



SCOTTISH  WIDOWS

Pensions and IHT The Final Countdown

Sheffield CII

This presentation is for UK financial advisers only and should not be distributed to or relied upon by another person.

Learning Outcomes

The session will cover the proposed pension and Inheritance Tax (IHT) changes announced in the October 2024 budget, together with the process and administration changes this will bring. By the end of this session, you'll be able to:

1

Understand the pensions and IHT changes and what they could mean for your firm, clients & beneficiaries.

2

Explain the new administration processes, timelines, and roles and responsibilities.

3

Consider the implications for your bereavement processes and proposition. Including key risks, opportunities and challenges.

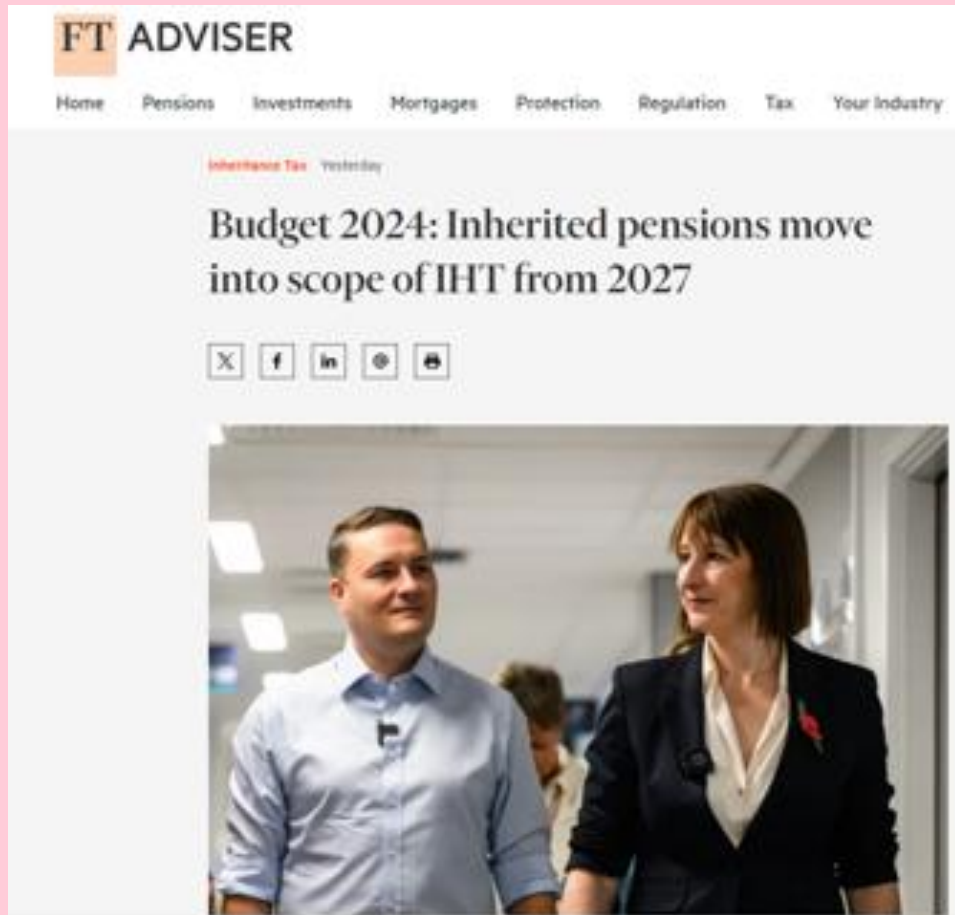
Your questions answered



The biggest change
of all?



Inherited pensions to be subject to inheritance tax



- The value of pension pots will be added to the total value of other assets and if over the IHT threshold of £325,000, aside from other exemptions, will be taxed in the same way.
- "This represents a fundamental shift to how wealthier individuals think about accessing their money in retirement.

At present it makes more sense to access ISAs and other forms of saving before touching pensions. In time we're likely to see more pensions accessed earlier to prevent them from becoming part of people's IHT bill at a later date."

Inheritance Tax – A Voluntary Levy?



- Inheritance Tax - 'a voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue'
- Former chancellor Roy Jenkins

Source; <https://www.evelyn.com/insights-and-events/insights/inheritance-tax-is-a-voluntary-levy-paid-by-those-who-distrust-their-heirs-more-than-they-dislike-the-inland-revenue/>

How do people feel about the change?

Everyone affected will have a view



It's not a me problem!



It will have an effect on my plans...



It changes everything!

Freedom and Choice revisited

UK NEWS WEBSITE OF THE YEAR 2024

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The Telegraph

Budget 2014: 'Pensioners should be free to buy Lamborghini,' says minister

Steve Webb, pensions minister, says he's "relaxed" about how people spend their savings, despite warnings of potential pension "squandering" from Labour Party and economists

By Peter Dominiczak
20 March 2014 • 3:23pm

A photograph of a bright yellow Lamborghini sports car, likely a Gallardo, displayed in a showroom or at a conference. In the background, other cars are visible, including a red one and a dark one. A banner in the background reads "KONFERENZ UND INVESTORENKONFERENZ" and "2014".

Pensioners should be free to buy a Lamborghini with their life savings if they want to, Steve Webb has said | CREDIT: Photo: AFP

Pensioners should be free to buy a Lamborghini with their life savings if they want to, a minister has said, as the Labour Party and economists warned that George Osborne's reforms could lead to people squandering their money...

This is going to change pension behaviours...



‘I’m blowing my pension on a Ferrari to spite Rachel Reeves’

Fears over punishing inheritance tax bills push retirees to part with their cash



Three ways to avoid the effect of IHT on an asset

Everyone affected will have a choice



Spend it



Give it away



Change plans/insure it

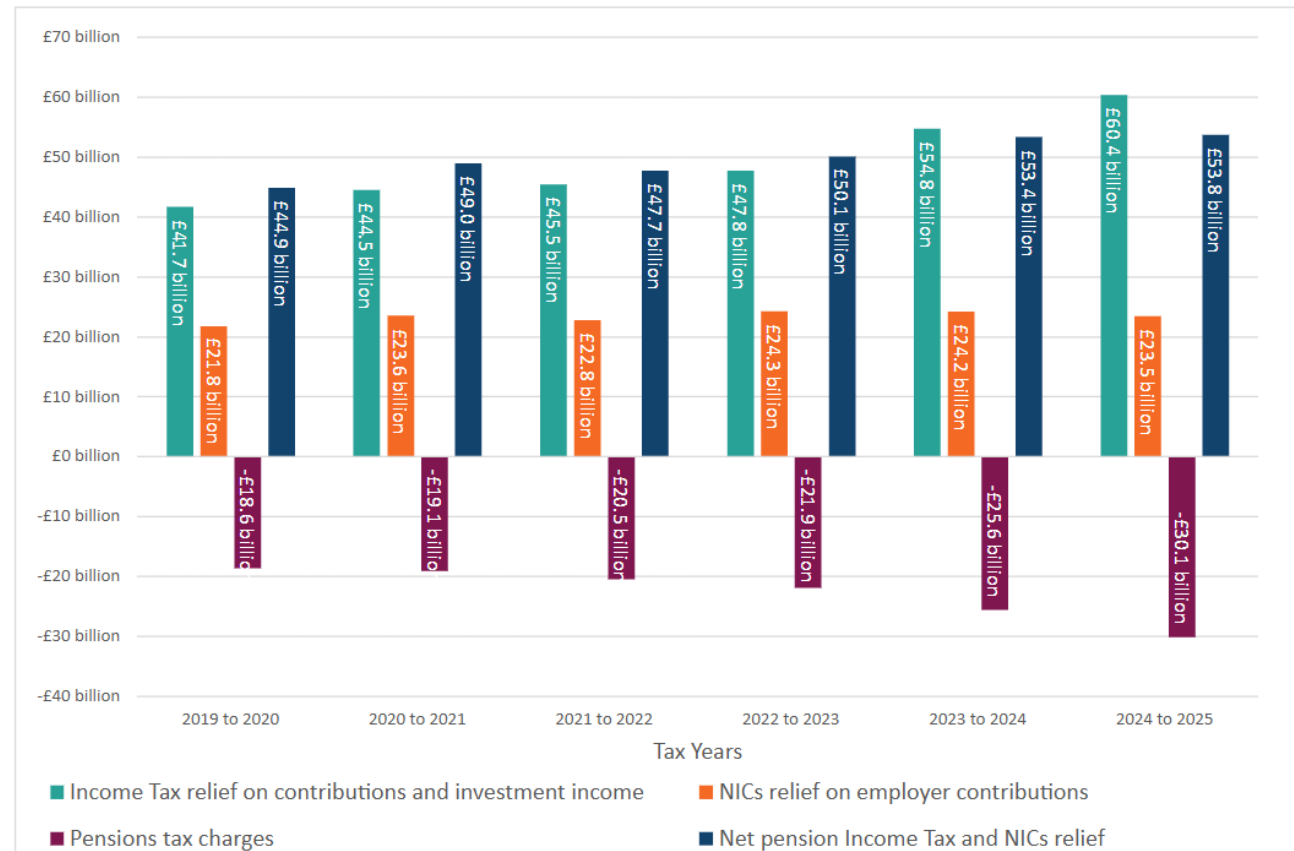
Is it already changing
behaviours?



Overall cost of pension tax relief

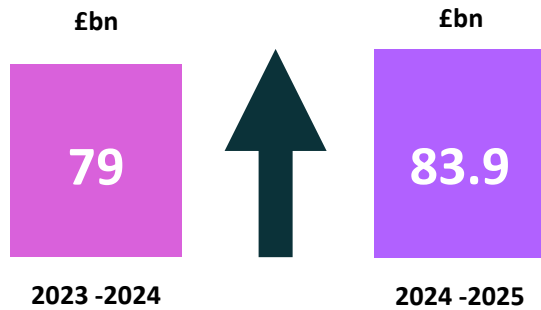


Chart 3: Estimated gross and net pension Income Tax and NIC relief, 2019 to 2020 to 2024 to 2025, £ billions.

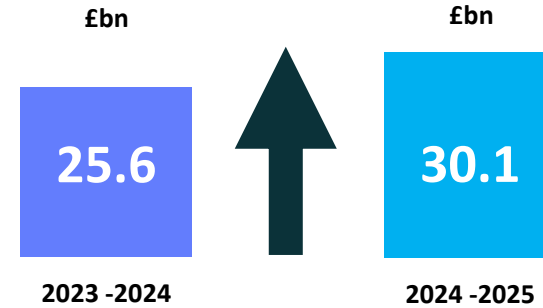


Net cost of pension tax relief

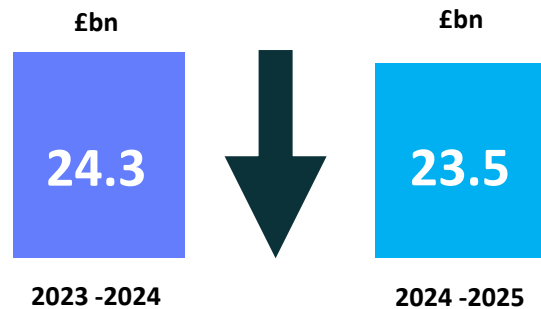
Gross pension income tax and NIC relief



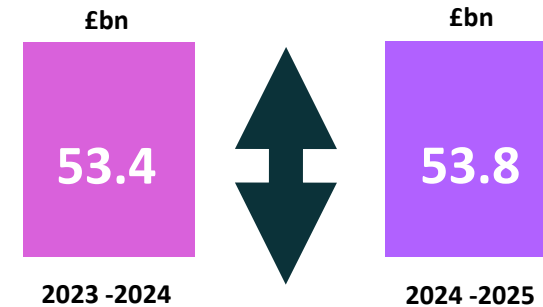
Income tax paid on payments from registered private pensions



Class 1 primary and secondary NIC relief on employer contributions



Net cost of pension income tax and NIC relief



**Estimated annual cost of pension tax relief and NIC relief (2024/25). Source: <https://www.gov.uk/government/statistics/personal-and-stakeholder-pensions-statistics/private-pension-statistics-commentary>*

Impact on bereavement value propositions



Current value propositions will need to be reviewed

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Firms urged to build 'fit-for-purpose' processes amid FCA bereavement review

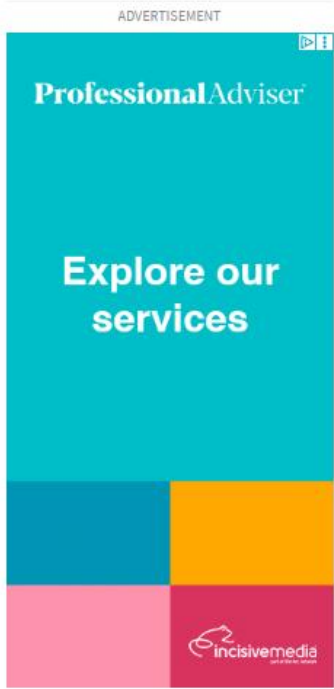
Financial advice firms 'lack a clear service strategy for bereaved clients'

 Sophia Panayi
18 May 2026 • 5 min read

The Financial Conduct Authority's latest review has been said to have centred bereavement 'squarely under the Consumer Duty spotlight'.

Announced this month, the FCA set out the review will focus on firms that advise, manage, or administer investments – including platforms, advisers and wealth managers – examining the experience customers have from the moment the firm is told about a bereavement, through to settlement or transfer of investments. The FCA plans to assess how firms communicate, how they support vulnerable customers, their service standards, and how fees are handled on bereaved accounts. It follows research undertaken by Critical Research for the FCA, which found that less than half of financial advisers

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Source: https://www.professionaladviser.com/news/4529856/firms-urged-build-fit-purpose-processes-amid-fca-bereavement-review?utm_campaign=Professional%20Adviser%20Newsletters&utm_medium=email&_hsenc=p2ANqtz-93tLO-djezWSXv7bWx1391OE-eTiE3YhIH5c9rAoEIO6uGDekfEtBMEyJKX_8Sp4Jd52mJGotF5nV-zGlrYp81sspJClmcx7D79IHRFdCIS-fQ6T4&_hsmi=136126623&utm_content=136126623&utm_source=hs_email

Some further context

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AVIVA ADVISER SURVEY 2026 Published on Jul 8 2026 FOLLOW US

Most advisers have lost business following the death of a client

✕ f in @



70 per cent of advisers have lost business due to a client's death, the FT Adviser/Aviva survey has revealed
© Jamie Kimball/Pexels

“Despite 75 per cent of respondents citing rising numbers of clients asking about intergenerational wealth planning, even where there has been a relationship with the spouse or children of a client, the family has moved money away.

According to the study, 29 per cent of advisers claimed they had an equal relationship with both individuals in a couple. A further 40 per cent said they advised each person separately.

Yet seven out of 10 admitted losing the advisorship over that family's wealth, because the family or the spouse has gone to a different adviser or just walked away from advice.

Source: https://www.ftadviser.com/content/f002f12e-b89a-430b-bfc6-9903164be44c?xnpe_tifc=xdH7h.YlbiHZhI1phFzpxypsafWaeiWhFW9bMPsEkzchkedRfUDny4.ajQIRM46Eds_ajEDtu4vt9UgrFn7OFhs4fnjxF_7bDeubuYT&utm_source=exponea&utm_campaign=FTA%20-%20Morning%20Bulletin%20-%20Newsletter%20-%202008.07.26&utm_medium=email

The headlines



IHT on pensions – concerns are already building

The screenshot shows the FT Adviser website interface. At the top, there's a navigation bar with 'HOME', 'FT ADVISER', 'Ask FT Adviser', 'My Account', and a search bar. Below this is a category bar with links like 'Pensions', 'Investments', 'Mortgages', 'Protection', 'Regulation', 'Tax', 'Wealth', 'Your profession', 'Opinion', 'CPD', and 'Asset Allocator'. The main content area features a news article titled 'Treasury dismisses Lords' recommendations on pensions and IHT' published on Mar 31 2026. The article includes a photo of a building and a quote from Hereward Mills: 'The Treasury has rejected a recommendation from the House of Lords Economic Affairs Committee to extend the deadline for the payment of inheritance tax on pension assets to 12 months.' To the right of the article, there's a sidebar with 'FOLLOW US ON SOCIAL' links, an 'Asset Allocator' promotion, and a 'RECOMMENDED FOR YOU' section with two related articles: 'IHT on pensions will increase tax investigations, experts predict' and 'Nine in 10 unaware of pension IHT change'.

“Adding pensions to the IHT calculation is going to prove to be an administrative nightmare for personal representatives — who are often family members appointed to work out what happens to someone’s estate when they die — at a time when they are at their most vulnerable.”

It also confirmed that final guidance for both industry and the general public, including lay personal representatives (PRs), will not be published until days before the new rules go live on April 6, 2027

Source: https://www.ftadviser.com/content/1b29ef19-b89d-4c07-b82b-c0bd5c94fc14?xnpe_tifc=OI1p4F18OknJbublbfn7hypsafewaeiWhFW9bMPsEkzchkedRfUDny4.ajQIRM46Eds_ajEDtu4vt9UgrkoZxfx8xkY84dHjxdn84._T&utm_source=exponea&utm_campaign=FTA%20-%20Lunchtime%20Bulletin%20-%20Newsletter%20-%202031.03.26&utm_medium=email

Three actions firms need to do now



Review your bereavement value proposition



Identify risks and opportunities



Create and execute a new strategy

The clock is ticking... the time to act is now!



The detail



New roles and responsibilities

- Personal representatives will be liable for reporting and paying any inheritance tax due on unused pension funds and death benefits.
- Pension scheme administrators will have new duties to support personal representatives in paying inheritance tax, including the new Pension Inheritance Tax Payments Scheme. Advisers should stay informed and be ready to adjust planning strategies as final rules are confirmed.
- The Finance Bill contains legislation that allows legal personal representatives to request a scheme withholds up to 50% of the taxable death benefits for up to 15 months after the end of the month in which the individual died. However, this rule does not apply if the death benefits are being paid to a spouse or civil partner who is a long-term UK resident.

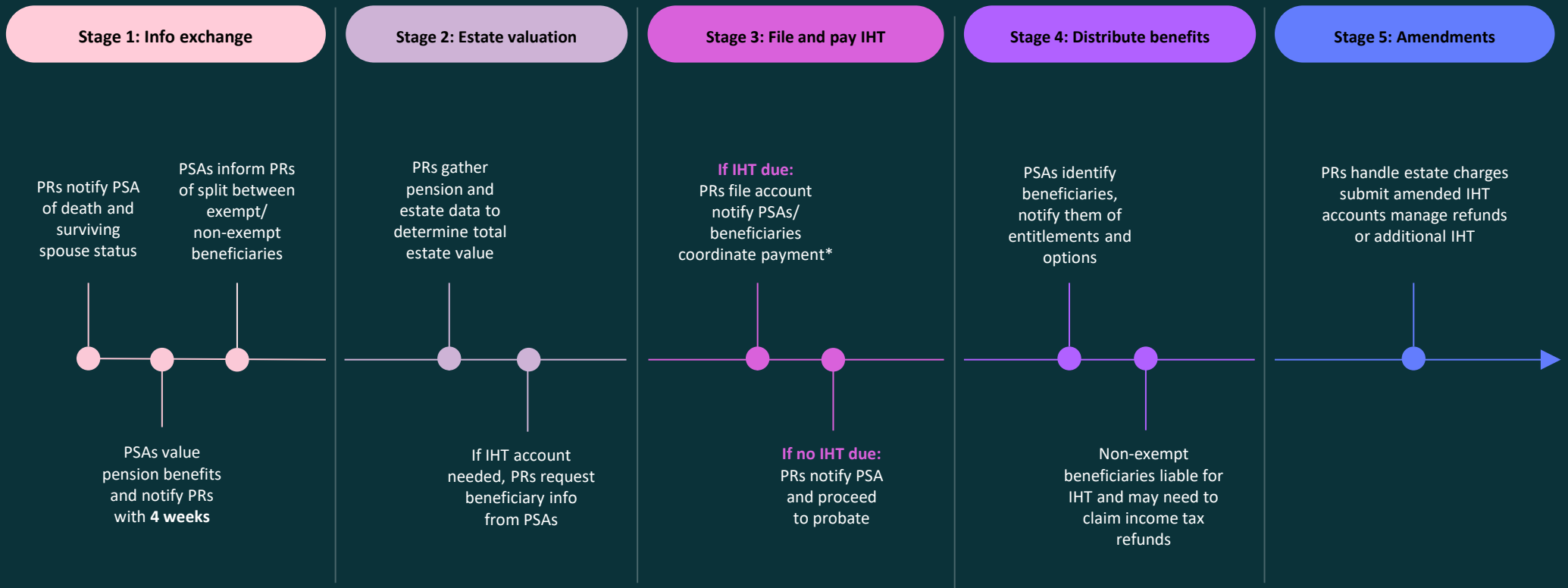
Post April 2027 bereavement stakeholders



The new process



Process for reporting and paying Inheritance Tax



*Note: PRs can ask PDAs to pay the IHT due. If asked, PSAs then have **3 weeks** from request to pay IHT

Options for paying the IHT



Options for paying the IHT charge



Option 1



Pay the liability from
the free estate.



Option 2



The personal
representative or
pension beneficiaries ask
pension scheme
administrators
to pay.



Option 3



Pension beneficiaries
take their pension
benefits in full and
pay inheritance
tax directly.

What does
all of this mean?





Simplifying the process



Tasks you have to do upon a client's death

Notification of death

Field queries from beneficiaries

Liaise with Product Providers

Field questions from LPRs

Liaise with Probate Solicitors

LPR meetings

Beneficiary meetings

Could simplifying your client's pensions now avoid pain later?

One pension
(and provider)



Multiple pensions
(and providers)



With your charges stopped, do you need a time costed value proposition around death and estate administration.

Who is paying for this?



Defining your new bereavement value proposition



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Your questions answered





Thank you

Every care has been taken to ensure that this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change. However, independent confirmation should be obtained before acting or refraining from acting in reliance upon the information given.

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