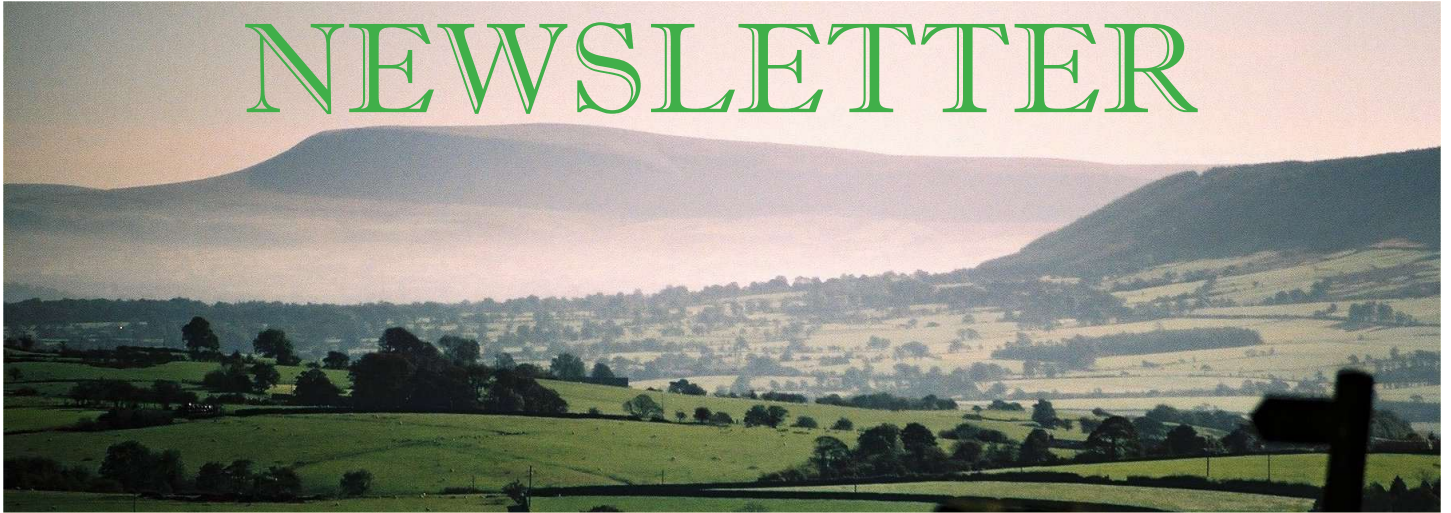


# Ribble Wealth Management Limited

## NEWSLETTER



### SUMMER 2025

Most of our Summer 2025 newsletter is dedicated to the far-reaching consequences of the new era for pension funds, following a significant change ushered in after the tax raid by Rachel Reeves announced in her Autumn 2024 Budget statement, which introduced changes to pension funds and their treatment relative to Inheritance Tax (“IHT”). Adapting to these changes in a proactive manner might be critical in ensuring the preservation of wealth and legacy benefits which were, until recently, relatively assured for families and individuals. These changes are set to take effect from 06 April 2027, but by planning ahead it is possible to safeguard the impact of these whilst navigating the shifting terrain.

However, before we get into the “boring stuff”, and as we approach the tenth anniversary of the authorisation

of Ribble Wealth Management in January 2026, we are delighted to welcome Anita Wright to our team. Anita began working in financial services in 2008 and enjoys using her skills to help clients to achieve their goals, which gives great personal satisfaction – a reward in itself. She brings with her a great deal of knowledge and experience, having achieved the prestigious status of Chartered Financial Planner, the widely accepted “gold standard” within the profession, an award that requires serious commitment to study over several years. She is currently working to achieve Chartered Institute for Securities and Investment Level 7, an internationally recognised benchmark in financial planning. This advanced qualification demonstrates a high level of technical expertise, ethical conduct, and professional judgement, ensuring clients receive advice that meets the highest global standards of competence and integrity.



In her free time, she enjoys hiking and flying her drone, particularly in the beautiful Lake District, where the fresh mountain air and captivating landscapes allow her to disconnect from the fast pace of professional life, gain perspective, and return re-energised. This balance between work and leisure helps her maintain clarity, focus, and resilience – qualities that are essential in navigating the complexities and demands of the financial services industry. We are confident that her appointment will give still greater strength to our organisation, and we wish her every success for the future.

# Commentary on the ever-changing retirement planning landscape

Over the next couple of pages, we will try to summarise the key elements of the changes that are planned, and their impact on our clients and their carefully accumulated wealth.

## **New rules to impact on the taxation of pension funds**

There are significant reforms scheduled to come into force that will fundamentally change the treatment of pension funds and associated death benefits for Inheritance Tax (“IHT”) purposes. Historically, pensions have often been used as a tax-efficient means of transferring wealth to future generations, with any residual funds usually qualifying for IHT exemption.

However, it has been announced that, with effect from 06 April 2027, any unused pension funds will be treated as part of the deceased’s estate for the purposes of calculating IHT. This legislative change could have substantial implications for estate planning, particularly for clients with significant pension holdings, business assets, or agricultural property.

## **Potential consequences of these reforms**

The inclusion of pension funds within IHT calculations is likely to increase the total value of an estate, potentially causing it to exceed the available IHT allowance. Any value above the allowance will be subject to IHT at a rate of 40%, which could have significant negative financial consequences for beneficiaries.

In addition, the new rules are expected to cause delays in accessing pension funds. As HM Revenue & Customs (“HMRC”) will be required to assess these funds as part of the estate, beneficiaries may face prolonged waiting periods – potentially several months or more – for the completion of the probate process, particularly in the case of complex estates.

Below we outline some of the potential challenges that could arise from these delays in accessing pension funds.

## **Increased administrative burden on Personal Representatives**

Personal Representatives will be required to notify Pension Scheme Administrators of a scheme member’s death and confirm whether the deceased had a surviving spouse or civil partner. Pension Scheme Administrators must then provide the value of any unused pension funds or death benefits to the Personal Representatives within four weeks of receiving notification of the member’s death.

The Personal Representatives will gather this information from each Pension Scheme Administrator, together with details of other components of the estate, to establish a total estate valuation and determine whether any Inheritance Tax is payable.

If IHT is due, the Personal Representatives will calculate the portion attributable to the pension components of the estate and submit an account to HMRC. They will also notify the pension beneficiaries (if known) and the Pension Scheme Administrators of the amount of Inheritance Tax payable on their share of the estate.

## Distribution of pension benefits

Once the pension beneficiaries have been identified, the Pension Scheme Administrators will inform them of the value of the pension funds and benefits they have inherited. They will also outline the available options for taking these benefits, such as lump sums or various forms of pension income.

Exempt beneficiaries, including spouses and civil partners, will be able to access their benefits immediately. For non-exempt beneficiaries, the Pension Scheme Administrators will explain that Inheritance Tax may be payable on the pension benefits. They will also make clear that, as pension beneficiaries, they are jointly and severally liable with the Personal Representatives for any IHT due on the benefits they have inherited.

## Potential beneficiary cashflow issues

Potential delays in accessing pension funds post-death could present significant challenges for beneficiaries, particularly those who might be relying on the funds to cover immediate expenses. Outstanding liabilities such as care fees, mortgage repayments, or day-to-day living expenses of the bereaved might become difficult to manage during this period.

While spouses (and registered civil partners) will continue to benefit from an exemption from IHT, careful estate planning may still be necessary to minimise both Inheritance Tax and Income Tax exposure, thereby helping to preserve wealth for future generations.

## Key strategies that are available to minimise the effect of IHT

### Calculate the total value of your assets

To assist in the effective management and potential implications of these significant changes, an analysis of the total value of the estate (including pensions, properties, investments and other assets) is essential. Having a comprehensive understanding of your financial position can be invaluable in identifying opportunities for tax-efficient planning.

**Lifetime gifts** can be a highly efficient method to manage and reduce IHT. Gifts made more than seven years before death are typically exempt from IHT.

**Annual Gifts** – everybody has an annual gift exemption of £3,000, which allows a married or civil couple to give away £6,000 each tax year. This can be a gift to one person, or it can be split between several people. Further, if the annual gift exemption was not used in the preceding tax year, it can be carried forward one year. The tax year runs from 06 April to 05 April the following year

**Small Gifts** – it is permissible to make gifts of up to £250 per person to as many people as you want – provided that you have not used another allowance (for instance, the Annual Gift) on the same person.

**Regular Gifts** out of excess income – provided that they do not reduce the donor's standard of living – are also exempt. To be exempt they must be regular and cannot be *ad hoc*. For instance, this exemption could be used for paying rent or a mortgage for a child, making regular savings for grandchildren, etc.

**Gifts for weddings or civil partnerships** – gifts in recognition of a relative getting married can be exempt. You can give up to £5,000 to a child who is getting married or starting a civil partnership, £2,500 to a grandchild or great-grandchild, or £1,000 to any other person. This exemption can be combined with any other allowance other than the Small Gift allowance.

## Trusts

Trusts can be used and can offer considerable flexibility in estate planning by the removal of certain assets from the taxable estate. For example, the creation of a Trust can help shield these assets from IHT, reducing the potential burden on beneficiaries.

The use of investments that qualify for “Business Relief” (which enjoy 100% IHT relief after two years) can also form an integral part of a well-diversified financial plan. Including these assets in a portfolio can reduce the IHT burden and increase the wealth passed on to future generations.

## Summary

Given the complexities introduced by the planned reforms, ensuring all documentation is up to date and comprehensive is a prerequisite. Wills, pension beneficiary forms (also referred to as nomination statements), and Lasting Powers of Attorney (“LPAs”) should all reflect current preferences to prevent delays and ambiguity.

Additionally, regular discussions with family can assist in promoting transparency and reducing potential conflict with the more complex family arrangements. These conversations are particularly important for families with blended households, multiple beneficiaries and/or business interests.

Estate planning is inherently complex, and the forthcoming changes serve only to add yet another layer of difficulty. Seeking professional advice is essential in obtaining personalised guidance tailored to your own specific circumstances.

Protecting your wealth for future generations has never been more important. With significant changes to pension and IHT rules on the horizon, the time for action is now. By optimising financial plans with the aim of mitigating potential tax liabilities can ensure that legacies continue to benefit future generations.

If you would like to discuss your specific requirements, or learn more about how these reforms might impact your retirement and estate planning, please do not hesitate to get in touch with us for professional advice designed to safeguard your financial future.

## Disclaimer

This Newsletter does not constitute tax, legal or financial advice and should not be relied upon as such. Tax treatment depends on individual circumstances and may be subject to 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 investments (and any income from them) can go down as well as up, which could have an impact on the level of pension benefits available. Pension income could also be affected by the interest rates at the time benefits are taken.

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Registered in England · Company Registration Number: 9482998

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Information provided is based on our current understanding of taxation and can be subject to change in the future.

Taxation depends on individual circumstances as well as tax law and HMRC. Some rules may vary in different parts of the UK.

The Financial Conduct Authority does not regulate some forms of estate planning and taxation advice.