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Inheritance tax: give while you live



The Government is proposing changes that could bring more unused pension funds into the inheritance tax (IHT) net.

Most people will be unaffected by the changes, but for those who are, the implications could be significant. That's why now, more than ever, it's important to understand your options – and to receive personalised advice before taking action.

How pensions may be affected

Under the proposal, some unused pension funds and death benefits could become subject to:

- 40% inheritance tax, and
- Income tax for beneficiaries if you pass away after age 75.

Unused pension savings may also increase the total value of your estate. If this pushes your estate above £2 million, your residence nil rate band (an extra allowance that can reduce IHT) starts to fall away by £1 for every £2 above the threshold.

Transfers between spouses and civil partners still qualify for the usual inheritance tax exemption. But it's important to remember that not everyone is married or in a civil partnership in later life.

This is an area where personal circumstances matter which should be discussed with your 2plan adviser.

Considering how you use your pension in retirement

These proposed changes may lead some people to use their pension more during their lifetime, whether by taking income or purchasing an annuity.

For some, this could create more income than they actually need. Where that happens, people sometimes choose to gift the extra income to family members.

One option – the 'gifts out of surplus income' exemption – can allow regular gifts to fall outside your estate for IHT purposes immediately, without the seven year rule applying. But to use it correctly, three conditions must be met.



The three rules for gifting from surplus income

For gifts to qualify:

1. They need to be part of your normal spending pattern

   Gifts should be regular. That could mean annually, monthly, or tied to a specific purpose like school fees. One off gifts don't usually qualify.

2. They must be made from income, not savings

   'Income' generally means the money you receive after tax – such as pension income, employment income, interest, dividends, or rent. Your 2plan adviser can help you understand what counts as income in your situation.

3. You must still have enough income left to maintain your usual lifestyle

   If you need to dip into your savings to cover day to day living expenses, the gifts won't qualify. The aim is that your financial security should not be affected.



How much can be gifted?

There is no specific limit as the amount that can be gifted out of surplus income depends on how much excess income you truly have after covering your normal spending. Gifts also don't need to go to the same person every year, as long as they follow a consistent pattern.

If income and spending differ between partners in a marriage or civil partnership, that's fine as you're each assessed individually.

Good record keeping is however essential, because this exemption is usually claimed by your executors after you pass away. Families typically use HMRC form IHT403 to document these gifts.

Your 2plan adviser will be able to help you set up a simple system for tracking this.

Finding the right approach for you

Gifting from surplus income can be a powerful way to pass on wealth tax efficiently but it's not right for everyone. It's just one planning option alongside many others, and your income, lifestyle, retirement plans, and family goals all need to be considered.

Before taking any action, please speak with your 2plan adviser. They're there to help you make informed, confident decisions to meet your individual personal circumstances.



Important information

Investors should note that the views expressed may no longer be current and may have already been acted upon. Tax treatment depends on individual circumstances and all tax rules may change in the future. The value of investments can go down as well as up, so you may get back less than you invest. Withdrawals from a pension product will not be possible until you reach age 55 (57 from 2028). This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment, you should speak to your financial adviser.

Author: Fidelity

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More families than ever are being caught by inheritance tax

How trusts and protection can help you plan with confidence

If it feels like inheritance tax (IHT) is coming up in conversation more often, you're not alone. Once viewed as a tax on the very wealthy, it's now touching many more families, prompting them to think more carefully about how they pass on wealth in a way that feels fair, simple and well planned.



How IHT is catching more people out

The key tax thresholds haven't moved in years. The nil rate band has remained at £325,000 since 2009, while the residence nil rate band, currently £175,000 per person, is also frozen. Over the same period, property prices and stock market values have risen, meaning that even modest family homes and long-term savings could now account for most, or all, of those allowances.

People also hold wealth across a wide range of assets, including property, pensions, savings and investments. Individually these may not seem significant, but together they can easily push an estate above the thresholds.

Further changes are coming:

- From April 2026, new limits will reduce how much agricultural and business property will qualify for full relief.
- From April 2027, unused pension pots will be included in IHT calculations.

All of this means that families who may not view themselves as 'wealthy' could still face an inheritance tax bill.

Planning is about more than just tax

While the financial side matters, most people start thinking about IHT for more personal reasons. It's about clarity, knowing who will inherit, how the estate will be managed, and ensuring any tax is handled efficiently.

Without a clear plan, dealing with an estate may become more stressful and time consuming than families expect. That's why many people are choosing to plan earlier and think through their options calmly.

How protection policies could help cover IHT

One practical way to prepare for a future IHT liability is by taking out a protection policy such as whole of life insurance.

When written in trust, payouts from these policies fall outside the estate for IHT purposes. They typically pass directly to beneficiaries or trustees to pay IHT without going through probate. While this doesn't reduce the amount of tax due, it can make the cost easier for loved ones to manage by providing a lump sum when it's needed.

This approach may not be suitable in every case, but it could be useful as part of a wider tax planning strategy.

The benefits of protection trusts

There are different types of trusts, but when a life insurance or other protection policy is placed in trust, it offers families a clearer and more efficient way to manage the payout. Protection trusts are not only for high net worth individuals. They may be useful for anyone who wants to make sure that the money paid out on death is passed on quickly, securely and in line with their wishes.

- Greater clarity and control that allows you to specify who should receive the proceeds and how they should be used. This can help support children at certain stages of life, assist dependants who need it, or remove uncertainty about how the money should be handled.
- Faster access to funds, because payouts held in trust usually bypass probate, the money is often released sooner, giving beneficiaries access to support at the time they need it.
- Support for modern families where arrangements can vary widely. Trusts offer flexibility for blended families, stepchildren, unmarried partners or vulnerable beneficiaries. Trustees distribute the proceeds according to the terms of the trust.
- A helpful part of long-term tax planning. While trusts don't reduce the tax payable on a protection policy itself, they can help with planning on how to cover the tax liability. When a policy is written in trust, the payout usually sits outside the estate for IHT purposes, helping ensure funds are available when a tax liability needs to be paid.
- Putting you in control, protection trusts can be tailored to individual needs and still offer flexibility while ensuring the payout is managed as intended.



Start the conversation early

With more estates being caught by IHT and further rule changes on the way, exploring options early could make a significant difference. Trusts and protection won't be suitable in all situations, but understanding how they work may help with confident, well informed decisions for the future.

Ultimately, inheritance planning is about more than tax. It's about making thoughtful choices today that support the people who matter most tomorrow.

Author: Zurich

Before taking any action, you should seek advice from an appropriate adviser. HM Revenue & Customs (HMRC) practice and the law relating to taxation and trusts are complex, depend on individual circumstances and can change over time. This article is based on our understanding of current rules and may not apply to your personal situation. Estate Planning and Trusts are not regulated by the Financial Conduct Authority.

The importance of time in the market



"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves." Peter Lynch, Mutual Fund Manager

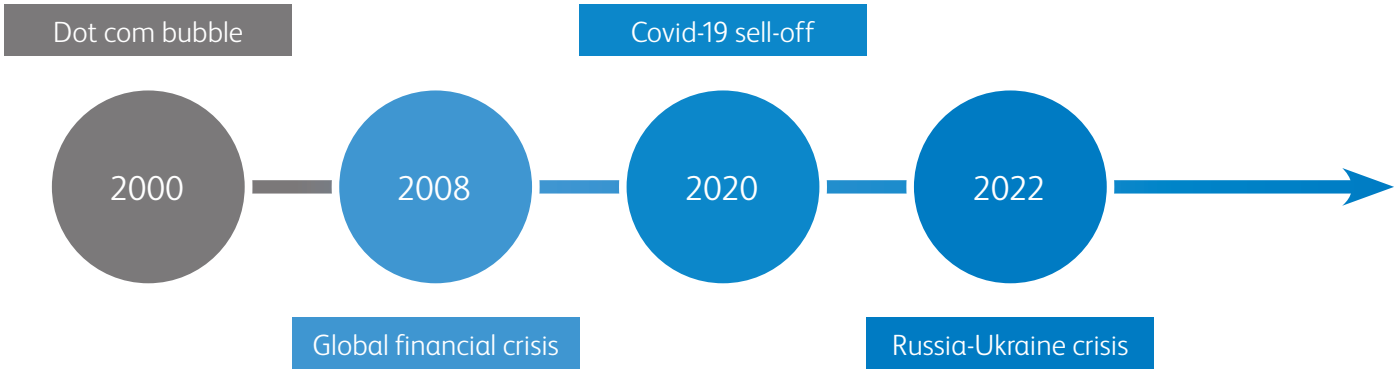
During periods of heightened financial market volatility, and increased levels of uncertainty, it can be tempting to try and time the market by selling assets and then buying them back at a later stage. However, timing the market is virtually impossible, even for the most experienced investors. This is why it's often said that time in the market is more important than timing the market.

Emotions and investing

Human nature can lead investors to be emotional about financial decisions. When markets dive, too many investors panic and sell; when stocks have had a good spell, too many investors go on a buying spree.

Past experience can lead to panic selling

People tend to 'panic sell' based on their past experiences. There have been six major crashes (depending on how you classify a 'crash') in the past 30 years, so psychology plays its part.



Time in the market

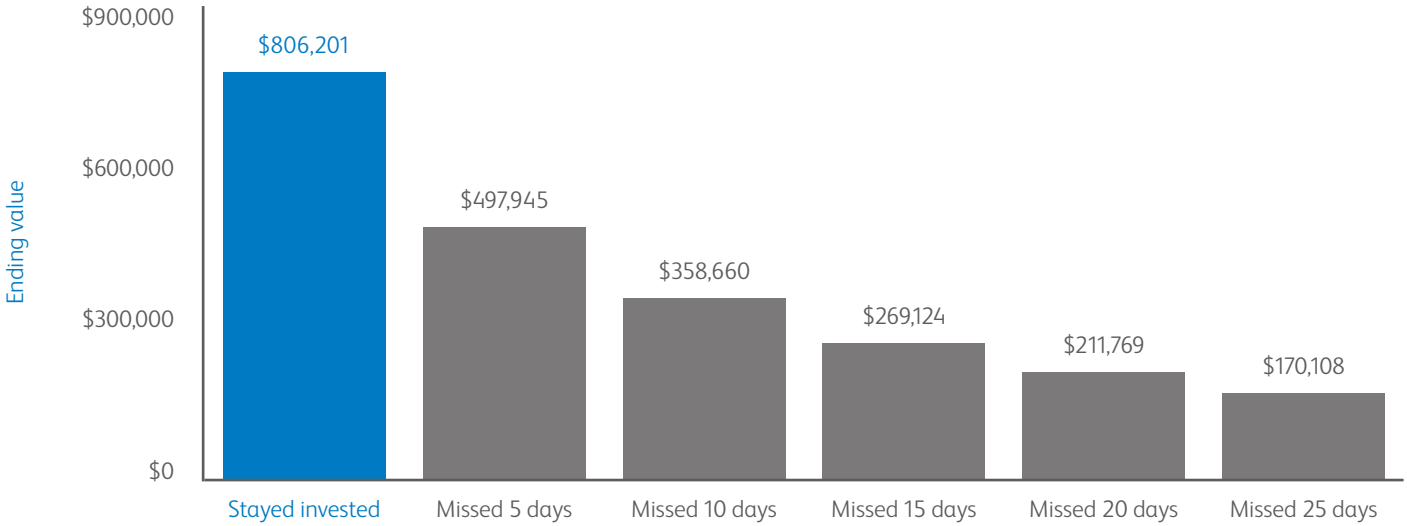
It is never easy when extreme geopolitical moves dominate headlines and market volatility is heightened. Investors seem perpetually concerned, worried about the valuation levels, forever peering around the next corner and ever watching for the canaries in the coal mine that might signal the onset of the next market downturn. Prospect theory from behavioural finance suggests that investors are more likely to focus on avoiding potential losses rather than achieving equivalent gains when the outcome of an investment is uncertain. This stems from loss aversion – where the fear of loss outweighs the joy of winning – which can lead investors to panic sell during market volatility or, conversely, hold onto losing positions for too long in hopes of 'breaking even'. This is a large reason why investors are always encouraged not to look at their investments every day.

The issue with trying to time your entry/exit

The pace at which markets react to news means stock prices have often already absorbed the impact of new developments and when markets turn, they turn quickly. Those trying to time their entry and exit may actually miss the market bounce. Attempting to predict the future, may mean you could end up being out of the market when it unexpectedly surges upward, potentially missing some of the best performing days. Missing one or two big days, compounded over time, can greatly impact your portfolio.

The graph below shows how a hypothetical $100,000 investment in stocks would have been affected by missing the market's top-performing days over the 20-year period from January 1, 2006 to December 31, 2025. For example, an individual who remained invested for the entire time period would have accumulated $806,201, while an investor who missed just five of the top-performing days during that period would have accumulated only $497,945.

The benefit of staying invested



Source: Blackrock, 1st January 2006 – 31st December 2025.

It's important to note, most of the best days happen around the worst days. Over the last 20 years, 70% of the best 10 days happened within two weeks of the worst 10 days (Source: Factset). If you were to incessantly go in, and out, of the market it would erode returns, alongside having tax implications and transaction costs.

It is true that a broken clock is right twice a day and hindsight is wonderful, but we are not soothsayers. If it was easy to time the market, lots of investors would be doing it and retiring early in the Bahamas, but this is not the case. We must remember that short-term volatility is the price you must pay for the chance of higher long-term returns and let the power of compounding take effect rather than potentially crystallising losses.

Author: LGT Wealth Management

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The silent tax-grab and what it means for your money



As we move into a new tax year, many families will start to feel the effects of tax changes that are quietly reshaping their finances. Most of these changes aren't headline news – but a series of frozen thresholds, new rules, and subtle policy changes are steadily increasing how much tax we all pay.

Understanding these changes now can help you stay in control going forward and avoid losing money through tax unnecessarily.

Why you may be paying more tax (even if rates haven't changed)

At the heart of the problem is something called 'fiscal drag'. This happens when allowances such as income tax thresholds or inheritance tax (IHT) allowances don't rise with inflation. As a result, more of people's income moves into higher tax bands, and more wealth is at risk of being subject to IHT.

In addition to being dragged into higher tax bands, frozen income tax thresholds could cause you to:

- lose some or all of your personal allowance if your earnings tip over £100,000
- become ineligible for benefits such as Child Benefit
- have less flexibility in your overall financial plan.

These changes often go by unnoticed, which is why many people only become aware of them when their payslip suddenly looks different or their annual tax return gets more complicated.

Here are three important tax-grabs to pay attention to:

1 National Insurance and salary sacrifice

If you use salary sacrifice to reduce your National Insurance (NI) bill, for example by contributing to your pension through your employer, you may have heard that a new cap on NI relief is coming.

Whilst salary sacrifice will still be possible, it won't be as generous as it is today. If you currently rely on it to keep your taxable income lower or to boost your pension contributions more efficiently, it's worth understanding now how the changes could affect you in future.

This is a clear example of the Government's 'silent' approach to tax increases, where there has been no rise in income tax rates, but less tax relief is available in places where people have traditionally saved.



2 Savings and ISAs

From April 2027, the cash ISA limit is being reduced to £12,000 for those aged under 65. While this is designed to encourage more long-term investing, it makes the system more complex and may affect how you choose to save.

If you value having cash readily available, consider how the new limits might affect your plans and whether a blend of easy-access cash and long-term investments could better protect your finances for the future.



3 Pensions and inheritance tax

For a long time, pensions have been one of the most effective ways to pass wealth on to the next generation. But from April 2027, most unused pension funds and death benefits will count towards your estate for IHT.

This is a major shift – and one that could affect many more families than expected.

What does this mean for you?

- If you leave behind a significant pension, your loved ones may face an IHT bill.
- Decisions about when you access your pension may need to be made earlier.
- You may want to consider alternative ways of passing on wealth.
- Planning ahead becomes even more important if your estate, including your home, is close to or above the IHT thresholds.

With IHT allowances frozen until April 2031, more estates will fall into the tax net in the coming years, not because people are suddenly wealthier, but because thresholds aren't keeping pace with rising home values and pension growth – another silent tax grab to watch out for.

Why financial advice in 2026 matters

To understand how these changes might affect you, now is an ideal time to speak to your financial adviser. They can help you understand your options and build a clear plan that works for you and your loved ones.

As many of the big changes don't come into effect until 2027, the time to plan is now.

Planning ahead in 2026 could help you:

- reduce the risk of paying more tax than necessary
- protect your family's future inheritance
- make better use of the allowances still available
- avoid last minute decisions that could leave you worse off.

Tax, savings, pensions, and inheritance planning are all closely connected. Taking a holistic approach and reviewing your entire financial situation with your adviser can help you maximise the opportunities available, providing you with greater peace of mind and a stronger sense of control over your financial future.

Tax treatment varies according to individual circumstances and is subject to change. The Financial Conduct Authority does not regulate Tax Planning.

Author: Quilter

A simple guide to passive investing – and why diversification can still matter

We believe passive investing could offer a straightforward way to grow your money over the long-term, but understanding how diversification works could help you make better-informed decisions.

Passive investing is a simple, low-cost way to grow your money over time. Instead of trying to pick individual stocks or frequently buying and selling investments, passive investing aims to follow the performance of a whole market – such as the UK stock market, global shares or corporate bonds.



Why people could choose passive investing

- Low cost: Passive funds usually cost less than actively managed funds because they involve less frequent trading.
- Diversification: Your money is spread across many companies or assets, helping reduce the impact of any one investment performing poorly.
- Long-term focus: Passive investing is designed for steady, long-term growth rather than quick wins.

One of the most common forms of passive investing is index investing, where investors buy the securities in a representative benchmark – such as the S&P 500 – and hold them for a long period.

Index investors often choose indices to gain exposure to broad market risk rather than risks associated with specific companies. However, today, many may be unaware how much of their returns could be dependent upon the mega-caps and how much company-specific risk they could actually hold.

Understanding diversification

The idea that diversification is the only free lunch in investing has been around for at least 70 years. By owning a wide range of assets, investors may achieve a more balanced relationship between risk and return than with a concentrated portfolio.

However, the 'Magnificent 7', a relatively small group of mega-cap tech companies has driven much of the global equity market's performance. Because major global indices have around two thirds of their constituents based in the US, they increasingly share the same dominant holdings as US benchmarks. As a result, a global equity portfolio may be more dependent on a small cluster of mega cap firms than investors expect.

For those who want to keep the simplicity of an index based approach, we believe there are several ways to think about managing such risks: their time horizon, their comfort with losses, and how to manage concentration risk.



Time horizon and diversification work together

The length of time someone expects to invest affects how much short term volatility they can reasonably tolerate. A longer time horizon gives more room to ride out market swings, including periods when concentrated parts of the market rise or fall sharply. In our view investors with shorter horizons may prefer more balanced exposures that do not rely heavily on one region or sector.

Capacity for loss shapes the right level of risk

Diversification could help smooth returns, but it cannot eliminate the possibility of losses – particularly when the largest companies in an index experience sharp movement. Investors who know they would struggle emotionally or financially with a sudden drop in value may wish to consider a portfolio that spreads risk across multiple asset classes, not just across equities.

Managing concentration risk while staying passive

For investors who want to remain within passive strategies, we believe there are still several ways to manage concentration risk without moving into active management. One option is to use indices that apply alternative weighting methods, such as equal weight or factor based approaches, which distribute risk differently from traditional market capitalisation benchmarks.

Another is to complement broad global indices with regional or thematic exposures, helping to reduce reliance on any single market segment. A further approach is to blend equity indices with other asset classes, such as bonds or property, to introduce broader diversification and reduce the impact of movements in one part of the market.

A multi asset, diversified approach could naturally spread risk across regions, sectors and asset types, reducing dependence on any single driver of returns.



Key risks

Past performance is not a guide to future performance. For Professional Clients only. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested. It should be noted that diversification is no guarantee against a loss in a declining market. The details contained here are for information purposes only and do not constitute investment advice or a recommendation or offer to buy or sell any security. The information above is provided on a general basis and does not take into account any individual investor's circumstances. Any views expressed are those of L&G as at the date of publication. Not for distribution to any person resident in any jurisdiction where such distribution would be contrary to local law or regulation.

Background sources

Understanding Pension Investment Risk | L&G

LGIM Blog: Diversification isn't a free lunch, but we think it's worth the price

LGIM Blog: Threading the needle: finding balance in a concentrated investment world

Author: L&G Asset Management

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Staying alert to financial scams

Alongside economic abuse, financial scams continue to rise across the UK. Fraudsters are becoming more sophisticated, often impersonating trusted organisations such as banks, HMRC, delivery companies, or even financial advisers.

Common scams include:

- Investment scams promising high returns with little risk.
- Pension scams encouraging transfers into unsuitable or fraudulent schemes.
- Impersonation scams where criminals pose as legitimate firms.
- APP (Authorised Push Payment) fraud, tricking people into sending money.
- Romance scams, where emotional manipulation leads to financial loss.

UK Finance reports that criminals stole over £1 billion through fraud last year, underscoring the importance of staying vigilant.

How to protect yourself

A few simple habits can significantly reduce your risk:

1. Pause before acting

   Fraudsters rely on urgency. If someone pressures you to make a quick decision, transfer money, or share information, treat it as a red flag.

2. Verify independently

   If you receive a call, text, or email claiming to be from a bank or adviser, contact the organisation using a trusted phone number or website, not the details provided in the message.

3. Be cautious with unexpected investment opportunities

   If it sounds too good to be true, it usually is. Genuine investment advice will never come via cold calls or unsolicited messages.

4. Protect your personal information

   Never share passwords, PINs, or security codes. No legitimate organisation will ask for them.

5. Speak to your adviser

   If something feels off, we're here to help. A quick conversation can prevent a costly mistake.

We're here to support you

Financial well-being is about more than numbers; it's about feeling secure, informed, and in control. Whether you're concerned about economic abuse, want to strengthen your awareness of scams, or simply need reassurance about a financial decision, 2plan is here to support you with clear, confidential guidance.

If you'd like to discuss anything raised in this article, please contact your 2plan adviser. Your safety and peace of mind always come first.

Author: 2plan

If you would like to discuss any of these topics in more detail, please feel free to contact me to make an appointment. If you have friends, family members or colleagues who you think would be interested in these topics, please pass this newsletter to them.

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