

# 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.

For more information on both types of nomination see our *Nominating your beneficiary guide*.

## 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

## What is an interdependent relationship?

According to the Australian Government, two people (whether related to each other or not) have an interdependent 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.

The Superannuation Industry (Supervision) Regulations 1994 ('SIS Regulations') describe the factors that should be taken into account to establish whether two people have a close personal relationship. These factors include:

- the duration of the relationship; and
- whether or not a sexual relationship exists; and
- the ownership, use and acquisition of property; and
- the degree of mutual commitment to a shared life; and
- the care and support of children; and
- the reputation/public aspects of the relationship; and
- the degree of emotional support; and
- the extent to which the relationship is one of mere convenience; and
- any evidence suggesting that the parties intend the relationship to be permanent

There are some exceptions, for example you might be in a close personal relationship, but do not satisfy one or more of the other elements of the definition because either you, your partner in the relationship or both suffer from a physical, intellectual or psychiatric disability.

Interdependent relationship rules are complex. If you believe you are in an interdependent relationship and would like to nominate your partner please complete the *Binding death benefit nomination form* at the back of the *Nominating your beneficiary guide* and return it to us. We will contact you if we need more information.

## How will my benefit be invested when I die?

Your benefit is invested in the Cash option from notification of your death until it is distributed. If you have an LGIASuper Pension account and have nominated a reversionary beneficiary, your benefit will remain invested the way it is. Your reversionary beneficiary can choose how to invest the benefit when it is transferred into their name.

## What is an anti-detriment benefit?

This is a reimbursement of the 15% contributions tax that is applied to concessional contributions. An anti-detriment benefit may be added to the death benefit if it is paid as a lump-sum to a spouse, former spouse, a child of the deceased (including an adult child) or a child of the deceased's spouse.

From 1 July 2017 to 30 June 2019 anti detriment will only be paid on benefits when the death of the member occurred prior to 1 July 2017.

## 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](http://lgiasuper.com.au).

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