

Nominating beneficiaries inside your super: what you need to know

Super is one of your biggest investments so it's important to plan ahead to ensure that if you were to die, your super balance is paid to your loved ones according to your wishes.

What happens to your super after you die?

You may be surprised to know that your super balance does not automatically form part of your personal Estate. After a member dies, their super fund is required to pay out their balance (including any life insurance held inside super) as soon as practicable to one or more eligible beneficiaries or the member's Estate. This payment is known as a super death benefit.

Therefore, it's important to consider carefully who you wish to nominate to receive your super benefit in the event of death and the type of nomination you should make.

What if you don't nominate anyone?

If you don't make a nomination to your fund about who you wish to receive your super death benefit, your super fund's default procedures will apply, which could include:

- your super fund trustee having the discretion to decide which of your beneficiaries will receive your super death benefit and in what proportion
- automatic payment to your Estate.

What types of nominations are there?

Types of super death nominations

There are four main types of nominations you can make:

Nominated beneficiary	This is a way to let your super fund know your preferred beneficiaries; however it is not bound to follow this nomination and can consider other factors.
Binding death nomination	If valid, this type of nominations binds your super fund to pay your super death benefit to the beneficiaries you've nominated. For a binding nomination to be valid, it must be: <ul style="list-style-type: none"> • in writing; • signed and dated by the member in the presence of two independent, adult witnesses (who are not nominated in the binding nomination), and • no more than three years old.
Non-lapsing binding death nomination	As with a binding death nomination, your super fund must follow your instructions if you make a valid non-lapsing death nomination, However this type of nomination does not lapse after three years and will remain in force unless you choose to amend or revoke it. Most super funds require the same witnessing and nomination in writing requirements as a binding death nomination. Some funds also impose additional conditions so that the non-lapsing nomination will lapse upon certain life events eg divorce, marriage etc.
Reversionary beneficiary (pensions only)	If you nominate a reversionary beneficiary, your pension will automatically continue to your nominated reversionary beneficiary in the event of your death.

Not all super funds offer all types of nominations; you'll need to check with your super fund to find out what's on offer and whether there are any specific requirements. Your financial adviser can outline the advantages of each and help you decide which type of nomination is best for you.

With the exception of a reversionary beneficiary, your super fund will also generally allow you to nominate more than one beneficiary as long as you provide details of the beneficiaries you wish to nominate and the proportional share of your super death benefit that you want to be distributed to them.

You can generally nominate, cancel or change your nominated beneficiaries at any time by completing a new death benefit nomination form for your super fund. However, adding, removing or changing your reversionary beneficiary may require you to stop your existing pension and start a new pension (which can have tax and social security implications). Talk to your financial adviser to find out more.

Review your nomination regularly

It's important to review your nomination regularly to ensure it is still appropriate for your personal circumstances and reflects your wishes. After making a nomination you should review it or contact your financial adviser if any of the following happens:

- you marry
- you separate or divorce
- you enter a de-facto relationship
- you have a child
- someone you have nominated dies
- someone becomes or ceases to be financially dependent upon you or in an interdependency relationship with you
- you update your Will
- there is a substantial change in your financial situation

Who can receive your super?

Superannuation law puts restrictions on who can receive your super death benefit. Super death benefits must be paid directly to someone who is your "dependant" at the time of your death, or your estate.

Your dependants are:

- Your current spouse – this includes the person at your death to whom you are married, in a de-facto relationship (whether of the same sex or a different sex) with, in a relationship with that is registered under a law of a State or Territory or with whom you're living together in a relationship as a couple on a genuine domestic basis.
- Your child (regardless of age) – this includes any person who at your death is your biological, step, adopted, ex-nuptial or current spouse's child.
- Any person financially dependent on you – this includes any person who at your death is wholly or partially financially dependent on you. Generally, this is the case if the person receives financial assistance or maintenance from you on a regular basis that the person relies on or is dependent on you to maintain their standard of living at the time of your death.
- Any person with whom you have an interdependency relationship – two people are classified as having an interdependency relationship if they have a close personal relationship, they live together, one of them provides the other with financial support, and one or each of them provides the other with domestic support and personal care.

If you are looking to leave your super death benefit to someone who you think is your financial dependant or is in an interdependency relationship with you, you should consider keeping evidence that confirms such a relationship exists, as your super fund may require your beneficiary to prove their dependence on or interdependence with you before paying your super death benefit.

What if you want to leave your super to a non-dependant?

If you wish to leave your super death benefit to anyone other than a dependant, such as a parent, niece, nephew or a charity organisation, you can still do that. The way to do this is to nominate your legal personal representative (estate) as a binding death beneficiary, which will ensure your super death benefit is paid to your estate and distributed in accordance with your Will. You then provide for your intended recipient through your Will. Therefore, it is crucial that you have a valid Will in place that reflects your current wishes. You should seek legal advice so that the entitlement of beneficiaries can be addressed having regard to your broader estate planning objectives.

How is your super death benefit paid?

Your super death benefit can be paid as a lump sum, an income stream (eg, account based pension) or a combination of both. Note, if it is paid to your estate it must be paid as a lump sum.

However, if your death benefit is paid to your child, it must be paid as a lump sum unless they are:

- under age 18
- under age 25 and financially dependent on you, or
- have a certain type of disability.

This means that independent adult children must receive any super death benefits as a lump sum. Furthermore, if a death benefit is paid as an income stream to a child, it must be cashed as a lump sum by no later than when they reach age 25 unless the child has a disability.

Reversionary beneficiary nominated (pensions only)

Your pension will continue automatically to your reversionary beneficiary following your death.

How much is paid?

The super death benefit your beneficiary or estate will receive is generally your total super balance at the time of death, plus any life insurance cover held through the same super fund, less any tax payable (where applicable).

If your super death benefit is paid as a lump sum to your spouse, former spouse or child (regardless of age), your beneficiary may have an additional amount called an "anti-detriment payment" added to the death benefit they receive. This payment aims to restore the benefit to the level it would have been if contributions tax had not been paid. Not all super funds pay this amount; speak to your financial adviser to find out more.

Speak to us for more information

If you would like to learn more about nominating beneficiaries, speak to your Count Financial Adviser. They can give you more detailed information on the best approach for your situation.

Important information

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