

Helping clients understand pensions, family wealth and inheritance tax

A conversation about what happens to wealth when someone dies

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Introduction

Many clients spend years building wealth for their retirement and for the people they care about. But fewer have a clear picture of what will happen to that wealth when they die, how quickly it could be accessed, or whether their plans still reflect their current wishes.

Different assets, different rules

Different assets can be treated in different ways. Pensions, property, savings, investments, protection policies and business interests may each follow different rules, involve different people and move on different timescales. That can create practical challenges for families, particularly where money is needed quickly or where tax, legal or administrative processes need to be worked through. Any inheritance tax charge needs to be settled before the proceeds of the estate can be distributed.

The changes to the inheritance tax treatment of unused pension funds and certain pension death benefits from April 2027 could make these conversations even more important. This guide is designed to support your preparation for conversations with clients and their families by explaining what can happen to different types of wealth when someone dies, including some of the practical implications.



What happens to wealth when someone dies

What forms part of an estate?

An estate is generally made up of everything a person owns when they die, less any debts or liabilities. This can include property, savings, investments and personal possessions. Changes from April 2027 mean certain unused pension funds and death benefits may also be relevant when considering inheritance tax. Understanding what forms part of an estate is the first step in understanding how wealth may be passed on.

Second death considerations

Many married couples and civil partners focus their planning on what happens when the first person dies.

However, the position on the second death can often be equally important, as this is the stage when a family’s overall wealth may ultimately pass to the next generation.

Considering both first and second death outcomes can help families develop a more complete understanding of how wealth may be transferred over time and whether existing arrangements remain suitable.

How are different assets treated

One of the biggest misconceptions around estate planning is that all assets behave in the same way when someone dies.

In reality, different assets held in different wrappers can be subject to different rules. Understanding these differences can help identify where further planning may be needed.

Property

For many families, the family home is their largest asset.

How a property passes on death may depend on how it’s owned. In some cases, ownership may pass automatically to another person. In others, the property may form part of the

estate and be dealt with through the administration process.

Property can also create challenges if beneficiaries need access to money quickly, but a property can’t easily be sold or transferred.

Savings and investments

Wealth held in savings and investment accounts needs to be valued and reviewed before it can be distributed. Most accounts will have regular prices and be able to be valued quickly, but access to funds can sometimes take longer than families expect, particularly where accounts need to be closed or transferred.

Protection

Life cover can sometimes provide funds more quickly than other assets.

When arranged appropriately, protection can help provide financial support at a time when families may be facing immediate costs or financial uncertainty.

Business interests

Business owners may face additional considerations around succession, continuity and ownership.

Planning ahead can help reduce uncertainty and support smoother transitions for family members, co-owners or employees.

The important point is that different assets may pass to different people, under different rules and on different timescales.

Pensions and inheritance tax: what’s changing?

Pensions have traditionally been treated differently from many other assets on death and have often played an important role in passing wealth between generations. Pension benefits are typically paid at the discretion of the scheme administrator or trustees, taking account of any beneficiary nominations or expressions of wish that have been provided. Keeping these nominations up to date remains an important part of financial planning.

Changes coming from April 2027

From April 2027 any unused pension funds and certain pension death benefits will fall within the scope of inheritance tax.

This represents a significant shift in how pensions are treated for estate planning purposes and may affect how some individuals think about the balance between retirement income planning and passing wealth to future generations.

While the legislation is now in place, HMRC is expected to provide further guidance and support ahead of implementation. In the meantime, some people are taking the opportunity to review their arrangements and consider how pensions fit alongside other assets such as property, investments, trusts and protection plans.

The most appropriate course of action will depend on individual circumstances and wider financial objectives.

How families access the money

When someone dies, families often face practical questions as well as emotional ones. These questions can arise long before assets are distributed.

Practical questions can include:

- How will immediate expenses be paid?
- Who is responsible for dealing with financial affairs?
- Where are important documents held?
- How long might certain assets take to transfer?
- Could inheritance tax be due before assets become available?
- Who'll be responsible for dealing with my affairs and do they know what they'll need to do?

Uncertainty can create additional pressure at an already difficult time.

Families may also be unsure about what they can do:

- What would they have wanted?
- Are we allowed to do this?
- Who should be making decisions?
- What happens next?

While no plan can remove every challenge, understanding how assets are structured and ensuring information is accessible can help reduce uncertainty.



Accessing money when it’s needed

When someone dies, family members can often face immediate financial demands before all assets have been gathered and distributed. These may include funeral costs, household bills, outstanding debts and ongoing living expenses.

The availability of funds can vary depending on how assets are held. Some assets may be accessible relatively quickly, while others may require legal or administrative processes to be completed before funds can be released.

Understanding where money may be available from can help families prepare for periods when money is needed most.

Paying tax before assets are available

In some circumstances, inheritance tax may need to be paid before certain assets can be fully transferred or distributed.

This can create challenges where a significant proportion of wealth is tied up in property, business assets or investments that can’t easily be realised.

Planning ahead can help families understand how potential tax liabilities might be met and whether other sources of money may be needed.

How inheritance tax is calculated

Inheritance tax may apply if the net value of an estate exceeds certain thresholds. When calculating any liability, available allowances, exemptions and reliefs are taken into account, including the nil rate band and, where applicable, the residence nil rate band.

Inheritance tax rules can be complex and may change over time. Our IHT calculator can help you get an indication of an individual’s potential IHT position, based on their assets and liabilities.

Use our calculator

Delays during administration

Dealing with the estate often involves gathering information from multiple organisations, obtaining valuations and completing legal processes.

The time required can vary significantly depending on the complexity of the estate and the assets involved.

While some estates can be administered relatively quickly, others may take considerably longer, particularly where property, businesses or overseas assets are involved.

How to access protection plans

Where protection arrangements are in place, benefits may be available more quickly than some other assets, especially where the protection plan has been placed in trust or a beneficiary nomination has been used.

The process for making a claim will vary between providers and products, but families will usually need details of the policy and supporting documentation. Where the protection plan isn’t in trust or doesn’t have a beneficiary nomination the family may need to provide proof that they can deal with the deceased’s assets before payment can be made.

Ensuring family members know protection plans exist and understand where policy information is held can help avoid unnecessary delays.

Understanding responsibilities

Families are sometimes unclear about who is responsible for making decisions after someone dies.

Personal representatives (sometimes referred to as executors), solicitors and professional advisers may all play different roles during the administration process.

Having clear documentation and communicating wishes in advance can help reduce confusion and support smoother decision-making.

The emotional impact of bereavement can make financial decisions more difficult.

Family members may hold different views about what should happen next or may be uncertain about the deceased’s intentions. If there’s a valid will in place, this will describe how they want their assets to be distributed. If someone dies without a valid will, their estate will normally be distributed according to intestacy rules. This may not reflect their wishes and could create additional delays and complexity for family members. Reviewing arrangements regularly can help ensure that assets pass in the way intended.

Even well-structured plans can become difficult to implement if family members are unaware of an individual’s intentions.

Conversations about finances aren’t always easy, but explaining key wishes and decisions can help reduce uncertainty and potential misunderstandings.

It can also help ensure that those responsible for carrying out those wishes understand the reasoning behind important decisions.

Who deals with the estate



The role of the personal representative

After someone dies, someone will need to take responsibility for gathering information, dealing with organisations, paying liabilities and distributing the estate. This role usually falls to the executors or administrators (collectively known as personal representatives).

They may be responsible for:

- gathering information about assets and liabilities
- communicating with financial providers
- managing estate administration
- distributing assets to beneficiaries
- paying for any inheritance tax liability

Choosing appropriate people for these roles and ensuring they understand your client’s wishes can be an important part of planning.



Locating information

One of the most common challenges families face is simply identifying what assets exist and where information is held.

Keeping important documents together can make life easier for the people who’ll eventually deal with the estate. Our “[When I am gone](#)” document can help clients record important information in one place, including:

- Wills
- Pension information
- Protection policies and any accompanying trust documentation
- Savings and investment records
- Property documentation (including any outstanding loans)
- Records of any gifting that your clients have made
- Details of professional advisers

Maintaining organised records can make it easier for those dealing with an estate to understand the full financial picture.



Property and the family home

Passing property on

For many individuals, property represents a significant proportion of their overall wealth.

How a property passes on death will often depend on how ownership has been structured and whether any legal arrangements are already in place.

Property can sometimes transfer directly to another owner, while in other situations it may form part of the estate and be distributed through the administration process.

Potential tax implications

Property can play an important role when assessing potential inheritance tax liabilities.

The value of residential property, combined with other assets, may influence the overall tax position of an estate.

Tax outcomes can vary depending on ownership arrangements, family circumstances and the availability of relevant reliefs or exemptions.

Property wealth and estate planning

For some clients, accessing property wealth can support wider retirement, gifting or legacy planning objectives.

There are several ways clients may use housing wealth, including gifting property, downsizing, or accessing equity through a Lifetime Mortgage (equity release). Each option has different implications and may affect the value of the estate passed on to beneficiaries.

When it comes to equity release, while not an inheritance tax solution in itself, it can form part of wider discussions around retirement planning, gifting during lifetime and passing wealth to future generations. This is because where borrowing is secured against a property, the outstanding loan and any accrued interest will typically reduce the value of the estate over time, possibly having an interaction with IHT liabilities and where a total estate value sits against certain thresholds.

As with pensions, investments and trusts, property wealth should be considered as part of a broader conversation about a client’s objectives, family circumstances and inheritance wishes.



Next steps

Keeping clients’ plans under review

Circumstances change. Assets change. Tax rules change. Regular reviews can help ensure clients’ plans remain aligned with their wishes and continue to support the people who matter most.

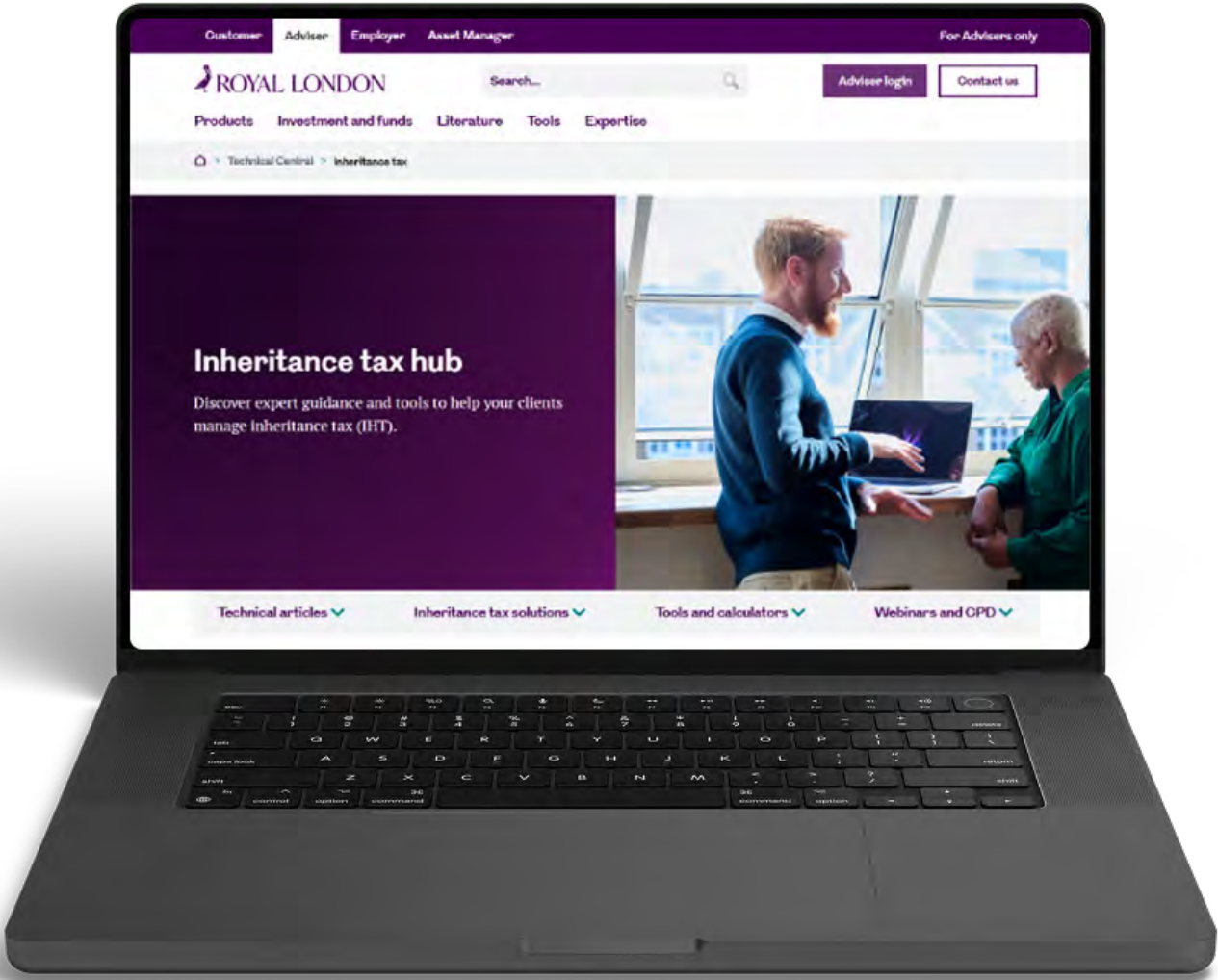
Identifying clients who may need a review

The changes from April 2027 may be a reason to revisit existing plans. [Personalised Client Review Services \(PCRS\)](#) can help identify pensions and ISA clients whose circumstances may warrant further review, helping firms prioritise conversations where they may have the greatest impact.

Find out more

Speak to your usual Royal London contact or visit our **Inheritance Tax Hub** for technical guidance and other resources to support estate planning conversations.

- Visit our IHT Hub
- Discover PCRS





**We're happy to provide your documents in a different format, such as Braille,
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