

Quilter

Preparing for the pension IHT changes

*This short readiness guide will help you
prepare for pensions coming into scope
for IHT from 6 April 2027 – with a focus
on your client data.*

For financial advisers only



We understand the concerns many of you will have in ensuring your business is ready for the challenges and opportunities ahead. This guide will help you prepare for these changes, with tips and insights to support you on this journey.



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Bringing unused pensions into the ambit of IHT is more than a technical footnote change from HM Treasury. A seismic shift is required in how we think about and now plan for retirement and estate planning, otherwise we will see a massive transfer of client wealth back to the state.

Roddy Munro, Head of Technical Sales

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What we'll cover:

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1. The importance of client data

Gathering, understanding, and segmenting your client data will become crucial for several reasons:

- ✓ You'll need to know your clients' total wealth and IHT position, now and from 6 April 2027.
- ✓ You need to know what allowances and reliefs are already being used for your clients.
- ✓ You'll need to know your clients' income requirements post-retirement.
- ✓ IHT and estate planning is likely to be needed by more (less wealthy) clients in future, so understanding their wider family structure is more important than ever.



Before you can begin segmenting and prioritising your clients correctly, it is important to gather accurate, up-to-date data for your clients. Some of this will be readily available, some will need further action to ensure the data is robust. Here are some tips and wider considerations when gathering your client data.

Personal data

1. Ages of your clients and their partners

- ▶ Using the age profile of your clients you can quickly identify those who could be affected by IHT issues right now.
- ▶ You could also consider using cashflow modelling to see which clients will have an issue in the years to come (for example, when they reach a certain age/retirement date).

2. Marital status and details of any children/grandchildren

- ▶ For each client or family group, collate all data you hold in respect of their wider family members, including two lines of lineal descendants. Some more factfinding could be required to obtain this.
- ▶ This will help you establish who could inherit, who will inherit, and who could be recipients of gifts.
- ▶ Include any current and future plans – such as private school fees/university fees for children/grandchildren.



Understanding your clients' marital status and family situation will help determine what IHT bands are available, for example whether there is a transferable nil-rate band, and whether the residence nil-rate band can be used.

3. Any estate planning strategies in place

Your data should include:

- ▶ Up-to-date expression of wish instructions for pensions
- ▶ Wills and Powers of Attorney
- ▶ Gifting records
- ▶ Active trusts (including details of trustees and beneficiaries)
- ▶ Insurance/whole of life policies
- ▶ Clients' legal representatives



It is important to understand the estate planning strategies your clients already have in place, and their wider family structure. This will help you identify any gaps and will also help with future planning decisions.

For each client or family group, consider whether you know who the legal representatives are and their contact details. Do you have a relationship with them?

Holdings and assets

1. Main residence and any other properties

- ▶ Include addresses within your data.
- ▶ Work out your clients' approximate property values by using software to map typical house prices across the UK by postcode demographics.



Bear in mind that advised affluent clients will typically live in properties above the average postcode pricing.

2. Pensions

Your data should include:

- ▶ Value splits between uncrystallised and crystallised assets
- ▶ Available and used PCLS
- ▶ Amount and regularity of any existing pension income
- ▶ Number of different pension pots

3. Investment bonds

Your data should include:

- ▶ Values (it may be useful to understand the premium, withdrawals taken, and current surrender value)
- ▶ Start dates
- ▶ Trust status

4. ISAs

Your data should include:

- ▶ Type of ISA (and if there are any restrictions)
- ▶ Values
- ▶ How the ISA is being funded

5. Cash

- ▶ Values
- ▶ Purpose of holding cash



Managing cash is an important area to consider. Some questions you might want to consider are:

- ▶ How do I manage cash for my clients?
- ▶ Do I use a cash management platform, like the CashHub, available through Quilter?
- ▶ Can I use my data to drive cash holdings accurately into my back office?

6. Protection/life policies

Your data should include:

- ▶ Trust status
- ▶ Premiums, sum assured, review date
- ▶ How the premium is currently funded

7. Any other assets

- ▶ Values
- ▶ Reasons for these assets being held and any restrictions in place

This list is not exhaustive. You may wish to capture other, wider factors that influence your clients' future plans (such as their plans for retirement or long-term care needs) as part of your personal data gathering exercise.



2. Analyse, segment, and prioritise your clients

An effective analysis of your data will offer an immediate, segment-driven snapshot, highlighting where the most crucial next steps should be taken. This approach is important from a Consumer Duty standpoint. While estate planning must always be tailored to each individual or family, using segmentation enables you to simplify complex information, prioritise actions, and establish a clear plan moving forward.

Don't just look at your client's IHT exposure today – project forwards

It's important to not just focus on today's values, but to take into account other factors which could determine the IHT position in future years.

Factors to consider:

1. Life expectancy of the client, based on either first death or second death if married/in a civil partnership.
2. Use inflation assumptions for certain assets like cash and property.
3. Assume growth rate for assets after charges.
4. Extrapolate these based on life expectancy.
5. Revalue based on IHT allowance (NRB/RNRB) today and assuming allowances increase from 2030.

Once pensions become subject to IHT, many clients may find the value of their estate could tip above the £2 million threshold. Losing some or all of the RNRB wasn't previously something many clients needed to worry about – but now more clients could be caught by this. An important part of your data analysis is identifying clients that could be impacted.



- ▶ **The RNRB is a valuable IHT allowance that applies when qualifying residential property is left to lineal descendants.**
- ▶ **The amount of £175,000 per person will reduce by £1 for every £2 over the £2million threshold.**
- ▶ **A single person with assets over £2.35m will have no RNRB.**
- ▶ **Joint life (second death) with total assets over £2.7m will have no RNRB.**

Prioritise your clients

Segmenting your data will help you identify your high priority clients, who are most in need of IHT planning advice. There are many ways you can prioritise your clients – for example:

- ▶ Prioritise clients who will lose some or all of the RNRB when the pension changes take effect.
- ▶ Prioritise clients over a certain age, who don't have the luxury of time on their side.
- ▶ Prioritise clients who don't yet have any estate planning in place.

3. Define your strategies to help your high priority clients

As more estates come into the scope of inheritance tax, it's important to take a proactive and adaptable approach to protecting your clients' wealth. Flexibility in planning is key, as each client's circumstances and goals are unique and may evolve over time. By gaining a deep understanding of your clients' broader financial picture, you can craft tailored strategies that ensure their long-term interests are safeguarded.

Your high priority clients will need help reducing their IHT liabilities and boosting their legacies. Some examples of IHT strategies include:

Spending/gifting/insurance

- ▶ Your clients could spend their wealth or gift it to loved ones.
- ▶ Use IHT exemptions, including 'gifts out of normal income', to pass on wealth and move it outside the estate immediately - strict rules apply.
- ▶ Take out a whole of life insurance policy to pay the IHT bill – this could be expensive.

Trust planning

- ▶ Gifting into trust - after seven years, the gift into trust could be outside of a client's estate for IHT purposes.
- ▶ For those wanting to start the seven-year clock early, but don't yet know what access they might need to capital in the future, there are flexible trusts available, such as Quilter's Lifestyle Trust.

Crystallise pension holdings

- ▶ Use the pension commencement lump sum (PCLS) to reduce the taxable estate.
 - With the PCLS allowance frozen, and pensions becoming subject to IHT, there may be little benefit to keeping the PCLS within the pension wrapper.
 - Steps such as taking the PCLS and gifting it into an appropriate trust can help to move money outside the estate (subject to the seven-year clock).
- ▶ Turn on pension income.
 - Unused pension funds could potentially be subject to double taxation (IHT plus income tax) on death after age 75 (or on second death after age 75 for married couples/civil partners).
 - For many clients it could make sense to start drip feeding withdrawals from the pension first to prevent this penal tax position on death and to manage their income tax position.



4. Assess your current platform

Once you define your strategies, a key business readiness step is to ensure your current investment platform is fit for purpose and can support your financial planning decisions. Your chosen platform should not only support your ability to deliver the best possible outcomes under Consumer Duty, but also provide the flexibility and tools required for effective long-term planning.

Consider using the checklist overleaf to evaluate whether your platform is equipped to meet both your clients' needs and the demands of the changing tax landscape.

If your strategies involve crystallising pension holdings and moving to other wrappers, including bonds and trusts, you could benefit from consolidating your pension holdings to a true financial planning platform like Quilter with integrated wrappers and flexible drawdown options.

Find out more about our true financial planning platform and how we can help you deliver value in today's changing tax landscape.



Example platform checklist

Are my clients on a platform that provides:	
Access to a range of wrappers ▶ Onshore investment bond (important for trust planning) ▶ Flexible pension ▶ Flexi ISA ▶ General investment account ▶ Cash savings platform ▶ Junior pension (important as a gifting receipt wrapper in generational planning) ▶ Junior ISA (important as a gifting receipt wrapper in generational planning)	
Access to a wide range of trusts ▶ A trust with flexible access, like Quilter's popular Lifestyle Trust ▶ Post issue trusts - so the bond can be gifted into trust at any point after setup for maximum flexibility ▶ An available professional trustee service (important for those not wanting to burden family and friends with the responsibility of being a trustee)	
Access to integrated wrappers ▶ No additional wrapper charges ▶ Efficient movement between product wrappers so proceeds can be transferred direct to the new wrapper (important so you aren't relying on the client reinvesting the proceeds plus, less admin and less time out the market)	
Flexible pension drawdown ▶ Flexible income withdrawal options ▶ Fully automated and reliable pension income payments	
Family discount ▶ Multi-member family discount (important when planning family wealth)	
Support for gifting out of normal income ▶ Natural income from ISA and GIA ▶ Fully automated drip-feed drawdown options on pensions ▶ The ability to use a bond in trusts for further tax efficiency – including access to an 'excess income trust'	
Technical knowledge and support ▶ Easy access to technical content and training materials including tools, guides, and videos – especially in the complex areas of trusts and estate planning ▶ Access to technical support through a helpline, email, and regional support ▶ Support throughout the life of the product with excellent levels of service	

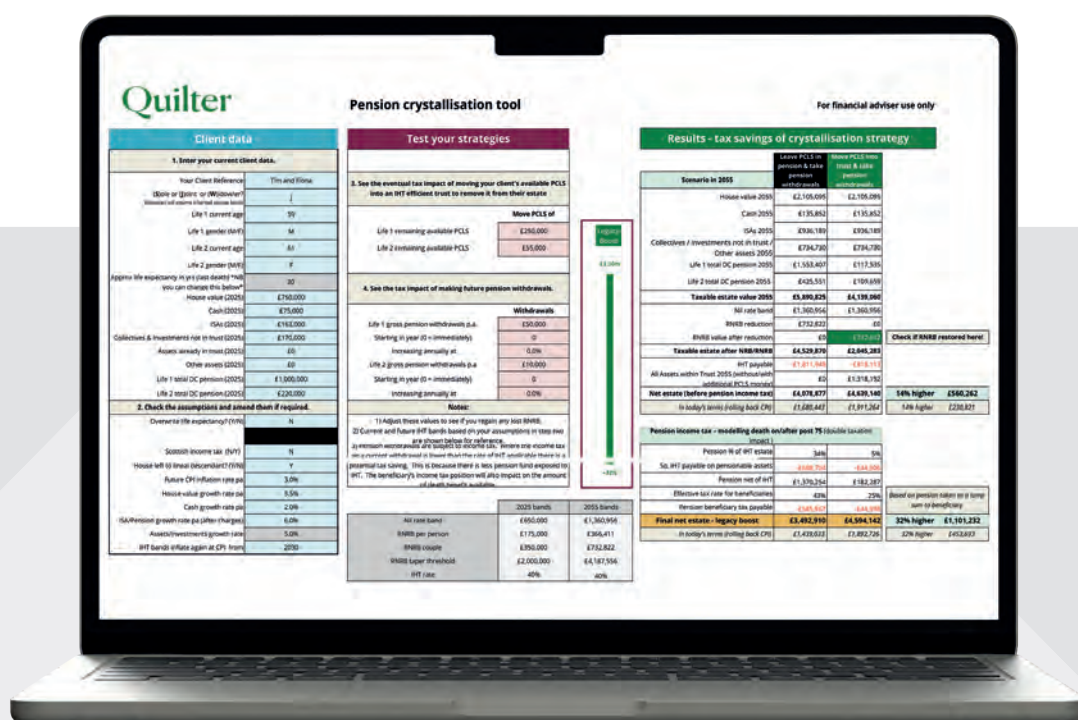
5. Valuable support from Quilter

Helping you calculate your client's IHT exposure and crystallisation strategies

We recognise how complex analysing your client data can be, especially to correctly model and project the assumptions required. For this reason, we have developed a new adviser 'proof of concept' tool to help.

Our pension crystallisation tool can help you to:

- 1 Calculate the IHT exposure your client may have when pensions become subject to IHT.
- 2 Assess the potential future impact based on your client's life expectancy and taking into account inflation, investment growth, and other factors.
- 3 Model, test and evidence the following two key strategies:
 - ▶ Moving the available PCLS from a pension into an investment and gifting it into an IHT efficient trust.
 - ▶ Taking pension withdrawals.
- 4 See whether your clients could be likely to lose some or all of the RNRB and whether the strategies above could help your clients regain any lost RNRB.
- 5 Discover how you can boost your client's legacy and reduce the IHT on their estate.



Without action, the chance of poor outcomes for families is huge.

Planning now is crucial – especially as some clients may only have one more annual review before these changes take effect.

Many of the strategies you consider won't necessarily be new. What will change is the advice around pension holdings – as what was previously considered the last wrapper to withdraw from may well become the first when mitigating IHT – flipping the order of income strategies you may have used previously.

Boost your knowledge

- ▶ With the use of bonds and trusts becoming more essential, there may be knowledge gaps across advice firms. Refresh and build your understanding by visiting the trust and IHT section on our adviser website to access videos, guides, and technical content.
Visit: quilter.com/solutions/trusts-and-iht-planning
- ▶ To understand more about the changing tax landscape, including further insights, supporting literature, and tools, please visit the rewrapping wealth section on our adviser website.
Visit: quilter.com/rewrapping

Speak to your Quilter consultant

We are here to support you and your clients through the upcoming changes.

Your Quilter consultant can share with you the link to our new pension crystallisation tool.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at September 2025. We believe this interpretation to be 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. Your clients' investments may fall or rise in value and they may not get back what they put in.

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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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