Why consolidation should be considered

Suitable for financial advice professionals

From 6 April 2027, a significant change will take effect, bringing most pension death benefits within the scope of inheritance tax (IHT). One of the strongest strategic conclusions arising from the new framework is the importance of simplification, particularly through pension consolidation.

Consolidation is no longer just about efficiency; it is a strategic imperative that mitigates risk. Where consolidation is not possible, advisers must at least ensure consistent expressions of wish and clear documentation **across all schemes**.

Here are 14 important reasons why consolidation should be considered for clients, advisers, and their businesses.

Improved outcomes for beneficiaries and a client's PRs

1. **It radically reduces post-death administrative complexity for PRs**
   With multiple schemes, PRs must locate each scheme, gather values, and run calculations across every arrangement – becoming materially more complex after 6 April 2027. Consolidation reduces the number of moving parts PRs must chase and reconcile.
2. **It simplifies the new requirement to apportion NRB and RNRB across the estate and pensions**
   PRs must apportion the total tax due between all estate assets and all pension beneficiaries. One consolidated pot means fewer apportionments and fewer opportunities for calculation or communication errors.
3. **It helps beneficiaries avoid or reduce delays and partial payments caused by withholding notices**
   Deployment of a withholding notice can result in beneficiaries receiving only part of an entitlement and waiting up to 15 months for balances in some cases. Fewer schemes mean fewer places where withholding notices can apply and fewer separate holdbacks to manage.
4. **It reduces 'complexity shock' for families with blended or complex beneficiary structures**
   Multiple family groupings create exponential complexity and slower outcomes. A single arrangement does not remove family complexity but removes duplicate, scheme-by-scheme decision trees.
5. **It may provide better death benefit options**
   The benefits of the scheme the pension is moved to could provide more tax efficient death benefit options like beneficiary drawdown rather than lump sum payments only.

Adviser benefits and planning opportunities

6. **It makes it easier to keep nominations and expressions of wish current and consistent**
   Strategic guidance highlights the importance of reviewing all expressions of wish. A single consolidated arrangement requires only one expression of wish, simplifying decision-making and administration while reducing the risk of outdated or conflicting nominations.
7. **It may be necessary to replace problematic legacy-style arrangements with irrevocable nominees**
   In some cases, legacy pension arrangements include irrevocable or binding nominations that no longer reflect the individual's intentions or current planning. Where these cannot be amended, consolidation into a modern, fully discretionary arrangement may be the only practical way to regain flexibility and alignment with the overall estate plan.
8. **It reduces the risk of lost or dormant pots and unnecessary administrative costs**
   Frequent job changes have left many individuals with trails of small pension pots, increasing costs, complexity, and the risk of lost arrangements. Consolidation simplifies tracking and provides a clearer view of retirement planning.
9. **It acts as a practical enabler for the post 6 April 2027 planning toolkit**
   Simplified structures make actions such as crystallising the pension commencement lump sum (PCLS) for gifting, funding onshore bonds and trusts, and turning on pension income easier to coordinate. Pensions must now be treated as core estate assets within wider IHT planning, making consolidation a key enabler.

10. **It ensures the consolidated arrangement sits on a platform with appropriate wrappers for IHT planning**
Access to integrated onshore bonds and a broad trust range supports future flexibility, particularly when managing PCLS and removing value from estates where appropriate. Consolidation into the right arrangement becomes a core readiness step.

Avoiding risky administrative pitfalls

11. **It lowers the likelihood of inconsistencies between pension nominations and the Will**
PRs must review Wills and expressions of wish across all schemes and resolve conflicts where they arise. Fewer arrangements reduce the risk of nominations drifting away from the primary estate plan.
12. **It supports a clearer and more consistent strategy for exempt versus non-exempt beneficiaries**
Differentiation between exempt and non-exempt beneficiaries drives process choices and the use of withholding notices and payment notices. Fewer schemes mean fewer reinterpretations of beneficiary status and a lower risk of missed nuances.
13. **It reduces the risk that one scheme or slow party derails the entire estate timeline**
It only takes one party in the process to cause a derailment. Fewer providers and schemes mean fewer queues, fewer operational hand-offs, and fewer points of delay.
14. **It reduces the operational burden created by multiple payment notices across schemes**
Multiple beneficiaries can trigger multiple payment notices hitting the pension scheme administrator within a tight remittance window. Consolidation reduces fragmentation of tax settlement and the number of schemes requiring payment notices.

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