PENGUIN



Pensions, IHT & Your Family: The Master FAQ

25 quick answers to the questions people are actually asking

Questions 1–5: Understanding the Rules

1. What changes in April 2027?

From 6 April 2027, most unused Pension funds and relevant Pension death benefits will be included when calculating an Estate for Inheritance Tax.

---

2. Does that mean every Pension will be taxed at 40%?

No. Being included in the Estate is not the same as automatically paying IHT. The Estate still needs to exceed the allowances and exemptions available.

---

3. Is my Pension really going to be taxed at 90%?

Not automatically. IHT and Income Tax can interact in some cases, particularly after age 75, but simply adding headline Tax rates together gives a misleading answer.

---

4. Why does age 75 matter?

Broadly, qualifying death benefits can often be received by individual beneficiaries without Income Tax where death occurs before 75. From 75 onwards, taxable benefits are generally taxed at the beneficiary's marginal rate.

---

5. Does my spouse or civil partner pay IHT on my Pension?

Assets passing to a spouse or civil partner are generally covered by the spouse exemption for IHT, although the survivor's own future Estate still needs consideration.

Questions 6–9: Understanding the Rules

6. Does my Will decide who gets my Pension?

Not usually on its own. Pension death benefits are dealt with under the scheme rules, so your beneficiary nomination or Expression of Wish matters too.

---

7. What is an Expression of Wish?

It tells the Pension scheme who you would like to receive the death benefits. Depending on the scheme it may guide, rather than legally bind, the trustees or administrator.

---

8. When should I review my nomination?

After major family changes and periodically anyway. Marriage, divorce, births, deaths and changing relationships are all good prompts.

---

9. What is beneficiary Drawdown?

Where available, it can allow a beneficiary to keep inherited Pension money within a Pension arrangement and withdraw it over time rather than taking everything immediately.

Questions 10–14: Checking Your Position

10. Do all Pensions offer the same death-benefit options?

No. Scheme rules vary, and older arrangements can be more restrictive. It is worth knowing what each scheme actually allows.

---

11. Should I consolidate all my Pensions?

Not automatically. Simplicity can help, but transferring can mean losing valuable guarantees, protected benefits or useful death-benefit options.

---

12. Why does £2 million matter?

The Residence Nil Rate Band starts to taper once the relevant Estate exceeds £2 million. Adding Pensions from April 2027 can push some families across that line.

---

13. Is the whole Estate taxed at 60% above £2 million?

No. The 60% figure describes a possible marginal IHT effect on a slice of an Estate while the Residence Nil Rate Band is being withdrawn.

---

14. Should I start spending my Pension first?

Not necessarily. Pension withdrawals can create Income Tax and money left in your bank account may still sit in your Estate. The whole Financial Plan matters.

Questions 15–18: Checking Your Position

15. Should I take my Tax-Free Cash before April 2027?

There is no universal answer. Taking money out purely because the rules are changing can create other Tax, Investment and Estate Planning consequences.

---

16. If I withdraw my Pension, is it outside my Estate?

No. If you simply move the money into your bank account or another personally owned asset, it will normally remain part of your Estate.

---

17. Should I give money away instead?

Only if you genuinely want to and can comfortably afford never to need it back. Tax should come after your own Financial Independence.

---

18. What is the £3,000 gifting allowance?

Under current rules, an individual has an annual IHT gift exemption of £3,000, with limited ability to carry unused exemption forward for one Tax year.

Questions 19–23: Organising & Deciding

19. What is the seven-year rule?

Certain lifetime gifts can fall outside the Estate if you survive seven years. The detailed rules, including taper relief, are more nuanced than simply reducing the gift each year.

---

20. Can I give regularly from income?

Potentially. Gifts that qualify as normal expenditure out of income can be exempt from IHT, but conditions apply and good records are important.

---

21. What if a Trust is nominated on my Pension?

Do not automatically remove or retain it. Trusts can provide valuable family protection but may have different Tax and administrative consequences.

---

22. What should my Executors know?

Where your Pensions are, who your key professional contacts are, where your Will and Trust documents are kept, and where to find your Pension Treasure Map. Not your passwords.

---

23. Why does the six-month deadline matter?

IHT is generally due by the end of the sixth month after the month of death, so identifying and valuing assets promptly can matter.

Questions 24–25: Organising & Deciding

24. What is the best thing to do before April 2027?

Work out whether the change actually affects you: know your Estate value including Pensions, understand likely allowances, check nominations and make sure your family can find the plan.

---

25. What if I check everything and nothing needs changing?

Excellent. A review does not have to produce a recommendation. Sometimes 'carry on' is the right Financial Planning answer.

Where to go next

QR / LINK: 90% Myth-Buster | 2027 Decision Guide | £2m Trap | What Happens to My Pension? | Seven Pensions | Spend Pension First? | Giving While You're Living

> General information only. Tax treatment depends on individual circumstances and may change. Final QR codes, URLs, FCA status wording and technical review date to be added in artwork.

PENGUIN

One Life. Live It Well.

Get in touch with us.
We are always here to help you.



Telephone

02920 450143



Email

info@penguinwealth.com



Address

Penguin House, Raleigh Walk, Brigantine Place, Cardiff, CF10 4LN