

Beneficiary Nomination – guidance notes



Beneficiary Nomination is a simple alternative to a trust that ensures a client's benefit is paid to the intended recipients.

How can Beneficiary Nomination be chosen?

- Simply add the beneficiary details in the application.

What details do we need to capture for the beneficiary(s)?

- Name, date of birth and relationship to your client.
- Their percentage share of the benefit, which must equal 100%. The only exception to this is where the client would like 3 beneficiaries to receive an equal split of the benefit, in which case selecting 33.3% will automatically round up to 100%.

Who can be a nominated beneficiary?

- Any individual that your client wishes to receive their benefit upon their death.
- Your client can nominate up to 5 beneficiaries and there is no age limit.

Who can't be a nominated beneficiary?

- The policyholder, their estate or someone, such as a lender, in exchange for a benefit to themselves.
- An organisation or charity.

If your client nominates beneficiaries, is the benefit subject to Inheritance Tax?

- If the payment is made upon death, the benefit should not normally form part of the estate of the life covered for Inheritance Tax purposes. However if the benefit is paid to the client as a terminal illness claim, this may form part of the taxable estate upon death.

Can your client update or change their beneficiaries?

- Yes, your client can update or change their beneficiaries at any time by contacting our member servicing team on 0300 123 3201.

How often should your client review their beneficiaries?

- We recommend your client checks their beneficiary details at least annually. They will be reminded to do so in each anniversary letter.

Do beneficiaries need to consent to any policy changes or changing beneficiaries?

- No, beneficiaries have no say about changes. They also are not entitled to any information from us about your client or their policy while they are alive, unless authority has been given by the client.

Is Beneficiary Nomination more suitable than a trust?

- Beneficiary Nomination is most suitable for those without complex estates. For complex estates, young children with no guardianship arrangement in place or where the primary purpose of the life cover is inheritance tax planning or payment, a trust will be more suitable.
- We cannot advise whether Beneficiary Nomination is suitable for your client and would recommend that your client takes professional advice if they are unsure.

Can you put a policy in trust at a later date if you choose Beneficiary Nomination?

- Yes, you can put a policy in trust at a later date.
- A valid trust which your client can't benefit from will automatically replace any nominated beneficiaries.

What happens if a nominated beneficiary dies?

- If a nominated beneficiary dies and your client does not update their nominations, their allocated benefit will be shared proportionately between surviving beneficiaries.
- Example: Beneficiary A has 50%, Beneficiary B has 30%, Beneficiary C has 20%. If Beneficiary C dies, their 20% share is redistributed between Beneficiaries 1 and 2 based on their original shares. So, Beneficiary A's share increases to 62.5%, and Beneficiary B's share increases to 37.5%.

What happens if a nominated beneficiary is a minor?

- If a beneficiary is under the age of 18 when they become entitled to a payment, we will pay the benefit to their parent or legal guardian who will be responsible for holding or using the benefit on their behalf.

What happens if there are no surviving beneficiaries when a claim is made?

- If there are no surviving beneficiaries, we will pay the benefit to the personal representatives of the last surviving beneficiary.

Can your client nominate beneficiaries on a Joint Life policy?

- No, Beneficiary Nomination is only available on single life policies.

What happens to the payout if my client dies before their policy goes on risk?

- Beneficiary Nomination is valid as soon as the allocated percentage equals 100%, even before their policy goes on risk. If your client is eligible for the Accidental Death Benefit or Mortgage Free Cover Benefit, it would be paid to the nominated beneficiaries.

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