ESTATE PLANNING REVIEW
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STUDENT LOAN CONCERNS
Impact of different loan plans under scrutiny

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SPRING 2026

The other new year: set a course for 2026/27

Get on top of the tax changes scheduled from April

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In this issue...

With the first signs of spring comes expectation of the new tax year and changes across the tax spectrum. The announcement that sparked protests from farmers following its initial proposal in the Autumn 2024 Budget has since been amended and finally comes into force in April: a £2.5 million cap on 100% inheritance tax agricultural and business relief. This approach to taxation – delaying the implementation of significant tax changes – has been embraced by this and previous governments keen to stagger the impact of unpopular tax measures by postponing their enactment. Our feature highlights the major tax changes coming in from 2026/27, including another long-anticipated addition to the Making Tax Digital (MTD) programme – income tax for self-assessment. Those affected by the MTD tax reporting requirements and employed higher earners should also review their tax relief entitlements, as HMRC may owe you money through tax coding errors and unpaid pension tax relief. As the new ISA season kicks off, we also emphasise the need to check in on your range of holdings to make sure they are still working for you.

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Quarterly Investment Committee Update

It's been a lively start to 2026 for global stock markets, with ongoing geopolitical developments continuing to influence investor sentiment and highlight just how interconnected the world has become. While short-term volatility is never comfortable, it does serve as a useful reminder of the importance of staying focused on long-term investment goals..

Putting market commentary to one side—covered in detail by one of our investment partners, Rathbones—the committee itself has been busy over the past few months. January is typically a key planning and "housekeeping" period for us, giving us the chance to reflect on the previous year and set clear priorities for the months ahead. It's during this time that we map out our objectives for the first half of the year, making sure everything we do remains focused on achieving the best outcomes for our clients.

A big part of this has been preparing for our six-monthly due diligence meetings, which are coming up in May. These sessions are an important part of our process, giving us the opportunity to sit down with a range of investment partners and really get under the bonnet of how things are being managed. We review performance, challenge thinking where needed, and make sure each partner continues to meet the standards we expect. It's a key way we ensure our clients remain invested in solutions we have strong confidence in.

January is also when we take a close look at Q4 performance data. This helps us spot trends, assess consistency, and identify any areas that may need a deeper dive. Where something stands out, we'll carry out further analysis to decide whether any changes are needed. This ongoing monitoring is an important part of keeping our investment approach robust and up to date.

Of course, it's not all spreadsheets and meetings. We also took the opportunity to hold our (slightly delayed) Christmas lunch, which is always a great chance to thank the team for their hard work and time given up over the year.

Looking ahead, one of our main areas of focus for early 2026 is continuing to develop our Centralised Retirement Proposition (CRP). This sits at the heart of the advice we give to clients approaching or entering retirement, and it's something we're always looking to refine. As retirement planning becomes more complex, it's important that our approach keeps pace with changing needs and expectations.

This is especially relevant given the recent Budget changes, along with ongoing updates from the regulator. These bring new considerations around areas like pensions, tax, and how clients draw income in retirement. Our role is to fully understand these changes, assess what they mean in practice, and make any necessary updates to ensure our advice remains clear, practical, and effective.

By staying proactive and keeping things under regular review, we aim to ensure that our approach continues to support clients in making confident, well-informed decisions about their financial future.

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INVESTMENT

Market Update

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On Saturday 28th February, the US and Israel launched missile attacks on Iran targeting Iranian military installations, nuclear facilities, and leadership compounds in Tehran and other regions. They dubbed the operation Epic Fury (by the US) and Roaring Lion (by Israel), following stalled nuclear talks in Geneva. Iran immediately retaliated by launching its own missiles into neighbouring countries. At the time of writing (20th March) the conflict has continued to drag on, with recent strikes on energy infrastructure on both sides escalating tensions further.

Most investors had initially thought the crisis would be relatively short-lived, so they made light of the impact. However, as the first week unfolded, it became clear that the wider investment community (and possibly the US government) had underestimated the scale of Iran's reaction. The consequences included, most strikingly of all, the effective closure of the Strait of Hormuz, through which 20% of the worlds supply of oil is transported, because of Iranian attacks on shipping. Signs that events might drag on generated a sharp increase in energy prices as supplies were curtailed.

The key question is how long the flow of energy through the Strait will be affected. This will determine how large any potential stagflationary shock might be. By that, we mean a shock that pushes up inflation and pushes down growth.

The price of Brent crude has risen from around $60 per barrel pre conflict, its lowest in almost five years, to touching $120 per barrel at times in recent days. For reference, the high associated with Russia's full-scale invasion of Ukraine was close to $130. A prolonged closure of the Strait could, according to some analysts, see the oil price stabilise well above $100. However, we see more alarmist targets of $200-plus as unrealistic. The destruction of demand for oil at that level would be so great that we believe such a price to be unsustainable.

Major regional equity markets are between 5% and 10% lower since the crisis started (as at 20th March). Following a strong start to the year, that has left global equity indices, in aggregate, back where they started. Markets remain volatile too, responding to official statements and developments on the ground, with strikingly large movements within the same trading day.

There's no shying away from the fact that investors face an uncertain situation today. Geopolitical events are hard to predict and it's not advisable to trade them. In fact, history mostly suggests the right reaction is not to panic. Instead, the best policy is to stick to a long-term investment strategy. Diversification can cushion portfolios, whilst various 'tilts' can play a part in protecting against the negative effects – namely:

- Reduced exposure to long-duration bonds (bonds that have many years left to run)
- Owning quality stocks
- Portfolio diversifiers – assets that don't tend to move up and down in lockstep with other assets

That said, every such episode has to be considered on its individual merits, and we'll make further assessments and act accordingly in portfolios if required.

RATHBONES

ESTATE PLANNING

Time for an estate planning review?

Amendments to inheritance tax (IHT) rules, announced in the Autumn 2024 Budget, are about to start biting.

Credit: Peter Turner Photography/Shutterstock.com

"Inheritance tax is a voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue".

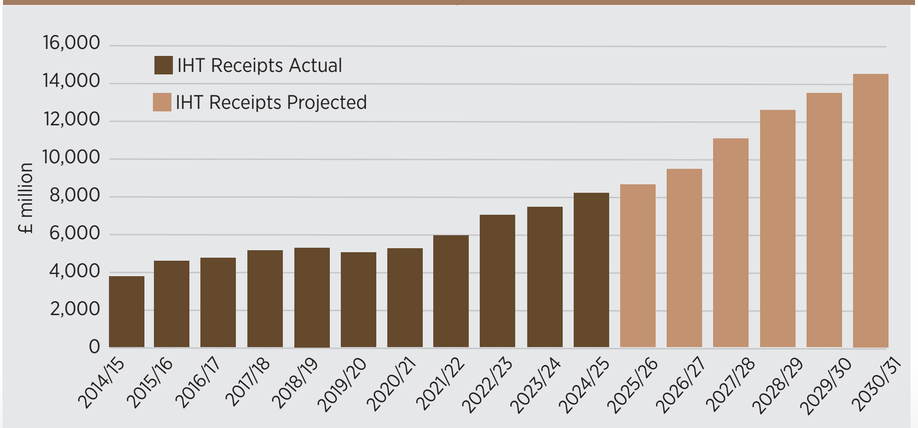
Former Labour Chancellor Roy Jenkins reflected on taxpayers' attitudes back in 1986. Forty years on, IHT is still with us, although the Inland Revenue has expanded to become HM Revenue & Customs. The 'voluntary' nature of the tax has also changed over that period, as successive chancellors have taken various actions to increase IHT revenue. You can see this in the graph below. Between 2014/15 and 2024/25 IHT receipts rose by over 115%, and in the next six years the Office for Budget Responsibility (OBR) projects there will be another 75% rise.

One reason for these inflation-busting increases is that the IHT nil rate band has been frozen at £325,000 since April 2009 and is not due to see any change until at least April 2031. The residence nil rate band, £175,000 since April 2020, will also remain fixed until the same date. Such protracted freezes allow inflation to drag more estates into paying IHT and raise more from estates already exposed to the tax.

The Autumn 2024 Budget helped IHT further along its upward course by introducing two important reforms:

- **Business and agricultural reliefs** For 2025/26, these reliefs are at a rate of 50% or 100%, with no limit. From 2026/27, the 100% relief will be capped (for agricultural and business relief combined) at £2.5 million per individual, with any unused amount transferable to a surviving spouse or civil partner. Eligible AIM-listed shares will qualify for 50% relief from 2026/27 rather than today's 100%.
- **Pension death benefits** At present, death benefits from pensions are excluded from your estate for IHT purposes, provided that any payment is made at the discretion of the pension scheme's trustees or administrator. From 6 April 2027 most pension death benefits, other than some death-in-service benefits, are due to fall within the scope of IHT.

THE UPWARD MARCH OF IHT



Source: HMRC, OBR

PENSION CHANGE REVENUE HIKE

Of these two changes, the reduction in agricultural relief has attracted by far the most attention, prompting the Chancellor into a U-turn on the 100% ceiling two days before Christmas. However, in practice the changes to reliefs will be much less significant than the inclusion of pensions in the IHT net. Even before the yuletide climb down, the relief reforms were projected to raise little more than a third of the revenue of the pension change. In addition, including pension values into estates will, for some homeowners, mean that their residence nil rate band is reduced or completely extinguished due to the effect of tapering.

The cumulative effect of the extended nil rate band freezes and Autumn 2024 Budget reforms means that any estate planning should now be reviewed. If you have no estate planning at present, the pension change could be a reason to start. Estate planning requires expert advice, as in some instances it may be necessary to restructure other aspects of your financial planning as changes to one element could have a knock-on effect elsewhere, such as retirement provision.

The Financial Conduct Authority does not regulate tax and estate planning advice. Tax treatment varies according to individual circumstances and is subject to change.

TAX

The other new year: set a course for 2026/27

The cumulative impact of several Budgets will make themselves felt on Easter Monday, when the 2026/27 tax year gets underway. Are you ready for the impact?

On income tax, it almost goes without saying that the personal allowance and the thresholds for higher-rate tax and additional-rate tax (top rate in Scotland) will remain the same. What is changing is:

Dividend tax Unless you are an additional-rate taxpayer, the rate of tax you pay on any dividends above the dividend allowance (frozen at £500) will rise by two percentage points in 2026/27. That means if you are a UK basic-rate taxpayer, your dividend tax rate will be 10.75%, while if you are a UK higher-rate taxpayer a 35.75% rate will apply. Additional-rate taxpayers and most trustees will continue to pay a 39.35% dividend tax rate.

Tax administration After many delays, Making Tax Digital (MTD) for income tax starts on 6 April. For 2026/27, you will be within its scope if:

- You are self-employed, a landlord or both;
- Your combined self-employment income and rental income (both before deductions for expenses) was more than £50,000 in the 2024/25 tax year; and
- You are not eligible for any of the strictly limited exemptions.

MTD for income tax requires affected taxpayers to use HMRC-approved software to submit quarterly income and expenses returns, with the first due by 7 August 2026. Penalty points will apply for late returns, although points will be waived in year one. That concession may reflect the compliance issues which HMRC is anticipating. If you fall within the scope of MTD for income tax, you must have registered with HMRC by 5 April 2026.

Income tax relief for venture capital trust investments (VCTs) Investment in VCTs will only attract 20% income tax relief from 2026/27, down from the previous 30%. While the size of companies that VCTs can invest in will double, the reduced relief could make Enterprise Investment Schemes (EISs), which retain 30% tax relief, relatively more attractive depending on your circumstances.

Company cars The scale charge on most company cars will rise by one percentage point. It may feel more dramatic than that if, like many company car drivers, you have an electric car (0g/km CO_2), as that 1% translates into a one third increase in tax.

CAPITAL TAXES

Here again there are freezes applied to the main exemptions, alongside some changes:

Inheritance tax (IHT) reliefs The contentious reforms to agricultural and business IHT reliefs come into full effect on 6 April 2026, limiting the value that qualifies for 100% relief to a combined £2,500,000 per individual, with any excess qualifying for 50% relief, and cutting relief on AIM-listed shares to 50%. While the changes have been watered down from the original proposals, they could still

Credit: Daxiao Productions/ Shutterstock.com

have a significant impact if you are a farmer or business owner.

Capital gains tax (CGT) There is no change to the main rates of CGT, but there is an increase to the rate on gains that qualify for business assets disposal relief from 14% to 18% in 2026/27.

If any of these changes could affect you, the sooner you seek advice on what action you can take, the better.

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The value of the investment and the income from it can fall as well as rise and investors may not get back what they originally invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

PENSIONS

Pension savers losing millions in tax relief

Millions of people may be due tax refunds as a result of tax code errors and confusion over pensions tax relief. However, individuals will need to apply for refunds, as HMRC won't necessarily automatically correct these errors.

MULTIPLE INCOME STREAMS

Wrong tax codes can be issued when HMRC does not have up-to-date information on company benefits or employee earnings. This can occur when people previously held more than one job, or had external sources of income, such as rental income, dividends or freelance work. It is estimated HMRC overcharged employees £3.5bn last year through such coding problems.

HIGHER-RATE TAXPAYERS CAN CLAIM FURTHER RELIEF

Many higher earners are also paying too much tax on their income, as they are not claiming back additional tax relief.

Basic-rate tax relief, at 20%, is automatically added to pension contributions at source. But higher-rate taxpayers, contributing to SIPPs or private pensions, can claim an additional 20% tax relief (or 25% for additional-rate taxpayers).

USE SELF-ASSESSMENT OR HMRC'S REFUND SERVICE

Some workplace schemes automatically give higher earners full tax relief, but not all. Those missing out are able to reclaim this money through self-assessment. HMRC also offers an online tax relief refund service for those that don't normally file a tax return.

✣ The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.

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RETIREMENT

Annuities cycle back

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Retirement funding behaviours have shifted in recent years with annuities staging a comeback.

Annuities, which pay a guaranteed income for life, fell out of fashion with retirees over the 2010s because of the low rates on offer.

The advent of higher interest rates has pushed up annuity rates making them a more attractive option. Last year saw £7.4bn of pension savings being used to secure an annuity income – the highest level since pension freedom rules were announced in 2014.

PROS AND CONS

Annuities offer peace of mind by guaranteeing a regular income for retirees from their pension, no matter how long they live. However, these products are inflexible: once you have bought an annuity with your pension fund, you can't switch providers, or unwind the product. There is also the risk that if you die early, the total income received may be less than the amount paid for the annuity.

One of the other downsides is that level annuities — the most commonly bought contract — pay a fixed income that does not increase over time. This means the value of the income can be eroded by inflation, particularly if this income is paid over a retirement that might last for 25 or 30-plus years. However, sales of 'escalating' annuities have risen 10% from 2024 to 2025. These annuities increase the income annually, either by a fixed amount, or in line with inflation. However, escalating annuities cost more than level annuities and usually start with a lower initial income. Those considering annuity options should also think about whether they need a single or a joint-life annuity. The latter pays out a reduced income (typically 50%) to a surviving spouse or civil partner. Purchasers may also want to look at enhanced or 'impaired life' options – which pay a higher income to those with existing health problems or 'lifestyle' factors which may indicate a shorter life expectancy, such as smoking.

> *From April 2027, the value of unused pension funds will be included in inheritance tax calculations, which may affect how people choose to use their savings pots in retirement.*

CHANGES TO IHT CALCULATIONS

Turning accumulated savings and investments into an income in retirement can be a complex decision. From April 2027, the value of unused pension funds will be included in inheritance tax calculations, which may affect how people choose to use their savings pots in retirement. There has been a sizeable increase in the number of people converting larger pension funds to annuities, which may be driven by changing tax rules.

If you're weighing up the pros and cons of annuities, remember that this need not be an all-or-nothing decision. It is possible to take a mix-and-match approach, buying an annuity with part of your retirement savings while keeping the balance in more flexible drawdown. Alternatively, some people may wish to stick with drawdown in the earlier years of retirement before looking to secure a regular income at a later date.

As ever, expert advice is advisable as purchasing an annuity may not be suitable for everyone.

✣ The value of your investment, and the income from it, can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

Occupational pension schemes are regulated by The Pensions Regulator.

The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.

INVESTMENT

Check in on your ISAs

Savers are being urged to make the most of this year's individual savings account (ISA) allowance, ahead of changes to come on tax and savings rules.

Currently, adults can invest up to £20,000 each tax year in these tax-efficient accounts, via a cash ISA, stocks and shares ISA, or a combination of both. However from April 2027, while the overall annual allowance will remain the same, those under the age of 65 will only be able put up to £12,000 a year into a cash ISA.

Starting to save or invest in an ISA early in the tax year rather than towards the end will help to maximise returns and make the most of tax-free interest or dividend payments. Failure to do so can eat into overall returns, particularly for higher-rate taxpayers.

TAX CHANGES

Outside of ISAs, investors can earn just £500 from dividends before tax is due. From April this year dividend tax rates will increase again, to 10.75% for basic-rate taxpayers and 35.75% for higher-rate taxpayers. Additional-rate taxpayers will continue to pay 39.35%.

From April 2027, savers will see a similar hike to tax paid on savings interest – with rates up to 22%, 42% and 47% respectively. Remember, while basic-rate taxpayers can earn £1,000 in interest per year tax-free (outside of ISAs), this reduces to £500 for higher-rate taxpayers, and is zero for additional-rate taxpayers. There's generally more focus on starting off a new ISA allowance, but savers should also track the performance of existing holdings – both stocks and shares and/or cash ISAs.

If investment returns are poor, or interest rates have dropped, you can switch products and providers, without affecting the current year's allowance.

Many people also assume they can only take out one ISA per tax-year. This is not the case – you can take out multiple ISAs provided the total amount invested does not exceed the £20,000 limit.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

Investments do not offer the same level of capital security as deposit accounts.

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INVESTMENT

The best-selling fund in 2025 was...

Sales of investment funds threw up a surprise winner in 2025.

The Investment Association recently published its 2025 report on investment fund sales and assets under management. For individual investors, the fund sector with the highest net sales (purchases less redemptions) over the year and the last three quarters of 2025 was Short Term Money Market funds – low-risk funds offering deposit-like returns. The worst selling sector, as usual, was UK All Companies.

CONTRADICTORY RESULTS

And yet, according to Trustnet, in 2025 the average UK All Companies fund produced a return of 15.4%, whereas the average Short Term Money Market fund return was 4.3%.

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NEWS ROUND UP

Rental demand drops

Buy-to-let investors have had a hard time of late, with tax burdens rising and, in England, the removal of 'no fault' evictions from 1 May 2026. Rental demand has also been falling, with one major property portal reporting that in January 2026 average enquiries were down a fifth on January 2025 and at their lowest level since 2019. Slow price growth and falling interest rates are turning would-be renters into first-time buyers.

NS&I cuts some variable rates

NS&I has cut the rates on both its Direct Saver accounts and Income Bonds for the first time since March 2025. The new rate for both, effective from 12 February 2026, is 3.05% AER. There are plenty of instant access accounts offering higher rates, but it pays to read the terms and conditions. Top-paying accounts often have short term bonuses or allow only a limited number of withdrawals per year.

If you failed to file…

HMRC says that 11.48 million people filed their 2024/25 tax return by the 31 January 2026 deadline. However, that means an estimated one million missed the cut off. If you didn't make it, do not delay further. You already face a £100 fine, even if you have no tax to pay, and penalties of £10 per day loom if you file more than three months' late. Interest on any overdue tax is at bank rate + 4%.

EDUCATION

Navigating student loans

Student loans are making headlines with opposition MPs, consumer groups and student bodies calling for changes to the way they operate in England.

The controversy surrounds Plan 2 loans, issued to students starting university between 2012 and 2023. Previously, students were on Plan 1 loans, with newer undergraduates on Plan 5 loans. Scotland and Wales operate separate student finance systems.

The government's controversial decision to freeze the repayment threshold for Plan 2 borrowers for three years from April 2027 means graduate repayments (9% of earnings above the threshold) will rise as salaries increase.

SLIDING SCALE

Consternation is also brewing over interest charged on these loans. While studying and until earnings reach the repayment threshold, interest is applied at the Retail Price Index (RPI). Once earnings exceed £51,245, borrowers pay RPI plus three percentage points. Between £28,470 and £51,245, this rate increases gradually — meaning someone earning £39,857 would pay RPI plus 1.5 percentage points.

Rates are set each year using the previous March's RPI figure. Last year this was 3.2%, leaving higher earners facing interest of 6.2%.

With average graduate debts of around £53,000 – covering £9,000-a-year tuition fees and maintenance loans – balances can grow quickly, particularly in a higher inflation environment.

EXTENDED REPAYMENT PERIOD

Any remaining balance under Plan 2 is written off after 30 years. However, many will still make substantial repayments over much of their working lives and could repay far more than they borrowed.

Graduates and parents considering early repayment should tread carefully. Those with the means may be tempted to clear some or all of this debt. But caution is needed. Partial repayments will not reduce monthly repayments, which are linked to earnings, not the size of the outstanding debt. There is also a risk of repaying sums that would otherwise have eventually been written off.

For those entering university now, Plan 5 charges interest at RPI only. But repayments start at £25,000 and continue for 40 years – potentially creating loan repayments through to their 60th birthday.

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