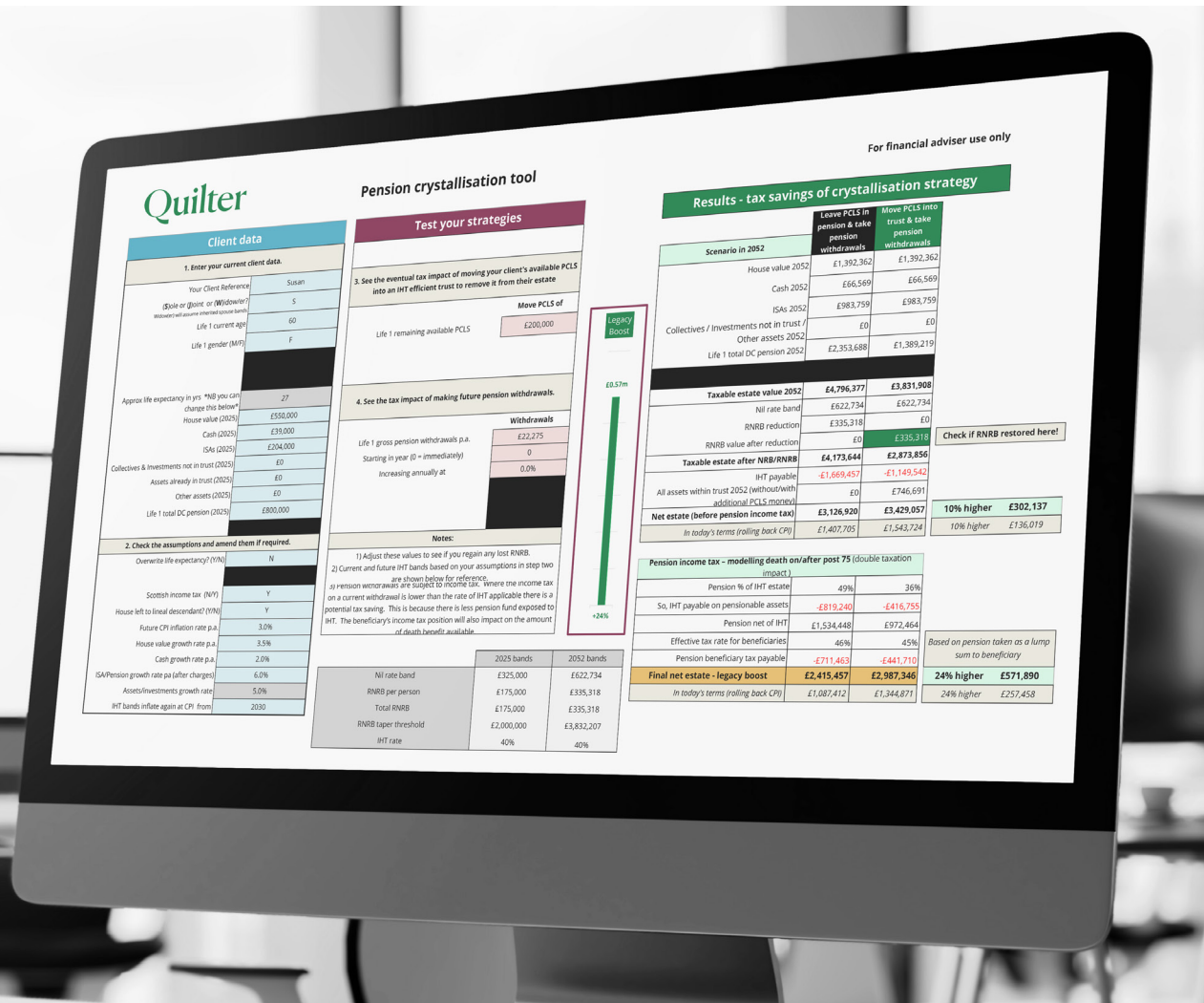


Pension crystallisation tool

User guide



This tool helps advisers:

- ✓ Project how a client's wealth may grow over their lifetime.
- ✓ Estimate the potential inheritance tax (IHT) liabilities on death based on the 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.
- ✓ Show 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) and gifting it into an IHT efficient trust AND taking pension withdrawals, to help reduce the IHT exposure and boost a 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 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. 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 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 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 individual client circumstances.
- ▶ **Quilter cannot accept responsibility for any action taken** or refrained from being 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 September 2025 and may be subject to change.

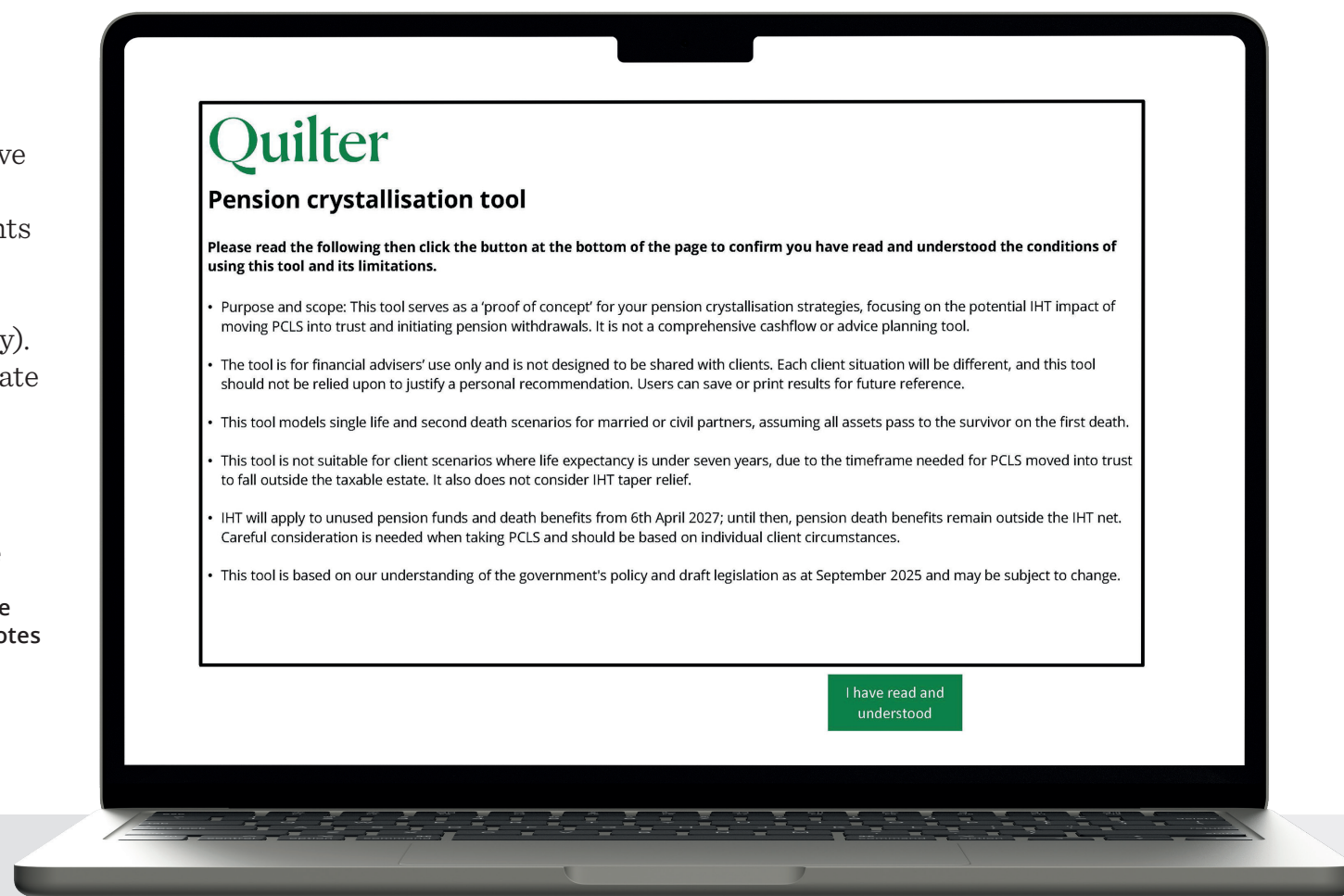
Each client situation will be different. This tool may not be suitable for all client scenarios and should not be relied upon to justify a personal recommendation.

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 (the 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.



Remember, this tool is for financial advisers only – and serves as a 'proof of concept' for your pension crystallisation strategies. It is not a comprehensive cashflow or advice planning tool.

You can now start to use the pension crystallisation tool

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

Quilter Pension crystallisation tool

For financial adviser use only

Client data

1. Enter your current client data.

Your Client Reference	Susan
(Sole or Joint, or Widower?)	S
Widower will assume inherited spouse bands	
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 (2025)	£550,000
Cash (2025)	£39,000
ISAs (2025)	£204,000
Collectives & Investments not in trust (2025)	£0
Assets already in trust (2025)	£0
Other assets (2025)	£0
Life 1 total DC pension (2025)	£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	2030

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	£200,000
Life 1 remaining available PCLS	

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

Life 1 gross pension withdrawals p.a.	£22,275
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.

	2025 bands	2052 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 2052	Leave PCLS in pension & take pension withdrawals	Move PCLS into trust & take pension withdrawals
House value 2052	£1,392,362	£1,392,362
Cash 2052	£66,569	£66,569
ISAs 2052	£983,759	£983,759
Collectives / Investments not in trust / Other assets 2052	£0	£0
Life 1 total DC pension 2052	£2,353,688	£1,389,219
Taxable estate value 2052	£4,796,377	£3,831,908
Nil rate band	£622,734	£622,734
RNRB reduction	£335,318	£0
RNRB value after reduction	£0	£335,318
Taxable estate after NRB/RNRB	£4,173,644	£2,873,856
IHT payable	£1,669,457	£1,149,542
All assets within trust 2052 (without/with additional PCLS money)	£0	£746,691
Net estate (before pension income tax)	£3,126,920	£3,429,057
In today's terms (rolling back CPI)	£1,407,705	£1,543,724

Check if RNRB restored here!

10% higher £302,137
10% higher £136,019

Pension income tax - modelling death on/after post 75 (double taxation impact)

Pension % of IHT estate	49%	36%
So, IHT payable on pensionable assets	£819,240	£416,755
Pension net of IHT	£1,534,448	£972,464
Effective tax rate for beneficiaries	46%	45%
Pension beneficiary tax payable	£711,463	£441,710
Final net estate - legacy boost	£2,415,457	£2,987,346
In today's terms (rolling back CPI)	£1,087,412	£1,344,871

Based on pension taken as a lump sum to beneficiary

24% higher £571,890
24% higher £257,458

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 (2025)	£550,000
Cash (2025)	£39,000
ISAs (2025)	£204,000
Collectives & Investments not in trust (2025)	£0
Assets already in trust (2025)	£0
Other assets (2025)	£0
Life 1 total DC pension (2025)	£800,000

Enter the name(s) of your client(s).

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

Input current age(s) for clients.

Specify gender for life expectancy calculations.



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**.

Enter current values for each asset accordingly.



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



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



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.

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 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 /bonds growth rate	5.0%
IHT bands inflate again at CPI from	2030

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 nil-rate band (NRB) and residence nil-rate band (RNRB) are currently frozen in legislation until 2030. The tool assumes rates will rise again in line with CPI from 2030. You can change this date if you wish.

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.

	2025 bands	2052 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 2030 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	
Life 1 remaining available PCLS	Move PCLS of £200,000



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

Enter the 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.

Life 1 gross pension withdrawals p.a.

Starting in year (0 = immediately)

Increasing annually at

Withdrawals

£22,275

0

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 **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.

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 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.



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 the pension fund exposed to double taxation on death where death occurs after age 75 and pension benefits are taken as a lump sum.

Life 1 total DC pension 2052

£0

£0

UNSUSTAINABLE: PLEASE LOWER LIFE1

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

Results - tax savings of crystallisation strategy

Scenario in 2052	Leave PCLS in pension & take pension withdrawals	Move PCLS into trust & take pension withdrawals
House value 2052	£1,392,362	£1,392,362
Cash 2052	£66,569	£66,569
ISAs 2052	£983,759	£983,759
Collectives / Investments not in trust / Other assets 2052	£0	£0
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All Assets within Trust 2052 (without/with additional PCLS money)	£0	£746,691
Net estate (before pension income tax)	£3,126,920	£3,429,057
<i>In today's terms (rolling back CPI)</i>	<i>£1,407,705</i>	<i>£1,543,724</i>
		10% higher £302,137
		10% higher £136,019



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

- ▶ Lefthand column: the effect of **leaving the PCLS in the pension** and taking withdrawals from the pension.
- ▶ Righthand 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 lefthand column will show the projected value of any assets in trust you entered as part of **step 1**. The righthand 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.

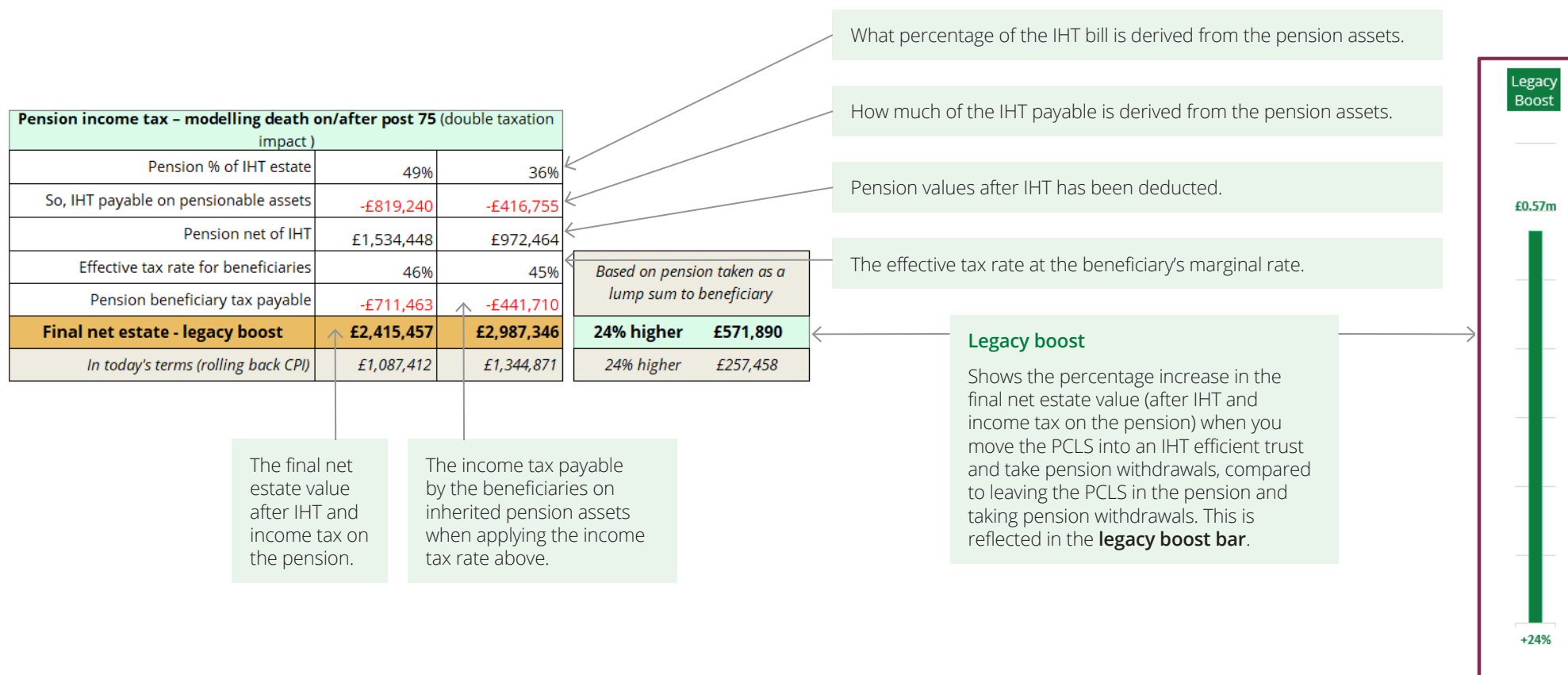
Shows the difference in the net estate (after IHT, before pensions tax) when you move the PCLS into trust and take pension withdrawals, compared to leaving the PCLS in the pension and taking pension withdrawals.

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



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 doesn't take into account any tax due on encashment in part or full on any other assets/investments.





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.**
- ▶ The tool shows 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 clients.

Your client's investments may fall as well as 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 HMRC's practice as at September 2025. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change. The amount of any tax relief will depend on the investor's individual circumstances.

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Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

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