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Out and About in the Financial World

Welcome to our newsletter sharing items that we feel may be of interest to you, our clients, as well as your family and friends.
If you read anything of interest and we can be of further help please don't hesitate to give us a call.

Autumn Budget 2026: what could be announced on Wednesday 28 October.

Newly appointed Chancellor John Healey announced, the Budget will 'move money and power out of Westminster and into every postcode around Britain'. It would be built on 'fiscal discipline' and would give 'businesses and families some of the stability they need to plan for the future'.

Prime Minister Andy Burnham kick-started his time in government, announcing a handful of cost of living measures to provide 'more breathing space' to households struggling with bills. This includes a £2 cap on bus fares, the removal of VAT from electricity bills, and a business rates tax cut for pubs and clubs.

Burnham also announced that all regional mayors in England will receive a share of income tax revenue as part of his drive to transfer power from Westminster to local leaders. English strategic authorities will also be allowed to keep some cash from business rates collected in their areas, gaining greater control over services such as housing, transport and skills.

There are no immediate changes planned to stamp duty or council tax, ending a period of speculation earlier this summer after Burnham previously voiced support for a land value tax in place of both.

Budget rumours
While nothing is officially confirmed until Budget day itself, here's a breakdown of the key rumours circulating so far, and how they could impact your finances. Remember not to make major financial decisions based on speculation alone.

- Personal allowance and income tax threshold changes. The Prime Minister has committed to Labour's manifesto pledge not to raise income tax rates. However, experts still expect tax changes based on his spending plans that have already been announced.
- Social care overhaul. Burnham stated that he wants to extract more from existing budgets to fund the reforms, stressing that all plans will be fully funded. A review of social care will now be published next summer instead of in 2028.
- Stricter rules on claiming benefits. Burnham is looking to cut down on welfare spending. Certain benefits – including mental health support – will become conditional on people taking work rather than staying at home.

Which - 03 Aug 2026
https://www.which.co.uk/news/article/autumn-budget-2026

How could the Inheritance Tax changes affect your pension?

The way pensions are treated for Inheritance Tax (IHT) is due to change from April 2027. These changes could affect how some people think about retirement and estate planning. Currently, pensions can be used as a tax-efficient way to pass money on after death. But under the new rules, unused private pension money and certain death benefits will be included when calculating IHT.
While the new rules will only apply from April 2027, some people are already making changes, to avoid landing their loved ones with bigger tax bills.
Research by PensionBee found that more than half of respondents said they were considering changes to their financial strategy with:

- 26% saying they'd draw money from their pensions earlier; and
- 24% saying they'd look to alternative savings vehicles such as Individual Savings Accounts (ISAs) or annuities.

What could this mean for retirement planning?

The proposed changes may affect how some people think about using their pension in later life. These decisions will depend on personal circumstances, health, family set ups, and other sources of income. Here are some considerations.

How people may think about funding retirement

If unused pension money becomes subject to IHT, some people may decide to draw on their pension earlier in retirement, rather than relying on other assets. This might not be right for everyone. Pensions are designed to provide income throughout retirement, and drawing too much too soon could increase the risk of running out of money later on.

Reviewing investment choices

If pension money is more likely to be used during retirement rather than passed on, some people may review how their pension is invested. For example, they may think about whether their current investment risk level still suits their time horizon and income needs. Any changes would usually depend on how soon the money is expected to be used and how comfortable someone is with investment risk.

Increasing withdrawals or making gifts

One way people reduce IHT is by spending money or giving it away during their lifetime.
The proposed changes have prompted some wealthier savers to consider withdrawing more from their pensions, either to spend or to pass money on to family members. Pension savings can usually only be accessed from age 55, rising to 57 from 2028, and withdrawals may have tax implications.
Under IHT rules, most lifetime gifts only become fully exempt if you live for seven years after making them. If you die sooner, some or all of the gift may still count towards your estate.
The key risk is balance. Withdrawing or giving away too much could leave you short of income later in life.

Using the tax-free lump sum

Most people can usually take up to 25% of their pension pot tax-free, capped at £268,275 (2026/27). This can be taken as: one tax-free lump sum; or a series of instalments, where 25% of each withdrawal is tax-free. Due to change from April 2027. Some people may therefore choose to access tax-free cash earlier. Taking money out sooner may give more time for gifts to fall outside the estate, if the seven-year rule is met. Others may use phased withdrawals to help keep their taxable income within lower tax bands.

Using annuities

An annuity is a way of turning pension savings into a guaranteed income. You exchange a lump sum with an insurer, who then pays you an income for life or for a fixed period.
Using part of your pension to buy an annuity could reduce the value of your estate, and therefore any potential IHT liability from April 2027.
However, the tax treatment depends on how the annuity is set up. Some annuities may fall within the scope of Inheritance Tax, for example where payments continue under a guarantee period after death.

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Some people use annuity income to make regular gifts. These may fall outside IHT if they are made from surplus income and do not affect your standard of living.

Marriage and civil partnerships

Anything left to a spouse or civil partner is usually exempt from IHT. This means IHT often only becomes an issue when the surviving partner dies. Because of this, some unmarried couples in long-term relationships may consider marriage or a civil partnership. This could give the surviving partner more time and flexibility to plan their estate.

Reviewing beneficiaries

The new treatment of pensions could mean more estates fall within the scope of IHT. In some cases, it may also increase the tax burden for the next generation. In response, some people may consider changing to whom they leave assets. However, there are important practical points to review.

First, most pension death benefits are paid at the provider's discretion and are not governed by your will. If your will was written on the assumption that pension benefits would be paid tax-free, you may wish to revisit it.

Second, it's important to review your nomination or expression of wish form with your pension provider. This can usually be updated and may be aligned with your will, or reflect different beneficiaries, depending on your circumstances.

Using life insurance

Some families may consider life insurance to help cover a larger IHT bill. A 'whole of life' policy is designed to pay a lump sum on death, as long as the premiums continue to be paid.

The policy can sometimes be placed in trust. This means a legal arrangement is set up so that trustees become the policy's legal owners and manage the payout for the beneficiaries. In many cases, this allows the payout to sit outside the estate. As a result, it may not be subject to IHT and can often be paid more quickly, without going through probate. This can be important because IHT is generally due by the end of the sixth month after death. Delays in settling an estate could make it harder to meet this deadline. A life insurance payout paid outside the estate may therefore help cover an IHT bill without forcing loved ones to sell assets, such as the family home, in a hurry.

However, whole of life policies can be expensive, and the cost of premiums will depend on individual circumstances.

In the November 2025 Autumn Budget, the government also announced a change to help executors manage IHT on pensions.

- executors may be able to ask pension scheme administrators to hold back up to 50% of a pension pot for up to 15 months after death;
- this amount could then be paid directly to HMRC to help settle any IHT due;
- this may reduce the risk of executors needing to find the money from other parts of the estate.

Pension Bee - March 2026
https://www.pensionbee.com/uk/blog/how-could-the-inheritance-tax-changes-affect-your-pension

From April 2027, the IHT treatment of pensions is set to change. For some people, this could affect how pensions are used in retirement and passed on after death.

If you're likely to be affected, it may be worth reviewing how your pension fits into your wider plans. This could include thinking about withdrawals, investments, or other ways of providing income and support for loved ones. These are complex decisions with long-term consequences. If you're unsure what's right for your circumstances, you may wish to consider speaking to an Independent Financial Adviser.

If you need help, give us a call.