



For beneficiaries

# TargetPlan Income Account for Beneficiaries

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# Introduction to the TargetPlan Income Account for Beneficiaries

The TargetPlan Income Account for Beneficiaries is an income drawdown product which holds funds you've inherited from someone else (the benefactor). Income drawdown provides flexible income and is an alternative to receiving a one-off lump sum from your benefactor's pension scheme. It enables you to:

- Leave the pension fund you've inherited from someone else invested for future potential growth.
- Stay invested and take regular income payments from your account at a level and frequency of your choosing or to take one off payments.
- Defer taking an income from your account until you need it.

This guide to the TargetPlan Income Account for Beneficiaries gives a clear explanation of how the account works, including any risks.

There's a lot to think about before you open an account, so please read this document along with the:

- Policy document
- Your investment options booklet
- Key Features

If you don't have these documents we can send you copies of them on request.

## Things to bear in mind

The level of income isn't guaranteed. Drawing income will reduce the value of your account. You may need to reduce your drawdown income in the future, in particular if investment performance isn't sufficient, or you live to a greater age than originally anticipated.

The level of income you take will need to be reviewed regularly.

The income you receive may be lower or higher than you could receive from an annuity, depending on the performance of your investments.

The rules governing how much income you can take directly from your fund may change. This could mean that the income you can take from the fund no longer meets your needs.



# Income payments and tax

**We want to help you understand your choices and how they work as it's really important.**

## Income payments

### Amount

You can choose how much you want to take as income, and it can be a one off or regular income payment. You can vary the amount of your regular income. But please bear in mind that you need to give at least one month's notice before the due date of the next payment.

We make income payments on the 24th of each month (or the last working day before that). You can't make any changes during the 15 working days before this date. If you don't tell us in time for the current month, we'll make the change from the next available payment date.

### Frequency

If you choose to receive a regular income, you can be paid monthly, quarterly, half yearly or yearly. We can't pay amounts of less than £10 before tax.

You can take a maximum of 12 one-off payments a year. If you've set up regular payments, we'll pay any one-off payments on the same date (24th of the month).

### Increases

You can choose to have your income payments automatically increase each year. The increase can be in line with inflation or by a fixed percentage that you choose.

## Payments

We can only make payments by direct credit to your bank account.

## Stopping income drawdown

Once you've chosen income drawdown, it will continue until:

- You tell us by letter, email, phone or fax that you want to stop your income payments.
- Your account balance runs out.
- You decide to use the remaining balance of your account to buy an annuity from a company of your choice.
- You transfer your whole account to another provider.
- Your death.

## How the tax works

This information is based on our understanding of current taxation law and HMRC practice, which may change.

## Income

The income you take from your account will be paid tax free unless the benefactor was over 75 when they died.

If you transfer inherited assets from any other pension schemes into your account, different tax treatment might apply to those inherited assets.

## Investments

Any growth in your TargetPlan Income Account for Beneficiaries is free of UK income tax and capital gains tax.

## **Lump Sum and Death Benefit Allowance**

Everyone has a limit on the amount of tax-free lump sums and lump sum death benefits that can be paid to them during their lifetime or in respect of them after they die. This limit is known as the lump sum and death benefit allowance (LSDBA). If the funds that you're inheriting were originally designated to drawdown on, or after, 6 April 2024, they'll be measured against your LSDBA if they're paid as lump sum upon your death. If the lump sum death benefit exceeds, in full or in part, your remaining LSDBA your beneficiary will have to pay income tax at their marginal rate on the amount above the allowance.

If the funds that you're inheriting were originally designated to drawdown before 6 April 2024, they won't be measured against your LSDBA upon your death. This is because they'll have been tested against the lifetime allowance, the limit that applied to pension benefits before 6 April 2024, when they were originally designated to drawdown.

You can find more details about the lump sum and death benefit allowance here [gov.uk/guidance/find-out-the-rules-around-individual-lump-sum-allowances](https://gov.uk/guidance/find-out-the-rules-around-individual-lump-sum-allowances)

## **Annual allowance and money purchase annual allowance**

Everybody has a limit on the amount of contributions that can be made to a pension scheme in a tax year, without being charged extra tax. This is known as the annual allowance.

When you use your own pension savings to provide income drawdown, any income payments you take may trigger a lower limit on the contributions that can be paid to a money purchase pension scheme. This is known as the money purchase annual allowance (MPAA).



Taking income payments from investment funds that you've inherited doesn't cause you to become subject to the MPAA. You can find out more information on allowances on the gov website – [gov.uk/tax-on-your-private-pension/annual-allowance](https://gov.uk/tax-on-your-private-pension/annual-allowance)

## How your money is invested

**You can find out more about your investment choices in Your investment options booklet, but here's a quick introduction.**

You can choose from around 190 investment funds (as at December 2024), which cover most investment sectors in the UK and abroad, including a selection of responsible investment options. This allows you to build a portfolio (collection of investment funds) that suits your own investment goals, values and attitude to risk.

### How it works

When you take out a TargetPlan Income Account for Beneficiaries, you'll need to tell us which investment fund or funds you want your inherited assets to be invested in, and in what proportions. Once we've set up your account you can change how your account is invested (known as switching) on our [TargetPlan](#) website.

Please see [Your investment options](#) booklet for more information on investments and how they work.

What you invest in can have a big effect on your income. So, it's important that you read the fund factsheets carefully before choosing, to find out where each fund invests and the charges and risks that apply. If you're not sure whether an investment fund is suitable for you, you may want to speak to a financial adviser. There may be a charge for this.



The value of an investment, and any income you take from it, can fall as well as rise and isn't guaranteed. You could get back less than has been paid in.

## Taking income payments from your account

**Your income payments will be made by selling units in the investment funds you choose. When you first ask for an income payment, you'll need to tell us which investment funds the income payments should be paid from and what proportion.**

To pay your income, we'll automatically sell funds to provide the amount of income (before deduction of any income tax that might be due) that you've chosen.

### **What happens if one of the investment funds you've selected runs out?**

- **If there's nothing left in an investment fund you've chosen to pay your income**, you'll need to give us a new instruction. If we don't get a new instruction, we'll continue to sell units from any remaining selected investment funds, in proportion to the value of each investment fund holding at the time of the withdrawal.
- **If all of your selected investment funds have run out**, your income will stop.

You can change your instructions about which investment funds your income is to be taken from.

If you'd like advice on which investment funds to take income from, please speak to a financial adviser. There may be a charge for this.

# Regular reviews

**It's important to keep an eye on your account and your circumstances to make sure everything is still right for you.**

It's a good idea to regularly review your situation with a financial adviser, especially if your circumstances change. There might be a charge for this.

Here's why regular reviews are important:

- If you take too much income too soon your account may run out of money before you want it to.
- If you take an income from your account at a rate that's higher than the rate of any investment return earned on your investments, the capital value of your account will go down, maybe faster than you might have expected. This will mean you might not be able to carry on taking an income at the same rate.

## Managing your account online

You can keep an eye on your account by signing in to our online service – [aegon.co.uk/targetplan](https://aegon.co.uk/targetplan)

When you sign in, you'll be able to:

- See how much you've saved
- See a summary of contributions paid into your account
- View and manage your investment funds
- Manage your contributions
- Use the modeling tool to project different levels of potential incoming in later life (if available for your scheme)

## Our Aegon UK app

Once you have registered for your TargetPlan online account, after 24 hours, you can download and register for the Aegon UK app.

What you can do with the app:

- View the value of your account
- View your transactions and contributions
- View a breakdown of your investments
- Change investment funds
- Update your personal details
- Change your retirement age

Thanks to the app you can check on your account and make changes in just a few taps, wherever you are.

Signing in is quick and secure – you'll be able to use fingerprint or face recognition for added security (if your device has this functionality). It only takes a few seconds. Just go to the Apple App Store or Google Play and search Aegon UK. The app is free and just a tap away.

# Annuities, transfers and death benefits

## Buying an annuity

You can use your account to buy an annuity at any time. An annuity is designed to provide payments at specified intervals. We don't sell annuities, but you can buy an annuity from a provider of your choice.

A short-term annuity is paid for up to five years. A beneficiary's annuity is normally payable for your lifetime. Once you've bought a beneficiary's annuity, you can't change the basis you've set it up on. So it's really important to choose an annuity to meet your current and future needs. If you're not sure, you should speak to a financial adviser - there may be a charge for this.

When you buy your annuity, the rates available and the options you choose will affect the amount of income considerably. Annuity rates can change a lot over short periods of time - both down and up. This could mean that your pension might be less than you hoped for. Different annuity providers will offer different rates and so it's important to shop around.

## Transfers

### Transfers out

At any time, you can transfer all or part of your account to another registered pension scheme or qualifying recognised overseas pension scheme (QROPS).

## Transfers in

You can also transfer the value of benefits you've inherited from another registered pension scheme (or QROPS) into your account at any time, as long as we're able to accept it.

A few things to consider:

- Always check first for any potential charges which could apply to the money being transferred.
- You might lose features, protections, guarantees or other benefits, so make sure you compare products before transferring.
- Remember, the value of your consolidated pension pot can still fall as well as rise and the final value of your pension pot when you come to take benefits might be less than has been paid in.
- Any new funds you move your money into will have their own set of risks.

Transferring a pension might not be the best option for you. If you're in any doubt, you should speak to a financial adviser. There may be a charge for this.

## Payments on death

When you die, the value that's left in your account can be either paid:

- As a lump sum to your nominated beneficiaries.
- Subject to meeting certain limits, to one or more beneficiaries to set up a TargetPlan Income Account for Beneficiaries in their own name, so they can receive an income.

## **Death before age 75**

Any income payments made following your death will normally be paid free of tax to your beneficiaries.

Lump sum benefits will normally be paid to your beneficiaries free of tax unless the lump sum exceeds, either in full or in part, your lump sum and death benefit allowance. Please see the section titled Lump Sum and Death Benefit Allowance starting on page 6 for further information.

## **Death aged 75 or over**

Any lump sum or income payments will be taxed at the beneficiaries' marginal rate of income tax (this is the rate of income tax paid on the next pound of income) – in other words, new income you have still to receive.

## **Where can I get more help?**

If you need any help with decisions relating to your finances you should get guidance or financial advice.

Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about your pension options. If you're aged 50 or over, you can book a free appointment to speak with someone at **Pension Wise** or by calling them on 0800 138 3944.

They'll talk you through your options to help you make an informed choice when you access your pension savings.

## Financial advice

If there's anything you don't understand, or if you're not sure whether the TargetPlan Income Account for Beneficiaries is right for you, we recommend that you get advice from a financial adviser to help you understand all your retirement options. There may be a charge for this.

If you don't have a financial adviser, you can find one in your area by visiting [moneyhelper.org.uk/choosing-a-financial-adviser](https://moneyhelper.org.uk/choosing-a-financial-adviser), or contact **Origen Financial Services - [aegon.co.uk/origen](https://aegon.co.uk/origen)**.

Origen Financial Services Ltd, is wholly owned by Aegon UK plc but operate independently to us.

## Notes



## Get in touch

 0345 601 7721

 [my.pension@aegon.co.uk](mailto:my.pension@aegon.co.uk)

 [aegon.co.uk/targetplan](https://aegon.co.uk/targetplan)

Call charges will vary.

Our email system and the way we deal with data internally is secure. However, we're unable to ensure the security of emails before they reach us so please consider this and don't include any personally sensitive, financial or banking information that hasn't been appropriately secured.

If you have access to our online services, you may be able to sign in and complete your action securely.

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