# Inheritance tax on pensions

*How the pension changes could impact your clients and the pension crystallisation strategies that could help.*

***For financial advisers only***

When pensions come into the scope of inheritance tax from 6 April 2027, many of your clients could find themselves with a significant potential tax liability overnight.

It's crucial that advisers understand and prepare for these changes now.

Quilter research* shows that taking a conservative estimate, when the upcoming pension tax changes take effect, at least 1 in 5 customers aged over 55 could be affected by inheritance tax (IHT). **This represents a six-fold increase.**

This is based on asset values today. But, given that the point at which inheritance tax will apply could be a long time away for many clients, the problem is likely to worsen over the longer term when taking asset growth into account.

** Analysis of customers on Quilter's platform with estates likely to be valued at over £500,000 (representing an individual's NRB and RNRB). We calculated this by taking half of the average house price in the customer's postcode and adding it to their non-pension assets before April 2027 and then including their pension assets for the post-April 2027 calculation using what could be a typical client scenario.*

**To illustrate the impact of this problem, let's look at two examples using fictional characters.**

## Case study 1: Susan (60) and her son Eamonn (25)

Susan is **not married**. She has one son, Eamonn who still lives at home with her.

They live in a quaint property in the suburbs of Aberdeen, **which is now worth £550,000.**

As Susan and her son live in Scotland, they are **subject to SRIT** (Scottish rates of income tax).

Susan had long service with her first employer in the oil and gas industry and membership of their final salary scheme. She was advised by a since-retired adviser to **transfer to a personal pension in 2018.**

Susan is looking to retire imminently. She has saved hard and **has a decent ISA holding and a small amount of cash** for everyday needs and emergencies.

Susan has **never considered herself rich** and **wouldn't dream IHT could be a problem** for her son.

# What happens to Susan's wealth when the clock strikes midnight on 5 April 2027?

| | | What's in scope for IHT? | |
|---|---|---|---|
| **Assets** | **Value** | **Now** | **From 6 April '27** |
| House | £550,000 | £550,000 | £550,000 |
| Cash | £39,000 | £39,000 | £39,000 |
| ISA | £204,000 | £204,000 | £204,000 |
| Uncrystallised DC pension | £800,000 | £0 | £800,000 |
| **Total estate for IHT purposes** | | **£793,000** | **£1,593,000** |
| Minus Susan's IHT exemptions: | | | |
| Nil-rate band (NRB) | | -£325,000 | -£325,000 |
| Residence nil-rate band (RNRB) | | -£175,000 | -£175,000 |
| **Total amount exempt from IHT** | | **-£500,000** | **-£500,000** |
| **Total liable to IHT** | | **£293,000** | **£1,093,000** |
| **IHT payable (at 40%)** | | **£117,200** | **£437,200** |

*From 6 April 2027, Susan's pension is in scope for IHT, increasing her taxable estate value by £800,000.*

*The total value liable to IHT and IHT payable have jumped up by* ***273%*** *overnight.*

- Susan has worked hard to ensure she has a comfortable retirement and can leave an inheritance to her son Eamonn, to provide him with financial security in the future.
- From 6 April 2027, when pension death benefits are included in IHT, the amount of Susan's estate liable to IHT has increased considerably. As she is single, she can only benefit from one NRB and RNRB, making IHT a real concern given her current wealth.
- Susan's new adviser suggests helping her with some IHT planning, to ensure she maximises her son's legacy while receiving the income she needs in retirement.

As you can see, based on the value of her current wealth*, the potential IHT bill on Susan's estate has jumped up by 273% from 6 April 2027. And that's **before** taking into account any growth in her assets over her lifetime.

** Before any withdrawals have been taken.*

273% ↑

# Before considering the advice strategies, let's get a clearer picture of what the IHT position could be on death

- Susan's adviser uses Quilter's pension crystallisation tool to project forward the value of her assets to death (using today's values as a basis, without any income/withdrawals having been taken).
- Death is anticipated to occur some 27 years from now (2053) based on Susan's current age.
- In the tool the adviser selects the inflation rate, growth rates for the assets, and assumes IHT bands will inflate again from 2031. (See **page 12** for details).

**The table below shows the value of Susan's assets in 2053 and an estimate of what the nil-rate bands might be.**

| | |
|---|---|
| House | £1,392,362 |
| Cash | £66,569 |
| ISA | £983,759 |
| Pension | £3,857,877 |
| **Taxable estate value** | **£6,300,566** |
| NRB | **£622,734** |
| RNRB reduction | £335,318 |
| RNRB | **-£0** |
| **Taxable estate after NRB/RNRB** | **£5,677,832** |

*The taxable estate value in 2053 is £6,300,566.*

*Based on the adviser's assumptions, the NRB in 2053 is £622,734 and the RNRB is £335,318.*

*Due to tapering, the RNRB is fully lost.*

- Next, Susan's adviser takes into account the income that Susan will need to draw from her assets to fund her retirement.
- Prior to the pension IHT changes, Susan's adviser would have used her ISA and cash before accessing her pension. However, with both income tax and IHT applying to any unused pension funds on death over the age of 75, her adviser is considering other strategies using her pension assets first, post 6 April 2027.

# An example of a strategy to help boost Eamonn's legacy while providing an income in retirement for Susan

Using Quilter's pension crystallisation tool, Susan's adviser models the impact of moving her PCLS from her pension into an investment and gifting it into an IHT efficient trust (to remove this from her taxable estate), plus turning on withdrawals from the pension.

This case study only covers the impact of taking income withdrawals from the pension and moving the PCLS into trust. Other strategies are available and should be assessed on an individual basis.

| | |
|---|---|
| **Pension withdrawals (gross, level):** | £24,000 pa |
| **PCLS into trust:** | £200,000 |

| | Leave PCLS in pension and take pension withdrawals | Move PCLS into trust and take pension withdrawals |
|---|---|---|
| **Scenario in 2053** | | |
| House value 2053 | £1,392,362 | £1,392,362 |
| Cash 2053 | £66,569 | £66,569 |
| ISA 2053 | £983,759 | £983,759 |
| Pension 2053 | £2,237,202 | £1,272,733 |
| **Taxable estate value 2053** | **£4,679,891** | **£3,715,422** |
| Nil rate band | -£622,734 | -£622,734 |
| RNRB reduction | £335,318 | £0 |
| RNRB value after reduction | -£0 | **-£335,318** |
| **Taxable estate after NRB/RNRB** | **£4,057,158** | **£2,757,370** |
| IHT payable | -£1,622,863 | -£1,102,948 |
| Value of assets in trust 2053 (includes PCLS in right column) | £0 | £746,691 |
| **Net estate (before pension income tax)** | **£3,057,028** | **£3,359,165** |
| **Pension income tax – modelling post 75 (double taxation impact)** | | |
| Pension % of IHT estate | 48% | **34%** |
| So, IHT payable on pensionable assets | -£775,803 | -£377,819 |
| **Pension net of IHT** | **£1,461,399** | **£894,914** |
| Effective tax rate for beneficiaries | 46% | 45% |
| Pension beneficiary income tax payable | -£674,018 | -£402,105 |
| **Final net estate - legacy boost** | **£2,383,010** | **£2,957,060** |

*By taking the PCLS out of the pension, you can see the value of the taxable estate is lower by £964,469.*

*Susan's estate has fully regained the 2053 estimated RNRB.*

*The estate value after IHT is 10% higher compared to leaving the PCLS in the pension.*

*The amount of the IHT bill derived from the pension assets has dropped to 34%.*

*After IHT and pensions tax, Eamonn is £574,050 better off – an increase of 24% compared to leaving the PCLS in the pension.*

## Legacy boost

Compared to taking pension withdrawals alone, when Susan takes pension withdrawals AND moves her PCLS into an IHT efficient trust, she could leave 24% more money to Eamonn – a legacy boost of £574,050.

**+24%**

**= £574,050**

## Case study 2:

# Tim (59) and Fiona (61)

Tim and Fiona live in Hastings. Thanks to a rise in house prices, **their home is now worth £750,000.**

Tim has worked since he was 17 and is now thinking about taking things easy, having **saved hard into his pension.**

Fiona has a **more modest pension**, having taken career breaks to look after the kids, who are now in their twenties. Fiona is nervous about gifting them large amounts of money until they're older.

Tim and Fiona have **cash savings to the tune of £75,000**, which they hope will be able to help fund their retirement income, especially given that state pensions kick in at 67.

They expect that their cash, ISAs, and general investment accounts (GIAs) will be enough to **fund their retirement plans**, without needing to access their pension wealth.

Their adviser has been **using cash and a Bed & ISA arrangement to fund their ISAs** from their GIAs. However, their adviser is finding this harder due to the reduction in the CGT allowance.

# What will happen to Tim and Fiona's wealth when the clock strikes midnight on 5 April 2027?

| | | What's in scope for IHT? | |
|---|---|---|---|
| **Assets** | **Value** | **Now** | **From 6 April '27** |
| House | £750,000 | £750,000 | £750,000 |
| Cash | £75,000 | £75,000 | £75,000 |
| ISAs | £163,000 | £163,000 | £163,000 |
| Collectives | £170,000 | £170,000 | £170,000 |
| Tim's uncrystallised DC pension | £1,000,000 | £0 | **£1,000,000** |
| Fiona's uncrystallised DC pension | £220,000 | £0 | **£220,000** |
| **Total estate value for IHT purposes** | | **£1,158,000** | **£2,378,000** |
| Minus the couple's combined IHT exemptions: | | | |
| Nil-rate band (NRB) x 2 | | -£650,000 | -£650,000 |
| Residence nil-rate band (RNRB) x 2 | | -£350,000 | **-£161,000*** |
| **Total amount exempt from IHT** | | **-£1,000,000** | **-£811,000** |
| **Total liable to IHT** | | **£158,000** | **£1,567,000** |
| **IHT payable (at 40%)** | | **£63,200** | **£626,800** |

*From 6 April 2027, the pensions are in scope for IHT, increasing the taxable estate value by over £1.2m.*

*The value of the taxable estate is now over £2m, which means the RNRB will be tapered.*

*The total value liable to IHT and IHT payable have jumped up by **892%** overnight.*

*Figures assume on first death everything is left to the spouse. On second death the estate goes to the children.*

** Tapered RNRB: The RNRB will reduce by £1 for every £2 over the £2million taper threshold. £350,000-£189,000=£161,000.*

- Previously, Tim and Fiona were planning on using their cash, ISAs, and GIAs to fund their retirement, knowing their pension wealth could pass on to their loved ones free of IHT.
- After 5 April 2027, none of their products give them any protection from IHT in their current form.
- They see their adviser for some IHT planning to ensure they maximise their children's legacy while receiving the income they need in retirement.

As you can see, based on the value of their current wealth*, the IHT bill on Tim and Fiona's estate **has worsened by 892%**. And that's **before** taking into account any growth in their assets over their lifetime.

** Before any withdrawals have been taken.*

892%↑

# Before considering the advice strategies, let's get a clearer picture of what the IHT position could be on death

- Tim and Fiona's adviser uses Quilter's pension crystallisation tool to project forward the value of their assets to death (using today's values as a basis, without any income/withdrawals having been taken).
- Second death* is anticipated to occur some 30 years from now (2056) based on Tim and Fiona's current ages.
- In the tool the adviser selects the inflation rate, growth rates for the assets, and assumes IHT bands will inflate again from 2031. (See **page 12** for details).

** Because all assets on first death are passed to a spouse using full IHT spousal exemptions, the NRB and any applicable RNRB would be available on second death.*

**The table shows the value of the couple's assets in 2056 and an estimate of what the nil rate bands might be.**

| | |
|---|---:|
| House | £2,105,095 |
| Cash | £135,852 |
| ISAs | £936,189 |
| CIA & other assets | £734,730 |
| Tim's pension | £5,743,491 |
| Fiona's pension | £1,263,568 |
| **Taxable estate value** | **£10,918,926** |
| NRB | -£1,360,956 |
| RNRB reduction | £732,822 |
| RNRB | -£0 |
| **Taxable estate after NRB/RNRB** | **£9,557,970** |

*The taxable estate value in 2056 expected on second death is £10,918,926.*

*Based on the adviser's assumptions, the NRB in 2056 is £1,360,956 and the RNRB is £732,822*

*Although the couple still had some RNRB left to use in 2027, by 2056 the RNRB is entirely lost due to tapering.*

- Tim and Fiona then discuss with their adviser how much income they will need in retirement.
- Their adviser uses this information to consider how best to provide them with the income they need in retirement. The adviser will consider strategies which help them regain any lost RNRB and help to boost the legacy they leave to their children.

# An example of a strategy to help boost Tim and Fiona's legacy while providing them with an income in retirement

Using Quilter's pension crystallisation tool, the couple's adviser models the impact of moving Tim and Fiona's PCLSs from their pensions into an investment and gifting it into an IHT efficient trust (to remove this from their taxable estate).

The adviser also suggests they start to take income from both pensions as soon as possible to minimise the potential for double taxation on death over age 75. Because ISA withdrawals aren't subject to income tax, the couple can use their ISAs as a liquid source of income after or alongside their pension income.

This case study only covers the impact of taking income withdrawals from the pensions and moving the PCLSs into trust. Other strategies are available and should be assessed on an individual basis.

| | Tim | Fiona |
|---|---|---|
| Pension withdrawals (gross, level): | £50,000 pa | £11,000 pa |
| PCLS into trust: | £250,000 | £55,000 |

| | Leave PCLS in pension and take pension withdrawals | Move PCLS into trust and take pension withdrawals |
|---|---|---|
| **Scenario in 2056** | | |
| House value 2056 | £2,105,095 | £2,105,095 |
| Cash 2056 | £135,852 | £135,852 |
| ISAs 2056 | £936,189 | £936,189 |
| CIA & other assets 2056 | £734,730 | £734,730 |
| Tim's pension 2056 | £1,553,407 | £117,535 |
| Fiona's pension 2056 | £341,750 | £25,858 |
| **Taxable estate value 2056** | **£5,807,024** | **£4,055,259** |
| Nil rate band | -£1,360,956 | -£1,360,956 |
| RNRB reduction | £732,822 | £0 |
| RNRB value after reduction | -£0 | **-£732,822** |
| **Taxable estate after NRB/RNRB** | **£4,446,068** | **£1,961,481** |
| IHT payable | -£1,778,427 | -£784,592 |
| Value of assets in trust 2056 (includes PCLS in right column) | £0 | £1,318,192 |
| **Net estate (before pension income tax)** | **£4,028,596** | **£4,588,859** |

*By taking the PCLS and income out of the pension, you can see the value of the taxable estate is lower by £1.75m.*

*The couple's estate has fully regained the 2056 estimated RNRB.*

*The estate value after IHT is 14% higher compared to leaving the PCLS in the pension.*

| Pension income tax – modelling post 75 (double taxation impact) | | |
|---|---|---|
| Pension % of IHT estate | 33% | 4% |
| So, IHT payable on pensionable assets | -£580,400 | -£27,743 |
| **Pension net of IHT** | **£1,314,757** | **£115,649** |
| Effective tax rate for beneficiaries | 43% | 17% |
| Pension beneficiary income tax payable | -£562,753 | -£19,945 |
| **Final net estate - legacy boost** | **£3,465,844** | **£4,568,914** |

*The amount of the IHT bill derived from the pension assets has dropped significantly to just 4%.*

*After IHT and pensions tax, Tim and Fiona's children are £1,103,070 better off – an increase of 32% compared to leaving the PCLS in the pension.*

## Legacy boost

Compared to taking pension withdrawals alone, when Tim and Fiona take pension withdrawals AND move their PCLSs into an IHT efficient trust, they could leave 32% more money to their children – a legacy boost of over £1.1 million.

**+32%**

**= £1,103,070**

# Benefits of a pension crystallisation advice strategy

In both fictional scenarios outlined in this document, by turning on pension withdrawals and taking the available PCLS and placing it into trust, the adviser has:

- ✓ Removed a large amount from the estate*.
- ✓ Set up a sustainable income strategy whilst running down the pension pots to reduce the value of the estate potentially liable to double taxation on death after age 75.
- ✓ Put more money into the family's hands after IHT and income tax on the beneficiary, ensuring less money is paid to the state in the form of death taxes.
- ✓ Regained any lost RNRB.

** Using an IHT efficient trust will generally mean funds will be out of the estate after seven years.*

These case studies focus on pension crystallisation strategies only. These strategies may not be suitable for your clients. There are a number of other strategies that may be suitable – including a number of alternative gifting strategies to remove money from the estate.

It may also be appropriate to use a mixture of wrappers to deliver tax-efficient income in retirement. For example, money can be withdrawn from an ISA tax free – making this an extremely flexible wrapper in decumulation, compared to a pension where income is taxed.

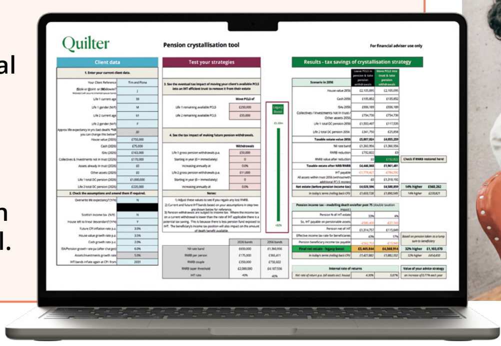
# How can Quilter's platform help?

- **Seamless integration:** With our Collective Retirement Account (CRA), moving your client's PCLS into our Collective Investment Bond placed in trust is straightforward, seamless, and has no additional wrapper charges. The money goes straight into the new wrapper without leaving our platform, reducing time out the market and the risk of your client not reinvesting.
- **Access to a wide range of trusts:** This includes our popular Lifestyle Trust, which provides your clients with the flexibility to access policy funds in the future if they need it. This is ideal for clients who want to address their IHT liability and plan accordingly but are wary about gifting money away outright or are uncertain about their future financial needs.
- **Income reliability:** Through our automated pension payment process, we successfully deliver nearly 100% of pension income payments – so you don't need to worry about payments failing.
- **Comprehensive support:** Our renowned technical expertise and ongoing support will help provide you with the tools and knowledge you need to succeed – especially in the complex areas of bonds and trust planning.
- **Streamlined consolidation:** Under the new IHT rules, managing pensions with a single provider simplifies matters for your client's representatives. Our advanced technology and Gold Standard 2025 transfer process* make moving pensions to us straightforward and efficient.

** Quilter has been accredited with a Gold Standard award for 2025 from the STAR industry group for pension transfers.*

## Next steps

**Speak to your usual Quilter consultant to find out more about the Quilter platform, and to access our pension crystallisation tool.**




# Pension crystallisation tool for Susan

## Pension crystallisation tool

For financial adviser use only

### Client data

| 1. Enter your current client data. | |
|---|---|
| Your Client Reference | Susan |
| (**S**)ole or (**J**)oint or (**W**)idow/er? Widow(er) will assume inherited spouse bands | S |
| Life 1 current age | 60 |
| Life 1 gender (M/F) | F |
| Approx life expectancy in yrs *NB you can change this below* | *27* |
| House value (2026) | £550,000 |
| Cash (2026) | £39,000 |
| ISAs (2026) | £204,000 |
| Collectives & Investments not in trust (2026) | £0 |
| Assets already in trust (2026) | £0 |
| Other assets (2026) | £0 |
| Life 1 total DC pension (2026) | £800,000 |
| **2. Check the assumptions and amend them if required.** | |
| Overwrite life expectancy? (Y/N) | N |
| Scottish income tax (N/Y) | Y |
| House left to lineal descendant? (Y/N) | Y |
| Future CPI inflation rate p.a. | 3.0% |
| House value growth rate p.a. | 3.5% |
| Cash growth rate p.a. | 2.0% |
| ISA/Pension growth rate pa (after charges) | 6.0% |
| Assets/investments growth rate | 5.0% |
| IHT bands inflate again at CPI from | 2031 |

### Test your strategies

**3. See the eventual tax impact of moving your client's available PCLS into an IHT efficient trust to remove it from their estate**

| | Move PCLS of |
|---|---|
| Life 1 remaining available PCLS | £200,000 |

**4. See the tax impact of making future pension withdrawals.**

| | Withdrawals |
|---|---|
| Life 1 gross pension withdrawals p.a. | £24,000 |
| Starting in year (0 = immediately) | 0 |
| Increasing annually at | 0.0% |

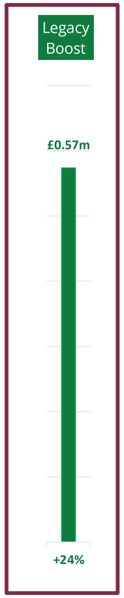
**Notes:**

1) Adjust these values to see if you regain any lost RNRB.

2) Current and future IHT bands based on your assumptions in step two are shown below for reference.

3) Pension withdrawals are subject to income tax. Where the income tax on a current withdrawal is lower than the rate of IHT applicable there is a potential tax saving. This is because there is less pension fund exposed to IHT. The beneficiary's income tax position will also impact on the amount of death benefit available.

| | 2026 bands | 2053 bands |
|---|---|---|
| Nil rate band | £325,000 | £622,734 |
| RNRB per person | £175,000 | £335,318 |
| Total RNRB | £175,000 | £335,318 |
| RNRB taper threshold | £2,000,000 | £3,832,207 |
| IHT rate | 40% | 40% |




### Results - tax savings of crystallisation strategy

| Scenario in 2053 | Leave PCLS in pension & take pension withdrawals | Move PCLS into trust & take pension withdrawals | | |
|---|---|---|---|---|
| House value 2053 | £1,392,362 | £1,392,362 | | |
| Cash 2053 | £66,569 | £66,569 | | |
| ISAs 2053 | £983,759 | £983,759 | | |
| Collectives / Investments not in trust / Other assets 2053 | £0 | £0 | | |
| Life 1 total DC pension 2053 | £2,237,202 | £1,272,733 | | |
| **Taxable estate value 2053** | **£4,679,891** | **£3,715,422** | | |
| Nil rate band | £622,734 | £622,734 | | |
| RNRB reduction | £335,318 | £0 | | |
| RNRB value after reduction | £0 | £335,318 | **Check if RNRB restored here!** | |
| **Taxable estate after NRB/RNRB** | **£4,057,158** | **£2,757,370** | | |
| IHT payable | -£1,622,863 | -£1,102,948 | | |
| All assets within trust 2053 (without/with additional PCLS money) | £0 | £746,691 | | |
| **Net estate (before pension income tax)** | **£3,057,028** | **£3,359,165** | **10% higher** | **£302,137** |
| *In today's terms (rolling back CPI)* | *£1,376,241* | *£1,512,259* | *10% higher* | *£136,019* |

| **Pension income tax – modelling death on/after post 75** (double taxation impact ) | | | | |
|---|---|---|---|---|
| Pension % of IHT estate | 48% | 34% | | |
| So, IHT payable on pensionable assets | -£775,803 | -£377,819 | | |
| Pension net of IHT | £1,461,399 | £894,914 | | |
| Effective income tax rate for beneficiaries | 46% | 45% | *Based on pension taken as a lump sum to beneficiary* | |
| Pension beneficiary income tax payable | -£674,018 | -£402,105 | | |
| **Final net estate - legacy boost** | **£2,383,010** | **£2,957,060** | **24% higher** | **£574,050** |
| *In today's terms (rolling back CPI)* | *£1,072,805* | *£1,331,236* | *24% higher* | *£258,431* |

| **Internal rate of returns** | | | **Value of your advice strategy** |
|---|---|---|---|
| *Net rate of return p.a. (all assets excl. house)* | *2.39%* | *3.30%* | *an increase of 0.90% each year* |

# Pension crystallisation tool for Tim and Fiona

## Pension crystallisation tool

**For financial adviser use only**

### Client data

| 1. Enter your current client data. | |
|---|---|
| Your Client Reference | Tim and Fiona |
| (**S**)ole or (**J**)oint or (**W**)idow/er? Widow(er) will assume inherited spouse bands | J |
| Life 1 current age | 59 |
| Life 1 gender (M/F) | M |
| Life 2 current age | 61 |
| Life 2 gender (M/F) | F |
| Approx life expectancy in yrs (last death) *NB you can change this below* | *30* |
| House value (2026) | £750,000 |
| Cash (2026) | £75,000 |
| ISAs (2026) | £163,000 |
| Collectives & Investments not in trust (2026) | £170,000 |
| Assets already in trust (2026) | £0 |
| Other assets (2026) | £0 |
| Life 1 total DC pension (2026) | £1,000,000 |
| Life 2 total DC pension (2026) | £220,000 |
| **2. Check the assumptions and amend them if required.** | |
| Overwrite life expectancy? (Y/N) | N |
| | |
| Scottish income tax (N/Y) | N |
| House left to lineal descendant? (Y/N) | Y |
| Future CPI inflation rate p.a. | 3.0% |
| House value growth rate p.a. | 3.5% |
| Cash growth rate p.a. | 2.0% |
| ISA/Pension growth rate pa (after charges) | 6.0% |
| Assets/investments growth rate | 5.0% |
| IHT bands inflate again at CPI from | 2031 |

### Test your strategies

**3. See the eventual tax impact of moving your client's available PCLS into an IHT efficient trust to remove it from their estate**

| | Move PCLS of |
|---|---|
| Life 1 remaining available PCLS | £250,000 |
| Life 2 remaining available PCLS | £55,000 |

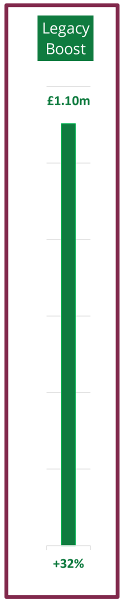
**4. See the tax impact of making future pension withdrawals.**

| | Withdrawals |
|---|---|
| Life 1 gross pension withdrawals p.a. | £50,000 |
| Starting in year (0 = immediately) | 0 |
| Increasing annually at | 0.0% |
| Life 2 gross pension withdrawals p.a. | £11,000 |
| Starting in year (0 = immediately) | 0 |
| Increasing annually at | 0.0% |

**Notes:**

1) Adjust these values to see if you regain any lost RNRB.
2) Current and future IHT bands based on your assumptions in step two are shown below for reference.
3) Pension withdrawals are subject to income tax. Where the income tax on a current withdrawal is lower than the rate of IHT applicable there is a potential tax saving. This is because there is less pension fund exposed to IHT. The beneficiary's income tax position will also impact on the amount of death benefit available.

| | 2026 bands | 2056 bands |
|---|---|---|
| Nil rate band | £650,000 | £1,360,956 |
| RNRB per person | £175,000 | £366,411 |
| RNRB couple | £350,000 | £732,822 |
| RNRB taper threshold | £2,000,000 | £4,187,556 |
| IHT rate | 40% | 40% |




### Results - tax savings of crystallisation strategy

| Scenario in 2056 | Leave PCLS in pension & take pension withdrawals | Move PCLS into trust & take pension withdrawals | | |
|---|---|---|---|---|
| House value 2056 | £2,105,095 | £2,105,095 | | |
| Cash 2056 | £135,852 | £135,852 | | |
| ISAs 2056 | £936,189 | £936,189 | | |
| Collectives / Investments not in trust / Other assets 2056 | £734,730 | £734,730 | | |
| Life 1 total DC pension 2056 | £1,553,407 | £117,535 | | |
| Life 2 total DC pension 2056 | £341,750 | £25,858 | | |
| **Taxable estate value 2056** | **£5,807,024** | **£4,055,259** | | |
| Nil rate band | £1,360,956 | £1,360,956 | | |
| RNRB reduction | £732,822 | £0 | | |
| RNRB value after reduction | £0 | £732,822 | **Check if RNRB restored here!** | |
| **Taxable estate after NRB/RNRB** | **£4,446,068** | **£1,961,481** | | |
| IHT payable | -£1,778,427 | -£784,592 | | |
| All assets within trust 2056 (without/with additional PCLS money) | £0 | £1,318,192 | | |
| **Net estate (before pension income tax)** | **£4,028,596** | **£4,588,859** | **14% higher** | **£560,262** |
| *In today's terms (rolling back CPI)* | *£1,659,728* | *£1,890,549* | *14% higher* | *£230,821* |

| **Pension income tax – modelling death on/after post 75** (double taxation impact ) | | | | |
|---|---|---|---|---|
| Pension % of IHT estate | 33% | 4% | | |
| So, IHT payable on pensionable assets | -£580,400 | -£27,743 | | |
| Pension net of IHT | £1,314,757 | £115,649 | | |
| Effective income tax rate for beneficiaries | 43% | 17% | *Based on pension taken as a lump sum to beneficiary* | |
| Pension beneficiary income tax payable | -£562,753 | -£19,945 | | |
| **Final net estate - legacy boost** | **£3,465,844** | **£4,568,914** | **32% higher** | **£1,103,070** |
| *In today's terms (rolling back CPI)* | *£1,427,882* | *£1,882,332* | *32% higher* | *£454,450* |

| **Internal rate of returns** | | | **Value of your advice strategy** |
|---|---|---|---|
| *Net rate of return p.a. (all assets excl. house)* | *4.30%* | *5.07%* | *an increase of 0.77% each year* |

# Important notes

The figures used in these two fictional case studies have been generated using our pension crystallisation tool and are for illustrative purposes only. The following growth rates and assumptions are used for both case studies:

| | | |
|---|---|---|
| **Future CPI inflation rate pa** | 3.0% | |
| **House value growth rate pa** | 3.5% | |
| **Cash growth rate pa** | 2.0% | |
| **ISA/pension growth rate pa (after charges)** | 6.0% | |
| **Assets/collectives/investment growth rate** | 5.0% | |
| **IHT bands inflate again at CPI from** | 2031 | *(6 April 2031)* |

These examples focus on the actions clients could take in relation to their pensions, both in terms of turning on withdrawals and moving available PCLS into trust.

You should ensure that appropriate tax planning and trust structuring are considered, and clients are made aware that actual tax outcomes will depend on future legislation, investment performance, and individual circumstances.

IHT is set by the UK Parliament and the freeze until 6 April 2031 applies across the whole of the UK. We assume the income tax band freeze until 6 April 2031 announced for England and Wales does not apply to Scotland beyond 6 April 2027.

**Important notes about the pension crystallisation tool:**

- **Purpose and scope:** The tool serves as a 'proof of concept' for your pension crystallisation strategies, focusing on the potential IHT impact of moving PCLS into trust and initiating pension withdrawals. It is not a comprehensive cashflow or advice planning tool.
- **The tool is for financial advisers' use only** and is not designed to be shared with clients. Each client situation will be different, and this tool should not be relied upon to justify a personal recommendation.
- **This tool models** single life and second death scenarios for married or civil partners, assuming all assets pass to the survivor on the first death.
- **This tool is not suitable for client scenarios where life expectancy is under seven years,** due to the timeframe needed for the PCLS moved into trust to fall outside the taxable estate. It also does not consider IHT taper relief.
- **IHT will apply to unused pension funds and death benefits from 6th April 2027;** until then, pension death benefits remain outside the IHT net. Careful consideration is needed when taking PCLS and this should be based on individual client circumstances.

**Please read the important notes section of the tool to fully understand the assumptions and limitations before you carry out any strategic modelling for your clients.**

Your clients' investments may fall or rise in value and they may not get back what they put in.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at January 2026. We believe this interpretation is correct but cannot guarantee it. Tax relief and the tax treatment of investment funds may change. The value of any tax relief will depend on the investor's individual circumstances.



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