

# SMSF Death Benefit Checklist



Death benefits can be complex. We suggest following these steps to ensure it's done right.

An SMSF death benefit should be paid as soon as practicable (within 6 months) after the death of a member. Let's take a look at the steps involved to ensure this happens.

## 1. Review the Trust Deed

This is an important first step as the Trust Deed can set out specific rules on how the death benefit must be actioned. Where there is a corporate trustee, review the company constitution.

## 2. Consider the Trusteeship

The Executor of the estate or Legal Personal Representative (LPR) of a deceased member can be appointed as either trustee or director of the corporate trustee. The trustee role should end when death benefits commence to be payable (see step 11). Where a member's LPR is already a trustee of the SMSF or director of the corporate trustee, they are not required to be appointed again.

## 3. Confirm if the member has life insurance

If there is a life insurance policy, obtain the documentation and make contact with the insurer to initiate the insurance claim.

## 4. Update the SMSF financial statements

Ensure the members' current balance and components are known. This will usually be completed by your accountant or SMSF administrator.

## 5. Confirm if there are Binding Death Benefit Nominations or reversionary pensions

Validate the binding nominations and review the terms in the deed. If in doubt, legal advice may need to be obtained. Reversionary pension information is generally on the pension commencement documentation.

## 6. If a pension is already in place;

- Do pension payments need to be ceased?
- If reversionary, does the bank account need to change?
- If reversionary, ensure the transfer balance cap is reported.

## 7. If no Binding Death Benefit Nomination or reversionary pension, identify dependents of the deceased

If the trustees of the fund need to make a death benefit decision, this process should be documented to confirm their decisions. The trustees should review and consider any non-binding nominations as part of this process.

## 8. Liquidate assets (as required)

Assets may need to be sold to pay the benefits. In some circumstances death benefit payment obligations can be met via in specie transfer of assets.

## 9. Commence a death benefit payment

- If a lump sum:
  - only pay an interim and a final lump sum
- If a death benefit pension (or reversionary) is to be paid:
  - ensure the transfer balance cap is reported.

## 10. Register the SMSF for PAYG Withholding (i.e. payment to non-tax dependent or the estate)

- Where a lump sum benefit is paid to the estate or a non tax dependent directly, complete a Tax File Number (TFN) Declaration.
- TFN Declarations also need to be completed if a death benefit pension is being paid where the deceased or recipient is under age 60 at death.

## 11. Consider trusteeship

Once the death benefit is paid there is no automatic removal of the LPR (unless the deed prescribes). To ensure the SMSF continues to comply, within 6 months of a death benefit payment a further amendment of the trusteeship may be required.

## 12. Change SMSF assets and signatories if trustee has changed

All assets must be held in the name of the trustee on behalf of the SMSF. If there has been a change in trusteeship the assets and accounts for the fund may need to be updated.

## 13. Update the investment strategy

Due to the changing circumstances of the fund the trustees should update the investment strategy.

## 14. Consider if an SMSF structure remains appropriate

With the loss of member assets it may no longer be appropriate for remaining members to continue with the SMSF. Ensure that the remaining members obtain financial advice.

## Contact Us

If you would like to further discuss this, please feel free to contact one of our Wealth Managers to arrange a time.



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