talking money

Peter Richards
FINANCIAL LTD
FINANCIAL ADVISERS

NOVEMBER / DECEMBER 2025

Five ways to maximise tax year-end planning opportunities 2025/26

Smart financial moves to consider before the tax year ends on 5 April 2026

WHY SILENCE COSTS FAMILIES
Planning, talking, and protecting more of your legacy from tax and disputes

WHEN IS THE RIGHT TIME TO INVEST?
Why market timing rarely works—and why long-term consistency matters

VAT ON PRIVATE SCHOOL FEES: THE INCREASING COST OF EDUCATION
How new tax rules are reshaping family finances and long-term planning

Peter Richards Financial Limited
1 Peterfield Road, Hampton Vale, Peterborough, PE7 8NR
Tel: 01733 230 396 **Fax:** 01733 391 043 **Email:** advice@prfonline.com

Peter Richards Financial Ltd is authorised and regulated by the Financial Conduct Authority (www.fca.org.uk/register). FCA Registration No: 222564

Inside this issue

Welcome to our latest issue. As the 2025/26 tax year-end approaches on 5 April 2026, now is the time to review your finances to ensure you've maximised all available allowances and reliefs. Tax year-end planning can help you save money, improve your long-term investments, and make better use of government incentives before they reset in April. On page 08, we've provided five key areas to consider before the deadline. Taking action before 5 April can help you reduce your tax, maximise allowances, and strengthen your financial position. Reviewing your ISAs, pensions, and estate plans now ensures you make the most of every opportunity.

Death and money are two of life's unavoidable realities, yet they remain subjects many of us hesitate to discuss. This reluctance often extends to inheritance, a topic filled with discomfort for many families. The consequence of this silence is significant, as an increasing number of estates are affected by Inheritance Tax (IHT), and disputes over Wills are becoming more common in UK courts. Learning how to discuss succession planning is no longer just wise; it is essential. Turn to page 13.

Some people delay investing because they're waiting for "the right moment." The idea of buying when prices are low and selling when they're high seems sensible in theory, but in practice, it's very difficult to perform. Even experienced professionals struggle to predict short-term market movements accurately, and headlines or emotions can easily cloud judgment. On page 09, we explain why history shows that market timing often causes investors to miss opportunities rather than achieve better results.

From 1 January 2025, private schools across the UK were required to apply 20% VAT to tuition and boarding fees. The change represents a significant shift in education funding and has placed substantial financial pressure on families with children in independent schools. Effective cash-flow management and early financial planning can help protect long-term goals while maintaining access to independent education. As with most complex areas of planning, there is a balance to be struck between tax efficiency, control and flexibility. Read the article on page 06.

A complete list of the articles featured in this issue can be found opposite page and on page 03. ◀

Protect, grow and nurture your wealth

Let's build your financial future so you can focus on what really matters. Contact us for help with financial planning and investment management – we look forward to hearing from you!

Contents

04
ARE YOU HOLDING TOO MUCH IN CASH?
Falling inflation and rate cuts could change how savers think about their money

05
PENSIONS TO FALL UNDER INHERITANCE TAX RULES FROM APRIL 2027
How upcoming changes could affect estate valuations and beneficiary payouts

06
VAT ON PRIVATE SCHOOL FEES: THE INCREASING COST OF EDUCATION
How new tax rules are reshaping family finances and long-term planning

08
FIVE WAYS TO MAXIMISE TAX YEAR-END PLANNING OPPORTUNITIES 2025/26
Smart financial moves to consider before the tax year ends on 5 April 2026

09
WHEN IS THE RIGHT TIME TO INVEST?
Why market timing rarely works—and why long-term consistency matters

10
ALMOST HALF OF UK ADULTS ARE UNAWARE OF THEIR PENSION SAVINGS
New data uncovers a concerning gap in pension awareness and confidence across all generations

12
THE POWER OF DIVIDENDS
How can they assist investors in expanding their portfolios?

13
WHY SILENCE COSTS FAMILIES
Planning, talking, and protecting more of your legacy from tax and disputes

14
WHAT SHOULD YOU CONSIDER AS YOU APPROACH YOUR RETIREMENT?
Key financial and lifestyle checks to get ready for life after work

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change.

The value of investments may go down as well as up, and you may get back less than you invested.

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change, and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results. The Financial Conduct Authority does not regulate tax advice, Inheritance Tax planning, trusts, estate planning, Will writing or cashflow modelling.

Contents

16
PLANNING TO RETIRE SOONER RATHER THAN LATER?
Beginning your planning early significantly influences your retirement choices

17
TRUSTS FOR ESTATE PLANNING: WHAT, WHEN AND HOW?
How trusts can assist in organising family wealth and safeguarding future generations

18
EARLY RETIREMENT: BENEFITS, TRADE-OFFS, AND REALITIES
Weighing freedom, finance and fulfilment before stepping away from work early

20
SECRETS OF CALCULATING A WEALTHY RETIREMENT
Why understanding your numbers early can greatly influence your future lifestyle

22
RETIREMENT PLANNING FOR HIGH-INCOME EARNERS
Understanding key pension limits and alternative methods to build long-term wealth

24
SIX WAYS TO REDUCE INHERITANCE TAX BILLS
How can careful planning help you safeguard more of your wealth for future generations?

26
PENSION RECYCLING
Why it's essential to consider your next steps and avoid falling foul of complex rules

28
NAVIGATING INVESTMENT RISKS IN RETIREMENT
Financial challenges that could impact your income and lifestyle during your golden years

30
COST OF RAISING CHILDREN IN THE UK
Reassessing how to balance family ambitions with financial security

32
SHOULD I USE MY PENSION TO PAY OFF MY MORTGAGE?
Exploring the long-term implications of using your pension lump sum to clear mortgage debt

34
FINANCIAL INDEPENDENCE IS OUT OF REACH FOR MILLIONS IN THE UK
New research reveals that some working-age adults feel unable to save or plan with confidence for the future

36
HOW GEN Z CAN SUPERCHARGE THEIR PENSIONS
Small monthly contributions today could add tens of thousands to future retirement savings

38
CONCERNED ABOUT OUTLIVING YOUR PENSION IN RETIREMENT?
Analysis shows how withdrawal rates, investment growth, and planning choices affect the longevity of your savings

40
HALF OF UK WORKERS ARE CONCERNED ABOUT THEIR FINANCIAL RESILIENCE
New research warns millions could face hardship if illness stops them working, yet few have protection

42
TWO-THIRDS UNAWARE BONDS AID INHERITANCE AND TAX PLANNING
As Inheritance Tax rules develop, many miss opportunities to transfer wealth more effectively

44
A THIRD OF UK ADULTS HAVE VOLUNTARILY INCREASED PENSION CONTRIBUTIONS
Even small top-ups or one-off payments could accumulate to thousands in future retirement savings

Are you holding too much in cash?

Falling inflation and rate cuts could change how savers think about their money

Cash is often regarded as a safe haven in personal finance. It's accessible and protected from stock market fluctuations, and rising interest rates have made savings accounts more attractive. However, while a cash buffer offers security, holding too much can quietly diminish your wealth through inflation and missed investment opportunities. This article will help you evaluate whether your cash holdings are supporting your financial goals or holding you back.

Security and liquidity are the primary reasons people hold cash. A safety net for emergencies or short-term goals is a cornerstone of financial planning. In turbulent times, this instinct to retreat to cash grows stronger. Higher interest rates on savings accounts reinforce this choice, making it feel like a proactive financial decision.

SILENT EROSION OF INFLATION

The biggest risk of holding excess cash is inflation. If the interest rate on your savings is lower than the rate of inflation, your money is losing purchasing power. For example, if your cash earns 4% but inflation is 5%, your money's real value falls by 1% each year. Over time, this cumulative effect can be significant, representing the opportunity cost of not investing in assets that have historically outpaced inflation.

For money you may need in the short to medium term, several options offer potentially better returns than a standard savings account. Fixed-term deposits provide higher interest rates for locking your money away for a set period. Money market funds invest in high-quality, short-term debt and offer liquidity. Short-term government bonds (gilts) are another low-risk alternative that pays a fixed level of interest.

ROLE OF TAX-EFFICIENT WRAPPERS

Using tax-efficient accounts is vital for maximising returns. A Cash Individual Savings Account (ISA) allows you to earn tax-efficient interest on your savings within the annual current £20,000 allowance (for the 2025/26 tax year). This is crucial for higher-rate taxpayers who may exceed their Personal Savings Allowance (PSA).

The PSA allows basic-rate taxpayers to earn £1,000 in savings interest tax-free, while higher-rate taxpayers get £500. Additional-rate taxpayers receive no PSA. With higher interest rates, many savers now face tax on their interest, making an ISA an effective way to shelter cash. For long-term goals, pensions offer substantial tax relief and tax-efficient growth.

A core principle is to maintain an emergency fund of readily accessible cash for unexpected events such as job loss or urgent repairs. A common guideline is three to six months' worth of essential living expenses. However, this rule isn't universal. Those with stable incomes might need less, while self-employed individuals or those with dependents may prefer a buffer of 9 to 12 months.

UNDERSTANDING BEHAVIOURAL BIASES

Psychological biases often influence financial decisions. Loss aversion, where the pain of a loss feels twice as strong as the pleasure of a gain, can lead to an irrational preference for holding cash. Inertia also plays a role; it's often easier to do nothing and let cash build up. Overcoming these biases requires a conscious effort to make logical, proactive financial decisions.

The Financial Services Compensation Scheme (FSCS) protects up to £85,000 of your money per person, per authorised financial institution, and applies only to complainants. If you hold more than this amount with a single banking group, it's wise to spread your cash across different institutions to ensure full protection.

Your time horizon is the most crucial factor. If money is needed within five years, cash or low-risk instruments are usually the right option to hold it. For goals beyond five years, such as retirement, investing in a diversified portfolio provides your money with the best chance to grow and outpace inflation.

TAKING STEPS TO REBALANCE

If you suspect you have too much cash, first quantify what percentage of your non-pension assets are in cash. Then, define your needs by calculating your ideal emergency fund and adding any planned major expenses for the next one to two years. Any amount above this is "excess cash" that could be invested. Consider drip-feeding this surplus into the market over several months to mitigate risk and ease the transition from cash to investments.

To clarify your position, ask yourself: What is the purpose of my cash? Is my emergency fund the appropriate size for my situation? Am I utilising my annual ISA allowance? Understanding your feelings about risk is also vital. Does a market drop cause you anxiety, or do you see it as a buying opportunity? Based on the answers you give, we can help you develop a strategy that aligns with your goals and comfort level. ◀

Ready to discuss whether you're holding too much cash?

Navigating savings, investments, and taxes can be complicated. We make sure we understand your goals and help you create a personalised plan. To discuss your circumstances or for more details, please contact us.

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. For guidance, seek professional advice. the value of investments can go down as well as up, and you may get back less than you invest. The Financial Conduct Authority does not regulate cash deposits.

Pensions to fall under Inheritance Tax rules from April 2027

How upcoming changes could affect estate valuations and beneficiary payouts

In the previous 2024 Autumn Budget, the Chancellor announced that the Inheritance Tax (IHT) thresholds, which are the amount you can pass on when you die before IHT is due, will remain unchanged until 2030. However, from 6 April 2027, pensions will no longer be exempt from IHT, which will alter how estates are valued and passed on. That means that Inheritance Tax may have to be paid on your pension when you die.

Currently, defined contribution pensions, where you build up a pot of money to provide an income in retirement, are typically not part of your estate, and therefore, there would be no IHT to pay. The 'estate' simply refers to all the assets, such as a house, investments, or valuables, that someone owns when they die. However, from April next year, defined contribution pensions will be liable for IHT. The standard rate of IHT for estates that exceed the available allowances is currently 40%.

RECAP OF INHERITANCE TAX ALLOWANCES

The standard Nil Rate Band is £325,000 (2025/26), with an additional Residence Nil Rate Band of up to £175,000 (2025/26) when a main residence passes to direct descendants. Both allowances can be transferred between spouses, allowing a combined potential tax-free inheritance of up to £1 million in certain cases.

These thresholds are meant to stay the same; however, broadening what is regarded as part of the estate may cause more households to go over the limit. This could result in beneficiaries facing higher liabilities, especially when large pension pots are kept rather than withdrawn.

PENSIONS TO BE INCLUDED IN THE TAXABLE ESTATE

Unused pension funds and most pension death benefits, starting from 6 April 2027, will be included in the estate for IHT purposes. This marks a change from the current system, where pensions held in discretionary schemes generally fall outside the estate and are not subject to IHT. The reform seeks to promote more consistent taxation of accumulated wealth, although it may increase the administrative burden for executors managing estates.

The government has confirmed that the responsibility for reporting and paying IHT on pension funds will lie with personal representatives rather than pension providers. Death-in-service benefits will stay outside the new rules, offering some continuity for families.

PRACTICAL CONSEQUENCES FOR FAMILIES

These changes could lead to delays in distributing pension funds to beneficiaries, as valuing and including pension assets might prolong the probate process. For some households, this may cause short-term financial difficulty until the funds are released. Scheme administrators will need to value pension funds as of the date of death and report this information to HMRC to ensure accurate tax calculations.

While the reforms aim to modernise the system, they also obscure the line between retirement income planning and estate planning. Those reliant on pensions for wealth transfer may need to review their long-term position of these assets once the changes take effect.

THE ROAD AHEAD

The new framework is set to be legislated through the Finance Bill 2025/26, with further details to be revealed in the upcoming Autumn Budget 2025. The government states that these reforms form part of a broader effort to enhance fairness and fiscal sustainability as intergenerational wealth transfers increase in size and frequency. ◀

Pensions and Inheritance Tax are evolving. What do you need to consider?

The inclusion of unused pension funds in estates from 2027 marks a significant policy shift. Staying informed about these changes and taking any necessary action is crucial. If you need further guidance or professional advice, please contact us sooner rather than later.

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 or trusts.

VAT on private school fees: the increasing cost of education

How new tax rules are reshaping family finances and long-term planning

From 1 January 2025, private schools across the UK were required to apply 20% VAT to tuition and boarding fees. The change represents a significant shift in education funding and has placed substantial financial pressure on families with children in independent schools.

Not every cost is affected. Meals, textbooks, and transport remain VAT-exempt, though these constitute only a small part of total school expenses. The most significant impact is on tuition itself, which now bears a direct 20% surcharge.

ANTI-FORESTALLING RULES AND LOST RELIEFS

Parents who hoped to pre-pay future fees before VAT came into effect found their plans hindered. Anti-forestalling measures introduced in July 2024 meant that any fees invoiced or paid after 29 July for education delivered in 2025 or later were automatically subject to VAT.

A further change occurred in April 2025, when private schools in England with charitable status lost their 80% business rates relief. This shift imposed extra financial pressure on many institutions that were already coping with higher operating costs.

FINANCIAL IMPACT ON FAMILIES

According to the Institute for Fiscal Studies data, the typical pre-VAT annual fees schools charged were around £18,450 for day pupils and £37,750 for boarders. With the introduction of VAT, these have increased to approximately £22,140 and £45,300 respectively[1].

For children with Special Educational Needs and Disabilities (SEND) who have an Education, Health and Care Plan that names an independent school, local authorities receive VAT refunds from the Department for Education. However, families of other pupils with SEND do not qualify for this relief.

SECTOR RESPONSE AND LEGAL OUTCOME

Some schools have decided to absorb part of the cost to support long-standing families, while others have passed on the full increase; however, smaller and specialist schools face particular difficulties in adjusting to the combined effects of VAT and business rate changes.

Research data shows that out of 2,000 high-net-worth parents, 17% have borrowed against their homes to cover higher fees, 14% have downsized, and 20% have paused pension contributions[2]. Nearly a quarter have taken on extra work or sought higher-paying roles to meet rising costs.

PLANNING STRATEGIES FOR SCHOOL FEES

For those looking to manage these expenses, structured financial planning has become crucial. Some families are turning to trusts or gifting arrangements to reduce the burden.

- Education trusts enable grandparents to fund their grandchildren's schooling while maintaining control over when and how the funds are used.
- Bare trusts grant children full entitlement at 18 (or 16 in Scotland), often allowing them to take advantage of their personal allowances.
- Gifting out of surplus income can be exempt from Inheritance Tax (IHT) if regular and properly documented.

Others may consider reviewing pensions and mortgages to release short-term cash flow,

though this must be balanced against long-term retirement goals.

MAKING USE OF GOVERNMENT SCHEMES

For parents of younger children, free childcare entitlements remain a vital support. From September 2025, the 30-hour scheme will be extended to cover eligible working parents of children from nine months old, potentially saving up to £7,500 annually per child.

Families earning near the £100,000 income threshold should review their pension contributions to remain eligible, as surpassing the limit will forfeit the full entitlement.

WHY CASH-FLOW PLANNING MATTERS MORE THAN EVER

The introduction of VAT on private school fees has not only altered the cost of education but also impacted how families manage their finances. The question is not just whether parents can afford the fees now, but also how ongoing increases could influence their long-term savings, retirement plans, and homeownership ambitions.

TAX-EFFICIENT WAYS GRANDPARENTS CAN HELP

Grandparents have several practical options for helping to fund a grandchild's private school fees while considering tax implications. Regular gifts made from surplus income are often exempt from IHT, provided you can prove they don't affect your standard of living and you keep detailed records.

Alternatively, grandparents can use their annual £3,000 IHT exemption. For larger sums, a potentially exempt transfer allows a significant gift, which becomes completely IHT-free if you survive for seven years. Another option is to pay the school directly, although this is still regarded as a gift to the child's parents for IHT purposes. Long-term planning might include contributing up to the annual limit into a Junior ISA, ensuring tax-efficient growth.

TRUST IN YOUR GRANDCHILD'S FUTURE

For greater control, trusts are a helpful tool. As mentioned previously, a bare trust holds assets in the child's name, giving them access at age 18, while a discretionary trust offers more flexibility for the trustees to manage funds. Each has different tax implications, including potential Capital Gains Tax on setting up the trust and specific IHT rules.

It's important to understand regulations like the 'gift with reservation' rules, which state that you cannot benefit from an asset you have gifted. Because of the complexities in tax and inheritance law, it is vital to obtain professional financial advice to ensure your support is structured most effectively for your family's circumstances. ◀

Need advice on managing the increasing costs of private education?

With VAT now included in private school fees, effective cash-flow management and early financial planning can help protect long-term goals while maintaining access to independent education. Whether you are a parent or grandparent, to learn more or discuss your concerns, please contact us.

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. For guidance, seek professional advice. The value of investments can go down as well as up, and you may get back less than you invest.

Source data:

[1] Institute for Fiscal Studies - IFS Report R263 - Tax, private school fees and state school spending

[2] Saltus – Saltus Wealth Index: February 2025; https://www.saltus.co.uk/insights/saltus-wealth-index-february-2025

Five ways to maximise tax year-end planning opportunities 2025/26

Smart financial moves to consider before the tax year ends on 5 April 2026

As the 2025/26 tax year-end approaches on 5 April 2026, now is the time to review your finances to ensure you've maximised all available allowances and reliefs.

Tax year-end planning can help you save money, improve your long-term investments, and make better use of government incentives before they reset in April. Here are five key areas to consider before the deadline.

1. MAKE THE MOST OF YOUR ISA ALLOWANCE

Individual Savings Accounts (ISAs) remain some of the most effective methods to protect your money from tax. For the 2025/26 and 2026/27 tax years, the annual allowance is £20,000. Any returns earned from an ISA are completely free from Income Tax and Capital Gains Tax.

You can allocate your allowance among different types of ISAs, such as cash, stocks and shares, or innovative finance, or use it all in one. The key is to act before 5 April 2026, as unused allowances cannot be carried forward. When the new tax year begins on 6 April, your allowance resets, offering a fresh opportunity to save or invest tax-free.

2. BOOST YOUR PENSION CONTRIBUTIONS

Pensions remain one of the most tax-efficient ways to save. In the 2025/26 tax year, you can contribute up to £60,000 annually or 100% of your earnings, whichever is lower. The annual allowance includes all contributions, such as those from your employer. However, the 100% earnings limit applies only to personal contributions that qualify for tax relief. Contributions benefit from tax relief at your highest marginal rate, meaning every £80 contributed by a basic-rate taxpayer effectively becomes £100 in their pension fund. Higher and additional-rate taxpayers can claim further relief through self-assessment, but only on contributions matched by income taxed at those rates.

If you have unused allowances from the past three tax years, you could use the 'carry forward' rule to make larger contributions. Even those who are not earning can contribute up to £2,880 each year, with the government adding £720 in tax relief. Boosting your pension contributions before the end of the tax year can lower your taxable income and enhance your long-term retirement savings.

3. USE YOUR PERSONAL ALLOWANCE WISELY

Everyone has a personal allowance, currently £12,570, which is the amount you can earn each year without paying tax. Married couples and registered civil partners can also benefit from the Marriage Allowance, which allows a non-taxpayer to transfer a fixed £1,260 of their personal allowance to a partner who pays basic-rate tax. This could save up to £252 in the 2025/26 tax year, and claims can be made retrospectively for up to four years.

If one partner pays less or no tax, and if appropriate, you might think about holding savings or investments in their name to reduce overall tax liabilities. Remember that unused personal allowances cannot be carried forward, so careful planning can help maximise the use of both partners' allowances each year.

4. REVIEW YOUR INHERITANCE TAX POSITION

Inheritance Tax (IHT) is levied at 40% on estates exceeding £325,000, a threshold that remains unchanged until April 2030. An additional £175,000 residence nil-rate band applies if you pass on your home to direct descendants.

You can reduce future IHT liabilities by making gifts during your lifetime. Everyone has an annual gifting allowance of £3,000, which can be carried forward for one year if unused, along with the ability to give unlimited small gifts of up to £250 per person. Larger gifts may also be exempt if you live for at least seven years after making them.

Regular gifts made from surplus income, such as paying a grandchild's school fees, can also fall outside your estate if structured correctly. Reviewing your estate plans annually ensures you are maximising these allowances.

5. MANAGE YOUR CAPITAL GAINS

If you hold investments outside of tax wrappers, consider reviewing them before the end of the tax year. The Capital Gains Tax (CGT) annual exempt amount is £3,000 (a maximum of £1,500 for trusts) for 2025/26. Gains exceeding this threshold are taxed at 18% for basic-rate taxpayers on any gain falling within the basic rate band and 24% for higher and additional-rate taxpayers (or basic rate income tax payers where any gain falls above the basic rate band when added to income).

Couples can transfer assets without tax to optimise both exemptions. Making strategic disposals before 5 April could help realise gains efficiently and reduce potential tax liability in future years. ◀

Are you prepared for the 2025/26 tax year-end?

Taking action before 5 April can help you reduce your tax, maximise allowances, and strengthen your financial position. Reviewing your ISAs, pensions, and estate plans now ensures you make the most of every opportunity. To find out more about what you should consider, please speak to us.

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.

When is the right time to invest?

Why market timing rarely works – and why long-term consistency matters

Some people delay investing because they're waiting for "the right moment." The idea of buying when prices are low and selling when they're high seems sensible in theory, but in practice, it's very difficult to perform. Even experienced professionals struggle to predict short-term market movements accurately, and headlines or emotions can easily cloud judgment. Meanwhile, cash sitting on the sidelines loses potential for compounding over time, which is one of the most powerful drivers of long-term growth.

History shows that market timing often causes investors to miss opportunities rather than achieve better results. Missing just a few of the market's best days can sharply lower long-term returns, and those significant gains often occur during volatile periods, exactly when many investors feel most tempted to withdraw. A more reliable strategy is to invest regularly, stay diversified, and focus on remaining in the market instead of trying to forecast short-term fluctuations.

WHY WAITING CAN WORK AGAINST YOU

Holding cash can seem like the safest choice, especially when interest rates are high. During the peak of the rate cycle in 2024, the Bank of England's base rate reached 5.25%, its highest point in 15 years[1]. Some savers secured these returns, but conditions have already started to change, with the base rate now at 4%.

When interest rates decrease, returns on cash usually decline as well. Over extended periods, inflation erodes the real value of savings, causing cash balances to struggle to keep up with rising prices. In 2022, for instance, UK inflation peaked at 11.1%, much higher than most savings account rates at that time. This illustrates how even appealing headline rates can fail to preserve purchasing power in the long run.

LIMITS OF MARKET TIMING

Financial markets display unpredictable behaviour in the short term, responding to factors such as economic data, company performance, and geopolitical events. Even professional fund managers with years of experience and access to advanced research tools find it challenging to consistently buy and sell at the most advantageous moments. Missing just a few of the market's strongest days can have a lasting impact on long-term returns.

Investors who attempt to wait for the next "dip" often find themselves buying at higher prices once the market recovers. Conversely, those who remain invested throughout various market cycles tend to benefit from both downturns and subsequent recoveries, allowing compounding returns to grow over time.

LONG-TERM ADVANTAGE OF STAYING INVESTED

Market data over the past twenty years indicates that long-term investing has generally outperformed holding cash, even during major downturns such as the 2008 financial crisis and the COVID-19 pandemic[2]. This performance difference mainly results from dividends, reinvested gains, and the power of compounding over time in the market.

In contrast, cash does not grow in the same way. It may provide steady interest, but its real value is heavily affected by inflation. Over long periods, this means cash tends to fall behind diversified investment portfolios that benefit from growth across different sectors and regions.

TIMING THE MARKET IS RARELY THE KEY TO SUCCESS

Holding cash remains essential for short-term needs and emergencies. A healthy cash buffer can reduce stress and offer flexibility when unexpected events occur. However, keeping large sums uninvested for a long time can limit potential growth, especially as interest rates start to fall and inflation subtly erodes purchasing power.

The "right time" to invest often depends less on predicting markets and more on having a clear time horizon, realistic return expectations, and the ability to remain patient through fluctuations. Setting an asset allocation that matches your goals, automating contributions, and rebalancing regularly can help you stay disciplined without relying on market timing. ◀

Looking to find the balance between caution and growth?

To find out more or understand the trade-offs between cash and investments, and how they could help shape better financial decisions for your unique situation over time, please contact us.

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. For guidance, seek professional advice. the value of investments can go down as well as up, and you may get back less than you invest. The Financial Conduct authority does not regulate cash deposits.

Source data:

[1] Bank of England – Official Bank Rate history 2021 to 2025 – https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp

[2] Office for National Statistics – Statistical bulletin The national balance sheet and capital stocks, preliminary estimates, UK: 2024

Almost half of UK adults are unaware of their pension savings

New data uncovers a concerning gap in pension awareness and confidence across all generations

In the UK, nearly half of working-age adults cannot estimate the total value of their pension savings. This uncertainty suggests that many lack a clear understanding of their retirement readiness and may be missing opportunities to plan effectively for the future.

Recent data suggest that 47% of people are uncertain about how much they have saved for retirement, a lack of awareness that spans across generations and emphasises the need for increased pension engagement[1]. Improving visibility and understanding of pension balances could help individuals make better-informed decisions and boost confidence in their long-term financial plans.

GENERATIONAL GAPS IN AWARENESS

While pension uncertainty impacts all age groups, it is most significant among older adults approaching or already in retirement. Two-thirds of those aged 79 and over, and more than half of people aged 60 to 78, say they cannot estimate their pension savings.

Among those in their mid-career years, 43% of 44 to 59-year-olds report the same, while awareness slightly improves among younger adults, with 38% of those aged 28 to 43 and 51% of 18 to 27-year-olds unable to estimate their pension pot.

These differences illustrate the evolution of the pension system. Older generations are more likely to have defined benefit pensions that offer income rather than a lump sum alongside the pension, while younger and mid-career workers tend to have multiple smaller pensions through automatic enrolment, often spread across different employers.

LOW CONFIDENCE IN RETIREMENT READINESS

Even among those aware of their pension balance, confidence about the future remains low. More than one in four say they do not believe their savings will be enough to fund the lifestyle they want in retirement, and only one in five feel very confident that they have saved enough.

The concern is highest among people in their forties and fifties, many of whom were affected by the shift away from final salary schemes before the full roll-out of automatic enrolment. In contrast, younger adults tend to feel less anxious, partly because they have more time to build their savings and are more likely to use digital tools that make tracking pensions easier.

WHY ENGAGEMENT MATTERS

Keeping track of pension savings is a straightforward yet effective step towards financial confidence. Regularly reviewing statements helps ensure contributions stay on course and provides early warnings if savings are falling short of retirement goals. Most providers issue annual statements and offer online dashboards that enable savers to monitor their contributions and projected outcomes.

The introduction of the pensions dashboards will make this even easier by allowing people to view all their pension pots in one place. Regular engagement not only increases awareness but also encourages individuals to take action, such as boosting contributions or consolidating smaller pots.

UNDERSTANDING WHAT YOU NEED

Knowing how much you have saved is only part of the picture. The next step is understanding how much you will need. Having this clarity enables savers to make small, informed changes, such as increasing contributions after a pay rise or adding occasional lump sums, which can significantly enhance long-term outcomes through compound growth.

STEPS TO REGAIN CONTROL

Small steps can empower anyone to take control of their retirement planning.

- **Track down old pensions:** Many people lose contact with previous schemes after changing jobs. A tracing tool can help locate them.
- **Consider consolidating savings:** If appropriate, combining pensions can simplify management and may reduce costs; however, it's essential to check for any guarantees that might be lost.
- **Review contributions annually:** Even small increases can have a large cumulative impact over time.
- **Check progress regularly:** Set aside a yearly reminder to review your pensions, ensuring your goals remain aligned with your current circumstances.

With increasing living costs and evolving retirement habits, staying well-informed has never been more crucial. Understanding your current position is the initial step in fostering confidence, security, and independence for the future. ◀

Is now the time to discuss your pension plans?

To discuss your retirement goals or if you have concerns about your pensions, we can help you review your savings, find old pensions, and develop a plan to make your retirement targets achievable. Don't leave it to chance; contact us to evaluate your situation.

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.

Source data:

[1] UK Pension Engagement Data 2025 – Pension Awareness Findings: https://www.standardlife.co.uk/about/press-releases/almost-half-of-uk-adults-dont-know-how-much-is-in-their-pension

The power of dividends

How can they assist investors in expanding their portfolios?

Dividends have long been a vital part of the investment process. For many investors, dividends help minimise portfolio volatility, especially during uncertain markets, and they can indicate management's confidence in a company's financial health.

Besides stability, dividends can also considerably boost total returns through reinvestment, especially in portfolios focused on quality companies with sustainable payout ratios and a history of increasing distributions. Understanding how dividends function, what influences payout policies, and the trade-off between yield and growth can help investors make more informed decisions about building long-term wealth.

WHAT ARE DIVIDENDS?

A dividend is a payment made by a company to its shareholders, usually sourced from its profits. For many investors, dividends are a key part of the total return they receive from holding shares, along with any capital gains from share price increases.

Companies that pay dividends are generally more established, with stable cash flows and a proven track record of profitability. Dividend policies vary among firms; some distribute profits quarterly, while others choose annual or semi-annual payments. These payments can also be made in the form of additional shares rather than cash, known as a stock dividend.

WHY DIVIDENDS MATTER

Dividends reflect financial strength and stability. A company that regularly pays dividends demonstrates confidence in its ability to generate future profits. For investors, dividend income provides a predictable stream that purely growth-focused investments may lack.

Reinvesting dividends using the income received to buy more shares can greatly boost long-term returns through compounding. Over time, those reinvested payments can buy additional shares, generating even more dividends and creating a self-sustaining cycle of growth.

ROLE OF DIVIDENDS IN TOTAL RETURNS

When evaluating investments, many investors focus solely on price fluctuations. However, dividends are a crucial factor in long-term market returns. Historically, dividend-paying stocks have generally outperformed non-dividend payers over extended periods, offering a balance between growth and income.

For example, even when share prices remain static, dividends can provide a dependable stream of income, helping to cushion the effects of market volatility. They can also help counteract inflation, as many companies gradually increase payouts over time in line with profit growth.

DIVIDEND YIELDS AND WHAT TO LOOK FOR

Dividend yield is an important measure that indicates annual dividend payments as a percentage of a stock's price. A higher yield can imply a generous payout, but it is vital not to concentrate solely on yield. An unusually high yield might suggest a falling share price or an unsustainable level of payouts.

Instead, focus on consistency. Companies with a history of stable or increasing dividends over many years, often called "dividend aristocrats," typically demonstrate disciplined management and robust business models. Checking payout ratios, which show the portion of earnings paid as dividends, can also help assess sustainability.

BALANCING GROWTH AND INCOME

Dividend investing isn't just for retirees seeking income. It can be crucial in building wealth at any age. Younger investors can enhance their growth by reinvesting dividends. Those approaching or in retirement can rely on dividend income for a consistent cash flow, avoiding the need to sell assets in volatile markets.

In a diversified portfolio, dividend-paying shares can complement growth-oriented investments, bonds, and other assets. This balance allows investors to benefit from market growth while maintaining a level of defensive stability through regular income.

LONG-TERM BENEFITS OF DIVIDEND INVESTING

The significance of dividends lies not just in income but also in discipline. Companies that pay dividends tend to operate more efficiently because they need to balance reinvestment requirements with the obligation to reward shareholders. Over time, this discipline can foster stronger, more resilient business models and, consequently, more consistent returns for investors.

A dividend-focused approach can be tailored to individual goals. Investors may choose funds that target high-dividend stocks, global dividend leaders, or those with a history of sustainable dividend growth. The key is to seek quality, consistency, and diversification rather than chasing the highest yield. ◀

Are you interested in developing a dividend strategy?

As with all investing, patience is vital. Dividend strategies work best when allowed to compound over years, not months. When reinvested, dividends can turn modest contributions into significant long-term wealth. To learn more, please contact us.

This article is for information purposes only and does not constitute tax, legal or financial advice. The value of investments and the income from them can fall as well as rise, and you may get back less than you invest. Past performance is not a reliable indicator of future results.

Why silence costs families

Planning, talking, and protecting more of your legacy from tax and disputes

Death and money are two of life's unavoidable realities, yet they remain subjects many of us hesitate to discuss. This reluctance often extends to inheritance, a topic filled with discomfort for many families. The consequence of this silence is significant, as an increasing number of estates are affected by Inheritance Tax (IHT), and disputes over Wills are becoming more common in UK courts.

Learning how to discuss succession planning is no longer just wise; it is essential. Recent research highlights a significant communication gap between generations[1]. It shows that 36% of Generation X (those born between 1965 and 1980) are unaware of their parents' inheritance plans. Additionally, 23% say their parents have never discussed the topic with them at all. Although the issue is slightly less severe for Millennials, with 27% in the dark, it indicates a widespread problem.

The challenge isn't just about conversation; it's also about preparation. When older generations were asked about the potential IHT bill on their estate, only 52% had any idea. The remaining half was completely unaware of their potential liability.

RISK OF NOT HAVING A WILL

Alarmingly, research shows that 21% of Baby Boomers (those born between 1946 to 1964) do not have a Will. By not creating one, they are effectively leaving the control of their assets to the legal system. The rules of intestacy, which apply when someone dies without a will, are strict and may not distribute assets as you would expect or prefer. A spouse or children might not inherit in the way you had intended.

Making a Will is the only sure way to decide where your home, savings, and belongings go after you die. For some families, silence over inheritance may not come from avoidance, but simply because no plans have been made.

GREAT WEALTH TRANSFER IS UNDERWAY

Regardless of the reason, families need to find ways to plan for and discuss succession. Currently, a significant intergenerational wealth transfer is taking place. Baby Boomers, the wealthiest generation in history, hold over £2.5 trillion in property wealth alone, according to the analysis. Over the next twenty years, an estimated £5.5 trillion will pass to younger generations in the UK.

The risk is that these assets are transferred in a disorganised manner. Heirs may be unprepared for what they receive; IHT liabilities could be unnecessarily high, and the next generation may lack the knowledge to manage their inheritance. With some estimates suggesting half of UK millennials are considering investing in volatile assets like cryptocurrency, the need for sound financial advice has never been greater.

Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment, and you are unlikely to be protected if something goes wrong.

RISING STAKES AND GROWING DISPUTES

A widening wealth gap between generations complicates this financial transition. Median wealth for those in their 60s is 55% higher in real terms than it was for the same age group in 2006 to 2008, while for those in their 30s, it has decreased by 34%. This indicates that younger people are increasingly dependent on inheritance to reach financial milestones such as buying a home or retiring comfortably.

With so much at stake, IHT disputes are increasing. Modern family arrangements, often a complex mix of stepfamilies, half-siblings, and subsequent marriages, can create multiple potential claimants on an estate. When money is involved, old grievances can re-emerge, leading to painful and costly legal battles.

PRACTICAL STEPS TO PROTECT YOUR LEGACY

The analysis reveals that not planning could be a costly mistake. IHT is expected to impact over 37,000 estates each year by 2027, generating nearly £9 billion annually for the Treasury. Taking proactive steps allows you to employ various strategies to reduce the amount payable by your loved ones. For example, there is no IHT on assets transferred to a spouse or registered civil partner.

There is also an additional residence nil-rate band of £175,000 per person (£350,000 for a couple) when a family home is passed to children or grandchildren. Gifting is another simple way to reduce the size of your taxable estate. The sooner you start, the more effective it can be, allowing you to use your £3,000 annual gifting allowance. You can also make regular gifts out of surplus income, which are immediately IHT-free, provided they don't affect your standard of living. Larger gifts, known as potentially exempt transfers, become fully tax-free if you survive for seven years after making them.

START THE CONVERSATION TODAY

Succession planning is essential to pass on wealth smoothly and efficiently. Talking with family members about your plans can help manage expectations and prevent potential conflicts. Although these talks can be complex and uncomfortable, they can avoid significant heartbreak and costs in the long term. ◀

Your wealth deserves the same attention as your business

If you're seeking advice on inheritance planning and safeguarding your assets for the next generation, we can assist. For further details and personalised assistance, please feel free to contact us today.

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. For guidance, seek professional advice. The value of investments can go down as well as up, and you may get back less than you invest. The Financial Conduct Authority does not regulate trust planning, legal advice or estate structuring.

Source data:

[1] Censuswide carried out the research among a sample of 3,001 'mass affluent' consumers, aged 18 and over (defined as those earning above the UK average pre-tax salary (£33,000) and with at least £1,000 in accessible cash or savings). The data was collected between 14.02.2025 and 21.02.2025.

What should you consider as you approach your retirement?

Key financial and lifestyle checks to get ready for life after work

Reaching the final stage of your working life is a significant milestone, often bringing a mix of excitement and uncertainty as routines shift and new priorities come into focus. It's a chance to redefine how you spend your time, clarify what matters most, and set expectations for the years ahead.

Whether you plan to travel, spend d more time with family, take up new hobbies, or simply enjoy a slower pace, it's wise to review your finances well before the transition begins. Evaluate your income sources, spending needs, and cash reserves; stress-test your plan for longevity, inflation, and healthcare; and consider how taxes and withdrawal strategies will impact your lifestyle. A thoughtful review now can make the change smoother and more confident.

UNDERSTANDING YOUR PENSION POSITION

One of the essential steps is confirming exactly what pension savings you have. Many people accumulate several pots across different employers, and it can be easy to lose track of them over time. The Government's Pension Tracing Service permits individuals to quickly locate lost or dormant pensions[1].

It is also wise to check when you can start accessing your funds. For most personal pensions, the retirement age is currently from age 55, rising to 57 from 2028. Some schemes, particularly older workplace arrangements, may have different rules. Reviewing this early helps avoid surprises when you decide the right time to stop working.

REVIEWING VALUES AND ENTITLEMENTS

As retirement approaches, reviewing the value of your pension and other savings, such as ISAs or general investment accounts, can help clarify your income during later life. It is also a good time to request a State Pension forecast. This can be done online and shows how much you are likely to receive based on your National Insurance record.

Knowing your total assets can make it easier to plan how to utilise them. Some people prefer regular withdrawals, while others may choose to secure income through an annuity. The key is to understand the available options so that you can make decisions confidently once you're eligible to access your pension.

SETTING A RETIREMENT BUDGET

Understanding your expected income is only part of the picture. Equally important is recognising how your spending habits will change. Many retirees find that expenses such as commuting, work clothing, and pension contributions disappear, while others, like travel, leisure, or helping family members, may increase.

Creating a realistic budget helps ensure you can sustain your preferred lifestyle and provides a clearer understanding of potential adjustments. Those who retire with a financial

plan often find the transition smoother and experience greater peace of mind in the early years of retirement.

BALANCING MONEY AND MINDSET

Financial preparation is essential, but so is emotional readiness. Transitioning from full-time work to full-time leisure can be a major change in identity, routine, and social connections. Taking time to visualise your ideal week, plan how you'll organise your days, stay active, and nurture relationships can help ease the adjustment and prevent the "now what?" feeling that some new retirees face.

Beyond schedules and activities, retirement is about redefining purpose. Exploring hobbies, volunteer work, part-time projects, or learning opportunities can provide meaning and momentum. Align your time with your values, set a few goals to work towards, and build in flexibility as your interests evolve. When purpose and planning go hand in hand, retirement becomes not just financially sustainable, but personally fulfilling. ◀

Approaching retirement and ready to discuss your plans?

A few practical steps, such as checking your pensions, setting a budget, and reviewing your plans, can help you approach this next chapter with confidence and clarity. To discuss your financial plans as you approach retirement, please contact us; we look forward to hearing from you.

Source data:

[1] GOV.UK – Find pension contact details (Pension Tracing Service) – https://www.gov.uk/find-pension-contact-details

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 pension tracing or budgeting services.

"AS RETIREMENT APPROACHES, REVIEWING THE VALUE OF YOUR PENSION AND OTHER SAVINGS, SUCH AS ISAS OR GENERAL INVESTMENT ACCOUNTS, CAN HELP CLARIFY YOUR INCOME DURING LATER LIFE."

Planning to retire sooner rather than later?

Beginning your planning early significantly influences your retirement choices

For many, the idea of retiring early is an appealing prospect: more freedom, less routine, and more time to focus on what matters most. The allure isn't just about leaving work; it's about gaining control over your days, pursuing personal goals, and creating space for health, family, and experiences. However, stepping away from work sooner than planned requires careful preparation and a clear understanding of the trade-offs.

As people live longer and traditional final salary pensions become increasingly rare, achieving early retirement depends on building a strong financial foundation. That involves boosting savings, investing with a long-term perspective, and planning for healthcare, inflation, and potential market fluctuations. With a well-thought-out plan and regular reviews to stay on track, early retirement can shift from a distant dream to a reachable goal.

DEFINING A COMFORTABLE RETIREMENT

Before working out how much money you might need, it helps to define what a comfortable retirement looks like for you. Some people imagine travelling or pursuing hobbies, while others just want enough stability to keep their current lifestyle. The income needed for these goals varies a lot from person to person.

In the UK, the full new State Pension offers a basic income to those with sufficient qualifying National Insurance contributions. For most individuals, this is only a part of their retirement income. Clarifying your retirement goals helps determine how much extra savings you need to build up before leaving work.

STARTING YOUR PLAN EARLY

Time is one of the most influential factors in building a pension. The sooner contributions start, the longer savings can benefit from compound growth. Even small, regular contributions in your 20s or 30s can grow substantially over time, offering greater flexibility in later life.

In reality, life commitments such as mortgages, childcare costs, or education fees often delay pension contributions. However, reviewing your finances as your income increases can help you benefit from higher earning years and make up any shortfall as you approach retirement.

UNDERSTANDING YOUR FUTURE INCOME SOURCES

Retirement income usually comes from a mix of the State Pension, workplace pensions, and private savings. Many also utilise Individual Savings Accounts (ISAs), investments, or property income to top up these sources. Having diverse income streams provides flexibility in how funds are withdrawn and helps manage taxes and lifestyle needs over time.

While pensions grow in a tax-efficient manner, withdrawals are usually taxed as income. In contrast, proceeds from ISAs can be withdrawn tax-free. Understanding how these sources work together helps you organise your finances in a way that supports your objectives.

BALANCING PLANNING WITH REALISM

Planning for early retirement often involves balancing ambition with practicality. It is important to consider how long your savings may need to last, especially as life expectancy continues to rise in the UK. Retiring at 55 could mean funding up to 30 years of living costs.

Even with careful saving, unforeseen events such as market fluctuations or personal circumstances can greatly affect outcomes. Monitoring your progress and staying updated on pension rules can help you adapt to changing conditions. ◀

Thinking about retiring early?

Achieving financial independence before State Pension age requires time and discipline. Knowing what income you will depend on and how long it needs to last can help set realistic goals for the future. To find out more or to discuss your situation, please contact us.

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.

Trusts for estate planning: what, when and how?

How trusts can assist in organising family wealth and safeguarding future generations

Trusts have been utilised for centuries to manage and safeguard wealth, yet they remain among the least understood aspects of estate planning. Although often seen as complex or reserved for the ultra-wealthy, a trust is simply a legal arrangement that separates ownership from control for a beneficiary's benefit. When properly structured, trusts can regulate how assets are utilised, protect against creditors and disputes, avoid probate for enhanced privacy and speed, and reduce costs and family conflicts.

Today, with evolving tax laws and increasingly diverse family structures such as blended families, unmarried partners, and dependents with special needs, trusts will remain vital for careful and efficient asset transfers. They offer precise control over timing and conditions, enable the addition of safeguards or incentives, and can align with charitable or business succession goals. Whether protecting a home, managing investments, or planning for incapacity, trusts provide adaptable control, protection, and flexibility across generations.

WHEN A TRUST MIGHT BE APPROPRIATE

There are many reasons why someone might consider establishing a trust. It could be to ensure that younger beneficiaries receive assets gradually, rather than inheriting a large sum all at once. Some people use trusts to support children or grandchildren through key life milestones, such as education or buying a home. Others might want to protect a relative who struggles with financial discipline or has a vulnerable partner.

When family relationships are complex, a trust can help ensure assets are transferred according to the settlor's wishes without the risk of disputes. Charitable trusts are also popular among those wanting to create a lasting legacy for causes they care about. Both options share the same fundamental goal: to maintain control over how wealth is used, even after it has been gifted.

UNDERSTANDING HOW TRUSTS WORK

At its core, a trust is a legal relationship involving three parties: the settlor, who places assets into the trust; the trustee, who manages those assets; and the beneficiary, who benefits from them. This structure enables the settlor to establish clear terms for how assets should be handled and distributed, creating a framework that can protect, grow, and ultimately pass on wealth according to their wishes.

Once the trust is established, trustees hold and manage the assets in line with the terms set out by the settlor, and they are legally bound to act in the best interests of the beneficiaries. Because these responsibilities can be complex and require ongoing oversight, many people appoint professional trustees, such as solicitors or trust corporations, who offer impartial judgment, ensure compliance with legal obligations, and help maintain proper governance over time.

BENEFITS AND CHALLENGES OF USING TRUSTS

Trusts can be powerful tools for managing inheritance. They offer flexibility in how and when funds are released, and they can protect assets from risks such as poor financial management, marital breakdown, or creditor claims. However, they are not without their complexities.

Establishing and maintaining a trust requires careful legal and tax structuring. There may be reporting obligations depending on the jurisdiction, and investment management within the trust must align with its stated purpose. Trustees are responsible for ensuring that investments match the trust's risk profile, generate income as needed, and comply with any ethical or sustainability requirements specified.

BALANCING CONTROL AND SIMPLICITY

The appeal of a trust often lies in its ability to combine long-term control with flexibility. It enables individuals to set clear terms for how their wealth should be managed and distributed over time, ensuring support for loved ones while preserving the original intentions behind the gift. Trusts can also adapt to changing circumstances, such as beneficiaries' needs, tax considerations, or life events, while maintaining a consistent framework for stewardship and accountability.

That said, establishing a trust should be approached carefully, as the costs, administration, and legal complexity can vary greatly. For some families, a simple gifting strategy might achieve the desired results with less hassle. For others, especially where there are minor or vulnerable beneficiaries, complex assets, or specific conditions, a trust can offer the structure, protection, and continuity that direct inheritance cannot, helping to balance control, fairness, and risk management over the long term. ◀

i

Is a trust the right way to preserve your wealth across generations?

By detailing how and when assets are used, trusts can provide structure, stability, and reassurance for families managing complex estates. To learn more or review your circumstances, please contact us.

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. For guidance, seek professional advice. The Financial Conduct Authority does not regulate trust planning, legal advice or estate structuring.

Early retirement: benefits, trade-offs, and realities

Weighing freedom, finance and fulfilment before stepping away from work early

For many, the concept of early retirement represents the ultimate reward for years of hard work: more freedom, less stress, and time to enjoy life while remaining in good health. It offers the chance to pursue passions, travel, volunteer, or simply reclaim time for family and personal wellbeing. With careful planning, early retirement can be a positive transition that aligns lifestyle with values, creating space for purpose as well as leisure.

Leaving the workforce before the State Pension age presents unique challenges. Without a regular income from employment, retirees must manage withdrawals, investment risks, inflation, and healthcare costs, while also finding ways to replace the social connection and structure that work provides. The decision requires careful consideration, both financial and emotional, to ensure early retirement remains sustainable in the long term, with plans for market downturns, unexpected expenses, and changing personal goals.

WHAT COUNTS AS EARLY RETIREMENT?

In the UK, the State Pension age is currently 66 and is set to increase to 67 between 2026 and 2028. Retiring at 55 or earlier is therefore regarded as early retirement. For some, that means leaving the workforce altogether; for others, it involves a gradual transition into part-time work, consulting, or dedicating time to personal projects, caregiving, or travel. The key is to develop a lifestyle that matches individual goals and circumstances rather than adhering to a fixed timetable.

Early retirement mainly depends on choice: the ability to decide how to spend your time without relying on a salary. Achieving this freedom involves balancing today's quality of life with future financial security, managing expenditure, creating resilient income streams, and planning for inflation, longevity, and healthcare. With a clear plan and regular reviews, early retirement can offer both flexibility now and confidence in the years ahead.

FINANCIAL REALITIES OF RETIRING EARLY

Retiring ten years before reaching the State Pension age means missing out on a decade of contributions, employer top-ups, and potential investment growth. From 2028, pensions can generally be accessed from age 57; however, taking benefits early can decrease the total amount received, especially for those with defined benefit schemes. Early retirees also need to bridge the gap before they can claim the State Pension by using other income sources such as investments, ISAs, or property.

Inflation introduces an additional complication. Over a 30-year retirement, even modest inflation can significantly reduce purchasing power. Likewise, market downturns can have a lasting impact if withdrawals occur during downturns. For these reasons, cash flow modelling and regular plan reviews are essential for anyone contemplating an early departure from full-time work.

BENEFITS OF RETIRING EARLY

Early retirement presents opportunities that many find deeply rewarding. In the UK, the most common retirement age is around 60, reflecting a wish to enjoy active years while health remains good[1]. With more unstructured time, people can pursue long-neglected hobbies, travel at a more relaxed pace, or spend more quality time with family and community. Leaving high-pressure roles can reduce stress, improve sleep, and restore balance after years of demanding work. Importantly, retirees often experience better mental and physical health, as

routine and purpose replace the structure once provided by employment.

Early retirement is generally seen as positive, with many reporting greater life satisfaction and well-being after leaving work. However, retiring early involves trade-offs: a longer period without a salary, possible reductions in pension benefits, and the need to consider inflation, healthcare, and market volatility. With realistic budgeting, diversified income sources, and regular reviews, these costs can be managed, allowing the benefits of early retirement to be enjoyed sustainably.

POTENTIAL TRADE-OFFS

Despite the appeal, early retirement presents several potential drawbacks. One of the most serious risks is outliving your savings, especially if retirement lasts more than three decades. Without careful planning, drawing too heavily on pension or investment income can exhaust funds more quickly than expected. Among those who retire early, 24% return to work due to financial difficulties.

Retiring early can also result in a loss of routine and social interaction. For some, stepping away from daily commitments may cause feelings of loneliness or purposelessness. Additionally, employer benefits such as death-in-service cover and private health insurance typically end upon retirement, leading to higher personal expenses for similar protection.

For those in their peak earning years, early retirement might also mean sacrificing future promotions, bonuses, or pension contributions that could have significantly increased later income. These trade-offs make it crucial to consider both the financial and emotional aspects before deciding on early retirement. ◀

You're seeking freedom, but have you considered its longevity?

Early retirement can be both freeing and challenging. The key is preparation: understanding how your income will change, what your lifestyle will cost, and whether your savings can support your preferred standard of living. To explore your options and weigh the trade-offs, helping you enjoy your time without risking your long-term security, please contact us.

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.

Source data:

[1] https://hrreview.co.uk/hr-news/strategy-news/early-retirement-brings-happiness-says-new-research/139890

> **RETIRING EARLY CAN ALSO RESULT IN A LOSS OF ROUTINE AND SOCIAL INTERACTION. FOR SOME, STEPPING AWAY FROM DAILY COMMITMENTS MAY CAUSE FEELINGS OF LONELINESS OR PURPOSELESSNESS.**

Secrets of calculating a wealthy retirement

Why understanding your numbers early can greatly influence your future lifestyle

As life expectancy increases, retirement periods are lengthening, making careful and proactive planning vital. For many people, retiring by 2025 could mean funding 25 to 30 years without a regular income. Such an extended period presents unique challenges, including inflation, market fluctuations, healthcare costs, and changing lifestyle needs, all of which demand a well-structured strategy. Building a diversified portfolio, stress-testing withdrawal rates, and aligning investments with your risk tolerance can help ensure your nest egg supports you throughout every stage of retirement.

Importantly, a "wealthy" retirement isn't about luxury; it's about confidence and choice. True wealth in retirement is the ability to live comfortably, keep your independence, and enjoy the experiences that matter most to you, whether that's staying in your home, travelling occasionally, supporting family, or pursuing hobbies. With a plan that balances growth, income, and protection, you can build the financial stability to live the lifestyle you desire, on your terms.

TAKING PERSONAL RESPONSIBILITY FOR RETIREMENT PLANNING

Retirees today can no longer rely solely on the State Pension. Although it remains a crucial base, it offers only a modest income compared to the cost of daily living. In the UK, the current full State Pension pays £11,973 a year, which is significantly less than what most people need for everyday expenses and leisure activities.

Building sufficient private savings is therefore essential. The earlier you start planning, the more you can benefit from compound interest and tax relief on pension contributions. Taking personal responsibility for your retirement funding is the key to establishing financial stability in later life.

UNDERSTANDING HOW MUCH YOU WILL NEED

A key question for many is how much money will be sufficient. Calculating this involves comparing your expected income with your desired spending. Start by estimating your living costs in retirement, including both essential and lifestyle expenses. Then, review what you have already saved and consider how much longer you can afford to contribute.

Since nobody knows how long they will live or how inflation might affect future costs, scenario-based planning is advantageous. Modelling best, moderate, and worst-case outcomes allows you to evaluate the sustainability of your finances. Incorporating flexibility, such as part-time work or phased retirement, can help prolong your income.

MAXIMISING PENSION AND SAVINGS POTENTIAL

Workplace pensions remain one of the most effective ways to save for retirement. Employers are required to provide access to a pension scheme, and many match employee contributions, effectively offering extra savings at no cost. Those who are self-employed or not enrolled in a workplace pension can contribute to a personal pension, such as a SIPP or stakeholder plan.

Pensions are among the most tax-efficient investment options available. Depending on an individual's tax circumstances, up to 45% income tax relief can be claimed on contributions, and pension funds grow tax-free until withdrawal. The annual contribution limit is currently £60,000 (tax year 2025/26), although this may be reduced for high earners. After the end of the Lifetime Allowance in 2024, larger pension savings can now be accumulated without incurring additional tax charges, subject to the new lump sum limit of £268,275.

ADJUSTING IF YOU ARE BEHIND

If retirement is approaching and your savings are less than expected, working for longer or

part-time for a few more years can make a significant difference. Earning, even a small amount, helps your pension grow while reducing the number of years it needs to support you.

Regularly reviewing your plans ensures they stay aligned with your goals. Changes in family circumstances, tax rules, or investment performance can all influence outcomes. Remaining proactive and adaptable is essential to maintaining control over your financial future.

SIMPLE HABITS THAT BUILD RETIREMENT WEALTH

- Start early, even with small amounts, and let time work in your favour
- Contribute regularly and increase payments when possible
- Monitor progress and adjust plans as your circumstances evolve
- Take personal responsibility rather than relying solely on employers or government provisions
- Seek information and guidance to stay informed about changing rules and allowances.

Are your goals to plan early, live well, and retire confidently?

Retirement wealth relies on preparation and consistency. Knowing your needs, maximising contributions, and regularly reviewing your plans are essential for a confident and comfortable future. To discuss your plans or find out more, please contact us.

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.

“PENSIONS ARE AMONG THE MOST TAX-EFFICIENT INVESTMENT OPTIONS AVAILABLE. DEPENDING ON AN INDIVIDUAL’S TAX CIRCUMSTANCES, UP TO 45% INCOME TAX RELIEF CAN BE CLAIMED ON CONTRIBUTIONS, AND PENSION FUNDS GROW TAX-FREE UNTIL WITHDRAWAL.”

Retirement planning for high-income earners

Understanding key pension limits and alternative methods to build long-term wealth

The pension landscape for high-income earners has become more intricate. Frequent rule changes, tapered allowances, and strict contribution limits make it harder for higher earners to save effectively for retirement without risking unexpected tax charges. Managing annual allowance rules, carry-forward options, and lifetime considerations can be daunting, especially when income fluctuates from year to year.

Although tax-advantaged options remain accessible, maximising their benefits requires a clear understanding of how allowances work and how different savings vehicles interact. Coordinating pensions with individual savings accounts (ISAs) and employer benefits, while timing contributions and rebalancing across accounts, can improve tax efficiency and flexibility. For many, having a strategy and conducting regular reviews helps ensure contributions stay within limits and long-term goals are achieved.

PENSION ALLOWANCES AND RESTRICTIONS

Most savers have an annual allowance that limits how much they can contribute to pensions each year without suffering a tax charge. This allowance is currently set at £60,000 (tax year 2025/26). However, for those with adjusted income over £260,000, the tapered annual allowance gradually decreases, potentially dropping to as low as £10,000. Going beyond these limits can result in tax charges, so higher earners need to be mindful of the relevant thresholds.

The lifetime allowance, which once limited total tax-efficient pension savings, ended in 2024. While this change offers greater flexibility, the current lump-sum allowance of £268,275 (for the 2025/26 tax year) still applies to tax-free withdrawals from pension funds. These thresholds emphasise the importance of high-income individuals regularly reviewing their overall retirement plans, as rules continue to change.

TAX-EFFICIENT OPTIONS BEYOND PENSIONS

When pension contributions reach their limits, other options can support long-term retirement planning. ISAs allow up to £20,000 per tax year to be invested with tax-efficient growth and withdrawals. The combination of compounding returns and tax-free gains makes ISAs a valuable complement to pensions for those seeking flexibility.

Offshore bonds can also enable tax-deferred growth. Investors can withdraw up to 5% of the original investment annually without incurring immediate tax liability, while the underlying assets continue to grow outside the UK tax system. These arrangements can provide timing control over when gains are taxed, although they are generally more suitable for individuals with substantial capital.

OTHER LONG-TERM STRATEGIES

For some high-income households, family investment companies offer an additional way to manage wealth across generations. Structured as private limited companies, they can hold and manage investments while keeping control with senior family members through tailored share classes and governance arrangements.

These companies are liable for Corporation Tax, but income and gains can be distributed strategically to family shareholders, thereby aligning distributions with each individual's tax position. However, set-up and ongoing administration can be complex; legal advice, accounting, and compliance all add to costs, so this approach is generally more suitable for larger portfolios where the potential tax efficiency and control benefits outweigh the overhead.

SUPPORTING THE NEXT GENERATION

Retirement planning for high-income earners often aligns with broader family wealth goals, from funding education to supporting future home purchases. Junior ISAs, with an annual allowance of £9,000 (tax year 2025/26), allow parents and grandparents to save for young family members in a tax-free setting, offering flexibility for withdrawals once the child turns 18. When used consistently, these accounts can build a significant fund that complements other family planning strategies.

Contributions to children's pensions, up to £3,600 per year including tax relief, can also benefit from decades of compounding, even at modest contribution levels. Although funds are inaccessible until retirement age, starting early can amplify growth and foster positive savings habits. Coordinating Junior ISAs with children's pensions, while considering gifting rules and intergenerational goals, can build substantial long-term security for the next generation. ◄

Are you a high earner facing unique retirement challenges?

Tax rules and allowances seldom remain the same, and high-income earners are among the most affected when changes occur. Regularly reviewing pension limits, investment wrappers, and broader wealth structures helps ensure savings remain effective as circumstances and laws evolve. Please contact us to review your situation or for more information.

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 offshore bonds or family investment companies.

> **FOR SOME HIGH-INCOME HOUSEHOLDS, FAMILY INVESTMENT COMPANIES OFFER AN ADDITIONAL WAY TO MANAGE WEALTH ACROSS GENERATIONS. THESE COMPANIES ARE LIABLE FOR CORPORATION TAX, BUT INCOME AND GAINS CAN BE DISTRIBUTED STRATEGICALLY TO FAMILY SHAREHOLDERS.**

Six ways to reduce Inheritance Tax bills

How can careful planning help you safeguard more of your wealth for future generations?

Inheritance Tax (IHT) can significantly affect your estate's worth. From April to August 2025, HM Revenue & Customs collected £3.7 billion in IHT, which is £0.2 billion more than the same period last year[1]. Although the current rules may seem complicated, there are legitimate and effective ways to reduce the tax your loved ones might have to pay after your death.

HOW INHERITANCE TAX WORKS

Under current tax rules, IHT is charged at 40% on the part of your estate exceeding £325,000, known as the nil-rate band. This threshold remains frozen until April 2030. Additionally, there is an extra £175,000 residence nil-rate band for individuals passing their home to direct descendants. Married couples and registered civil partners can combine their allowances, allowing up to £1 million of assets to be transferred tax-free.

If your estate is valued below these combined thresholds, no IHT is payable. However, for larger estates, careful planning can greatly influence the amount of tax ultimately paid.

1. WRITE A WILL

A valid Will is one of the most important tools for IHT planning. It guarantees that your assets are allocated according to your wishes and helps prevent unnecessary tax liabilities. Without one, your estate will be distributed under the laws of intestacy (apart from assets owned jointly as joint tenants, which automatically pass to the surviving owner), which may not reflect your intentions or make full use of available allowances.

2. LEAVE A GIFT TO CHARITY

Charitable giving can both support causes close to your heart and reduce the IHT payable on your estate. Gifts to registered charities are exempt from IHT. Furthermore, if you leave at least 10% of your net estate to charity, the IHT rate on the remaining estate can decrease from 40% to 36%.

If you are considering a charitable legacy, it's usually better to specify a percentage of your estate rather than a fixed sum. This helps prevent the gift from becoming excessively large or small if your estate's value changes before your death.

3. TAKE OUT A LIFE INSURANCE POLICY

Holding a whole-of-life insurance policy in an appropriate trust can provide your beneficiaries with a lump sum to cover IHT liabilities. Placing the policy in trust ensures the payout is outside your estate and not subject to IHT. It also allows faster access to funds, as money held in trust usually does not need probate.

If your policy is not currently held in trust, your insurer can provide a simple form to make this change. However, if you are seriously ill at the time of transferring the policy, the value could still be included as part of your estate if you die within seven years. When placing a policy into trust, the amount treated as a gift is typically the greater of the policy's surrender value and the total premiums paid to date. If you're in poor health, a value closer to the expected death benefit may be used instead. Any ongoing premiums are also considered gifts unless they fall under a valid exemption.

4. MAKE GIFTS DURING YOUR LIFETIME

You can reduce the value of your estate by making gifts during your lifetime. Each tax year, you can gift up to £3,000 without it being added to your estate, and you can carry this allowance forward by one year if it remains unused.

Smaller gifts of up to £250 per recipient per year are also exempt, provided no other larger gift is made to the same recipient. Larger gifts may also avoid IHT if you survive for seven years after giving them.

You can also make regular gifts from your income, as long as these do not affect your standard of living. For example, monthly transfers to children or grandchildren may qualify, provided they are made from surplus income rather than capital.

5. AVOID ACCESSING YOUR PENSION TOO SOON

Money left in your pension is typically exempt from IHT, making it one of the most tax-efficient assets to pass on to beneficiaries. However, the government intends to include pensions in IHT calculations from April 2027, which could change how retirement wealth is managed.

Until then, leaving pension funds untouched for as long as possible may remain a wise approach. Reviewing your retirement income plan in light of upcoming changes can help ensure you are optimising how and when you access your assets.

6. GET MARRIED OR ENTER A REGISTERED CIVIL PARTNERSHIP

Marriage or a registered civil partnership can offer significant IHT benefits. Anything left to your spouse or civil partner is exempt from IHT, and any unused allowance can be transferred to them upon your death. This effectively doubles the available threshold for couples, providing up to £1 million of tax-free inheritance if both allowances and residence bands are utilised.

For unmarried couples, the rules are less generous. Transfers between partners are not automatically exempt, and individual allowances cannot be combined. For couples with substantial shared wealth, formalising the relationship can therefore offer significant tax benefits. ◄

i

Could your estate be liable for a higher tax bill than needed?

Effective Inheritance Tax planning helps you safeguard more of your wealth for your family. To discuss your circumstances and find out more, contact us; early action could allow you to maximise the benefits of exemptions, gifts, and other tax allowances.

Source data:

[1] HMRC tax receipts and National Insurance Contributions for the UK (monthly bulletin) - updated 8 October 2025.

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 financial conduct authority does not regulate estate planning or will writing.

Pension recycling

Why it's essential to consider your next steps and avoid falling foul of complex rules

Every year, thousands of savers take advantage of pension freedom rules to withdraw tax-free lump sums from their pots. With speculation circulating before the Autumn Budget that these lump sums might be reduced or abolished, some savers are choosing to act sooner rather than later. This trend is reflected in recent figures from the Financial Conduct Authority (FCA), which show the total value of money withdrawn from pension pots increased to £70,876m in 2024/25 from £52,152m in 2023/24[1]. This represents a 35.9% rise.

However, accessing this cash requires careful planning. It is crucial to consider your next steps with the money if you are thinking about "pension recycling", as falling foul of complex rules can result in severe penalties from HM Revenue & Customs (HMRC). This situation may arise if you use some of your tax-free cash to make additional pension contributions, a move that the tax authority monitors closely.

UNDERSTANDING THE RULES

Pension recycling involves withdrawing tax-free cash from your pension and reinvesting it into a pension scheme. HMRC's main concern is that people might misuse this process to gain an unfair tax benefit. Pension recycling is deemed to have happened when someone has taken their tax-free cash and recycled it into their pension for the purposes of receiving artificially high tax relief.

Under current regulations, individuals aged 55 and over (rising to 57 in 2028) can access 25% of their pension pot as a tax-free lump sum, up to a maximum of £268,275. When managed properly and within the rules, this is a tax-efficient way to manage your retirement savings. Problems arise when the process is deliberately used as a strategy to increase tax relief beyond what is deemed fair.

PENSION RECYCLING EXAMPLE

To understand how pension recycling works, think of someone who takes a £40,000 tax-free lump sum from their pension. If they then pay that £40,000 back into a pension, they get tax relief on the new contribution. For a basic-rate taxpayer, this adds £10,000 in tax relief, turning their £40,000 contribution into a £50,000 pension pot. This cycle effectively creates tax relief on money that has already enjoyed tax benefits, which is why HMRC has specific rules to prevent it.

For pension recycling to be officially recognised, several conditions must be fulfilled. You must have taken a tax-free lump sum, which should have led to a significant increase in your pension contributions. The recycling must also have been planned in advance, and the recycled amount needs to be at least 30% of the lump sum withdrawn. If all these conditions are met, HMRC may launch an investigation and impose penalties.

RISKS AND PENALTIES ARE INVOLVED

If HMRC finds that pension recycling has occurred, the consequences can be severe. The tax authority can treat the original tax-free lump sum as an unauthorised payment, subject to a 40% tax charge. Additionally, a further 15% surcharge may be imposed, bringing the total potential tax to 55% of the lump sum you withdrew. On a £40,000 lump sum, this could mean a hefty £22,000 tax penalty, completely erasing any perceived benefit.

It is important to understand that simply withdrawing tax-free cash and later increasing your pension contributions does not automatically trigger these rules. For example, if you receive an unexpected inheritance or a large bonus after taking your lump sum and decide to add it to your pension, this would not typically

be considered recycling. The key factor is the deliberate intention to use the tax-free cash itself to fund new contributions and secure additional tax relief.

CARRY FORWARD RULES AND RECYCLING

Savers planning to make large, one-off pension contributions can consider utilising 'carry forward' rules. These rules enable you to use any unused annual allowance from the previous three tax years. The annual allowance for this tax year is £60,000. While this provides a legitimate way to boost your pension, combining it with a recent tax-free cash withdrawal requires careful thought.

If you take a tax-free lump sum and then use the carry-forward facility to make a large contribution, HMRC may take notice. Even if you are not using the exact same funds, making a substantial contribution shortly after a significant withdrawal may raise questions about your intentions. The onus is on HMRC to prove that the two events were not connected as part of a pre-planned recycling strategy.

HOW TO STAY ON THE RIGHT SIDE OF THE RULES

The easiest way to avoid breaching pension recycling rules is not to reinvest any of your tax-free cash into a pension. If you need to access funds but also plan to keep contributing, think carefully about the timing and source of your contributions. Make sure any large contributions come from other sources, such as your salary, savings, or inheritance, and are not funded by your tax-free withdrawal.

Being transparent about your financial planning can also offer protection. Documenting the reasons for both your withdrawal and any subsequent contributions can help demonstrate they were separate financial decisions. Navigating pension tax rules can be complicated, and the penalties for mistakes are severe. Therefore, careful planning is vital to maximise your retirement savings without facing unexpected tax charges. ◀

Are you thinking about your next pension step?

If you need further information on pension rules and how they may impact your retirement plans, please contact us to review your personal situation and objectives, and together we can discuss a way forward.

Source data:

[1] Financial Conduct Authority (FCA) - Retirement income market data 2024/25 - latest data covering the year April 2024 to March 2025

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.

Navigating investment risks in retirement

Financial challenges that could impact your income and lifestyle during your golden years

Retirement signifies a fundamental shift from accumulating wealth to utilising it. After years of saving and investing, this new phase demands a different mindset, one focused on capital preservation, risk management, and sustainable income over many decades. Instead of pursuing maximum returns, the priority is on sequencing withdrawals effectively, maintaining an appropriate asset mix, and building buffers for market volatility.

Developing a resilient income plan that includes guaranteed and market-linked elements helps ensure your spending aligns with your lifestyle ambitions while safeguarding your nest egg. As people live longer and markets fluctuate, understanding the key risks to your retirement finances is essential for long-term stability and peace of mind.

LONGEVITY RISK

One of the biggest challenges in retirement is longevity—the risk of outliving your savings. Over the past 40 years, life expectancy in the UK has generally increased[1]. Thanks to advances in healthcare and lifestyle, more people are reaching their 80s, 90s, and even beyond. While this is something to celebrate, it also means your financial plan needs to last longer.

To manage this, retirees should adopt cautious assumptions in their planning and review them regularly. For example, lifetime annuities can provide guaranteed income for life, although they often have limited flexibility. Regular reviews can help adjust withdrawal strategies to account for increased longevity and changing needs.

INFLATION RISK

Inflation gradually reduces the purchasing power of your money, and even modest rates can have a significant effect over time. At 2.5% annual inflation, the value of money can decrease by about a third over 15 years. For retirees on fixed incomes, this can make it harder to maintain their living standards, especially for expenses that tend to rise faster than inflation, such as healthcare or long-term care.

Including inflation-linked investments, such as index-linked gilts, can help counteract this erosion. Keeping some exposure to equities is also advantageous, as shares have historically outpaced inflation over the long term. A flexible withdrawal approach can help retirees adjust their spending during periods of high inflation.

MARKET VOLATILITY

Market volatility is a common risk for investors, but its effects shift in retirement. When you begin withdrawing from your pension, poor returns early on can have a disproportionately large impact, a concept known as “sequence of returns risk”.

Maintaining a cash buffer or short-term bonds allows retirees to access income without needing to sell long-term investments during market downturns. Segmenting a portfolio by time horizon can further protect income, allocating funds for immediate, medium-term, and longer-term needs. This approach helps minimise the

impact of short-term fluctuations while still providing potential for growth.

DECUMULATION RISK

Turning a pension pot into sustainable income, known as decumulation, can be more complicated than the accumulation years. Market volatility, sequence-of-returns risk, inflation, and changing personal circumstances all affect how long the money lasts. Without a clear withdrawal plan, retirees risk overspending, underspending, or paying unnecessary tax. Once withdrawals start, it can be challenging to reverse poor choices, such as crystallising too much, triggering the money purchase annual allowance (MPAA), or locking into an unsuitable product.

A well-structured plan should coordinate guaranteed and flexible income sources, align withdrawals with spending priorities, and optimise tax allowances across accounts. Obtaining professional advice to regularly review income, expenditure, investment performance, and tax efficiency helps keep plans on track and adaptable to changing circumstances.

BEHAVIOURAL RISK

Financial risk isn't just about numbers. Emotional reactions, such as selling investments during market downturns, can damage long-term results. Behavioural risk can cause selling low, buying high, or abandoning a solid plan altogether.

In retirement, priorities evolve. The focus shifts from maximising growth to balancing income, preservation, and flexibility. Managing these risks, such as longevity, inflation, volatility, decumulation, and behaviour, is crucial to ensure your savings last. With careful planning, regular reviews, and professional advice, retirees can navigate these challenges with confidence and clarity. ◀

Considering how to safeguard your retirement income?

If you want to understand how your retirement will mark a significant shift from accumulating wealth to spending it, we can help you evaluate your options and develop a personalised investment strategy aimed at preserving your wealth throughout retirement. To learn more or discuss your requirements, please contact us.

Source data:

[1] Office for National Statistics - National life tables – life expectancy in the UK: 2020 to 2022

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.

Cost of raising children in the UK

Reassessing how to balance family ambitions with financial security

Starting a family is one of life's most fulfilling experiences, but it's also among the most costly. From baby essentials and daily expenses to long-term aims like university savings, the cost of raising a child in the UK continues to rise each year.

According to the Child Poverty Action Group, the basic cost of raising a child to age 18 now exceeds £260,000 for couples and £290,000 for single parents. With living costs and childcare fees increasing, many parents are reassessing how to balance their family goals with financial security, planning earlier, budgeting more carefully, and exploring support options to make informed choices.

PLANNING FOR THE EARLY YEARS

Preparing for a baby involves both budgeting and excitement. Besides prams, cots, and nappies, a significant hidden expense comes from reduced income during parental leave. Reviewing your household finances early, including potential income changes during maternity or paternity leave, is essential. Creating a baby budget that accounts for both one-off purchases and ongoing costs helps families avoid debt and gain more control.

Building a small savings buffer is another wise step. Having funds to cover several months of expenses can reduce stress during those initial sleepless months. Many parents find it helpful to break costs into stages, from pregnancy to school age, so spending feels manageable and planned rather than overwhelming.

UNDERSTANDING FINANCIAL SUPPORT

Government support can significantly benefit new parents. Statutory maternity pay offers up to 39 weeks of payments, with the first six weeks at 90% of average weekly earnings and the remaining period at a lower rate. Paternity leave provides up to two weeks of paid leave, while self-employed parents may be eligible for a maternity allowance based on their National Insurance contributions.

Once your child arrives, registering for child benefit can help with ongoing costs, which are currently £26.05 a week for the first child and £17.25 for each additional child. Even if higher earners face a partial or full clawback through the High Income Child Benefit Charge, claiming still provides National Insurance credits for non-working parents, protecting future state pension rights. The payments can be turned off if the claimant knows there will be a full clawback.

NAVIGATING CHILDCARE COSTS

Childcare is one of the largest expenses families encounter. Often, fees for nurseries or childminders can be as high as a mortgage. Through the government's Tax-Free Childcare scheme, eligible working parents can claim up to £500 every three months (up to £2,000 a year) for each child to help with childcare costs. This amount increases to £1,000 every three months if a child is disabled (up to £4,000 a year), and parents of disabled children can receive double that amount.

Starting from September 2025, parents in England with children under five will also be able to access up to 30 hours of free childcare per week, matching schemes already available in Scotland and Wales. These programmes can considerably reduce household costs, although availability and eligibility vary by region. Family support, whether through shared care or financial assistance from grandparents, remains a crucial yet often overlooked factor in alleviating childcare pressures.

KEEPING YOUR FAMILY FINANCES HEALTHY

While raising a child inevitably shifts priorities, it's important not to neglect your own financial future. Continuing pension contributions, even at a lower level, helps ensure long-term stability. Maintaining a separate household emergency fund is just as valuable for covering unexpected expenses, such as home repairs or healthcare costs, without upsetting your monthly budget.

Protecting your family against unforeseen events is another essential step. Life insurance, critical illness cover, and income protection can safeguard your household if illness or loss of income occurs, while updating your Will ensures that your children are cared for and your assets are distributed according to your wishes. Unmarried couples, in particular, should seek professional advice to make sure their arrangements are recognised.

INVESTING IN YOUR CHILD'S FUTURE

Once the immediate costs are managed, families can concentrate on longer-term goals. A Junior Stocks & Shares ISA (tax year 2025/26) allows up to £9,000 annually to be saved tax-efficiently for your child until they reach 18. The earlier you start, the more you can benefit from compound growth over time. Friends and family can also contribute, making it a strong collective effort towards future milestones, such as education or buying a first home. ◀

Planning your family's financial future?

To assess your future plans regarding starting a family and how they align with your financial goals, we can help you create a realistic financial plan that balances short-term expenses with long-term ambitions and identifies the best strategies to safeguard and grow your family's wealth. Contact us for more information on where to begin.

Source data:

[1] Child Poverty Action Group – The Cost of a Child in 2024 Report

Investments can go down as well as up. your capital is at risk. Tax treatment depends on individual circumstances and may change in the future. This article does not constitute financial advice.

Should I use my pension to pay off my mortgage?

Exploring the long-term implications of using your pension lump sum to clear mortgage debt

With mortgage rates still higher than in previous years, many approaching retirement are considering whether to utilise their pension savings to pay off their mortgage. On the surface, it might seem like a clever move, freeing oneself from monthly repayments and easing financial pressures. However, the reality is more complex.

Withdrawing pension funds early can have lasting impacts on your future income, tax position, and investment growth. Taking money out before the intended time may lower what you can withdraw later, trigger unexpected tax charges or reduce annual allowances, and stop the compounding that boosts long-term returns, which could restrict your options in retirement.

UNDERSTANDING THE TAX POSITION

From age 55 (rising to 57 from 2028), you can usually access your personal or workplace pension. The first 25% can be taken as a tax-free lump sum, up to a maximum of £268,275. Additionally, any subsequent withdrawals are taxed at your marginal income tax rate, which can significantly reduce the amount available.

If your outstanding mortgage balance exceeds 25% of your lump sum, using additional pension withdrawals to clear it may not be financially wise. The extra income might push you into a higher tax bracket, leading to a larger overall tax bill. We can assist you in understanding the potential impact on your total retirement income.

BALANCING INTEREST RATES AND INVESTMENT GROWTH

When mortgage rates are low, it often makes more sense to keep your pension invested. Historically, pension funds have grown at a higher average rate than typical mortgage interest rates, especially for long-term investors. This suggests that keeping your pension invested could yield better results than repaying your mortgage early.

However, when rates are high, the decision becomes less clear-cut. While clearing your mortgage could reduce interest costs, your pension investments might still outperform over time, especially once inflation and compound growth are considered. You should also review your mortgage's terms before making overpayments. Many lenders cap annual overpayments at 10% of the balance, and exceeding this can trigger early repayment fees.

CONSIDERING YOUR RETIREMENT INCOME

Withdrawing money from your pension now could restrict your financial flexibility in the future. A smaller pension fund means less income during retirement, which might reduce your ability to maintain your chosen lifestyle. Sometimes, the short-term gain of clearing debt is outweighed by the long-term loss of sustainable income.

Timing is also essential. Withdrawing from your pension during a market downturn can deepen losses, as you may sell investments when their value is temporarily low. By maintaining your funds in the market, your pension can recover alongside market growth. We can explain how different choices, such as partial repayments or staged withdrawals, might influence the longevity of your pension savings.

EXPLORING ALTERNATIVE OPTIONS

If paying off your mortgage is a priority, think about looking beyond your pension. ISAs provide tax-efficient withdrawals and could be a more flexible option for those with savings outside of their pension. However, remember that ISAs are currently part of your estate for Inheritance Tax purposes, whereas pensions usually are not.

That said, this distinction is changing. From April 2027, unused pensions and death benefits are expected to be subject to Inheritance Tax, as announced in the 2024 Autumn Budget. These upcoming changes could influence how you organise your finances for retirement and succession planning, making professional advice even more important.

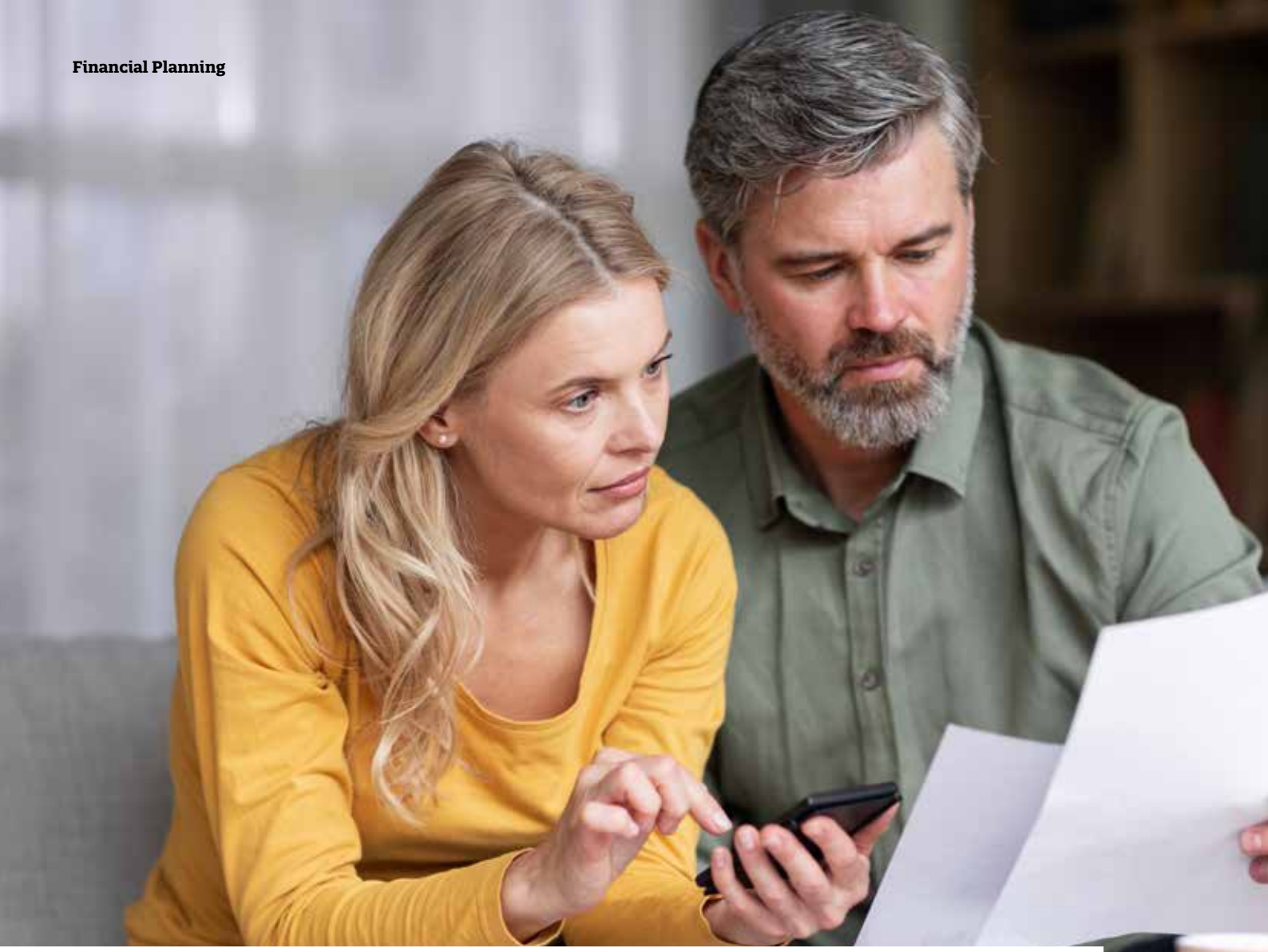
TAKING A BALANCED APPROACH

Deciding whether to use your pension to pay off your mortgage is a highly personal choice. It depends on your income requirements, tax situation, investment outlook, and emotional comfort with debt. While being mortgage-free in retirement provides peace of mind, you must also consider the long-term effects on your pension income. ◀

Thinking about using your pension to pay off your mortgage?

By considering all factors, you can make a well-informed decision that supports both your financial independence and your retirement goals. Contact us for more information or to share your objectives. We can help you evaluate the trade-offs, model the long-term impacts, and explore more effective options to protect your retirement income.

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.



Financial independence is out of reach for millions in the UK

New research reveals that some working-age adults feel unable to save or plan with confidence for the future

Financial independence, the ability to cover expenses, save, and plan for retirement without relying on others, remains an elusive goal for millions in the UK. It reflects not only day-to-day stability but also the capacity to build resilience for the future, yet many households still find it out of reach.

According to a recent report, one in four working-age adults, around 5.7 million people, believes they will never achieve it; this represents a quarter of the UK working-age population. This highlights a widespread lack of confidence in long-term financial security and underscores the scale of the challenge for individuals trying to balance current costs with future planning.

UNDERSTANDING WHAT INDEPENDENCE MEANS

The study describes financial independence using key indicators such as being debt-free, having adequate emergency savings, and comfortably covering daily expenses. Over half (56%) of respondents linked it to debt clearance, while 51% considered having an emergency fund essential.

Nearly two in five (37%) admitted they wouldn't be able to manage an unexpected expense without borrowing, and a third (33%) said they had no disposable income left at the end of each month.

These findings highlight the strong link between daily financial pressures and long-term security. Without extra income to save or invest, many households find it difficult to plan for the future, a situation that has become more evident as the rising cost of living continues to strain budgets across the UK.

RETIREMENT SAVING REMAINS A KEY OBSTACLE

For many, the greatest obstacle to achieving financial independence is the inability to save for retirement. Over a third (35%) of respondents reported not saving enough for later life, while 15% admitted they hadn't started saving at all and had no plans to do so. This lack of preparation could exacerbate future inequality, especially among younger and lower-income workers.

The report estimates that over 15 million people are currently at risk of poverty in retirement. While automatic enrolment has encouraged millions to start saving, contribution levels remain too low for many to achieve a comfortable standard of living.

The report highlights that broader reforms, including lowering the auto-enrolment age from 22 to 18 and removing the £10,000 earnings threshold, could enable younger, part-time, and self-employed workers to join the system earlier.

GROUPS MOST AFFECTED BY FINANCIAL INSECURITY

Financial independence varies significantly among different age groups. Generation Z, those in their 20s, report the lowest confidence levels, with nearly one in three (32%) saying they do not feel financially independent. Among people in their 50s, that figure drops to 24%.

The research also found that renters (34%) and people with disabilities (45%) are particularly vulnerable to financial instability, often facing higher living costs and limited access to affordable credit or housing.

This disparity emphasises how structural factors, from wage growth to rental market pressures, influence people's ability to plan ahead. It also highlights the importance of considering pension saving as part of a broader financial picture that includes debt management, emergency savings, and housing security.

LINK BETWEEN EMPOWERMENT AND ACTION

Research suggests that feeling financially independent is often the first step towards becoming financially empowered. When people believe they have control over their finances, they are far more likely to engage with long-term planning and take proactive steps to improve their situation.

However, many face competing challenges that make it hard to prioritise saving for the future over immediate financial pressures. True empowerment requires more than pension reform alone. It relies on ensuring that people understand how much they'll need in retirement, how their current savings compare with that goal, and what adjustments can help them reach it.

Greater access to financial education, employer support, and intuitive digital tools could all help close the confidence gap and encourage more consistent saving habits.

CALL FOR TARGETED POLICY REFORM

As the government continues its Pensions Review, the findings offer timely evidence for reform. Broadening auto-enrolment eligibility and assisting lower-income savers could greatly enhance long-term outcomes. More inclusive measures would ensure that financial independence and the security it provides are accessible to more than just the wealthier.

With millions still struggling to save or plan effectively, the message is clear: empowering people to take control of their money must begin well before retirement nears. ◀

Concerned about your or your children's long-term financial independence?

We can assist you in evaluating your current circumstances or those of your children and in creating a clear plan to secure lasting financial stability. Timing is crucial, so beginning the process earlier offers more benefits. To find out more, please contact us.

Investments can go down as well as up. your capital is at risk. tax treatment depends on individual circumstances and may change in the future. This article does not constitute financial advice.

Source data:

[1] Scottish Widows – 2025 Retirement Report: Financial Independence Findings: https://www.scottishwidows.co.uk/about-us/media-centre/press-releases/financial-independence-out-of-reach.html

How Gen Z can supercharge their pensions

Small monthly contributions today could add tens of thousands to future retirement savings

Although retirement might seem distant for many young adults, new analysis shows how small, consistent pension contributions can grow considerably over time. Even modest early increases can benefit from years of compound interest, turning incremental payments into valuable long-term gains and increasing confidence in future retirement plans.

Research shows that someone in their early twenties could add an extra £26,000 to their retirement fund simply by increasing their monthly pension contributions by around £19, roughly the price of a Netflix subscription[1]. This demonstrates how manageable contributions, maintained consistently, can significantly impact retirement outcomes.

SMALL SACRIFICES, BIG RESULTS

The analysis emphasises the powerful impact of compound growth. A 22-year-old earning £25,000 who contributes the minimum auto-enrolment rate of 5%, along with a 3% employer contribution, could expect a pension fund of around £210,000 by age 68 (adjusted for inflation). Increasing their own contribution by just 1% could raise that total to £236,000. Raising it further, by the cost of a monthly gym membership or takeaway, could see that figure climb to nearly £290,000.

These examples show how even small lifestyle changes can lead to substantial financial gains. Putting discretionary spending into a pension can result in exponential growth over a career, due to investment returns growing year after year.

MAKING THE MOST OF EMPLOYER SUPPORT

One of the easiest ways for younger savers to boost their retirement funds is to check if their employer offers matching contributions. Many workplace pension schemes will boost the employer's contribution when the employee does, effectively providing free money towards future savings. Reviewing these terms and taking advantage of them where possible can make a significant difference without increasing personal costs.

Currently, salary sacrifice arrangements can be a valuable tool. By redirecting part of their salary into a pension, employees can reduce their National Insurance liability and enjoy extra tax savings. This approach can be especially beneficial for individuals with higher salaries or those starting to plan for longer-term investments. However, the Government has recently published research on various options for decreasing the tax and national insurance "advantages" of salary sacrifice for pension contributions.

BUILDING MOMENTUM THROUGH SMALL WINS

Pension saving doesn't have to involve major sacrifices. In fact, a simple strategy is to increase contributions whenever your income rises. Allocating part of a pay rise or bonus to your pension is often barely noticeable in daily budgeting but can have a big impact in the long run.

Similarly, one-off windfalls like tax rebates or monetary gifts can be used to top up pensions instead of being spent immediately. Over time,

these occasional contributions can grow into a significant addition to your retirement fund. Regularly reviewing your pension, ideally once a year, helps ensure you stay on track and allows you to adjust contributions as your circumstances change.

BALANCING TODAY'S PRIORITIES WITH TOMORROW'S GOALS

For many younger workers, the difficulty lies in balancing immediate costs with future security. Rising rents, living expenses, and limited disposable income often make pensions seem like a distant concern.

A good rule of thumb is to prioritise building an emergency savings buffer first, enough to cover several months of living costs, and then increase pension contributions once that safety net is in place. Over time, this approach fosters both short-term financial security and long-term resilience.

WHY SMALL CHANGES MATTER

The difference between starting early and waiting even a few years can be significant. Compound growth benefits consistency, not large one-off sums. For Gen Z workers, starting now, even with modest contributions, provides the best chance of reaching future financial independence.

Making small, manageable contributions each month is more about preparing your future self for success than about giving things up. Finding that balance between enjoying today and planning for tomorrow is what ultimately transforms saving into lasting financial confidence. ◄

Want to make your pension work harder and ensure a brighter future?

Even if you are well beyond the age of Gen Z but still wish to discuss your future plans, we can help you review your contributions, explore employer options, and make small adjustments that could significantly enhance your retirement savings over time. For further information, please contact us.

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.

Source data:

[1] Standard Life – Pension Engagement Season: Young Saver Analysis 2025: https://www.standardlife.co.uk/about/press-releases/pes-young-savers

Concerned about outliving your pension in retirement?

Analysis shows how withdrawal rates, investment growth, and planning choices affect the longevity of your savings

As retirement incomes become increasingly dependent on defined contribution pensions, the question of how to ensure savings last a lifetime has become more important than ever. With no guaranteed payout, individuals must decide how much to withdraw and how to invest, making sustainability a key issue for long-term security.

Recent analysis shows that a £100,000 pension pot could provide income for life or run out in just 13 years, depending on the level of withdrawals and the returns achieved[1]. Understanding this balance is crucial for maintaining financial stability in later life, helping retirees to align spending, risk, and investment strategies with the longevity of their savings.

HOW WITHDRAWAL RATES SHAPE OUTCOMES

The data shows two common withdrawal scenarios: taking £4,000 or £8,000 annually from a £100,000 pension fund. These represent 4% and 8% withdrawal rates, both of which are often seen in retirement drawdown patterns.

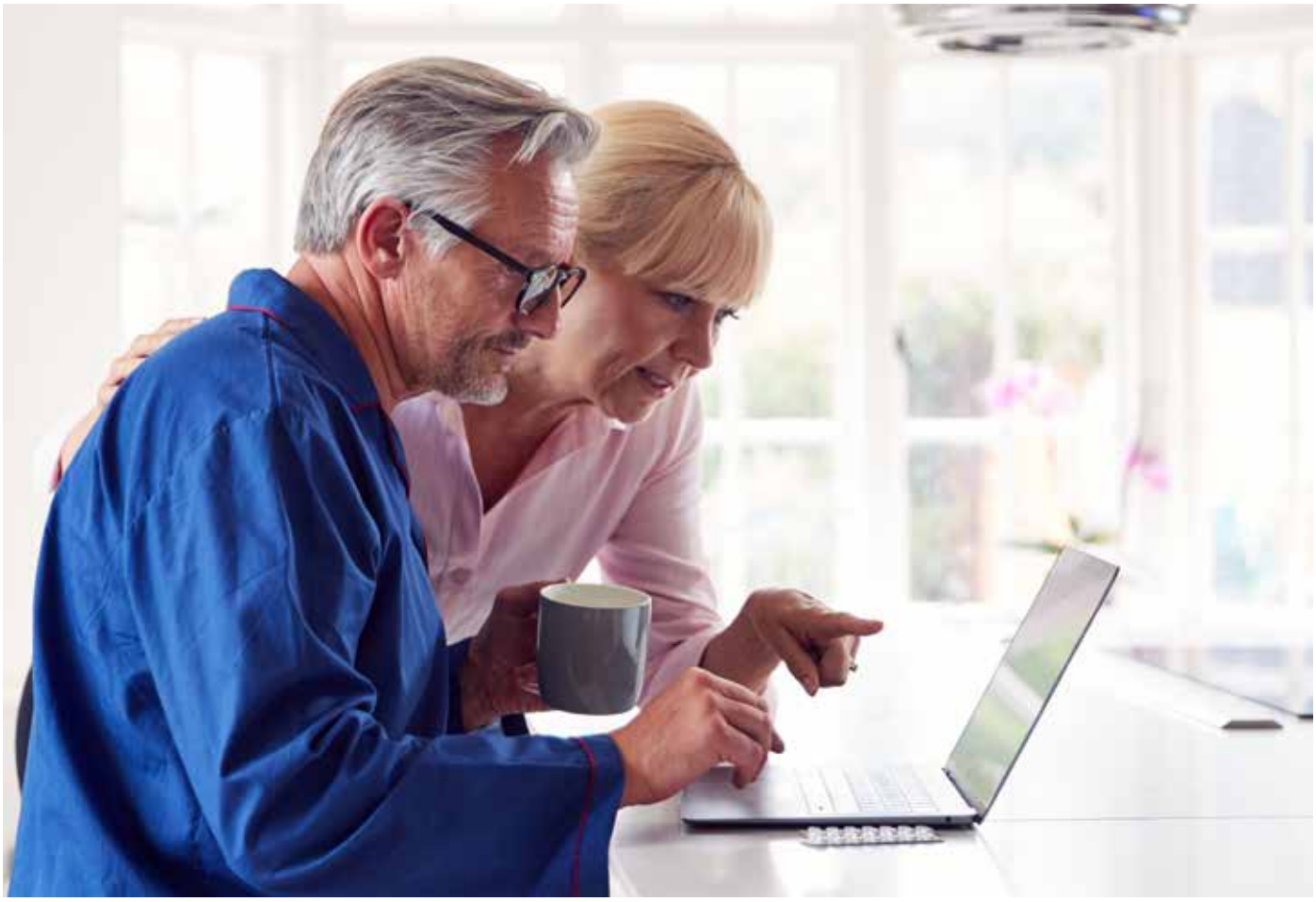
The results show that, after ten years, someone withdrawing £4,000 annually could have between £70,400 and £141,000 remaining, depending on whether their investments grew by 8%, 5%, or 2% each year. For those withdrawing £8,000 annually, the remaining balance ranged from £83,900 to £27,800.

These differences show how quickly withdrawals and investment growth can build up over time. In high-growth environments, smaller withdrawals help a pension stay sustainable, whereas larger withdrawals during poor returns risk running out of savings much sooner.

HOW LONG CAN A PENSION LAST?

When modelling over a full retirement period, the outcomes vary significantly. Withdrawing £4,000 annually allowed the pension to last a lifetime if annual investment returns reached 5% or higher. Even in a lower-return scenario of 2%, the fund could still last 29 years. Conversely, with an annual withdrawal of £8,000, the pension's longevity ranged from 28 years in a high-growth scenario to just 13 years in a low-growth scenario.

These findings indicate that the risk of longevity, or the likelihood of outliving one's savings, increases substantially when income withdrawals exceed sustainable levels. The issue is exacerbated by inflation, which gradually erodes purchasing power, and by fluctuating market performance that affects drawdown plans year after year.



WHY THIS MATTERS FOR RETIREES

Recent regulatory data show that between 1 January 2025 and 31 March 2025, £5.0 billion of taxable payments were flexibly withdrawn from pensions by 672,000 individuals through 1.6 million payments. The average taxable withdrawal per person was £7,400 during this period. There was a 24% rise in the value of payments withdrawn in this quarter compared to the same quarter in 2024[2].

Retirement flexibility enables individuals to adapt their income to suit their lifestyle, but it also demands careful planning and ongoing review. Selecting sustainable withdrawal rates and preserving exposure to long-term investment growth are essential steps to prevent shortfalls.

BALANCING CERTAINTY AND FLEXIBILITY

For many, combining different income sources can provide a practical solution. Covering essential living costs with a guaranteed income, such as the state pension or an annuity, offers stability and peace of mind. The remaining pension can then be invested in a drawdown to encourage growth and fund discretionary expenditure.

Emerging policy proposals are anticipated to formalise these kinds of "blended" retirement income solutions, combining predictability with flexibility. By aligning secure income with essential needs and allowing investment growth to support longer-term objectives, retirees can minimise the risk of outliving their pension while keeping control over how they access their funds.

PLANNING FOR LONGEVITY

The uncertainty of lifespan, inflation, and market performance makes it hard to determine the exact amount to withdraw each year. Regular reviews, adaptable plans, and seeking professional advice can assist retirees in adjusting their income as their financial situation changes. The aim is not only to protect capital but also to sustain purchasing power and confidence during later life. ◄

i

Concerned about ensuring your pension endures?

Ultimately, the key to avoiding shortfalls lies in maintaining a balance, drawing enough to enjoy retirement today while ensuring your savings last into the future. To learn more, contact us; we can help you assess sustainable withdrawal strategies, explore blended income options, and plan for financial security throughout retirement.

Source data:

[1] UK Pension Longevity and Withdrawal Rate Analysis 2025: https://www.standardlife.co.uk/about/press-releases/how-to-avoid-outliving-your-pension-in-retirement

[2] https://www.gov.uk/government/statistics/personal-and-stakeholder-pensions-statistics/private-pension-statistics-commentary#pension-flexibility

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.

Half of UK workers are concerned about their financial resilience

New research warns millions could face hardship if illness stops them working, yet few have protection

Half of the UK's working population believes they would feel more financially resilient if they had income protection insurance in place. Despite this, only about a quarter of workers currently hold a policy[1].

> THE RISE IN FINANCIAL RELIANCE AMONG UK HOUSEHOLDS HIGHLIGHTS THE IMPORTANCE OF PROTECTION IN PERSONAL FINANCIAL PLANNING. DATA SHOW THAT RESILIENCE IS PARTICULARLY AT RISK AMONG YOUNGER WORKERS, WHO OFTEN MANAGE RENT, STUDENT LOANS, AND RISING LIVING EXPENSES.

The findings emphasise a growing concern across the UK workforce: while many recognise the importance of safeguarding their income, few have taken steps to do so. This gap between awareness and action highlights the need for clearer guidance and easier access to appropriate cover.

FINANCIAL DEPENDENCE AND VULNERABILITY

The study revealed that the average UK worker supports three dependants, with nearly a third also caring for a pet that relies on their income for food, shelter, and well-being. Among parents of older children, almost half provide financial support for the same number of dependants.

This financial commitment impacts household budgets. Nearly half of working couples rely on both partners' incomes to meet essential expenses, a figure that rises to 70% for younger adults aged 18 to 24. For many, losing one income due to illness or injury could cause immediate financial hardship.

Rising living costs have further eroded resilience. The study shows that the average household debt has risen to over £20,000, an increase of more than £1,700 compared to the previous year. One-third of workers have less than £5,000 in savings, nearly a quarter have less than £1,000, and almost one in ten have no savings at all. This limited financial cushion means that a single income disruption could quickly cause hardship.

WHY INCOME PROTECTION MATTERS

Income protection insurance provides a regular, tax-free income if you're unable to work due to illness or injury. It helps cover essential expenses such as rent or mortgage payments, utilities, and other daily living costs. For many, it serves as a financial safety net during unforeseen setbacks, offering peace of mind that vital bills will be settled.

With the high cost of living and low household savings, awareness of income protection benefits is increasing. However, a notable protection gap remains, especially among tenants, women, and single parents—groups that often face the toughest financial challenges and have limited access to tailored financial advice.

SHIFTING LANDSCAPE OF RESILIENCE

The rise in financial reliance among UK households highlights the importance of protection in personal financial planning. Data show that resilience is particularly at risk among younger workers, who often manage rent, student loans, and rising living expenses. Without sufficient protection, even a short-term loss of income can cause long-lasting financial difficulties.

Financial resilience involves not only having savings but also ensuring income continuity. For those with limited emergency funds, income protection acts as a vital safety net, enabling households to maintain stability during recovery periods. As awareness grows, more people are beginning to see that safeguarding their income is just as important as insuring their home or vehicle. ◀

How would your finances be managed if you were unable to work?

Taking a proactive approach allows you to better prepare for life's uncertainties, protecting not only your income but also the well-being of those who rely on you. To discuss any concerns you may have, please contact us. We can assist you in exploring income protection options that suit your lifestyle, providing you with the security to face unexpected challenges confidently.

Source data:

[1] UK Reaching Resilience Report 2025 – Income Protection and Financial Vulnerability Findings: https://www.lv.com/about-us/press/half-of-uk-workers-say-income-protection-would-improve-financial-resilience

Insurance policies have terms, conditions, and exclusions. Cover levels depend on individual circumstances. tax treatment depends on your personal situation and may change in the future. This article does not constitute financial advice.

Two-thirds unaware bonds aid inheritance and tax planning

As Inheritance Tax rules develop, many miss opportunities to transfer wealth more effectively

Nearly half of UK adults plan to pass on their wealth to future generations, but most are unaware of how to do so in a tax-efficient way. This gap between their intentions and knowledge suggests many could miss opportunities to organise gifts or inheritances that safeguard more of their assets for loved ones.

Recent research highlights that while 47% plan to leave an inheritance and 38% intend to transfer assets directly to their children, however, two-thirds of individuals are unaware of how bonds could be utilised for inheritance and tax planning[1]. Raising awareness of available options can help families better align their legacy objectives with strategies that optimise tax efficiency.

GROWING FOCUS ON INTERGENERATIONAL WEALTH

The desire to protect family wealth has grown due to increasing living costs and significant changes to Inheritance Tax (IHT) rules. Adjustments announced in the 2024 Autumn Budget, including making defined contribution pensions liable for IHT from 2027 and introducing new limits on business and agricultural relief, have caused many individuals to re-evaluate their estate plans.

With frozen tax thresholds and increasing uncertainty about future rates, 36% of people now say they are worried about their financial future. This concern has prompted more families to seek professional advice on how best to structure their finances for long-term stability and effective wealth transfer.

WHY ONSHORE BONDS ARE GAINING ATTENTION

If appropriate, one option to consider is onshore bonds. These investment tools can be useful in estate planning, allowing individuals to grow their savings within a tax-efficient wrapper while retaining flexibility in how and when funds are accessed.

When incorporated into a broader financial plan, onshore bonds can help reduce Inheritance Tax liabilities and facilitate wealth transfer. They can be passed to another family member without causing an immediate tax charge, meaning the new owner inherits both the bond's history and any remaining tax-deferred allowances. This allows for ongoing tax efficiency while keeping the investment within the family.

FLEXIBILITY CAN PROVIDE TAX SAVINGS

Bonds are also frequently used within trust structures. Trustees gain from holding a non-income-generating asset, which simplifies administration and allows them to make withdrawals using the 5% tax-deferred allowance when funds are required.

Furthermore, bonds can be organised as multiple clustered policies, allowing trustees to allocate part or all of the bond to beneficiaries at a later date. This flexibility can provide tax savings when beneficiaries eventually encash

their shares, as it minimises potential Income Tax exposure within the trust.

These features make onshore bonds an attractive planning tool for families aiming to combine growth, control, and inheritance efficiency, particularly as more traditional options, such as pension transfers or business relief, become restricted under new legislation.

BRIDGING THE KNOWLEDGE GAP

However, awareness of bonds remains limited. Over two-thirds of the research respondents admit they know little about how bonds can be utilised for inheritance or tax planning, with many underestimating how bonds could support other estate planning tools like trusts, pensions, and Individual Savings Accounts (ISAs).

As intergenerational wealth transfer becomes more widespread, we can assist you in navigating the complexities of tax laws and establishing lasting legacies. A clear, informed strategy can ensure wealth is transferred smoothly and efficiently, minimising unnecessary tax liabilities while safeguarding financial stability for future generations. ◄

Have you arranged to transfer your wealth?

By combining our professional advice with practical planning tools, such as onshore bonds, we can ensure that you achieve both growth and peace of mind, ensuring your assets benefit those who matter most. We can help you explore how investment bonds, trusts, and other strategies can support tax-efficient inheritance planning and safeguard your legacy. To find out more, please contact us.

Source data:

[1] UK Wealth Transfer and Tax Planning Report 2025: https://www.lv.com/about-us/press/two-thirds-unaware-of-how-bonds-can-help-with-inheritance-and-tax-planning

“THE DESIRE TO PROTECT FAMILY WEALTH HAS GROWN DUE TO INCREASING LIVING COSTS AND SIGNIFICANT CHANGES TO INHERITANCE TAX (IHT) RULES.”

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, which would have an impact on the level of pension benefits available. The Financial Conduct Authority does not regulate estate planning, tax advice, or trusts.

A third of UK adults have voluntarily increased pension contributions

Even small top-ups or one-off payments could accumulate to thousands in future retirement savings

Nearly a third of adults in the UK are now contributing more than the minimum into their workplace pensions. Research shows that 31% of people have voluntarily increased their regular pension contributions, while one in ten have made additional one-off payments to boost their future savings[1]. The findings highlight how small, consistent top-ups can significantly improve retirement outcomes, even for those on average salaries.

LONG-TERM IMPACT OF SMALL CHANGES

Analysis of contribution patterns shows that increasing monthly pension contributions by just 2% could grow a retirement fund by approximately £52,000 over a working lifetime. Someone starting work at age 22 with a salary of £25,000 and paying the standard auto-enrolment rate of 5% (plus a 3% employer contribution) might expect to build up around £210,000 in their pension pot by age 68, adjusted for inflation. Raising their contribution to 7% could increase this amount to about £262,000[1].

Even minor adjustments matter. A 1% rise in employee contributions could lead to approximately £26,000 more at retirement, demonstrating how small gains accumulate over time. The long-term growth of these small contributions is propelled by compound investment returns, where earnings generate additional growth year after year.

VALUE OF ONE-OFF CONTRIBUTIONS

Regular saving isn't the only way to boost pension wealth. Occasional lump-sum payments can also make a significant difference. For example, someone making a £1,000 one-off contribution every five years between ages 25 and 65 could add around £21,000 to their pension fund by retirement. Increasing those payments to £5,000 at the same intervals could result in total savings exceeding £50,000 compared to making regular contributions alone.

For those who prefer flexibility, these regular payments can be scheduled to align with bonuses, tax rebates, or other windfalls. Even relatively small lump sums can grow into a significant boost over time, especially if invested early and left untouched for many years.

WHY CONSISTENT ENGAGEMENT MATTERS

This increasing trend of voluntary contributions indicates that more people are taking a proactive approach to retirement planning. While automatic enrolment provides an initial starting point, minimum contribution levels are often too low to sustain the desired lifestyle in retirement. Regularly reviewing your pension and adjusting contributions as your salary grows is a sensible way to stay on course.

Some employers also offer contribution-matching schemes, which effectively double the value of any increase you make. Checking whether your workplace offers this benefit is a simple way to support long-term growth. Similarly, those using salary sacrifice arrangements can reduce their National Insurance liability while increasing pension contributions, helping savings grow faster with no extra cost to take-home pay.

BALANCING AFFORDABILITY WITH OPPORTUNITY

Making additional contributions doesn't mean giving up everything you enjoy. Redirecting a small monthly expense, like a streaming subscription or takeaway, can make a significant difference over time.

Consistency is key. Whether through gradual increases, one-off payments, or employer-matched contributions, taking small, repeatable steps helps build financial resilience and long-term confidence. Pension engagement should be seen as an ongoing habit rather than a one-time decision, one that enhances not just future income but overall financial well being. ◀

Could a small increase significantly impact your pension?

Ready to enhance your retirement plan? We can assist you in assessing the effect of additional contributions and devising a personalised plan to secure a more stable future. Please get in touch with us for further details.

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.

Source data:

[1] UK Pension Engagement Data 2025 – Additional Contributions Report: https://www.standardlife.co.uk/about/press-releases/impact-of-additional-pension-contributions

Published by Goldmine Media Limited
Goldmine Media Limited, 124 City Road, London EC1V 2NX.

Articles are copyright protected by Goldmine Media Limited 2025. Unauthorised duplication or distribution is strictly forbidden.