PENGUIN



# Will the 2027 Pension Changes Actually Affect Me?

**A simple Penguin guide to working out whether the new rules are important for your family**

The April 2027 Pension changes are important. But there is a big difference between an important change and an important change *for you*.

This guide is designed to help you work out which camp you may be in, without needing to become an Inheritance Tax expert first.

**General information only. This is not personalised Financial Advice, Tax advice or legal advice. Tax treatment depends on individual circumstances and may change.**



# 1. Start here: what is changing?

For deaths on or after **6 April 2027**, most unused Pension funds and relevant Pension death benefits will be included in the value of the deceased person's Estate for Inheritance Tax.

That means a Pension that may previously have sat outside the IHT calculation can now increase the Estate being tested.

It does not mean everybody with a Pension suddenly pays Inheritance Tax. HMRC currently expects most Estates to continue to have no IHT liability after the change.

### The first decision

Ask yourself: When I add my relevant Pensions to my other assets, is my Estate still comfortably within the allowances likely to be available?

> **If yes,** this may be an important rule change that has little immediate Tax impact on your family.

> **If no, or you are close,** keep going.



## 2. Step One: add up the Estate

You only need sensible estimates at this stage.

- Home and other property
- Cash and savings
- ISAs and Investments
- Business and other assets
- Relevant Trust interests where applicable
- Unused Pension funds and relevant Pension death benefits
- Subtract relevant debts and liabilities where appropriate for the Estate calculation.

You are looking for a planning number, not trying to complete the final IHT account yourself.

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**Your rough number**

| | |
|---|---|
| Estate excluding Pensions: | £_____ |
| Relevant Pensions: | £_____ |
| **Approximate total:** | **£_____** |



# 3. Step Two: what allowances might you have?

The current standard **Nil Rate Band** is **£325,000** per person.

A **Residence Nil Rate Band** of up to **£175,000** may also be available where the qualifying conditions are met, including a qualifying home passing to direct descendants.

Unused Nil Rate Band and Residence Nil Rate Band can potentially transfer between spouses or civil partners.

That is why a qualifying surviving spouse or civil partner can sometimes have combined allowances of up to **£1 million**. But £1 million is not an automatic allowance for every couple.

**Quick check**

- [ ] Am I married or in a civil partnership, or widowed from one?
- [ ] Is there unused allowance from a late spouse or civil partner?
- [ ] Do I own a qualifying residence?
- [ ] Is it intended to pass to direct descendants?
- [ ] Is my Estate near or above £2 million?

# 4. Step Three: the simple decision tree

Use this as a conversation starter rather than a Tax calculator.

1

**A. Add your Estate + relevant Pensions**

Is the total clearly below the allowances you are likely to have?

**YES →** The 2027 change may create little or no additional IHT. Still check nominations and Pension organisation.

**NO / NOT SURE →** Go to B.

2

**B. Is the Estate close to or above £2 million?**

**YES →** Review the Residence Nil Rate Band taper. Including Pensions can reduce or remove this allowance.

**NO →** Go to C.

3

**C. Is some of the Estate likely to sit above the available allowances?**

**YES →** The Pension changes could increase the family's IHT exposure. Model the actual amount rather than assuming 40% of the whole Pension.

**NO / NOT SURE →** A review can establish whether the change is genuinely relevant.

4

**D. Are likely beneficiaries receiving Pension benefits after your death aged 75+?**

**YES →** Their own Income Tax position and the scheme's beneficiary options also matter.

# 5. Watch the £2 million line

This is the part some families may miss.

The Residence Nil Rate Band starts to taper away when the relevant Estate exceeds **£2 million**. It reduces by **£1 for every £2** above the threshold.

So a family could previously have been below £2 million when the Pension was outside the Estate, then move above it once the Pension is counted.

That can increase the Tax bill in two ways:

> More wealth is included in the Estate

> Some or all of the Residence Nil Rate Band can be lost

**Adding the Pension can change the allowance as well as the Estate value.**

If your combined wealth including Pensions is anywhere around £2 million, this is worth checking properly.



# 6. Three example families

Same rule change. Three very different conversations.

| 1 | 2 | 3 |
| --- | --- | --- |
| **Family A: £700,000 including Pensions**<br>A married couple has a modest home, savings and Pensions. Their eventual Estate is expected to remain well within the allowances potentially available.<br><br>**Likely conversation:** nominations, organisation and keeping the plan under review, rather than dramatic IHT restructuring. | **Family B: £1.4 million including Pensions**<br>A widowed client has inherited unused allowances from a late spouse, but the exact Residence Nil Rate Band position depends on the home and who inherits it.<br><br>**Likely conversation:** calculate the allowances properly before deciding whether there is an IHT issue. | **Family C: £2.2 million including Pensions**<br>The Estate excluding Pensions is £1.7 million. A £500,000 Pension takes the total to £2.2 million.<br><br>**Likely conversation:** the £2 million taper, beneficiary planning, Retirement withdrawals, gifting and wider Estate Planning may all deserve modelling. |



# 7. Even if there is no IHT problem, there may still be a planning job

This is important. You can discover that the 2027 change creates no extra Inheritance Tax and still find useful things to improve.

- Expression of Wish forms may be out of date.
- Beneficiaries may not have the best death-benefit options.
- Old Pension schemes may be difficult for the family to trace.
- Trust nominations may have been created under an old rulebook.
- Executors may not know who the Pension providers are.
- Your Will, Trusts and Pension nominations may not tell the same story.

**Tax is only one measure of whether the plan works.**



## 8. Your 60-second 2027 check

- [ ] I know roughly what my Estate is worth including Pensions.
- [ ] I know which allowances may actually be available.
- [ ] I know whether the £2 million taper could affect us.
- [ ] I know who is nominated on each Pension.
- [ ] I know whether beneficiaries can use Drawdown.
- [ ] I know whether any Pension names a Trust.
- [ ] My family or Executors know where my Pensions are.
- [ ] I have considered whether the change affects how I fund Retirement.
- [ ] I have considered gifting only in the context of my own long-term security.

**How did you do?**

> **Mostly ticks?** Good. The change may still be worth keeping under review, but there may be no reason for dramatic action.

> **Several question marks?** That is the useful signal. Not that you have a Tax problem. Simply that you do not yet know whether you have one.



# 9. Important change. Important for me.

The finance profession can sometimes make every legislative change sound as though everybody needs to act immediately. That is rarely helpful.

The purpose of a review is not to find something to change. It is to establish whether anything needs changing at all.

For some families, April 2027 will materially change the Estate Planning conversation. For others, the answer will be: understand it, organise the paperwork, keep it under review and carry on.

Both are perfectly good Financial Planning outcomes.

**The question to take away**

Not: *"What should everybody do about the 2027 Pension changes?"*

Ask: **"What do the 2027 Pension changes mean for us?"**

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



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