

Death benefits

Have you given any thought to what might happen to your superannuation benefit in the event of your death? When you die, your superannuation and any insurance payable can help support your dependants.

Can I nominate who will receive my benefit?

Yes, you can nominate who you would prefer to receive your super and any insurance benefit payable in the event of your death. You can do this by completing a *Nomination of beneficiary form* and returning it to LGsuper, or updating your details through the secure section of our website, LGsuper Online

The person(s) you nominate to receive your benefit should be a dependant as defined below. This is because in the event of your death, the LGsuper Board of Directors will look for all dependants before paying a death benefit.

Even though you can nominate a preferred beneficiary or beneficiaries, your nomination is not binding on LGsuper. However, it will certainly be used as a guide.

Who can LGsuper pay my benefit to?

Rules set out in the LGsuper trust deed and Australian Government legislation now allow us to pay death benefits to your:

- > spouse — married, de facto or same sex partner
- > children — including step-children and adopted children
- > someone in an interdependent relationship with you, as defined by the Australian Government
- > legal personal representative (i.e. the Executor of the Will or the administrator of the Estate)
- > some other person

What is an interdependent relationship?

An interdependent relationship is defined by the Australian Government as either:

- > a close personal relationship, living together with one or each person providing the other with financial support and one or each person providing the other with domestic support and personal care or
- > using the disability test, if there is a close personal relationship, and they do not satisfy one or more of the other elements of the definition because either or both person/s suffer from a physical, intellectual or psychiatric disability.

How will my benefit be invested upon my death?

Your benefit will be invested in the Cash option from the date of your death until it is distributed to your beneficiary or beneficiaries. If you have an LGsuper Pension account and have nominated your spouse as your reversionary beneficiary, they will be given the opportunity to choose how to invest the benefit once it has been transferred into their name.

How much tax is payable on a death benefit?

Death benefits are tax-free if paid to a dependant as defined by the ATO. A spouse (married, de facto or same sex partner), a child under the age of 18 years (including step-children and adopted children), anyone who was financially dependent on the member at the time of death, and those in an interdependent relationship are considered dependants for tax purposes.

If paid to someone other than a dependant, the taxable portion of the benefit is taxed at 16.5%. If you are ages 60 or over at death, you still have a taxable component for death benefit purposes.

Death benefits taken as a reversionary pension are taxed differently. Contact LGsuper for more details.

How might this work in practice?

The examples below show how a death benefit may be paid in some common situations.

Maria

On her death, Maria is survived by her husband Angelo and two young children. She did not have a Will. In this situation, LGsuper would normally pay her \$300,000 benefit to Angelo, whether he was nominated as a beneficiary or not. The benefit is paid as a lump sum and is tax free.

Alice

Alice, a divorcee, is survived by a de facto partner and several young children. Several years earlier, Alice had lodged a *Nomination of beneficiary form* nominating her then husband as her beneficiary and she forgets to update it when she is later divorced. Under her Will, her de facto partner is the primary beneficiary and the carer of her children. As Alice's de facto partner meets the definition of a dependant and her former husband does not, LGsuper would normally pay the \$100,000 benefit to her de facto partner and children. It would be tax-free.

Warren

Warren is age 65 and has an LGsuper pension when he dies. He does not have a spouse or any dependants, though he has two adult children. LGsuper would normally pay the benefit to Warren's two adult children and deducts tax of 16.5% on the taxable component of the benefit. This is because they are not financially dependent.

Anthony

At his passing, Anthony is survived by his parents, three brothers and a sister. He has no spouse and no dependants. His *Nomination of beneficiary form* nominates his parents to be the beneficiaries of his super. However his eldest brother is the executor of his will. As there is no dependant, LGsuper is required to pay the super benefit to his legal personal representative (the executor of the Will) for distribution in accordance with the terms of Anthony's Will. Although LGsuper does not deduct tax, 16.5% tax will be payable on the taxable component when it is eventually paid to someone who was not financially dependent on Anthony.

The distribution of death benefits can become very complicated and stressful for surviving family members. Keeping your Will and nomination of beneficiaries up-to-date can help make the process as simple as possible

Any questions?

LGsuper is here to help. Contact us on 1800 444 396 to talk through your options and have your questions answered.

This info sheet has been prepared by the Queensland Local Government Superannuation Board (AFSL 230511 RSE Licence No. L0000178) on behalf of the Local Government Superannuation Scheme (ABN 23 053 121 564 RSE Registration No. R1000160). Information on products offered by the Board can be found in our product disclosure statements.

It provides general information only and does not take into account your personal objectives, financial situation or needs. The Board recommends you consult with an authorised or licensed financial advisor if you require advice which takes into account your personal financial circumstances. LGsuper has representatives that are authorised to provide personal advice on LGsuper products and superannuation.

Dec 09

Toll free 1800 444 396
Facsimile 07 3244 4344
info@lgsuper.org
www.lgsuper.org

GPO Box 264
Brisbane Qld 4001

The Queensland Local Government Superannuation Board
ABN 94 085 088 484
AFS Licence No. 230511
RSE Licence No. L0000178
Local Government Superannuation Scheme
ABN 23 053 121 564
RSE Registration No. R1000160