

## The Importance of Beneficiary Nomination

**Financial wellbeing isn't solely about taking care of yourself. It extends to ensuring your family or other dependants are also financially secure. While most AXIS clients appreciate the importance of life insurance, they often forget the most important aspect of having insurance – nominating a beneficiary. This Informer highlights the much overlooked fact of providing for your family when you can't and just how simple it is to arrange.**

### Why is beneficiary nomination so important?

When you nominate a beneficiary, you're informing the trustee of your super fund or the insurer of the person(s) to whom you'd like your death benefit to be paid.

Under super laws, the person(s) you nominate **must be a dependant**, which includes any of the following:

- Your spouse including de-facto or partner from a same-sex relationship;
- Your children of any age including step, ex-nuptial and adopted;
- Any persons in an interdependent relationship with you at the time of your death;
- Any persons financially dependent on you at the time of your death;
- The legal personal representative of your estate.

Under tax laws, the payment of a death benefit differs where children are the nominated beneficiaries. Specifically, if the children are under 18 years, the tax benefits will only apply if they are financially dependent or interdependent.

### What if I don't nominate a beneficiary?

Naturally, it's your decision as to whether you nominate a beneficiary.

However, if you don't nominate a beneficiary, then the trustee or insurer will decide who receives your death benefit, which defeats the purpose of having the cover in the first place.

If payment is left to the discretion of the trustee or insurer, it usually involves a lengthy process.

This is because the trustee/insurer must first determine who are dependants or appropriate beneficiaries. It can, therefore, delay the payment of a death benefit at a time that is emotionally and financially difficult.

### What are my options?

When nominating a beneficiary, you generally have two options available. You can make a binding or a non-binding nomination and this is determined by the rules of your super fund or your insurer.

A **binding nomination** means that the super fund trustee or insurer **must** pay your benefit to the person(s) you've listed and in the percentage splits you've specified.

This is a beneficial strategy as it retains your super as a separate asset to your estate. Therefore, your super is protected from unintended beneficiaries and can't be used for any business-related debt.

A **non-binding nomination** means the trustee or insurer will take your instructions into account, but will use their own discretion as to who receives the benefit.

For most people, it's better to have a binding nomination, to ensure the people they care about receive the money.

### Make sure your nomination remains valid

As your nomination is an instruction to the trustee or insurer, it's essential that it remains up to date and valid at all times.

For this reason, you should always review your nomination as your personal circumstances change.

AXIS has experienced situations where an ex-spouse was still listed as a beneficiary of one of our members when he died, which created delays and personal issues for the member's preferred beneficiaries.

In addition, while binding nominations may provide greater guarantee that payment is made to your nominated beneficiary, they also involve the following parameters to ensure their validity:

- The nomination must be **renewed every three years**;
- They must be in writing and specify the proportion of benefit to be paid to each beneficiary;
- The beneficiaries must be dependants; and
- The nomination must be signed and dated before two witnesses who are over 18 years and not nominated as beneficiaries. These witnesses must also sign and date the nomination;

Some super funds provide notification prior to a binding nomination expiring. However, many don't. So, it's always a good idea to review your nomination when you receive your periodic statement.

### What happens if there are no dependants?

There are instances where, despite efforts to maintain the currency and validity of your nomination, your beneficiaries are no longer dependants at the time of your death.

In these cases, the benefit is usually paid in accordance with your will or to the estate – regardless of whether your nomination is binding or non-binding.

### Insurance outside of super

In most cases, we've found that it's usually more beneficial for our clients to have insurance attached through their super.

However, as with most things in life, there are pros and cons of having insurance within and outside of your super. One of the positives of the latter is the fact that you can take out a policy on someone else's life and not just your own.

The upshot of this is that you are the **owner of the policy** and can make any changes to the beneficiary details as you like. This can be a protective aspect should any contention about beneficiaries arise upon the death of the insured individual.

### Ask AXIS Financial Group

As you can see, making sure your financial affairs are in order also involves your super arrangements.

Therefore, If you have any queries about this Informer, please give us a call.

You can speak with our friendly Advisory Group or Technical Services team on **08 9426 5800** or **1800 111 299**. Alternatively, you can email us at **info@axisfg.com.au**

[www.axisfg.com.au](http://www.axisfg.com.au)

Feel free to contact your adviser with  
any questions about this bulletin



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