

# Financial Planning and Insight

By Berkshire IFA



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## 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

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**Berkshire IFA**



## 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 06, 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 that many families find uncomfortable. 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 11.

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 accurately predict short-term market movements, and headlines or emotions can easily cloud judgment. On page 07, 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 04.

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

### 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!

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**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.**

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# Pensions to fall under Inheritance Tax rules from April 2027

## How upcoming changes could affect estate valuations and beneficiary payouts



**I**n 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.

**N**ot 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<sup>(1)</sup>.

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<sup>(2)</sup>. 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.

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#### 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.

**T**ax 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.

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# 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.

**H**istory 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<sup>[1]</sup>. 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<sup>[2]</sup>. 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.

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### 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.

**R**ecent 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<sup>[1]</sup>. 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.

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#### 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.

**B**esides 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.

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# 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.

**L**earning how to discuss succession planning is no longer just wise; it is essential. Recent research highlights a significant communication gap between generations<sup>[1]</sup>. 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.

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### 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.*

# 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<sup>[1]</sup>. 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<sup>[1]</sup>.

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>