LGIAsuper Let's Grow

DEATH BENEFITS

We understand it's a sensitive topic, but it's also an important one. What do you want us to do with your super and any insurance benefits you have when you die?

What is a death benefit?

A death benefit is generally the amount of money in your super account plus any insurance you have at the time of your death. Whether it's a little or a lot, it could go a long way in supporting your dependants after you've gone. And if you've told us to pay it to them they may get it sooner, which is peace of mind for you and one thing less for them to worry about during such a difficult time.

Is a death benefit taxed?

Death benefits are tax-free if paid to a dependant. For tax purposes a dependant is:

- a spouse (married, de facto or same sex partner)
- a child under the age of 18 years (including step-children, adopted children, ex-nuptial children or anyone who fits the definition of a child under the *Family Law Act 1975*)
- anyone who was financially dependent on you at the time of your death
- a person who you shared an interdependent relationship with

If the benefit is paid to someone who is not considered a dependant, the taxable portion of the benefit is taxed at 17% including the Medicare levy.

The untaxed component is taxed at 32% including the Medicare levy. The taxed and untaxed components are calculated at the time of payment.

If you are over 60 years of age when you die, you still have a taxable component for death benefit purposes. Death benefits taken as a reversionary pension are taxed differently. Contact us for more details.

How can I tell LGIAsuper who to pay my death benefit to?

You can tell LGIAsuper who to pay your death benefit to by making either a preferred or binding death benefit nomination.

Preferred beneficiary nomination

A preferred beneficiary nomination helps guide us when deciding who to pay your benefit to. With a preferred beneficiary nomination LGIAsuper is not legally required to follow your instructions. This is because the rules set out in the LGIAsuper trust deed obligate us to identify all dependants before determining who to pay the benefit to.

Binding death benefit nomination

A binding death benefit nomination is a legally binding document that obligates LGIAsuper to pay your benefit to your nominated beneficiary or beneficiaries, provided the nomination is valid at the time of your death.

What happens if I don't nominate a beneficiary?

If you don't nominate a beneficiary, then we will pay your death benefit according to the rules set out in the LGIAsuper Trust Deed and Australian Government legislation. This means we look for dependants and determine how best to distribute your benefit.

Who can you pay my benefit to?

The LGIAsuper Trust Deed allows us to pay your death benefit to:

- any spouse — married, de facto or same sex partner
- any child — including step-children, adopted children, ex-nuptial children or anyone who fits the definition of a child under the *Family Law Act 1975*
- any person in an interdependent relationship with you (see the definition below)
- your legal personal representative (i.e. the executor of the will or the administrator of your estate)
- some other person if there are no dependants or will

Death Benefit Distributions

The purpose of a superannuation death benefit is to provide for those dependants of a superannuation fund member who would have continued to rely on the member for financial support, but for the member's untimely death.

It is important to note that a superannuation death benefit does not form part of a member's estate and is not necessarily paid as part of the Will.

If there is no valid binding death benefit nomination, then LGIAsuper will determine the distribution of the benefit, subject to the requirements of our governing rules and legislative requirements.

In allocating a superannuation death benefit among the member's dependants, preference is given to those dependants who might have expected to continue to receive financial support from the member.

Who can receive a benefit payment?

Superannuation legislation restricts the people who can receive all or part of a superannuation death benefit to:

- the member's dependants; and
- the member's legal personal representative (LPR).

A death benefit can only be paid to someone who is not a dependant or LPR if the trustee has been unable to locate a dependant or LPR after reasonable inquiry.

Under superannuation law, a dependant may include:

- A spouse (whether legal or de facto and whether opposite or same sex)
- a child, including an adopted child, an ex-nuptial child, a step-child and a child of the deceased member's spouse
- any person who had an interdependency relationship with the deceased member, and
- any person who was financially dependent (whether wholly or partly) on the deceased member

If more than one person is claiming the death benefit, anyone who was being financially supported by the member just before the member died would be given priority.

Adult Children

Where the member has not made a Binding death benefit nomination adult children may receive a share of a death benefit if they can show they were financially dependent on the deceased member at the date of the member's death with an expectation that this support would continue but for the member's death.

Alternatively, they can receive a share of a death benefit if there are no other dependants who were financially dependent on the deceased member or who had a reasonable expectation of support from the deceased member.

Adult children cannot claim a share of a superannuation death benefit simply because the deceased member may have failed to provide support for them when they were minors or because the deceased member may not have included them in the deceased member's Will. It is not a purpose of superannuation to right past wrongs.

Financial Dependants

A financial dependant is someone who was wholly or partially financially dependent on the member at the time of their death. This may include being reliant on the deceased for the payments of bills, rent, or shared financial commitments such as a mortgage. Documents proving the financial dependency would need to be provided to LGIAsuper.

Interdependent Relationships

Two people are in an interdependency relationship if:

- they have a close personal relationship, and
- they live together, and
- one or each of them provides the other with financial support, and
- one or each of them provides the other with domestic support and personal care.

In order to satisfy the criteria for interdependency all four criteria must be met.

Alternatively, if two people have a close personal relationship and the reason, they do not meet the above elements is because either one or both of them suffer from a physical, intellectual or psychiatric disability, they are still considered to be in an interdependency relationship.

A relationship is not interdependent if one person provides domestic support and personal care under an employment contract or a contract for services, or on behalf of another person or organisation such as a government agency or charitable organisation.

Any questions?

We're here to help. Contact our trusted and reliable team for more information. Call us on **1800 444 396** or visit our website at **lgiasuper.com.au**.

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