independent financial advisers
moneyweb

ISSUE 32 ■ SPRING 2026

evolve

A new era for pension inheritance

The inevitable shift in the approach to intergenerational wealth transfer

Smart gifting
Tax-free ways to support your children and grandchildren

Long-term care – how to plan for your future
Securing your financial wellbeing in later life starts with early preparation

UK tax allowances: Time to make the most of your money?
Proactively managing your allowances can help you maximise your savings and investments

moneyweb
11 Betton Business Park, East Ayton, Scarborough, North Yorkshire YO13 9HD
Tel: 01723 378 234 **Email:** enquiries@moneyweb-ifa.com **Website:** www.moneyweb-ifa.com

welcome

Welcome to the Spring 2026 edition of ***Evolve*** from **Moneyweb**.

The 2024 Budget introduced a major shift in pension inheritance, with unused pension funds and death benefits now subject to Inheritance Tax (IHT) from April 2027. This change impacts intergenerational wealth transfer, particularly for unmarried partners and beneficiaries. On page 04, we consider why savers may need to rethink their financial strategies, exploring tax-efficient options like ISAs or lifetime gifting. Professional advice is crucial to navigate this complex new landscape.

Passing wealth to the next generation can be tax-efficient with proper planning. From annual exemptions to regular gifts from surplus income, there are several ways to reduce Inheritance Tax (IHT) liabilities. Special occasions like weddings offer additional tax-free gifting opportunities, while the seven-year rule allows larger gifts to fall outside your estate. Early planning and professional advice can ensure your loved ones benefit fully from your generosity. Turn to page 14.

With rising life expectancy, early financial planning for long-term care is essential. Care home fees have surged, creating a financial burden for self-funders, especially in affluent regions. On page 08, we explain options like annuities, equity release, and dedicated investments that can help prepare for future care needs. Professional advice ensures the best approach for your circumstances.

Proactively managing tax allowances can significantly boost your savings. From the Personal Allowance to ISAs and pensions, understanding these opportunities is key. The Autumn 2025 Budget introduced changes like a cap on salary sacrifice for pensions and adjustments to ISA rules. On page 10, we consider how reviewing your finances now can help you make the most of these allowances before they change.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE. A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX ADVICE, ESTATE PLANNING OR TRUSTS.

contents

03 The Moneyweb team
Meet our passionate professionals

04 Smart gifting
Tax-free ways to support your children and grandchildren

05 Is your income protected?
Half of UK workers see income protection as vital, yet only 27% have it

06 Are you making the most of your ISA?
How to grow your savings beyond cash accounts

08 Long-term care – how to plan for your future
Securing your financial wellbeing in later life starts with early preparation

10 UK tax allowances: Time to make the most of your money?
Proactively managing your allowances can help you maximise your savings and investments

12 Generating a regular income from your investments
A straightforward guide to making your portfolio work for you

14 A new era for pension inheritance
The inevitable shift in the approach to intergenerational wealth transfer

16 Investing an inheritance
Making informed decisions to secure your financial future

Secure your financial future and protect your loved ones!

Explore tax-efficient strategies, inheritance planning advice, and long-term care options. To learn more or to arrange a meeting, please get in touch. Call 01723 378234 or email enquiries@moneyweb-ifa.com. We look forward to hearing from you.

The Moneyweb team

Meet our passionate professionals

Hannah Scruton

Since joining Moneyweb in January, I've thoroughly enjoyed my role as part of the client communications team. After more than 20 years working in accounts and finance, it has been refreshing to engage in something different. My work involves preparing reports for clients about their pensions and investments, which has given me the chance to combine my financial background with communication. I've found this new chapter both rewarding and energising, and I'm eager to continue developing in the role.

I live with my husband, Tom, and our two children, Harry (10) and Emma (7). We enjoy spending time outdoors and going for walks in the countryside.

Ellie Pearce

Starting my role at Moneyweb in November 2025 marked a significant step forward in my career, as it was my first experience working in the finance and investment industry. Having recently passed my probation, I am proud of the progress I have made in a relatively short period. I am now looking ahead to the next stage of my development and hope to start studying for my exams, which will help me build the knowledge needed to advance within the industry. My long-term aim within the company is to become a paraplanner, and I am excited to continue learning and developing the skills required to achieve this.

Sasha Owen

On 26th April 2026, I will run the London Marathon (26.2 miles). I have always enjoyed running, and I wanted to challenge myself to complete a marathon. Therefore, as part of Moneyweb's charity fundraising, I decided to run it for a charity close to my heart: Bowel Research UK. Living with Crohn's disease, I am passionate about supporting the vital research they undertake into treatments and cures for bowel diseases.

My fundraising goal is £3,000. Any contribution, no matter the size, would be greatly appreciated.

https://www.justgiving.com/page/sasha-owen-london-marathon-2026. ■

Smart gifting

Tax-free ways to support your children and grandchildren

Passing wealth to the next generation is a primary concern for many families, yet the complexities of Inheritance Tax (IHT) often cause unnecessary anxiety. With the headline IHT rate set at 40%, careful planning is essential to ensure your children benefit as much as possible from your estate. Fortunately, there are several tax-efficient strategies available that, when used properly, can help you make significant lifetime gifts completely free of tax.

Using allowances and exemptions wisely is one of the easiest ways to give to children or grandchildren. The annual exemption lets you gift up to £3,000 each tax year without incurring IHT. If you haven't used the previous year's allowance, you can carry it forward, potentially doubling the amount to £6,000, or even £12,000 for couples. These sums can add up to a substantial nest egg for children over the years.

Make the most of regular gifting

Another valuable, though often overlooked, option is to make regular gifts from surplus income. This route is ideal for people who have a consistent annual surplus after covering normal living expenses. There is no upper limit to this exemption, provided you can show that the gifts come from income, not capital, and that your standard of living isn't affected. Clear documentation is key to satisfying HMRC's requirements if HMRC queries it in the future.

Additionally, you can give small gifts of up to £250 per person per tax year, provided the recipient has not already benefited from your main £3,000 allowance. These small amounts are perfect for birthday or Christmas presents and help use up your gifting allowances without incurring any additional tax.

Wedding gifts and the seven-year rule

Special occasions offer more opportunities for tax-free gifting. For weddings, you can gift your child up to £5,000 tax-free, or £2,500 if you are a grandparent. The exemption applies per parent, so a couple could give their child £10,000 towards their big day without incurring IHT.

For those wishing to make larger lump-sum gifts, understanding the 'seven-year rule' is essential. Any sum given outright will fall outside your estate for IHT purposes after seven years. If you pass away within this period, a sliding scale of 'taper relief' may reduce the tax due on gifts over £325,000.

Planning ahead for peace of mind

Sound estate planning often involves a combination of these exemptions and careful record-keeping. The right mix depends on your individual financial situation and your goals for your children's future. Seeking advice early can make a significant difference to the amount your loved ones will ultimately receive. ■

Looking for a tax-efficient strategy for passing on your wealth?

Don't let Inheritance Tax complexities overshadow your legacy. With careful planning and the right strategies, you can maximise the benefits for your loved ones while minimising tax liabilities. Contact us today to discuss your estate planning needs and ensure your family's financial future is protected.

Is your income protected?

Half of UK workers see income protection as vital, yet only 27% have it

Recent research reveals a striking insight. 50% of the UK's working population believes they would feel more financially resilient with income protection insurance[1]. This type of cover is specifically designed to provide financial support if you're unable to work due to illness or injury. Yet despite the peace of mind it offers, only 27% of UK workers currently hold an income protection policy.

This gap between awareness and action is concerning. With the average worker supporting three dependents and many households relying on dual incomes to meet monthly expenses, the loss of a salary could lead to immediate financial strain. The findings highlight a growing financial vulnerability across the country.

Reality of household reliance

The research also highlights the precarious financial situation many households face. Household debt has risen by an average of £1,734 over the past year, reaching £20,640. Meanwhile, a third of UK workers have less than £5,000 in savings, and nearly a quarter have under £1,000. For these individuals, an unexpected period off work could be financially devastating.

Income protection can be a vital safety net in such situations. It provides a regular, tax-free monthly income during periods of illness or injury, helping you cover essential costs such as your mortgage or rent, utility bills and daily living expenses. This allows you to focus on your recovery without the added stress of financial worries.

Bridging the protection gap

The findings also highlight a significant protection gap among renters, women and single parents, groups that are often more vulnerable to financial shocks. As living costs continue to rise, a robust financial plan has never been more critical.

An income protection policy offers more than financial security; it provides confidence and peace of mind when you need it most. It's designed to help you build both emotional and financial resilience, enabling you to face life's challenges with greater stability. ■

Is it time to take control of your financial future?

Don't wait for the unexpected to happen. Protect your income and safeguard your family's financial wellbeing today. Speak to us to explore how income protection can work for you. Together, we'll create a plan that ensures you're prepared for whatever life throws your way.

Source data:

[1] Research from the LV= Reaching Resilience report – data from a survey of 2,720 nationally representative UK workers conducted for LV= by Opinium between 15 and 25 October 2024.

Are you making the most of your ISA?

How to grow your savings beyond cash accounts

Recent research shows a significant change in savings attitudes, with over half of UK Cash Individual Savings Account (ISA) holders willing to explore the investment market. For the 2026/27 tax year, this offers a notable chance for savers to grow their wealth beyond the returns from traditional cash accounts.

Since their introduction over twenty years ago, Individual Savings Accounts (ISAs) have become vital for UK savers. Despite their popularity, there remains widespread confusion about how they work, especially regarding the specific benefits of Stocks & Shares ISAs. With new research indicating that 60% of Cash ISA savers might be persuaded to invest, it is time to reassess how we approach our long-term savings goals.

The Autumn Budget 2025 announced a significant change to Cash ISAs: starting April 2027, the annual tax-free savings limit will be reduced from £20,000 to £12,000 for individuals under 65. This move aims to encourage younger savers to explore investment options such as Stocks & Shares ISAs while maintaining the £20,000 limit for those aged 65 and over.

Overcoming the barriers to investing

The primary barrier preventing many from investing is financial constraints. The research shows that 42% of those not currently investing believe they lack sufficient disposable income. This belief is slightly more common among women (45%) than among men (38%), highlighting a confidence gap that extends beyond financial resources.

The second main concern is risk. Over a third (35%) of non-investors worry about potential financial losses, a valid concern in any investment journey. An additional 12% express anxiety about their ability to access their money quickly if needed. These issues, though understandable, often stem from a lack of detailed information on how to manage Stocks & Shares ISAs to suit individual risk tolerance and financial timelines.

The pull of greater returns

What motivates a person to switch? For 39% of Cash ISA holders, the main motivation is the chance of better financial returns. This increases to 50% among those aged 18 to 34, a group very aware of the importance of making their money work harder. The ability to generate returns that outpace inflation is also a crucial factor for 27% of savers, which is especially relevant in the current economic climate.

If this sentiment encourages action, a significant portion of the funds currently in Cash ISAs, potentially up to £216 billion, could be redirected into investments. This shift would rely entirely on savers feeling confident and well-informed enough to proceed, highlighting the crucial need for better financial education and guidance.

Closing the knowledge and confidence gap

Many people admit that limited knowledge holds them back. A quarter (25%) of non-investors say they do not understand stocks and shares, while 16% are unsure where to begin. This uncertainty is more apparent among younger savers, with nearly a third of those under 50 acknowledging a lack of understanding.

Surprisingly, even those with a Stocks & Shares ISA report a lack of knowledge. Over half (58%) feel they only have 'a little knowledge' about how their investments work. Furthermore, a significant two-thirds of UK adults are incorrect or uncertain about the tax rules, with 25% mistakenly believing they pay tax on gains from a Stocks & Shares ISA. This basic misunderstanding prevents many from recognising one of the account's most valuable benefits: tax-efficient growth.

> **The Autumn Budget 2025 announced a significant change to Cash ISAs: starting April 2027, the annual tax-free savings limit will be reduced from £20,000 to £12,000 for individuals under 65.**

Making an informed decision for your future

While cash is essential for short-term savings and emergencies, a Stocks & Shares ISA can be a valuable option for those with a longer-term perspective of at least five years. The data highlights a clear opportunity to empower savers with the knowledge they need to make informed decisions that align with their financial goals.

By demystifying the world of investing and highlighting the significant tax advantages, we can help people unlock the full potential of their savings. Investing is not suitable for everyone, and capital is always at risk. However, for many Cash ISA savers, the potential for higher long-term returns could be life-changing. ■

Is it time to review your investment objectives and set clear targets for lasting success?

If you are considering your options and want to learn more about how a Stocks & Shares ISA could fit into your financial plan and review your investment objectives to set clear targets for lasting success, please speak to us.

Source data:

[1] The Opinium research for Royal London was conducted online between 4–11 April 2025, with a sample of 4,000 UK adults, weighted to be nationally representative.

THIS ARTICLE IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE. TAX TREATMENT DEPENDS ON INDIVIDUAL CIRCUMSTANCES AND MAY CHANGE IN THE FUTURE. THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVEST.

Long-term care – how to plan for your future

Securing your financial wellbeing in later life starts with early preparation

Thinking about care in your later years may seem premature, especially if you are currently fit and healthy. However, with average life expectancy in the UK continuing to rise, the likelihood of needing some form of care support increases significantly. It is estimated that one in four of us will need long-term care at some point, making early financial planning not just sensible but essential.

Some people may assume the state will automatically cover these costs. While local authorities provide support, it is strictly means-tested. If your assets, including your property, exceed the £23,250 threshold in England, you will likely have to fund your own care.

Growing financial burden

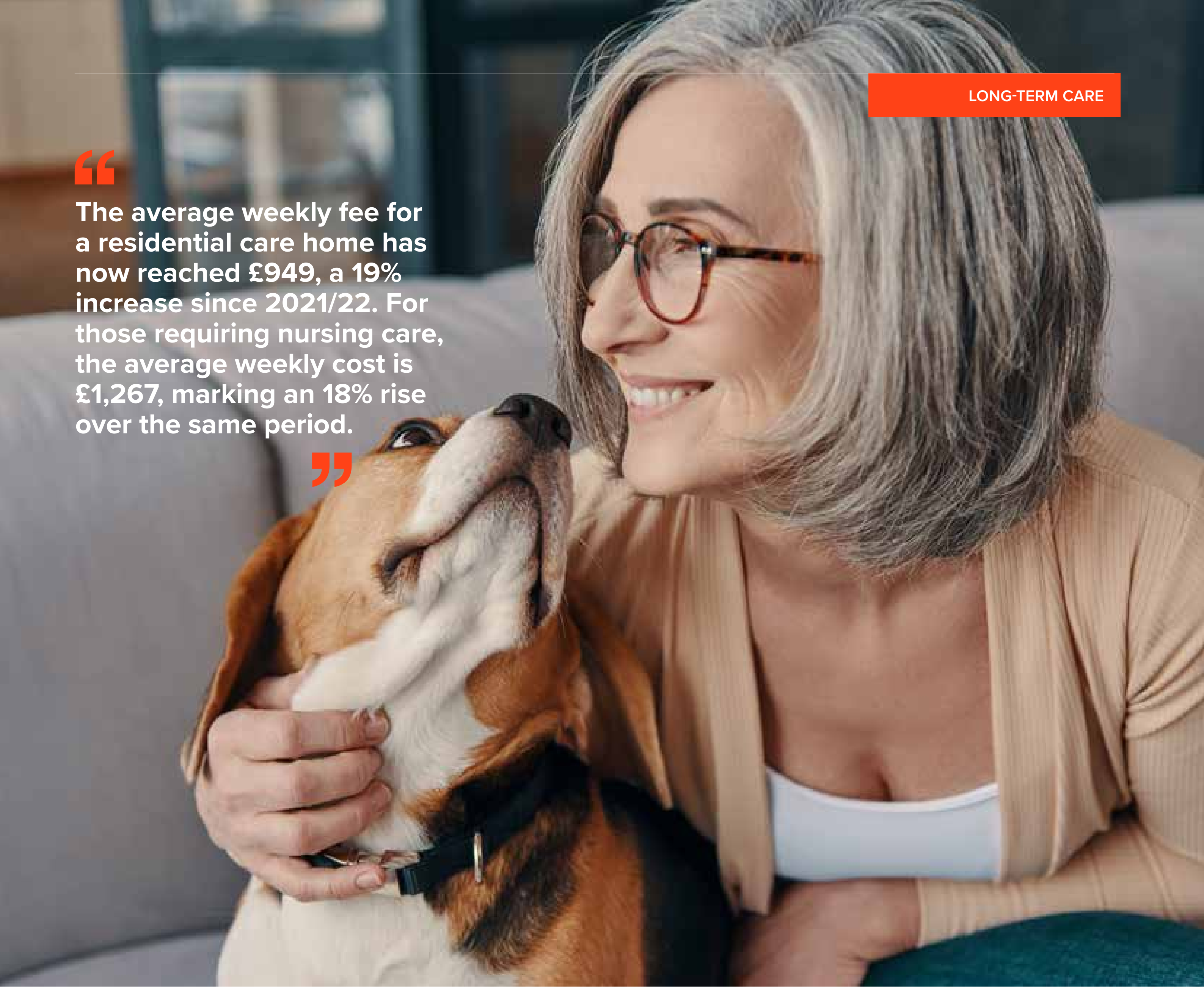
Care home fees have spiralled over the past two years for people needing a bed in a residential or nursing home. Some individuals paid up to 20% more in 2023/24 than in 2021/22, according to a report[1]. This sharp increase highlights the growing financial burden on those funding their own later-life care.

The average weekly fee for a residential care home has now reached £949, a 19% increase since 2021/22. For those requiring nursing care, the average weekly cost is £1,267, marking an 18% rise over the same period. These significant increases are largely driven by wider inflationary pressures, including surging energy prices and successive increases in the National Living Wage, which heavily affect provider operating costs.

A tale of two prices

A significant disparity exists between what local authorities pay for care and the fees charged to private individuals. This gap suggests that self-funded residents are subsidising the cost of care for those funded by the state. Councils, with their substantial bargaining power, can negotiate lower rates. For nursing care, private-pay clients are charged an average of £1,409 per week, £263 more than local authorities pay.

This financial imbalance is even more pronounced in residential care, where the difference is £308 per week. This two-tier system adds to concerns that individuals and their families are bearing the brunt of a strained social care system. As political



"The average weekly fee for a residential care home has now reached £949, a 19% increase since 2021/22. For those requiring nursing care, the average weekly cost is £1,267, marking an 18% rise over the same period."

parties appear hesitant to tackle social care reform, it seems likely that self-funders will continue to face rising costs.

Postcode lottery of costs

Care home fees also vary significantly across the country. Residents in the North and the Midlands generally pay substantially less than those in the South. For example, the North East has the lowest average weekly nursing care fee at £1,073, while the South East is the most expensive region, with average nursing care fees of £1,457 per week.

This regional variation is not just due to property prices and pay rates. Analysis shows that costs across the board, including food and staffing levels, are higher in more affluent areas. Providers in these regions appear to flex their costs upwards to meet the expectations of a client base dominated by private payers, while those in less affluent areas must keep costs down to remain viable.

Exploring funding solutions

Fortunately, there are several ways to prepare. Immediate needs annuities are a popular choice for those already receiving care, providing a guaranteed income for life in exchange for a lump sum. For those planning ahead, specific insurance policies or dedicated investment strategies can build a fund earmarked for future health needs.

Equity release is another option some homeowners consider, unlocking the value tied up in their property to pay for domiciliary care while staying at home. Each option carries specific tax implications and risks, so professional advice is crucial to ensure you choose the option that best suits your family's circumstances. ■

Need more information on planning for care costs?

If you are unsure about how to fund potential care costs or want to protect your estate for future generations, we are here to help. Contact us today to arrange a comprehensive review of your long-term care plans.

Source data:

[1] LaingBuisson's Care Homes for Older People UK Market Report (The thirty-fifth edition), published: 27 February 2025.

UK tax allowances: Time to make the most of your money?

Proactively managing your allowances can help you maximise your savings and investments

Tax is an unavoidable part of life for anyone earning above the UK Personal Allowance threshold. However, the government offers various tax allowances each year that can help you keep more of your hard-earned money. Understanding and using these allowances is crucial for improving your financial efficiency.

Many of these allowances function on a 'use it or lose it' basis. This means that if you don't utilise them within the current tax year, which ends on 5 April, the opportunity is lost and cannot be carried over. As we near the end of the 2025/26 tax year, it's wise to review your finances and identify where you could save, especially considering the updates from the recent Autumn Budget 2025 Statement.

Understanding income and savings

Income Tax is charged on most types of earnings, but several allowances help reduce the amount you pay. The Personal Allowance for the 2025/26 tax year is £12,570, meaning you can earn this amount without paying any Income Tax. This threshold remains the same following the Autumn Budget. If you are married or in a civil partnership and your partner earns less than this, you might be able to optimise your joint tax position by transferring income-generating assets to them.

Furthermore, a Personal Savings Allowance lets you earn up to £1,000 in interest from savings and investments tax-free if you are a basic rate taxpayer. This allowance drops to £500 for higher rate taxpayers and is unavailable to additional rate taxpayers.

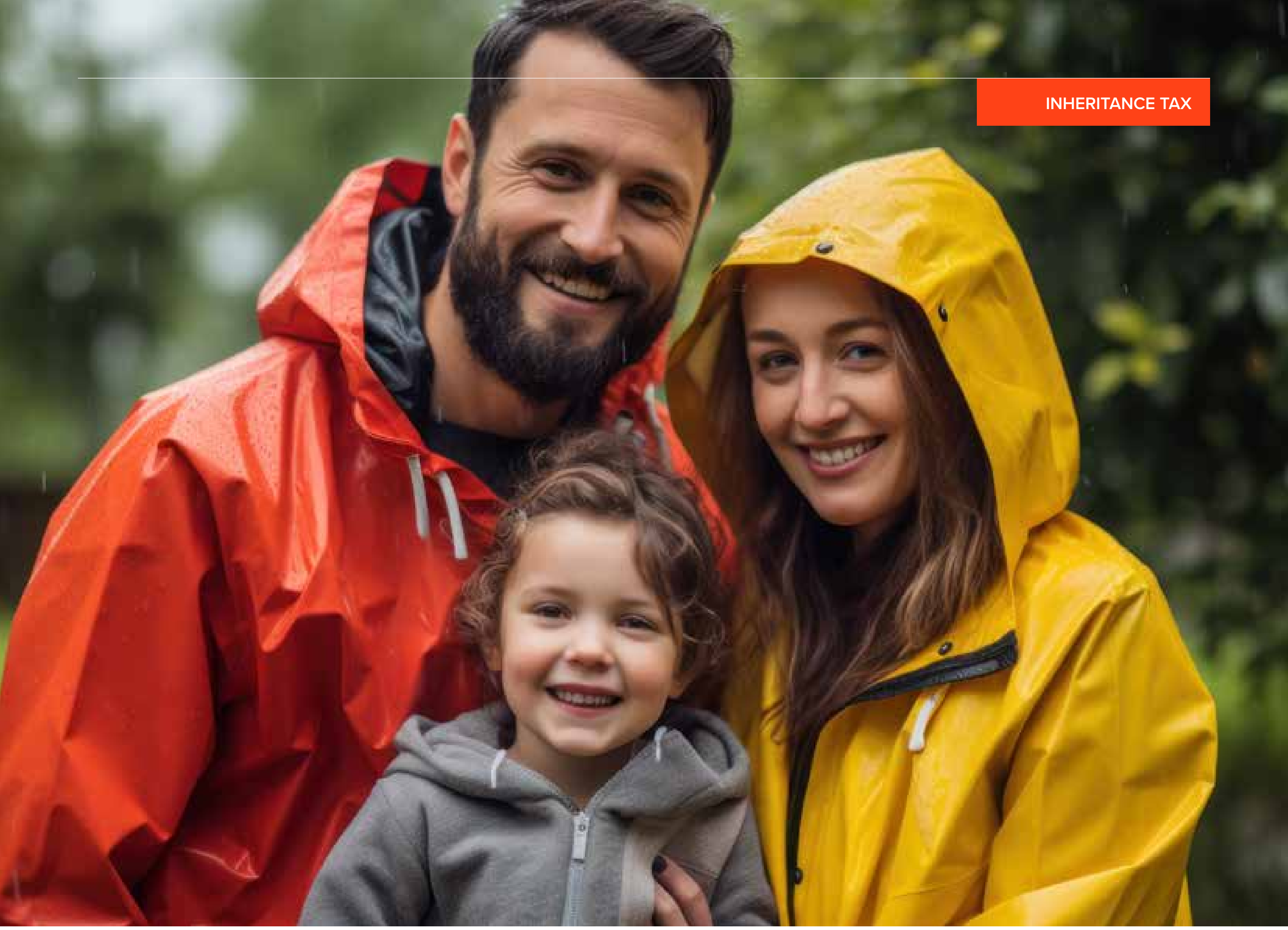
A practical way to achieve tax-efficient growth is through the annual ISA allowance, which permits you to save up to £20,000 in the 2025/26 tax year. Any interest, dividends or capital gains earned within an ISA are entirely free from UK tax. The Autumn Budget confirmed that the ISA allowance will stay at its current level for the next tax year; however, from April 2027, you'll only be able to deposit £12,000 into a Cash ISA each tax year (if you're under 65).

Pensions and National Insurance

One of the most significant policy changes announced in the Autumn Budget 2025 Statement affecting pension savers was the introduction of a cap on how much of your salary you can sacrifice for pension contributions without paying National Insurance (NI), with implementation scheduled for April 2029.

Your pension is one of the most effective, tax-efficient savings vehicles available. For the 2025/26 tax year, you can contribute up to £60,000 into your pension and receive tax relief on your contributions. This allowance is tapered for high earners, reducing by £1 for every £2 of adjusted income you have above £260,000, and the MPAA could also apply.

National Insurance contributions (NICs) are also deducted from your earnings and are essential for qualifying for certain state benefits, including the State Pension. You will not pay NICs on the first £12,570 of your earnings. For income between £12,571 and £50,270,



the rate is 8%, then decreases to 2% on earnings above this threshold. To receive the full New State Pension, you generally need 35 qualifying years of National Insurance contributions.

Capital Gains Tax considerations

Capital Gains Tax (CGT) is a tax on the profit you make when you sell or 'dispose of' an asset that has increased in value. Each individual has an annual CGT allowance of £3,000 for the 2025/26 tax year. For profits exceeding the allowance, CGT is charged at 18% for basic rate taxpayers and 24% for higher or additional rate taxpayers on residential property, with different rates possibly applying to other assets.

There are legitimate ways to reduce your CGT liability, such as spreading the sale of assets over different tax years or transferring an asset to a spouse or civil partner to maximise both of your allowances. It is also important to report any capital losses to HM Revenue & Customs, as these can be offset against future gains to lower your tax bill. ■

Will you maximise every opportunity before the end of the tax year?

Proactively managing your allowances can help you maximise your savings and investments. We can help ensure you make the most of every opportunity before the tax year ends. If you'd like to discuss your personal tax planning in more detail, please contact us for further information.

> **Your pension is one of the most effective, tax-efficient savings vehicles available. For the 2025/26 tax year, you can contribute up to £60,000 into your pension and receive tax relief on your contributions.**

THIS ARTICLE IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE. TAX TREATMENT DEPENDS ON INDIVIDUAL CIRCUMSTANCES AND MAY CHANGE IN THE FUTURE. A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. INVESTMENTS CAN FALL AS WELL AS RISE IN VALUE, AND YOU MAY GET BACK LESS THAN YOU INVEST.

Generating a regular income from your investments

A straightforward guide to making your portfolio work for you

Investing for income is a strategy that helps your money work harder for you over time. This approach can supplement your primary earnings, support your retirement or provide additional financial security. It involves selecting assets that offer regular payments, such as dividends from shares or interest from bonds, to provide a reliable source of revenue without sacrificing long-term growth.

This method appeals to a wide range of investors, from those approaching retirement who need to replace a salary to younger individuals looking to reinvest income and benefit from compounding. The core principle is to build a portfolio that delivers consistent returns, helping you meet your financial goals with greater confidence. A well-structured income portfolio can be a robust foundation for financial security, offering stability across a range of market conditions.

Understanding the role of dividends

Dividends are one of the most common ways to generate income from investments. They are payments made by a company to its shareholders, usually from its profits. Having a history of consistent dividend payments is often seen as a sign of financial health and disciplined management in a company. These payouts reward investors for their loyalty and provide a tangible return on their investment, which can be taken as cash or reinvested.

When selecting dividend-paying shares, it is wise not to chase the highest yield, as this can sometimes signal risk. A more prudent approach is to focus on companies with sustainable profits and a strong track record of paying and growing dividends. Diversification is also crucial. In the UK market, a small number of large companies account for over half of all dividends paid, so spreading your investments can help mitigate the impact if one company cuts its payout.

Smoothing out portfolio performance

Bonds are another key component of an effective income-investing strategy. When you buy a bond, you are essentially lending money to a government or a company, which in return agrees to pay you regular interest over a set period and to return your initial investment.

“Your pension is one of the most effective, tax-efficient savings vehicles available. For the 2025/26 tax year, you can contribute up to £60,000 into your pension and receive tax relief on your contributions.”

These fixed-interest payments provide a predictable income stream, which can help smooth out portfolio performance, especially when share markets and dividends are more volatile.

With interest rates at more attractive levels than in previous years, bonds have become an appealing source of both income and stability. The type of bond you choose can depend on the wider economic climate. For example, government and high-quality corporate bonds tend to perform well when economic growth slows, whereas higher-yielding corporate bonds may be more suitable when the economy is expanding. This makes bonds a versatile tool for income-focused investors.

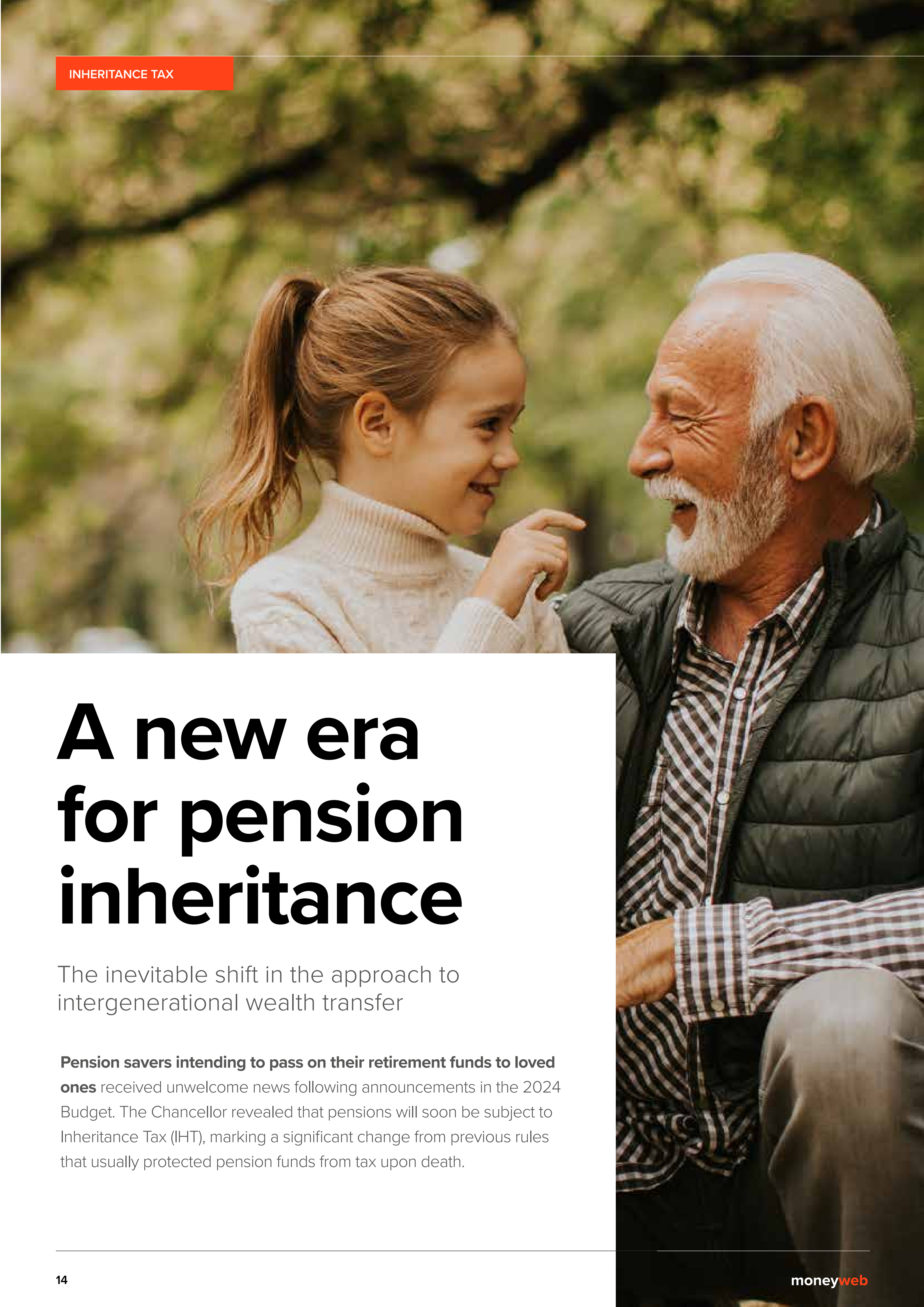
Balancing income with long-term growth

A successful income strategy is about more than immediate payouts; it's about striking a careful balance among generating income, protecting your capital against inflation and securing long-term growth. Historically, companies that grow their dividends have helped investors' money keep pace with rising living costs, thereby preserving its purchasing power over time.

By building a diversified portfolio that combines reliable dividend-paying shares with carefully selected bonds, you can create a resilient investment plan. This balanced approach aims to provide a consistent income stream while also allowing your capital to grow. The ultimate goal is to generate steady returns that work for you, whatever the market brings. ■

Ready to explore your options?
Contact us to discover how a tailored income investment strategy could help you achieve your financial objectives.

THIS ARTICLE DOES NOT CONSTITUTE FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE. THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP. INVESTMENTS CAN FALL AS WELL AS RISE IN VALUE, AND YOU MAY RECEIVE BACK LESS THAN YOU INVEST.



A new era for pension inheritance

The inevitable shift in the approach to intergenerational wealth transfer

Pension savers intending to pass on their retirement funds to loved ones received unwelcome news following announcements in the 2024 Budget. The Chancellor revealed that pensions will soon be subject to Inheritance Tax (IHT), marking a significant change from previous rules that usually protected pension funds from tax upon death.

Although the tax-free lump sum and pension tax relief remain unaffected, the government confirmed that unused defined contribution pension funds and death benefits paid from a pension will be included in a person's estate for IHT purposes. This change will take effect from 6 April 2027, meaning children inheriting their parents' pension savings could face a significant tax bill that was previously avoidable.

Understanding the new tax landscape

When you die, IHT is charged on the value of your assets above a certain threshold. This IHT threshold, known as the 'nil rate band', is currently set at £325,000, and any assets exceeding this amount are liable to a 40% tax charge. The threshold has been frozen at this level since 2009, and Chancellor Rachel Reeves announced in the Budget that it will remain at £325,000 until April 2030, causing more families to fall into the tax net as asset values rise.

If you are married or have a registered civil partner, you can currently leave your entire estate to your spouse or partner free of IHT. Under current rules, your pension usually isn't counted as part of your taxable estate on death. From April 2027, unused pension funds and certain death benefits will be brought into scope for IHT, meaning they may form part of your estate for tax purposes.

Impact on unmarried partners and beneficiaries

The pension pots targeted by these new proposals include both defined contribution benefits paid as income to dependants through an annuity or drawdown, and defined benefit pension lump sum death benefits. Careful implementation and clarity will be essential, particularly for unmarried partners who may be at a disadvantage compared to their married counterparts.

Because the IHT spousal exemption allows married couples and registered civil partners to pass their estates to their spouses without tax, benefits paid to an unmarried partner may face IHT charges. Now that pensions are set to fall within the scope of IHT, surviving unmarried partners could end up with considerably less income and, consequently, a lower standard of living in retirement.

Administration and strategic shifts

According to the Treasury, pension scheme administrators (PSAs) will be responsible for reporting and paying any IHT due on unused pension funds and death benefits. Including pensions in the IHT net is likely to encourage many savers to consider alternative ways of passing on their wealth without facing a significant tax bill.

The long-standing practice of shielding pensions from IHT has been a key element of retirement planning; removing this benefit will inevitably alter the approach to intergenerational wealth transfer. We might see more pensioners inclined to draw down their pension funds during their lifetime rather than leaving them as inheritance.

Rethinking your financial future

This change could direct attention towards other tax-efficient savings options, such as Individual Savings Accounts (ISAs). While ISAs offer tax-efficient growth and withdrawals, pensions still provide immediate tax relief on contributions and may include employer contributions. However, their appeal as a method of passing on wealth might be diminished by these new factors, encouraging some savers to make more generous gifts during their lifetime.

Gifts benefit from the 'seven-year rule', meaning if a gift is made more than seven years before a donor's death, no IHT is payable. There are also several other gift allowances available that haven't been affected by the Budget. While the changes are significant, avoid making panic decisions. It is worth noting that estate planning and determining the best way to manage your pension can be complex, and professional advice is often the safest approach. ■

Time to find out how to protect your assets for your beneficiaries?

Navigating these new rules requires careful planning to safeguard your assets for your beneficiaries. We can assist with your unique circumstances if you want more information on how this may impact you. Feel free to contact us to discuss your situation.

Investing an inheritance

Making informed decisions to secure your financial future

Receiving an inheritance can be a life-changing moment, often accompanied by a mix of emotions. While it may provide financial security or the means to realise long-held dreams, it can also bring uncertainty about how best to manage this newfound wealth. For many, the responsibility of making the right decisions can feel overwhelming, especially when faced with a range of options and potential pitfalls.

This is why taking a thoughtful, informed approach is so important. Whether you're looking to pay off debts, invest for the future or support your family, understanding your financial priorities and seeking professional advice can help you make the most of your inheritance. Here's what you need to consider to navigate this process with confidence.

Start with a financial overview

Before making any decisions, it's essential to assess your full financial position. Consulting with us will help you understand your current situation and identify priorities, such as paying off debts, funding major life goals or building long-term savings.

We'll also guide you on how to use tax-efficient options such as ISAs and pensions, ensuring your inheritance works harder for you. This initial step is crucial to avoid common pitfalls and to create a clear plan tailored to your needs.

Why investing beats saving

While leaving your inheritance in cash may feel safe, inflation can erode its value over time. By contrast, investing offers the potential for long-term growth and protection against inflation, but the returns are not guaranteed.

For those considering property, it's worth noting that while it can generate rental income, it's an illiquid asset. Diversified investment portfolios, however, offer flexibility, access to global markets and the potential for risk-adjusted returns.

Tailoring your investment strategy

There's no one-size-fits-all approach to investing an inheritance. Your strategy should reflect your goals, timeframe and risk tolerance. For example, you might allocate funds to tax-efficient wrappers, such as ISAs or pensions, or split your inheritance across different goals, such as retirement and education.

A diversified portfolio combining equities, bonds and other assets can help balance risk and return. Professional advice ensures your investments align with your financial objectives and adapt to changing circumstances.

Building a legacy for future generations

Some people use their inheritance to support children or grandchildren. Options include setting up Junior ISAs, funding education and contributing to family trusts. With the right structure, your inheritance can benefit your family for years to come.

Avoiding common mistakes

It's easy to fall into traps such as holding too much cash, focusing on a single asset class or trying to time the market. Professional guidance can help you avoid these pitfalls, maximise tax benefits and create a sustainable investment plan. ■

Need help with your inheritance?

For advice tailored to your unique situation on how to manage and invest your inheritance, contact us today. We'll help you make informed decisions and secure your financial future.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX PLANNING IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY, DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT, AND MAY CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE. THE VALUE OF AN INVESTMENT COULD GO DOWN AS WELL AS UP. INVESTMENT RETURNS ARE NOT GUARANTEED, AND YOU MAY GET BACK LESS THAN YOU ORIGINALLY INVESTED.

moneyweb
11 Betton Business Park, East Ayton, Scarborough, North Yorkshire YO13 9HD
Tel: 01723 378 234 **Email:** enquiries@moneyweb-ifa.com **Website:** www.moneyweb-ifa.com