

WHAT HAPPENS TO SUPER WHEN A PERSON DIES?

TEAM SUPER

TRANSPORT, ENERGY AND MINING

When a person dies, in most cases their super is paid to their dependants. Otherwise, their super can be paid to their estate.

When a person's super is paid after their death it's called a 'death benefit'. The death benefit is made up of the deceased person's super account balance and if they had death insurance cover, any insured benefit.

So even if the deceased person didn't have much super, the insurance payment could be worth thousands of dollars. This makes it important to think about who should receive the death benefit.

Who is eligible to receive a death benefit?

Many people mistakenly believe death benefits are automatically paid to a deceased person's estate (through the executor or administrator, who is referred to as the Legal Personal Representative (LPR)) and distributed as part of their will. This would only happen if the deceased:

- had a valid binding beneficiary nomination telling the super fund to pay their super to their LPR, or
- the super fund decided to pay the death benefit to the LPR.

Without a binding nomination the super fund's Trustee can decide who to pay the death benefit to and doesn't need to follow what the deceased person requested in their will.

Dependants include a:

- spouse, including de facto and same sex partner
- child, including stepchild, your de facto's child and an adopted child
- financial dependant – a person wholly or partially financially dependent on the deceased, and/or
- person the deceased person had an interdependent relationship with. See below for a definition.

An **interdependent relationship** is one where two people (whether related or not):

- have a close personal relationship, and
- 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.

An interdependency relationship also exists if two people have a close personal relationship but don't satisfy the other criteria because one or both of them suffer from a physical, intellectual or psychiatric disability or are temporarily living apart, for instance, because of work.

Examples of interdependent relationships

- siblings or close friends living together on a long term or permanent basis
- adult children caring for a disabled parent or parents caring for an adult disabled child.

A normal parent/child relationship or flatmates won't usually meet the definition of an interdependent relationship.

Applying for a death benefit

When we're told a member has died, we'll send an **Apply for a deceased member's benefit** form to the person who told us about the member's death. This may be the member's spouse or LPR. If we become aware of other potential beneficiaries, and there isn't a valid binding beneficiary nomination in place, we'll also contact them so they can make a claim.



If you think you may be entitled to a death benefit as a dependant and haven't received an **Apply for a deceased member's benefit** form, give us a call and we'll send you a copy if you're eligible to apply. If there is a valid binding nomination in place we won't send the form to other potential beneficiaries.

Applicants need to complete the form and send it back to us with certified copies of the following documents to confirm the member's identity and death and the applicant's identity:

- the deceased's death certificate
- the applicant's driver licence or passport.
- If the deceased and applicant were married, their marriage certificate (if applicable).

The applicant also needs to confirm who can act on behalf of the estate as the LPR by providing a certified copy of:

- the deceased's will, and
- probate - a court order confirming a will is valid and the executors named in the will are entitled to deal with the deceased's assets, or
- if there's no will, letters of administration - a court order confirming who is entitled to deal with the deceased's assets.

We may also ask for further information, such as the completion of a Dependency Declaration or other documentation to help us make the right decision.

What if we can't find any dependants?

We have a legal obligation to find all potential dependants before paying a death benefit. If we can't find potential dependants we may advertise in the local newspaper of the dependant's and/or deceased's last known address and ask the dependants to contact us within 14 days if they think they're eligible to claim the death benefit.

Insurance

If the deceased had death insurance cover, we'll send copies of the death certificate and birth certificate to our insurer. We'll also contact the deceased's employer to confirm the last date worked and that all contributions were paid, and provide this information to the insurer. The insurer will tell us within five business days if they believe the deceased member is eligible for a death benefit payment.

Who'll receive the death benefit?

If there's no binding beneficiary nomination, we'll review all applications and make a decision after considering all the information received, including:

- who we can legally pay the benefit to based on our Trust Deed and super laws
- the claimant's financial circumstances and whether it was expected the deceased would provide for them financially if they hadn't died
- any non-binding nominations and whether the Will advised how to pay the death benefit.

The Trustee Delegate or our Insurance Committee reviews insurance claims, including disputed, contentious and complex claims, and makes decisions on the payment of some claims.

If there's a further objection the claim is referred to the Insurance Committee or the full Trustee Board.

Advising of our decision

If there isn't a valid binding beneficiary nomination in place, once we've decided who to pay the death benefit to, we'll write to each claimant about our decision. Claimants have 28 days to lodge an objection.

If there's an objection we'll review our decision and may ask for more evidence from claimants. After reviewing the decision we'll advise each claimant and if the decision has been changed, each claimant has another 28 days to lodge an objection. If the decision remains the same, each claimant has 28 days to lodge a complaint. There are various ways in which a complaint can be made and details are outlined in Complaints Management Policy and Customer Guidance available at teamsuper.com/complaints.

What is the AFCA?

AFCA provides fair and independent financial services complaint resolution that's free to consumers. AFCA's contact details are:

Website www.afca.org.au

Email info@afca.org.au

Telephone 1800 931 678 (free call)

In writing to Australian Financial Complaints Authority,
GPO Box 3, Melbourne VIC 3001

How your super is invested after death

On notification of a member's death, the member's account balance will remain invested in their current investment options until the benefit is paid to their beneficiaries. Any contributions received after the notification of a member's death will be invested in the Cash investment option until the benefit is paid to their beneficiaries. If the member also has insurance (e.g. death insurance), any insurance benefits payable will also be invested in the Cash investment option until the benefit is paid to their beneficiaries.

Do you need to pay tax on the death benefit?

Death benefits paid to dependants in lump sums are tax free unless they're paid to:

- a child aged 18 years or older who isn't financially dependant on the deceased
- the LPR and the will pays some of the death benefit to a non-dependant.

If tax is payable, the taxable component is taxed at 15% plus Medicare levy. The taxable component excludes the deceased's after-tax contributions.

Because taxation of death benefits can be complicated, we recommend you seek financial advice. Team Super Financial Advice can provide you with advice about claiming death benefits. Call 13 64 63 to speak to a financial adviser.

The Trustee requires that death benefits paid to a minor child be paid in trust. This means a minor's trust must be set up usually with the following terms:

- the trust's capital and income can be used for the child's general maintenance and education
- the money can be accessed by the child after their 18th and before their 21st birthday
- there are two trustees. If one of the trustees is a parent, the other trustee can't be a close relative or the child's or parent's partner.

Pension members – reversionary pension

If the deceased member has a pension account they have the added option to make their pension a reversionary pension. This means their pension automatically 'reverts' to their beneficiary should they die and the beneficiary will continue to receive regular income payments until the pension runs out.

They can choose any dependant to receive their pension when they pass away as long as the nominated person meets the definition of 'dependant' under super law (such as a spouse, child, any other person financially dependent on them).

For more information read the Product Disclosure Statement at teamsuper.com/pds or the **Nominate a reversionary beneficiary** form at teamsuper.com/resources

Team Super | T 13 64 63 | teamsuper.com

Any financial advice in this document does not take into account your financial situation, needs or objectives. Before acting, consider if the information is right for your needs and circumstances and read the relevant Product Disclosure Statement (PDS) at teamsuper.com. The Target Market Determinations for our financial products can be found at teamsuper.com/tmd. If there are any inconsistencies between this document and the PDS or Trust Deed, the terms of the PDS or Trust Deed will prevail. This information is based on our understanding of current Australian laws and assumes they will remain unchanged. Financial planning services are provided by Team Super Financial Advice a trading name of Team Super Services Pty Ltd ABN 49 051 315 014 AFS licence 502700. Issued by Team Super Pty Ltd ABN 70 003 566 989 AFS licence 246864 as trustee for the Team Superannuation Fund ABN 16 457 520 308.