Pension crystallisation tool

User guide

Quilter

Suitable for financial advice professionals only.

How this tool can help you

- Project how your client's wealth may grow over their lifetime. However, as you know the value of investments and the income they produce can fall as well as rise. Your client may get back less than they invested.
- Estimate the potential inheritance tax (IHT) liabilities on death based on your client's life expectancy (for joint clients, this is based on second death).
- Calculate the amount of the IHT bill derived from the pension assets.
- Detail how much pension income tax could be levied on the pension assets – showing the impact of double taxation if death occurs after age 75 and beneficiaries access the pension benefits as a lump sum.
- Model the impact of withdrawing the pension commencement lump sum (PCLS), gifting it into an IHT efficient trust, and taking pension withdrawals, to help reduce the IHT exposure and boost your client's legacy.
- Show how taking these actions could reinstate any lost residence nil-rate band (RNRB).

Important notes

- **This tool serves as a 'proof of concept' for your pension crystallisation strategies**, focusing on the potential IHT impact of moving PCLS into a trust and initiating pension withdrawals. It is not a comprehensive cashflow or advice planning tool.
- **This tool is for financial advisers only** and is not designed to be shared with your clients. Each client situation will be different, and this tool should not be relied upon to justify a personal recommendation. Users can save or print results for future reference.
- **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 your clients 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 6 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 your client's individual circumstances.
- **Quilter cannot accept responsibility for any action taken** or not taken as a result of the information contained in this tool.
- **This tool is based on our understanding of the Government's policy** and draft legislation as at November 2025 and may be subject to change.

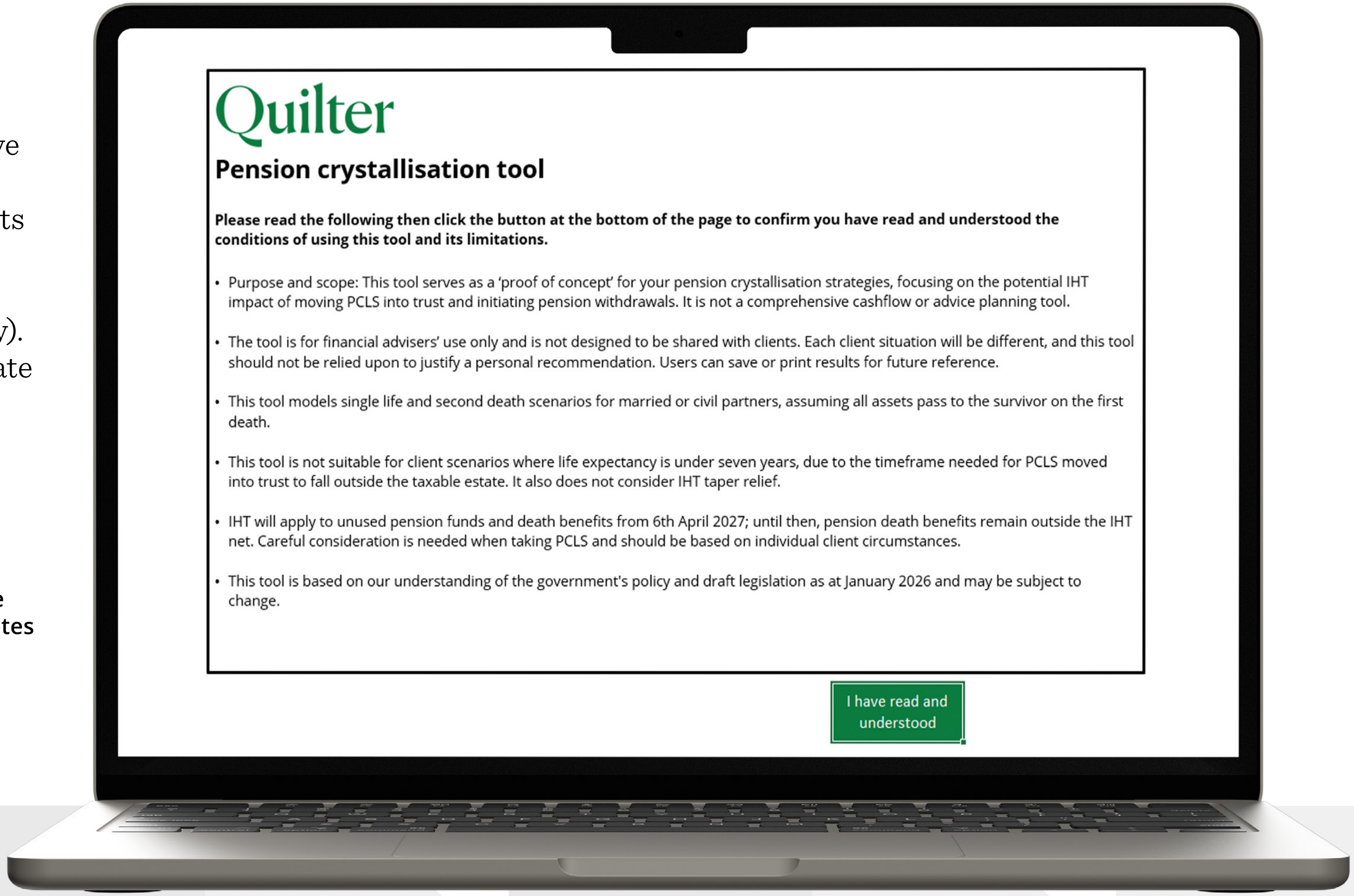
The situation of each of your clients will be different. This tool may not be suitable for all your clients and should not be relied upon to justify a personal recommendation.

Getting started

Before you get started, make sure you have your client's financial details to hand, including the value of all their investments and cash holdings, and the value of their pension and available PCLS (this tool is designed for uncrystallised pensions only). You will also need to know the approximate current value of your client's home.

The tool is in Microsoft Excel and can be saved for future reference.

Please read the important notes on the first page of the tool and click to say you 'have read and understood' them. Once in the tool, please ensure you scroll down to read the detailed important notes section. These will explain the assumptions and limitations of the tool.



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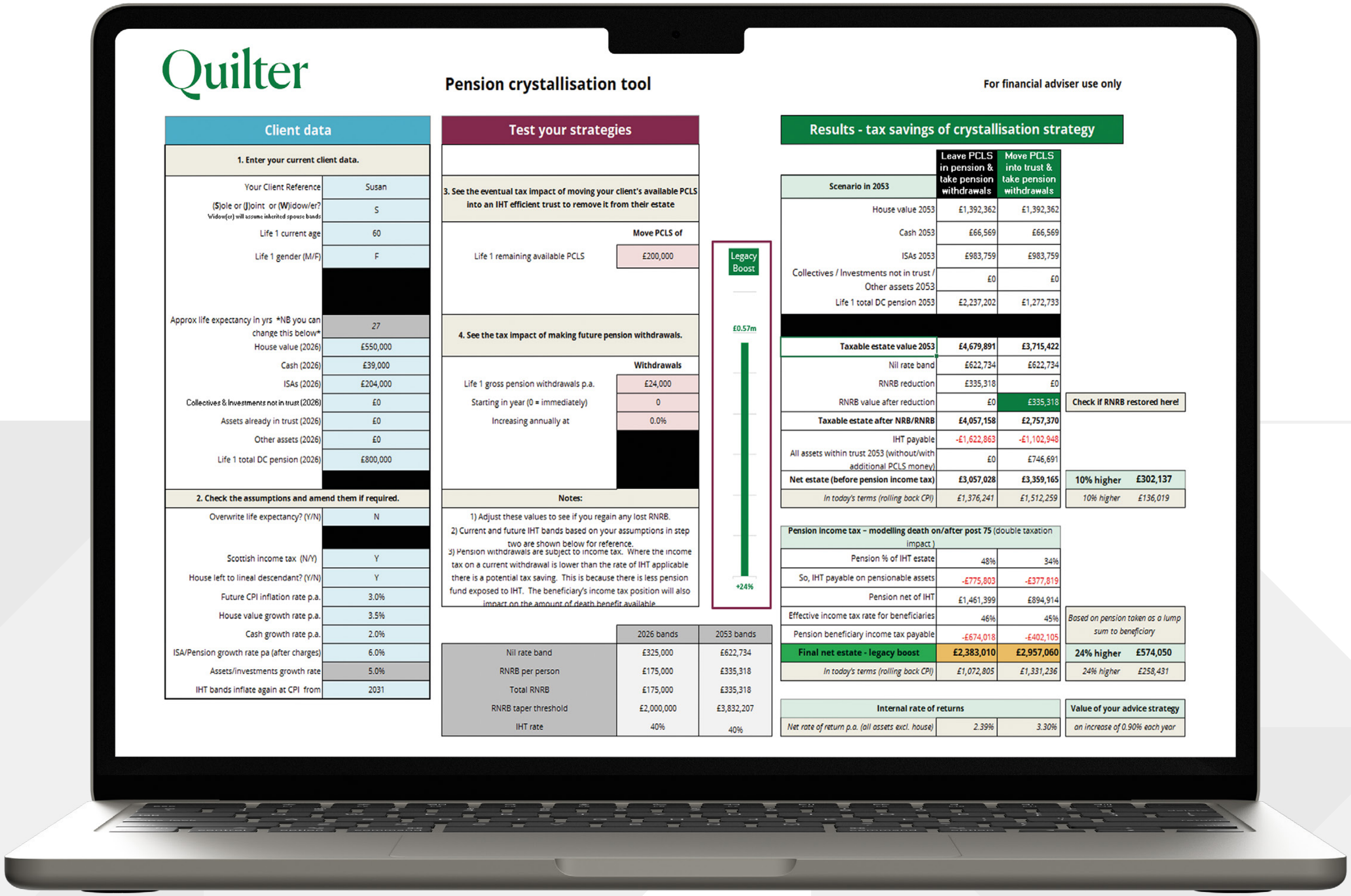
You can now start to use the pension crystallisation tool

Work your way from left to right and follow the steps laid out in this user guide.



Step 1: Enter your current client data

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

Enter the name(s) of your client.

Specify if the scenario is for a single or joint clients.

Input current age(s) of your client

Specify the gender of your client for life expectancy calculations.

Enter current values for each asset accordingly.

You can use the tool for single or joint clients. If single, you will just see 'Life 1' boxes to complete. If joint, you will see both 'Life 1' and 'Life 2' boxes to complete.
The instructions shown her are for a single client.

The tool will show your client's life expectancy based on their gender and age (for joint clients, this will be based on second death). If you would like to change the life expectancy figure you can do this as part of **step 2**.

The tool will ask for 'Assets already in trust' as it will calculate these assets as being outside your client's estate for IHT purposes. Only include assets in this cell if they are in an IHT efficient trust.

For all your client's other assets, investments, savings, and home, the tool will assume they are all taxable assets for IHT purposes. It will assume their home is held as joint tenants.

The tool is designed for uncrystallised pensions and does not take into account any withdrawals which have already been taken from the pension.

Step 2: Check the assumptions and amend them if required

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

Choose whether to override default life expectancy. If you select 'Y', you will be able to input your new preferred term in years below.

Select 'Y' if your client is subject to SRIT (Scottish rates of income tax).

Select 'Y' if your client's house will be left to their children, grandchildren, or other direct descendants.

Adjust if needed (default is 3%).

Adjust if needed (default is 3.5%).

Adjust if needed (default is 2%).

Adjust if needed (default is 6%).

This is automatically calculated at 1% less than the ISA/pension growth rate.

The growth rate for the 'net-wrapped' assets is set at 1% p.a. lower than the gross wrapper asset assumption, reflecting the difference in tax treatment. Please note, for 'bonds' it assumes the net growth rate of onshore bonds.

The nil-rate band (NRB) and residence nil-rate band (RNRB) are currently frozen in legislation until 5 April 2031. The tool assumes rates will rise again in line with the consumer prices index (CPI) from 6 April 2031. You can change this date if you wish.

	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%

The tool will calculate the estimated future NRB and RNRB based on CPI growth rates from 2031 onwards (or the year you enter if you change this date) up to your client's expected year of death (or second death, for joint clients). This includes the current £2m taper threshold.

Step 3: See the impact of moving your client's available PCLS into trust

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

This section of the tool allows you to see the tax impact on death of moving your client's remaining available PCLS into an investment and gifting it into an IHT efficient trust.

Enter your client's remaining available PCLS amount.

- Enter the **amount of PCLS** to move into **trust**.
- The amount gifted into an IHT efficient trust will be removed from your client's taxable estate after seven years.
- For this reason – the tool requires a minimum life expectancy term of seven years to work. If your client's life expectancy is less than seven years, the warning below will appear, and you will need to increase the life expectancy.

Test your strategies

Trusts proceeds not fully out of estate until 7 yrs, please increase preferred term

Step 4: See the tax impact of making future pension withdrawals

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%

The second part of this section allows you to see the tax impact of turning on pension income withdrawals. It assumes no additional income/withdrawals are taken from other assets.

- Input your client's **gross pension withdrawals per annum.**
- Specify the **starting year** and **annual escalation rate**, if applicable.
- This helps assess the impact of:
  – Reducing pension fund size on IHT and income tax exposure.
  – Potential full or partial RNRB reinstatement.

1 Life 1 withdrawal effective tax rate is 6% (before basic state pension/other income)

Withdrawals - effective rate of income tax

Shows the percentage of tax payable on the withdrawals assuming no other income is taken, i.e. the withdrawal tax rate after applying the personal allowance.

Please note, the example shown uses Scottish rates of income tax.

Unsustainable withdrawal levels

The tool will **show a warning next to the pension value in the results table** if the pension withdrawals you have entered are unsustainable and deplete the pension value to zero prior to the expected year of death.

This warning is for awareness purposes only. The tool will still correctly calculate the position on death.

Some of your clients may wish to exhaust the pension first before withdrawing from other assets. The tool does not calculate withdrawals from other assets – just the pension.

Life 1 total DC pension 2053	£0	£0	UNSUSTAINABLE: PLEASE LOWER LIFE1 WITHDRAWALS

Adjust the available PCLS and pension withdrawal values to see if you regain any lost RNRB in the results table. The more you withdraw from the pension, the greater the tax saving could be on death. This is due to there being less of your client's pension fund exposed to double taxation on death where death occurs after age 75 and pension benefits are taken as a lump sum.

Step 5: Review the results – tax savings of crystallisation strategy

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*

In the predicted year of death (or second death, for joint clients), the tool models and compares two scenarios:

- Left hand column: the effect of **leaving the PCLS in the pension** and taking withdrawals from the pension.
- Right hand column: the effect of **moving the PCLS into trust** and taking withdrawals from the pension.

Projected asset values in the predicted year of death (or second death, for joint clients).

Projected taxable estate value in the predicted year of death (or second death, for joint clients). It excludes any assets held in trust.

Shows the RNRB value after any RNRB tapering has been applied. Adjust the pension withdrawals figure in **step 4** and check if the RNRB is restored here.

The taxable estate value, after any available NRBs or RNRBs have been deducted. The calculations take into account any RNRB tapering which could apply in the predicted year of death (or second death, for joint clients).

Estimated inheritance tax liability.

Projected value of assets held in trust in the predicted year of death (or second death, for joint clients).

The left hand column will show the projected value of any assets in trust you entered as part of **step 1**. The right hand column will show this value plus the value of the available PCLS which has been gifted into trust and removed from the estate.

Net estate before pension taxation in today's terms, without inflating asset values between now and the predicted year of death (or second death, for joint clients).

Estate value after IHT, before pensions tax.

Shows the difference in the net estate (after IHT, before pensions tax) when you move the PCLS into trust and take pension withdrawals, compared to leaving the PCLS in the pension and taking pension withdrawals.

Step 5: Review the results – tax savings of crystallisation strategy (continued)

The second table in the results section shows the income tax impact on the pensionable assets for the beneficiaries (IHT on the pension has already been deducted in the table on the previous page).

All of the figures shown in the table assume benefits are taken as a lump sum and death occurs on/after age 75. It does not take into account any tax due on encashment in part or full on any other assets/investments.

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*

What percentage of the IHT bill is derived from the pension assets.

How much of the IHT payable is derived from the pension assets.

Pension values after IHT has been deducted.

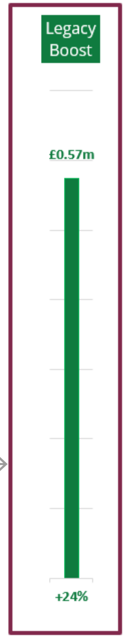
The effective tax rate at the beneficiary's marginal rate.

The final net estate value after IHT and income tax on the pension.

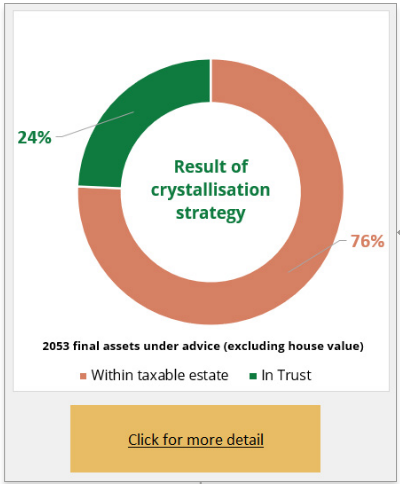
The income tax payable by the beneficiaries on inherited pension assets when applying the income tax rate above.

Legacy boost

Shows the percentage increase in the final net estate value (after IHT and income tax on the pension) when you move the PCLS into an IHT efficient trust and take pension withdrawals, compared to leaving the PCLS in the pension and taking pension withdrawals. This is reflected in the **legacy boost bar**.



Step 5: Review the results – tax savings of crystallisation strategy (continued)



Result of crystallisation strategy pie chart

Shows the percentage of final assets* which are within the taxable estate versus the percentage in trust at the expected year of death, as a result of your crystallisation strategy (which may include moving the PCLS into trust and taking pension withdrawals).

**Advised assets only – excludes house value*

Click for more detail

Opens a separate tab showing a breakdown of the assets which make up the percentage within the taxable estate and the percentage in trust at the expected year of death. For easy reference, the assets in the charts are colour coded and correspond to the results table shown on the left.

Scenario in 2053	Leave PCLS in pension & take pension	Move PCLS into trust & take pension
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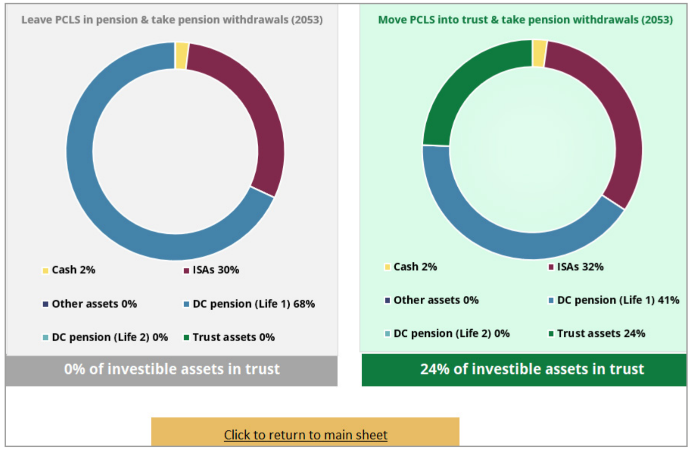

Step 5: Review the results – tax savings of crystallisation strategy (continued)

Internal rate of returns		
Net rate of return p.a. (all assets excl. house)	*2.39%*	*3.30%*

This figure shows the annualised percentage rate of return achieved on the advised assets after tax.

The internal rate of return (IRR) is a good measure of performance as it is sensitive to the timing of withdrawals and cashflow.

The tool excludes the value of the home from this calculation to better represent the assets you are able to advise on.

Value of your advice strategy
an increase of 0.90% each year

Value of advice

This measures the increase in the IRR when you move the PCLS into an IHT efficient trust and take pension withdrawals, compared to leaving the PCLS in the pension and taking pension withdrawals.

It can help quantify the value of your advice strategies and can be a powerful way to demonstrate the value of your advice to your client.

Summary of the tool output

- **Crystallising the PCLS and gifting it into an IHT efficient trust** can significantly reduce an IHT liability.
- **Taking pension withdrawals** lowers the pension fund exposed to double taxation (IHT + income tax) for deaths occurring after age 75 when pension benefits are taken as a lump sum.
- **Crystallising the PCLS and taking pension withdrawals can help reinstate the RNRB.**
- There can be a **legacy boost** in the final net estate when strategies are applied.

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 client.

This document is based on Quilter's interpretation of the law and HMRC's practice as at January 2026. We believe this interpretation is correct, but cannot guarantee it. Tax treatment varies according to individual circumstances and is subject to change.

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.