Your Future Compass

RETIREMENT GUIDE

What happens to my pension when I die?

Pensions usually pass outside your will, to whoever you've nominated, not who's in your will. Here's who inherits, the under-75 / over-75 tax rule, what happens with annuities and final-salary pensions, the 2027 IHT change, and the one form to keep updated.

Guidance and illustrations only, not regulated financial advice. Figures are illustrations, not forecasts. Tax rules change and depend on your circumstances. For free impartial guidance see MoneyHelper, or Pension Wise if you are 50 or over.

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What happens to my pension when I die?

> **Guidance and illustrations only, not regulated financial advice.** This guide explains in general terms what typically happens to a pension on death. Rules differ by scheme and change over time, and your situation is personal, so consider speaking to a qualified, regulated financial adviser, and a solicitor for estate planning.

"What happens to my pension when I die?" is one of the most-Googled retirement questions, and the answer surprises people, because **a pension usually doesn't work like the rest of your estate.** It often passes *outside* your will, to whoever you've nominated, and it's taxed under its own rules. Here's the plain-English version.

The big surprise: your pension usually isn't in your will

For most modern **defined contribution** (DC: a pension pot you build up) pensions, the pot is held in trust, which means:

- It typically passes **outside your will** and outside your estate for the normal rules.
- **Who gets it is decided by your nomination** (the "expression of wish" form you fill in with your pension provider), *not* by your will. The scheme's trustees usually have final discretion, but they follow your nomination in the vast majority of cases.

The practical takeaway is huge and almost free to act on: **keep your expression-of-wish/nomination form up to date.** An out-of-date form (naming an ex-partner, or no one) is one of the most common and costly mistakes, because your will *won't* fix it.

Who can inherit it

You can usually nominate **anyone**: a spouse or partner, children, other relatives, or even a trust or charity. With most modern DC pensions, your beneficiaries (the people you leave it to) can typically **keep the remaining pot invested** in their own name (often called "beneficiary drawdown") and draw from it over time, rather than being forced to take it all at once.

The tax rule that hinges on one number: 75

How an inherited DC pension is taxed has, until now, turned mainly on **the age you die**:

- **Die before 75**: your beneficiaries can usually take the pot **tax-free**, whether as a lump sum or as income, within the available allowances.
- **Die at 75 or older**: your beneficiaries pay **income tax at their own marginal rate** (the highest rate of income tax they pay) on whatever they draw out.

That single threshold can make a meaningful difference to what your family could keep, which is why it comes up so often in planning.

The 2027 change you need to factor in

There's an important shift coming: **from 6 April 2027, most unused pension pots are expected to count towards inheritance tax** as part of your estate, something they have largely escaped until now. Combined with the over-75 income-tax rule above, that can create a **double layer** of tax on the same pot for some families.

This guide is the overview; for the detail, the waterfall, and what it does to what your family keeps, see the dedicated guide: inheritance tax on pensions from 2027.

What happens with an annuity?

It depends entirely on the **type** of annuity (an income you buy with your pension pot) you bought:

- A **single-life** annuity normally **stops** when you die, and nothing passes on.
- A **joint-life** annuity continues paying your partner (often at a reduced rate).
- A **guarantee period** keeps paying for a set number of years even if you die early.
- **Value protection** can return part of the unused pot.

This is exactly why those annuity “shape” choices matter so much when you set one up. They decide whether anything is left for your family.

What about a final-salary (defined benefit) pension?

Defined benefit schemes (where your pension is a guaranteed income based on your salary and years of service) have their own rules, but typically provide:

- A **survivor’s/dependant’s pension**: a percentage of your pension continuing to a spouse, civil partner or dependant for life.
- Sometimes a **lump sum** if you die before retiring.

The percentages and conditions vary by scheme, so check your scheme’s death-benefit rules, and check that they have your up-to-date nominated beneficiaries too.

And the State Pension?

The State Pension largely **stops** on death. In some cases a spouse or civil partner can inherit a portion of certain older or additional State Pension entitlements (or a “protected payment”), but the rules are specific, so check the position on GOV.UK for your circumstances.

A quick checklist

1. **Update your expression-of-wish form** with every pension provider, and re-check it after any big life change (marriage, divorce, new child, bereavement). Your will won’t do this for you.
2. **Know your pots** (including old workplace pensions) so nothing is left unnominated.
3. **Understand the 75 rule** and how it affects what your beneficiaries keep.
4. **Factor in the 2027 IHT change**: see the dedicated guide.
5. **Check annuity and DB death benefits**: single vs joint life, survivor’s pensions.
6. **Join it up** with your will and overall estate plan (a solicitor can help here).

Your pension is often one of the largest things you’ll pass on, and unusually, it’s controlled by a form most people fill in once and forget. You can model your estate and see what your family could keep with our planning tool, and a regulated adviser or solicitor can help with the personal decisions.

This guide is general information, not regulated financial, tax or legal advice. Pension and inheritance rules change and depend on your circumstances. For free, impartial guidance, MoneyHelper covers pensions and bereavement, and Pension Wise offers a free appointment if you are 50 or over. Consider regulated advice, and a solicitor or tax adviser on estate matters, before acting.

See it for your own numbers.

Build a free plan at **yourfuturecompass.co.uk/app**