Following a recent change to the Scottish Widows workplace pensions platform, new features are available to all members that were previously not an option.

One is the ability to utilise flexi-access drawdown directly from your policy, which was previously only available by transferring pension savings to an alternative policy.

As the name suggests, flexi-access drawdown allows you to access your pension benefits flexibly, typically with the option of taking up to 25% of your pension pot as a tax-free lump sum (the remainder taken as taxable income as you require it). This way funds remain invested within the pension until you need them or choose to access them.

You will still be able to use some or all of your remaining pension pot to buy an annuity after accessing funds flexibly, should you choose to do so.

Please note, there are several important considerations to make before accessing your pension benefits and determining which option, or combination of options, is best for you. For more information please see: https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/what-is-flexible-retirement-income-pension-drawdown

Another important feature with the AECOM Scottish Widows scheme is in the options available to your beneficiaries when inheriting pension savings in the event of your death.

If you die with funds remaining in a defined contribution pension scheme, they can be passed on to your beneficiaries. If death occurs before age 75, benefits can usually be paid tax free, typically up to the Lump Sum and Death Benefit Allowance (LSDBA) which is currently £1,073,100.

If death occurs after 75, death benefits will be subject to income tax at the beneficiaries' marginal rate. (A lump sum to an estate or trust will be taxed at 45%).

When set up correctly, the options for death benefits can include:

- **A lump sum** to your beneficiary, which could have significant tax implications should you die after 75 as all the funds would be paid at once and taxed as income at potentially higher or additional rates.
- **An annuity**, providing a guaranteed income for life.
- **Beneficiary drawdown**, whereby the pension is transferred to your beneficiary, and they can access the funds flexibly as and when they wish, from any age.

The latter option can offer significant benefits as the funds remain in a beneficiary drawdown plan until required as income by the beneficiary. Any growth is tax-free and the beneficiary can control how much income to take and when to take it. If tax is applicable, this allows the beneficiary control over total income and therefore total tax.

This option can also have additional generational advantages as on death of your beneficiary, funds could then be passed on again to their beneficiary, known as a successor. As an example, this may be useful in circumstances when a spouse inherits a pension and on their subsequent death, any remaining benefits could then be left to children.

On death, trustees of a pension scheme have ultimate discretion to whom any death benefit payments are made. Completing a nominated beneficiary form helps guide them on your wishes.

Nominated beneficiary forms are not legally binding to help ensure funds are not subject to Inheritance Tax (IHT)

Please note, there can be restrictions on the type of death benefits that pension schemes may pay if the beneficiaries are not nominated. For this reason, we typically recommend members nominate not only their spouses but also children (and any other relevant parties) to help ensure that all options are available. As an example, if you intend to leave your pension to a spouse and 2 children, consider nominating your spouse 98% and your children 1% each. This should allow the spouse to retain control and receive the bulk of the benefits (unless they choose to waive their entitlement) but also ensure all death options are available to the children.

This is especially important if any of your intended beneficiaries are non-dependants – as trustees may not be able to offer them the choice of beneficiary drawdown unless they are nominated.

By keeping your nominated beneficiaries updated and correct, and naming them, it can help ensure they have both the lump sum and pension options available to them.

Next Steps for your AECOM pension with Scottish Widows

You can now update your beneficiaries using the Scottish Widows APP

Other Pensions

Not all schemes offer beneficiary drawdown and pension death benefits cannot be transferred into another scheme to access beneficiary drawdown. – Please check your options with the providers of any other defined contribution pensions you may have.

Information correct at time of writing and subject to change.

Useful Literature from Scottish Widows scheme site:

- *Money Helper - Your pension your Choices:* *https://adviser.scottishwidows.co.uk/assets/literature/docs/127317sw.pdf*

- *Scottish Widows Flexible income guide:*

https://adviser.scottishwidows.co.uk/assets/literature/docs/60434.pdf

- *Scottish Widows Death benefits guide:*

https://adviser.scottishwidows.co.uk/assets/literature/docs/31807.pdf