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Planning for later life

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Learning objectives

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By the end of this session, you'll be able to:

- Explain how upcoming pension and tax changes affect clients' later-life financial planning.
- Assess the tax implications of pension death benefit options, including the inheritance tax (IHT) changes from April 2027.
- Identify the pension planning decisions clients should review as they approach age 75.
- Describe how Equity Release can enhance your business model and result in good consumer outcomes.

Upcoming changes

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IHT applying to pensions

6 April 2027

Savings and property tax rate increase

6 April 2027

Normal minimum pension age (NMPA) increase

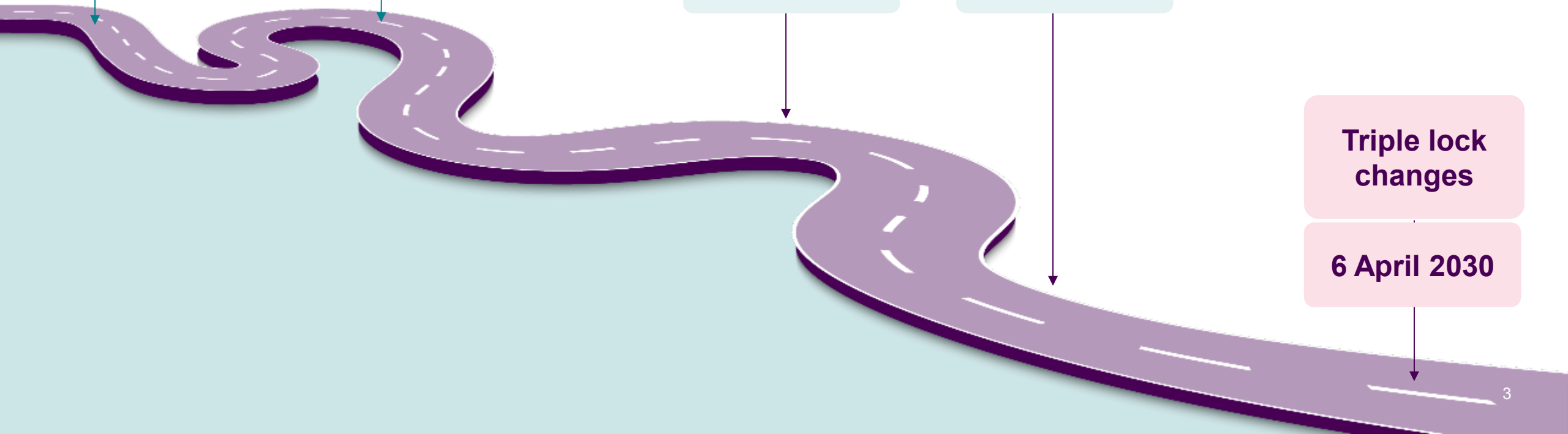
6 April 2028

State pension age increase

6 April 2028

Triple lock changes

6 April 2030



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State pension changes



State pension changes

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Triple lock increases new State Pension (nSP) by 3.9% to £13,036

Those receiving total income up to nSP will not pay tax from 2027 Pension tax allowance

State pension changes

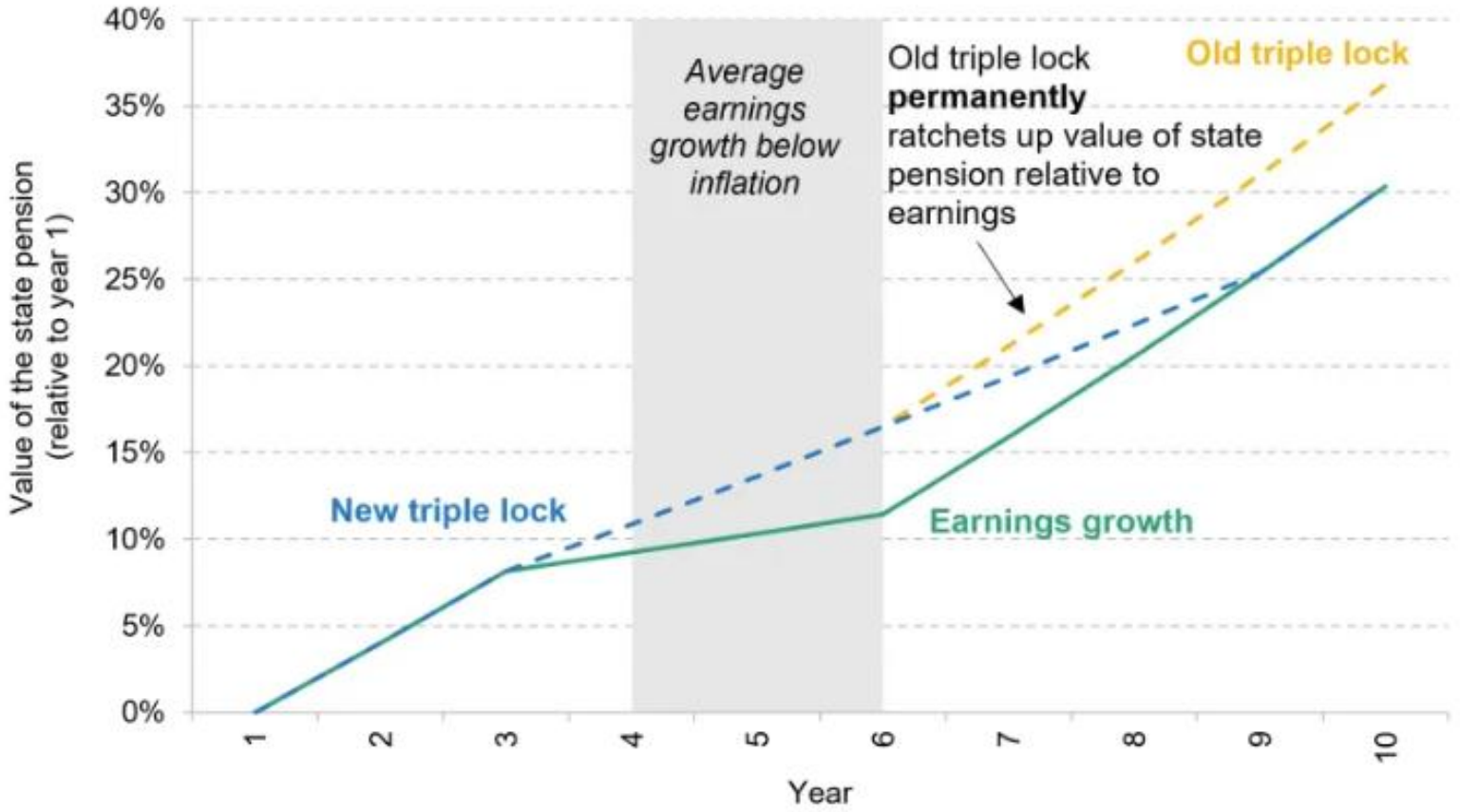
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Triple lock will remain until April 2030

Replaced by new triple lock from 6 April 2030

State pension changes

Illustration of how the new triple lock would operate compared to the old triple lock



Note: Assumes inflation of 2% and average (nominal) earnings growth of 4% in all years, apart from years 4–6 when it's 1%.

Source: Institute for Fiscal Studies, How will the new triple lock work and what effects will it have?, September 2026

State pension age changes

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Currently 66

Increases to 67 from 6 April 2028

State pension changes

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Normal Minimum Pension Age

57 from 6 April 2028

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Savings rate changes



Savings rate changes

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April 2027 – Savings income tax 24% basic, 44% higher and 49% additional rate

April 2027 – Property income tax 24% basic, 44% higher and 49% additional rate

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Order of taxation

- Income
- Property
- Savings
- Dividends



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ISA changes

- ~~Cash ISA limited to £12,000 for under 65s from April 2027~~
- First time buyer ISA
- Starter ISA



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High value council tax surcharge (HVCTS)



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HVCTS

- A new annual surcharge on residential properties in England valued at £2 million or more.
- With effect from April 2028, in addition to council tax.
- Earmarked for local services.
- Includes main homes, second homes, and high-value rentals.



Bands and charges from April 2028

Property value band (£m)	Annual surcharge (£)
2.0 – 2.5	£2,500*
2.5 – 3.5	£3,500*
3.5 – 5.0	£5,000*
5.0+	£7,500*

* Charges will rise annually from 2029/30 in line with Consumer Prices Index (CPI) inflation.

Adviser planning points

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- Retirement timing and income gaps
- State Pension assumptions and tax
- Savings, rental income and withdrawal planning
- ISA funding and cash reserves
- High value homes and retirement affordability

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Pensions death benefit taxation



Warnings

Things to consider for your pension clients



Scheme rules rule



Not all schemes will offer drawdown



Not all schemes are discretionary

Taxation of defined contribution (DC) death benefits

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From 6 April 2024

Under age 75

Uncrystallised

Marginal rate of income tax if above lump sum and death benefit allowance (LSDBA) and paid as a lump sum.

Crystallised

Marginal rate of income tax if above LSDBA and paid as a lump sum.

Benefits in drawdown before 6 April 2024 will not be measured against the LSDBA.

Taxation of DC death benefits

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75 and over

Crystallised	Uncrystallised
Marginal rate of income tax or **45%** for non-individual	**Marginal** rate of income tax or **45%** for non-individual

Planning for age 75

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Tax relief
Tax relief on individual contributions ceases at age 75.
Employer contributions / salary sacrifice can continue.



Taxation of death benefits
On death after age 75 any death benefits are subject to marginal rate tax.
LSDBA ceases to have relevance.



Pension commencement lump sum (PCLS)
Any right to PCLS after age 75 will die with you.
More important to consider if IHT is applying too.



Trusts set up to receive death benefits
The special lump sum death benefits charge of 45% applies on death after age 75.

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IHT applying to pensions



IHT and pensions summary

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IHT to apply to pensions from 6 April 2027.



Different options for paying the charge.



IHT then income tax where applicable.



Out of scope:

- Dependents pensions
- Death in service (DIS) benefit
- Joint life annuity survivor benefits



Personal representatives responsible for paying IHT.

Reliefs and exemptions

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Spousal exemption



Nil rate band (NRB)



Residence nil rate band (RNRB)



Unlimited exemptions



Annual £3,000 exemption



Gifts on marriage or civil partnership



Outright gifts to individuals and trusts



Normal expenditure out of income



Gifts to charities or political parties



Business property and agricultural property

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Residence nil rate band



Residence nil rate band

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2026/27 maximum

£175,000 per person, in addition to the £325,000 NRB

1	**A qualifying home**	The deceased must have owned and lived in the property at some point. Only one residence can qualify.
2	**Closely inherited**	The home, or a qualifying share, must pass to direct descendants, such as children or grandchildren.
3	**Allowance is capped**	Available RNRB is limited by the qualifying residential interest inherited and may be reduced by the £2 million taper.

Potential threshold: £500,000 per person, or up to £1 million for a couple where both unused bands transfer.

Residence nil rate band

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Assumptions

- Estate for taper purposes: £2.10m
- One maximum RNRB: £175,000
- Qualifying home worth at least £175,000
- Home passes to direct descendants
- No transferred RNRB

Estate value for taper is measured after liabilities, but before exemptions and reliefs.

Estate value

£2,100,000

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Spot the opportunity

The role of property wealth



The role of property

The fourth pillar of retirement

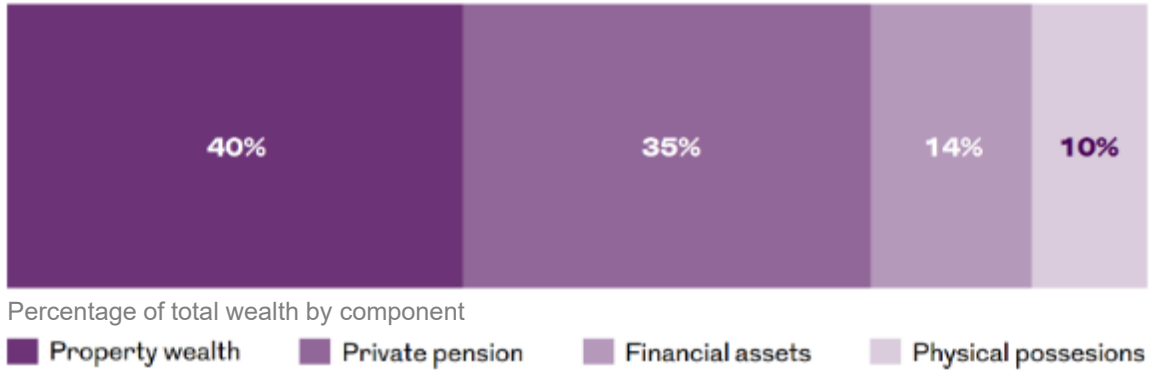
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40%

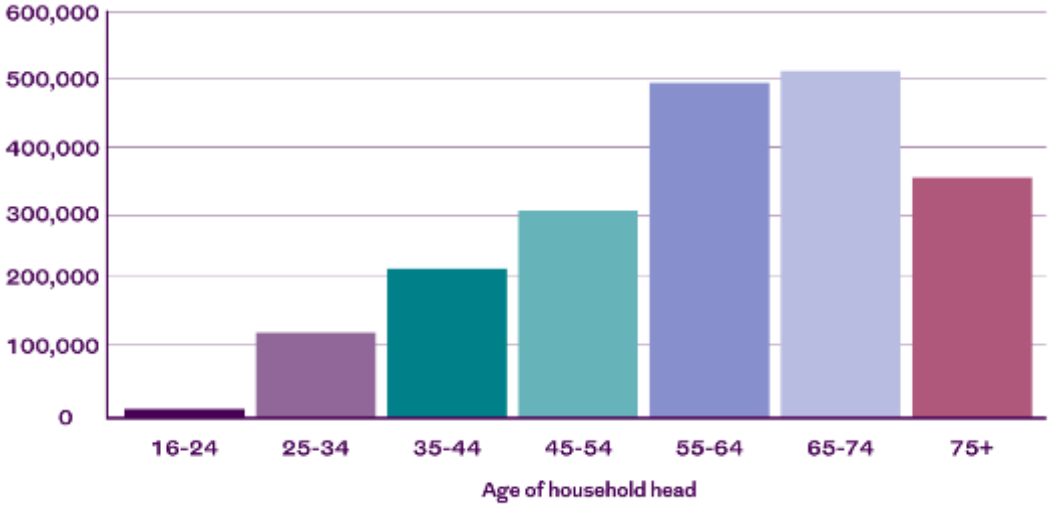
of total household wealth

is held in property

How household wealth is held



Median value of household wealth by age of household head (£)



Source: Office for National Statistics, Household total wealth in Great Britain: April 2020 to March 2022, released January 2025 and accessed November 2026

Property wealth options

A planning decision, not an individual product choice

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There is no single solution for every client. Depending on their circumstances, objectives and affordability, options could include:

Downsizing

Is moving home acceptable?

Releases capital by selling and purchasing a lower-value property.

- Potentially more capital
- Major life change

Residential or Retirement Interest-Only (RIO) mortgages

Can the client meet repayments?

Borrowing is secured against the home, with affordability and term considerations.

- Interest serviced
- Affordability-led

Lifetime Mortgages

Is retaining the home important?

Accesses property wealth while the client remains in the home, subject to eligibility.

- No move required
- Interest may roll up

Where property wealth may be relevant

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Triggers that may already be heard in client conversations

Borrowing & the home

- Interest-only mortgage approaching maturity
- Borrowing needs that extend into retirement
- Home adaptations or improvements to stay put

Income & care

- Supporting retirement finances
- Asset-rich but cash-poor clients
- Funding care and support at home

Family & legacy

- Gifting to children and grandchildren
- Managing tax planning
- Helping family onto the housing ladder

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How does a Lifetime Mortgage work?



Benefits and considerations

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One option that may be worth exploring - never the default answer

Potential benefits

- **Stay in the home**
  Access wealth without moving
- **Create liquidity**
  For spending, gifting or resilience
- **Flexibility**
  Lump sum, drawdown and repayments

Key considerations

Purpose	Alternatives	Cost	Consequences	Flexibility
What outcome is the borrowing intended to achieve?	Could downsizing, RIO, savings or investment withdrawals work better?	How could compounding interest affect the equity remaining (future inheritance)?	What are the implications for benefits, tax, care and family expectations?	Will future borrowing, moving home or repaying early matter?

What is a Lifetime Mortgage?

A loan secured against the home - not a sale of it

Proud to be a Member of the Equity Release Council

Access wealth

- From age 55
- Take funds as a lump sum
- Or through drawdown

Keep the home

- Continue living in the property
- Retain legal ownership

Manage interest

- Flexible payments
- Monthly payments not required
- Voluntary payments reduce interest roll-up

Repay later

- Usually from sale of the property
- Upon death or movement to long-term care

The central trade-off: **Liquidity now** ⇄ **A smaller estate later**

The outcome depends on the amount borrowed, interest rate, repayments, interaction with IHT and duration.

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You don't need to be the expert



Common barriers - and the reality

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What we've heard from advisers and Royal London Equity Release BDMs

What holds people back	The reality
"It's a specialist area - I don't know enough"	You only need enough to spot the opportunity. Equity release specialists will engage after that.
"I'm worried about saying the wrong thing"	You're opening a conversation, not giving advice. Your questions are not a recommendation.
"My knowledge dates from how the market used to be"	Modern standards have hugely impacted the product.
"I wouldn't know where to refer"	There are key directories available e.g. the Equity Release Council
"I'd need to get qualified first"	Identifying an opportunity and introducing an equity release specialist requires no equity release qualification.

What to listen for

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Get to know your client's individual situation

The client says...	Which might mean...
"Our interest-only mortgage ends soon and we can't clear the balance"	A repayment gap where the client wants to stay put but has limited mainstream options.
"We'd love to help the kids buy, but our money is tied up"	A gifting conversation where the home may be the largest accessible source of wealth.
"We're comfortable, but there's not much spare each month"	The client may be asset-rich but cash-constrained in retirement.
"Our spending is higher than expected and drawing more may affect the plan"	Revisiting the role of different assets might unlock more options.
"We need to fund care or adapt the house so we can stay in it"	A practical funding need linked to independence, wellbeing or remaining in the home.

Two next steps

Recognise the triggers and identify your next step

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1 Learn more

Build knowledge and relationships so you can seek support before a referral conversation.

Use when you want to:

- Sense-check a client scenario
- Understand how a Lifetime Mortgage could fit
- Get support before discussing a referral

Next step: Explore what resources are available from Equity Release Providers

2 Find a referral solution

If you are ready to refer a client or want to build a referral relationship.

Use when you want to:

- Find a qualified equity release adviser
- Build or review referral arrangements
- Give clients access to regulated specialist support

Directories: Unbiased or the Equity Release Council Members Directory

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Property wealth belongs in the conversation



Learning outcomes

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You should now be able to:

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Thank you for your patience.





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