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Your pension and Inheritance Tax - why it's worth thinking about now

For many, a pension is about building financial security for the future. Retirement may still be some way off, but it's worth remembering some significant changes are coming in.

Under planned changes, which are due to take effect from 6 April 2027, most unused pension funds and certain death benefits will fall within the scope of Inheritance Tax (IHT). How you build and use your pension could affect both your future income and the wealth you pass on.

It's worth starting the conversation

With a few months to go, there is good reason to understand what the changes could mean for you.

If retirement is still some way off, you may not need to change anything but understanding how your pension fits alongside your other savings, investments and property can help you make informed decisions over the long term.

For those closer to retirement, it may be particularly important to review how and when pension savings could be accessed.

The right approach will depend on your circumstances, financial goals, income needs and what you hope to leave to your family.

Don't make decisions based on headlines

It can be tempting to assume that withdrawing your pension, moving money elsewhere or giving assets away will automatically reduce an IHT liability, but decisions made purely in response to a tax change could have unintended consequences for your retirement income or wider financial security.

Be alert to scams

Major changes can also create opportunities for fraudsters. Scammers may use pension and IHT headlines to create urgency, suggesting you need to move your pension, withdraw funds or invest in a supposedly tax-efficient opportunity before the rules change.

Be wary of unexpected contact, pressure to act quickly, guaranteed tax savings or requests to transfer money or share personal information. If something doesn't feel right, take a step back.

Plan ahead, don't panic

We can help you understand what the changes could mean for you and whether you need to act. Now is a good time to review your pension and future plans.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. The Financial Conduct Authority does not regulate Will writing, tax and trust advice and certain forms of estate planning.

Individual Savings Accounts (ISAs) – what's changing?

The government has announced proposed ISA reforms that could have important implications for both first-time buyers and savers

A new First-Time Buyer ISA

A significant change is the planned replacement of the Lifetime ISA (LISA) with a new First-Time Buyer ISA (FTB ISA). Designed specifically to help people onto the property ladder, the FTB ISA will focus solely on home purchases rather than combining home-buying and retirement savings.

Under the proposals, savers will receive a government bonus when purchasing a qualifying property, based on their contributions, without the withdrawal penalties associated with LISAs. Key details, including contribution limits and bonus rates, are still being consulted on.

Changes for savers

From 6 April 2027 the annual Cash ISA allowance for those under age 65 will reduce from £20,000 to £12,000, while the overall ISA allowance remains £20,000. Individuals aged 65 and over will retain a £20,000 Cash ISA allowance.

Other announced measures include:

- A 22% charge on interest earned on cash held within Stocks and Shares ISAs and other non-Cash ISAs, designed to discourage long-term cash holdings in investment accounts
- Restrictions on transferring money from non-Cash ISAs into Cash ISAs for investors under 65
- Portfolios held in non-Cash ISAs will not be permitted to consist entirely of 'cash-like' investments, such as money market funds.

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IN THE NEWS

Big saving goals, smaller pots

Despite parents expecting to save an average of £10,148 for their children, research[1] shows that reality often falls short of ambition. Just 9% of families manage to build savings of £10,000 or more, while more than half of children's savings accounts never exceed £1,000. The findings highlight the challenge many households face in balancing day-to-day financial pressures with longer-term goals such as helping with education costs, a first home deposit or future financial security. For families looking to build meaningful savings pots for the next generation, starting early and contributing regularly can make a significant difference over time.

Know your pension pot

Many people could be missing an opportunity to take greater control of their retirement savings. Research[2] found that fewer than half of UK adults (47%) realise their pension is invested, while almost a quarter believe it is not invested at all and 30% are unsure. Pensions are designed to benefit from long-term investment growth, making engagement with retirement savings increasingly important. Yet automatic enrolment means many savers contribute without fully understanding how their money is working for them. The findings serve as a timely reminder to review pension arrangements regularly, check contribution levels and understand how savings are invested. Taking an active interest today could make a significant difference to your retirement.

[1]Saffron Building Society, [2]HL

Could life insurance help your family meet a future IHT bill?

From April 2027, changes to Inheritance Tax (IHT) rules could mean that more estates face an IHT liability. As a result, many families may need to think more carefully about how any future tax bill will be paid.

Life insurance, particularly whole of life cover with no set term, is increasingly becoming part of these conversations. While it does not reduce the amount of IHT due, it can provide a cash lump sum that beneficiaries can use to help meet the bill.

This can be particularly useful when much of an estate is tied up in property, investments or other assets that cannot easily be accessed. Without readily available funds, beneficiaries may need to sell assets sooner than they would like, potentially at an unfavourable time. A life insurance payout can provide valuable financial flexibility when it is needed most.

Why could this become more important?

As more families review their estate planning ahead of 2027, ensuring funds are available to meet any future tax liability may become an increasingly important consideration.

Policies can often be written in trust, which may help ensure the proceeds do not form part of the estate and can be paid to beneficiaries more quickly. With the changes approaching, now could be a good time to review your estate planning arrangements.

Trust arrangements are complex and suitability depends on individual circumstances.

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Budget 2026 - planning ahead, not predicting

It's that time of year again - the Budget is on the horizon, with Chancellor John Healey confirming that his first Budget will take place on 28 October. The Office for Budget Responsibility (OBR) is now preparing its economic and fiscal forecasts, while speculation grows over what measures could be announced.

The Chancellor has said the Budget will be built on *"fiscal discipline"* and provide businesses and families with greater stability to plan for the future.

Over the years we've learnt the most useful approach is to look beyond the headlines, not to get swept away with speculation, but to focus on what we do know. There are already important changes we know about and can plan for, such as the IHT pension changes and the ISA reforms, all previously announced.

Beyond these known changes, little is expected to be confirmed in advance, but a handful of taxes may be in the spotlight, having featured in speeches and wider policy discussions.

- **Capital Gains Tax (CGT) -** one area commentators have highlighted as a possible candidate for reform
- **Inheritance Tax –** the PM has previously spoken about reforming IHT including replacing the current system with a broader levy on estates
- **Income Tax, VAT and National Insurance** - government has indicated it does not intend to increase the main rates but we'll wait and see as Mr Burnham has previously commented about how unpopular the Income Tax allowance freeze has been.

For now, resisting speculation is key. A review of your financial plans ahead of the Budget can help ensure your affairs remain well positioned under today's rules. We can then revisit your plans once the announcements are made. When it comes to tax planning, certainty is usually a better foundation than speculation.

The Chancellor has said the Budget will be built on "fiscal discipline"

Don't disconnect with your future – your pension needs you!

Have you heard of the NERDs - the Never Ever Retiring Demographic? Some younger people believe that saving into a pension is pointless because they will never be able to retire, but this can become a self-fulfilling prophecy, leading to pessimism about your financial future.

Research[3] shows that 12% of young adults are disengaged with pension saving because retirement feels unachievable to them. This is equivalent to 2.2 million people, highlighting that many in the younger generation have switched off from retirement savings.

We understand that rising living costs, housing challenges and economic uncertainty can make retirement feel out of reach, but that doesn't mean that planning is pointless. Time is on your side - with a more optimistic mindset, you can take control of your future and prepare for the retirement you want.

Don't write off retirement

Deciding that retirement is unrealistic will make it even harder to save for the future. There's no need to make huge contributions to your pension – small, regular payments can make a big difference and have a meaningful, long-term impact.

Do it for your future self

Retirement might look different for future generations. More people are taking a phased approach to retirement[4], meaning that they reduce their working hours and responsibilities without stopping work completely. If this trend continues, the typical retirement lifestyle could look different from what we're used to. However, continuing to work should be your decision, rather than the only option. Building financial resilience now will keep your options open when you reach retirement age.

It's never too early to start saving. Don't give up on your financial future – keep investing in it, even if retirement feels like a long way off. We can talk you through the small steps that you can take this autumn.

[3]People's Pension, [4]WTW

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Trying to keep up with the Joneses? – block out the noise to focus on YOUR financial future

With so much of our time spent online, it's easy to compare your life to what you see on social media. Trying to keep up with other people's highlight reel can lead to overspending and poor financial decisions.

In a study[5] exploring the impact that social media has on wellbeing, 83% of Gen Z said they felt unsatisfied with their life when comparing it to others online. Scrolling through the latest posts can often highlight what you don't have - expensive holidays, the newest gadget or a flashy car. It can therefore be tempting to spend more money to keep up with others' lifestyles. However, social media never tells the full story.

The meaning of wealth

True financial resilience isn't necessarily about outward displays of success. Someone can have a high income and an expensive lifestyle without building significant long-term wealth. Wealth is ultimately about more than what you earn or what you own. It's about building a strong financial foundation and making sure your money is working towards the things that matter to you.

Focus on you

Instead of worrying about what others are doing, why not create your own definition of financial success? This can help you identify what really matters to you and turn those priorities into meaningful financial goals. It could be having the freedom to reduce your working hours in the future, providing opportunities for your children, travelling more, supporting family or simply having greater financial independence.

It's also worth looking beyond day-to-day spending and considering the bigger picture. Are you holding the right amount of cash for your needs? Are you investing enough for the long term? Are you making the most of available pension and tax-efficient investment opportunities? And are your protection and estate-planning arrangements still appropriate as your circumstances change?

Make your money work for your priorities

The goal isn't to avoid spending money or to live a less enjoyable life. It's about being intentional about where your money goes. Spending freely on the things that genuinely matter to you can be perfectly compatible with building long-term wealth. The key is making sure your lifestyle, saving and investment decisions are working together rather than competing with each other. Rather than comparing your financial position with someone else's highlight reel, focus on your ambitions and your own definition of success.

A well-structured financial plan can help you enjoy your wealth today while continuing to build financial freedom for the future. Let's make sure your money is working towards **your** future – not someone else's.

[5]The Cybersmile Foundation

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Women feel less financially confident – time to take control

Women are less likely to engage in long-term financial planning than men, despite often facing greater financial challenges over their lifetime.

A report[6] has found that the majority of women (84%) are involved in household finances and 46% take the lead in managing the household budget, compared with 39% of men. So why do half of men say they lead the decision on long-term wealth building, compared to 42% of women?

The financial challenges that women face

More women (24%) are struggling financially than men (18%), according to the survey - this could be due to a range of factors, including the gender pay gap and career breaks affecting income. Over half (56%) of women have taken a break from paid employment versus 38% of men, with 19% of women saying they feel less financially secure as a result.

Career breaks typically lead to reduced pension savings, with a five-year pause at age 30, potentially adding up to a loss of £30,000 in savings. To make this up, a woman would then need to contribute more than 9.7% of future earnings into a pension. With the average life expectancy longer for women, this could explain why women tend to feel less financially comfortable (31% vs 44% of men).

The benefit of proactive planning

It's time to redress the gap in financial confidence. Wealth building is not just for the highest of earners - you can take ownership of your financial future by setting goals, investing and taking financial advice.

[6]SJP

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