



equip

Super
fair and
square

Quick guide – death benefits and beneficiaries

What is my death benefit?

If you die, Equip 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 your 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 and surcharges. For pensioners, there is no insurance; the benefit will depend on the type of pension and its taxable components (discussed below).

Who gets my death benefit?

Essentially, your death benefit must be paid to either your dependant/s (see below) or your Legal Personal Representative (LPR), also called your estate. Collectively, these are known as beneficiaries. It is important to note that your superannuation benefit is not automatically included in your estate/Will. The Trustee may have some discretion who receives your benefit.

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 (i.e. your 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, it will assist us to identify any dependants or the LPR that should receive all or part of your death benefit. There are two ways you can nominate your beneficiaries.

Preferred nomination

You can nominate your preferred beneficiaries in your application to join Equip, by logging into the website, or by completing the relevant sections in the *Making a death benefit nomination* form. This type of nomination means that Equip will take your wishes into account when determining to whom your death benefit should be paid. Equip 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 references for processing your death benefit. The Trustee may use your Will as a guide to your wishes, but is not bound by your Will.

Binding nomination

You can complete the relevant sections in the *Making a death benefit nomination* form. This means that Equip is bound to follow your nomination/s unless the form or your nomination/s are invalid. Generally, you can nominate dependants for superannuation purposes (as defined above), or your estate/LPR.

If the 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 dependant/s or LPR;
- The nomination form has expired and has not been renewed. (A binding nomination is valid for three years from the date the form has been 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.

When do I not need to nominate beneficiaries?

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 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 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 Equip);
- 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.

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 Equip 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 Equip'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 relevant sections in the *Making a death benefit nomination* form.

You can make, revoke or amend a binding death benefit nomination at any time by completing the relevant sections in the *Making a death benefit nomination* form. The form is available from our website or from Helpline.