. This type of nomination means that Equisuper will take your decision into account when determining to whom your death benefit should be paid. Equisuper would generally tend to follow your nomination unless the payment would be illegal, or if your nomination was unfair or unreasonable in relation to other dependants. The combination of nominating your beneficiaries and keeping an up-to-date Will are important tools in the processing of your death benefit payment.

Binding nomination:

- > You can complete a *Binding Death Benefit Nomination* form. This means that Equisuper is bound to follow your nomination/s unless the form or nomination/s made are invalid. Generally, you can nominate dependants for superannuation purposes (as defined above), or your estate. If the *Binding Death Benefit Nomination* form is invalid, we have to act as if you did not nominate any beneficiaries. We will have discretion to pay your benefit to any of your dependants in any proportions as we may determine, or to your estate. A binding death benefit nomination may be invalid if:
 - > The percentage allocation of the benefit does not add up to 100%;
 - > The form has been incorrectly witnessed;
 - > The form has been incorrectly signed and dated;
 - > One or more beneficiaries nominated are not your dependants or estate;
 - > The nomination form has expired and has not been renewed. (A *Binding Death Benefit Nomination* form is valid for three years from the date it is signed and must be renewed to remain valid); or
 - > The nomination form has been revoked (or cancelled) and a new binding nomination has not been made.

This brochure is for general information only. It has been prepared without taking into account your personal objectives, financial situation or needs. You should consider whether this information is appropriate to your personal circumstances before acting on it and, if necessary, seek professional financial advice. If you are considering investing in the Equisuper Superannuation Fund ABN 33 813 823 017, you should read the appropriate Equisuper Product Disclosure Statement (PDS) before making an investment decision. You can obtain a PDS via our website or by contacting the Helpline.

The taxation information included in this brochure is a general guide only. As taxation laws are complex and individual circumstances vary, you should seek individual taxation advice from a qualified advisor.

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Contact our Helpline on: **1800 682 626** | Visit our website at: **equisuper.com.au**
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When is a nomination of beneficiaries not necessary?

You may not need to nominate beneficiaries if it is already documented as to who will receive your death benefit. This may be in circumstances where:

- > You are a member of a superannuation plan where the rules already state that a pension will be paid to your spouse or other dependant; or
- > You have an Account Based Pension or Transition to Retirement Pension and have nominated a reversionary beneficiary.

You should review your current arrangements to ensure you understand what will happen in your circumstances, particularly if you are subject to any Family Law considerations.

What tax is payable on death benefits?

Assuming you have provided your Tax File Number (TFN), death benefits may receive favourable tax treatment, depending on who receives the benefit and how it is paid.

Lump Sum payments

Dependants for tax purposes pay no tax on lump sum payments. Tax dependants are slightly different to dependants for superannuation purposes. Dependants for tax purposes include:

- > A legal spouse or de facto (including same-sex partners as described on page 1);
- > A former spouse or de facto;
- > Children (as described on page 1) under 18 years;
- > Any person who is financially dependent on you; or
- > Any person with whom you have an interdependency relationship.

Non-tax dependants (i.e. any person who is not a tax dependant, particularly independent adult children) will have their benefit split into tax-free and taxable components. The taxable component will be taxed at 15% plus the Medicare levy, assuming there is no insurance included in the payment.

Pensions (lifetime and Account Based Pensions)

Dependants may receive a death benefit as a pension in one of two ways:

- > You may have nominated the person as a reversionary pensioner, to continue to receive your pension; or
- > Your death benefit may be paid from us as a pension.

Dependants in relation to pensions also include:

- > children between the ages of 18 to 25 who are financially dependent; or
- > a child aged 18 or over who is permanently disabled as defined in legislation.

A pension benefit will consist of a tax-free component and a taxable component, which we calculate before the benefit is paid. PAYG tax may then be withheld from the taxable component before the income is paid, according to the following rules:

- > If you were over age 60 at the time of death, or your dependant is over age 60, the full income payment will be tax-free (if paid from a taxed fund such as Equisuper);
- > If you were under age 60 at the time of death, and your dependant is also under age 60 and has provided their TFN, tax is deducted from the taxable component at marginal tax rates, and a 15% tax offset may be claimed. If your dependant has not provided their TFN, tax is deducted at 45% plus Medicare levy.
- > Non-tax dependants are generally not eligible to have their benefit paid as a pension. This means that non-tax dependants and LPR's can only receive lump sum death benefits after 1 July 2007.

As tax treatment may vary according to your circumstances, or may even change due to legislation, you should obtain appropriate professional financial advice on tax matters.

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Why having a Will is important

If you have no dependants, your benefit would generally be paid to your estate via your LPR and distributed according to your Will. So it's important to ensure that you have made a legal Will and that it is kept up to date. If you don't have a Will, your estate will be divided according to law.

Being fair and reasonable

Although Equisuper strives to administer death benefits in a fair and reasonable manner, there are some cases where a beneficiary or potential beneficiary is not satisfied with our decision (where no nomination, or a non-binding nomination, has been made). For example, beneficiaries may believe that they should inherit equally, though this is not necessarily the case. The needs of some beneficiaries, such as minor children, could take precedence over the expectations of adult financially independent children.

A beneficiary or potential beneficiary can later lodge a complaint if they are not satisfied with Equisuper's decision.

Changing beneficiaries

If your personal circumstances change at any time e.g. if you divorce or remarry, or your family grows, you should ensure that your nominated beneficiaries are still current and appropriate. You can nominate or change preferred beneficiaries at any time using our website, or by completing the *Nomination of Preferred Beneficiaries* form.

You can make, revoke or amend a binding death benefit nomination at any time by completing a *Binding Death Benefit Nomination* form. Both forms are available from our website or from our Helpline.