Are you feeling comfortable?

Can you fund your planned retirement?

Autumn Budget

New chancellor faces restricted spending options

Protect your business

Key staff are an asset to insure

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Bulletin

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IN THIS ISSUE:

» Retirement expectations

» How to stress test estate planning

» Autumn Budget: same challenges

» NS&I increases fixed rates

» Is your business protected?

» Are you really talking about money?

» News in brief

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Higher-rate tax: the club you don't want to join



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Are you on course to join the ballooning numbers of higher rate taxpayers?

Over the last seven years the number of people paying the higher or additional rates of income tax has doubled. In 2026/27, HMRC estimates that nearly one in five taxpayers is on the higher rate, while almost one in 30 pays the additional rate.

> *Each £100 increase in the personal allowance is estimated to cost £810 million in 2026/27, rising to around £1 billion a year by 2028/29 according to HMRC.*

The increase in numbers of higher- and additional-rate taxpayers has three main causes:

- Since April 2021, the higher-rate threshold (outside Scotland) has been frozen at £50,270. Had the threshold been inflation-linked, it would now be around £64,00.
- The additional-rate threshold (48% top rate threshold in Scotland) was frozen at £150,000 from April 2010 to April 2023, when it was reduced to a frozen £125,140.
- From April 2017, Scotland adopted a different tax path from the rest of the UK and now has a higher-rate threshold of £43,663 and a threshold for 45% tax (advanced rate in Scotland, introduced in 2024/25) of £75,000.

Lower down the income scale, the frozen personal allowance has helped to drag 9.5 million more people into income tax since 2010/11. Andy Burnham said in an interview with *The Times* the weekend after becoming Prime Minister that he had encountered "frustration about the personal allowance" when campaigning in Makerfield. However, a couple of days later he made clear that there was "no commitment to change". Each £100 increase in the personal allowance is estimated to cost £810 million in 2026/27, rising to around £1 billion a year by 2028/29, according to HMRC's ready reckoner.

With UK (excluding Scotland) higher-rate and additional-rate thresholds currently frozen until April 2031, you could find yourself changing tax bands, if you have not already done so. Now is a good time to check that you're making the most of the income tax-planning opportunities that remain.

✣ *The Financial Conduct Authority does not regulate tax advice.*

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PENSIONS

Will your retirement meet your expectations?

Are you on target for a comfortable retirement or will you have to manage on the minimum?

The question of how much income is necessary for retirement has attracted plenty of research and last year the government's Pensions Commission was revived to examine the adequacy of pension provision "through to 2050 and beyond". The Commission is widely seen as an independent body that will help the government justify an increase to the minimum levels of contributions to auto-enrolment pension schemes. The Commission's final report is due next year.

Meanwhile, Pensions UK, the main pensions industry organisation, has updated its costings for retirement based on three different retirement living standards:



- Minimum – "Covers all your needs, with some left over for fun". This level includes only one week's holiday in the UK and no car.
- Moderate – "More financial security and flexibility". A small three-year-old car is included and holidays are better – a fortnight 3* all-inclusive holiday in the Med and a long weekend off-peak break in the UK.
- Comfortable – "More financial freedom and some luxuries". The same small car is replaced more frequently and holiday entitlement expands to a fortnight 3*/4* half-board holiday in the Med with extra spending money and three long-weekend breaks in the UK.

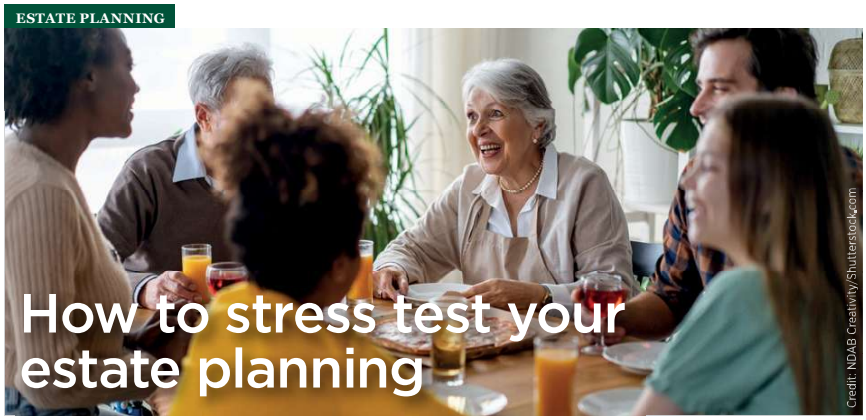
The cost of these three lifestyles in 2025 starts at £1,875 a month for a couple outside of London. If you find the comfortable standard the most appealing, that comes with a price tag of £5,400 a month in the capital. The figure assumes home ownership – rent would be an additional expense – and takes no account of income tax.

To discover where your retirement may fall on the minimum–comfortable scale, why not ask us for an assessment based on your personal circumstances and planned retirement date?

✣ *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.

ESTATE PLANNING



How to stress test your estate planning

Arguments over inheritance can cause major family rifts, and evidence suggests the number of disputes is rising.

Since 2019, there has been a 55% increase in people applying for a 'probate caveat'. This pauses the legal process of sorting out an estate while concerns are investigated. Last year, 126 inheritance disputes reached the High Court, a figure described as 'elevated' compared with previous years.

Meanwhile, the government is collecting record levels of inheritance tax (IHT). This looks set to rise further when unspent pensions are included within people's estates for IHT purposes. Taking time to stress test your estate planning now should ensure you aren't leaving your family with a potential feud or unnecessary tax bill.

First, make sure you have an up-to-date will. This should clearly state how assets should be divided and ideally explain your reasoning, particularly if beneficiaries are being treated differently. Keep a comprehensive record of savings, investments and other assets so executors can obtain relevant valuations. Documentation of gifts is also important: record the value, recipient and date. Everyone can generally give away up to £3,000 a year and make regular gifts out of income, subject to relevant rules, without these becoming part of your estate for IHT purposes.

Larger gifts can also become entirely free of IHT if you survive for seven years after making them. Keep records of charitable donations too, as these may reduce an IHT bill.

Good estate planning should ensure others can easily and effectively carry out your wishes. If that would be difficult if you were suddenly struck down tomorrow, it may be time for a review.

✣ *The Financial Conduct Authority does not regulate tax, Wills or estate planning advice.*

Tax treatment varies according to individual circumstances and is subject to change.

For specialist tax advice, please refer to an accountant or tax specialist.

ESTATE PLANNING

Probate costs see steep rise

The court charge for obtaining probate in England and Wales jumped by over 75% in mid-July.

In May 2024, the Ministry of Justice (MoJ) increased the cost of obtaining probate in England and Wales for estates valued at over £5,000 to £300. Just 26 months later, the MoJ raised the charge to £526 – a 75.3% increase. Over the period between May 2024 and July 2026, prices, as measured by CPI inflation, rose by 6.7%.

The MoJ justified the rise by saying it "recovers the cost of an ever-improving service". Ironically, less than three weeks after the fee rise took effect, the MoJ introduced a new probate application escalation process for applications if no response has been received in twelve weeks.

Dealing with estates can be a complex and slow process. As the frozen inheritance tax thresholds drag more estates into tax, make sure that you don't add to the complexities with an outdated will, or worse, no will at all.

✣ *The Financial Conduct Authority does not regulate estate planning or will writing advice.*

TAX

The Autumn Budget: new Chancellor, same challenges

The 2026 Budget looks as difficult for the new Chancellor as its 2024 and 2025 iterations were for his predecessor.

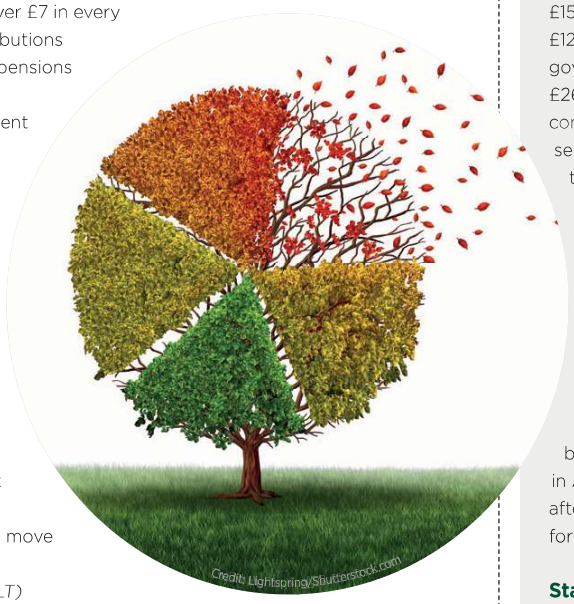
The last two Budgets produced total tax increases of more than £65 billion a year by 2030/31 – enough to lift the share of the UK economy taken in tax to a post-war high, according to the Office for Budget Responsibility (OBR).

The Autumn 2026 Budget will be on 28 October, with a new Chancellor, John Healey, answering to a new Prime Minister, Andy Burnham. Both Downing Street residents have said that they will stick to the fiscal rules set by Rachel Reeves and the 2024 Labour manifesto, which promised no rises in the rates of income tax, VAT and (employee) national insurance. So, what potential changes could we expect at the end of October?

Finding more headroom

The Iran war has left the public finances in a less healthy position than the OBR anticipated in its Spring 2026 Forecast of early March. One independent assessment estimated that the Chancellor's headroom within the fiscal rules has more than halved since March. Healey will want to rebuild at least part of that wiggle room, which suggests some tax increases may be likely. These could include:

- *Pension taxation* The last two Budgets have seen the tax screw on pensions tightened – inheritance tax on unused pensions from April 2027 and restrictions on salary sacrifice two years later. With over £7 in every £10 of income tax relief on pension contributions being given at higher or additional rates, pensions are a tempting target for the Treasury.
- *Income tax* Last year saw the announcement of an extra two percentage points of income tax on dividends (excluding additional-rate taxpayers), interest and property income (excluding Scotland). These rates could be increased again, or the Chancellor could borrow a Scottish idea and introduce a new 'advanced rate' tax band between higher and additional rates.
- *Capital gains tax (CGT)* While Rachel Reeves increased CGT rates in 2024, calls to bring rates in line with income tax continue to be heard from some think tanks and the government's own back benches. How much extra revenue such a move would produce is uncertain.
- *Council tax and stamp duty land tax (SDLT) (England only)* The Prime Minister was quick to quash suggestions that there would be a new form of property tax to replace both council tax and SDLT. This calmed the property market but left another rumour unaddressed. In last year's Budget, Rachel Reeves announced a High Value Council Tax Surcharge (HVCTS), to be levied from April 2028 on properties in England valued at over £2 million. There has since been talk that the threshold could be lowered to £1.5 million, which would nearly double the number of properties subject to the surcharge.



> *With over £7 in every £10 of income tax relief on pension contributions being given at higher or additional rates, pensions are a tempting target.*

If you're concerned about any changes in the areas outlined above, do take advice before acting. Both the 2024 and 2025 Budgets saw people pre-emptively withdraw pension lump sums, only to subsequently regret their hasty, unadvised planning.

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INVESTMENTS



NS&I increases fixed rates

NS&I is trying to attract more savers' cash.

In March, the government set NS&I's target for 2026/27 fundraising to £15 billion, up from a provisional £12.1 billion in 2025/26. As the government expects to borrow £268 billion this financial year, NS&I's contribution to the Treasury's coffers is seems relatively small beer. However, there are signs that NS&I is making a serious effort to bring in savers' money.

Take, for example, British Savings Bonds – Guaranteed Growth Bonds and Guaranteed Income Bonds with terms of one, two, three and five years. Since late April, NS&I has raised the rates on these bonds four times, with a rate increase in August arriving less than three weeks after an end of July rise of a mere 0.03% for all but the five-year term.

Standing up to the competition

The August uplift pushed NS&I's bonds close to the top of the league tables, with the one-year Guaranteed Income Bond only just missing out on the top spot. If you're tempted by the newly competitive British Savings Bonds, there are two important points to note:

- After a short cooling-off period, you cannot take money out until the Bond reaches the end of its term.
- Guaranteed Growth Bonds pay all their interest at maturity, which could be enough to push you into a different tax band or remove entitlement for the Winter Fuel Allowance. For instance, the five-year bond's maturity interest is around 26.7% of the amount invested.



BUSINESS

Is your business protected?

Almost a quarter of the UK's 5.6 million small businesses would struggle to trade beyond a month if they lost a key member of staff.

A recent Scottish Widows survey of SMEs highlights the precariousness of many of these enterprises, with one in 10 SME owners saying they would be forced to close immediately if they were unable to work through ill-health.

Yet almost half (45%) of business owners surveyed had never sought advice about protecting their business against these risks.

Choosing the right safety net

A range of business protection insurance options are available. These are designed to help ensure a company remains viable despite losing an owner, director or other key member of staff.

- **Key person insurance** provides life and/or critical illness cover for an owner, director or key employee. The business pays for the policy and receives the payout, which can help compensate for lost profits, recruitment costs or disrupted contracts.
- For companies with multiple owners, **shareholder or partnership protection** can provide funds for the remaining owners to buy an individual's share if they die or, depending on the policy, become critically ill. This can provide money to the deceased owner's family, while enabling the remaining owners to retain control of the business.
- **Business loan protection** can also provide funds to repay commercial or directors' loans and other debts following the death or critical illness of a key individual.

If you are running your own business and think you could benefit from one of these products, speak to a financial adviser or accountant about the options available and the appropriate level of cover.

Business owners routinely insure against risks such as fire, theft and cyberattacks. Business protection can cover an SME's most valuable asset: the people who built it.

PLANNING

Are you really talking about money?

What's the biggest financial decision you'll ever make? It may not be buying a house or saving into a pension, but choosing who to share your financial life with.

Money issues play a central role in most people's relationships, whether it's joint accounts to pay household bills, buying a house together, retirement planning or maximising tax-efficient savings if one partner earns more than the other.

Being able to have frank conversations, about what each partner earns, how they spend their money and their priorities, is key to a healthy long-term relationship. This is not always easy. People's attitudes towards money, savings and spending can be hugely influenced by the families they grew up in – and might not always be compatible with those of a new partner. It's not surprising that money issues play a central part in many relationship breakdowns and can be the cause of bitter disputes during divorce.

You may be lucky and your partner shares a similar outlook to you when it comes to managing money. But if not, potential tensions can be eased by talking regularly about how you feel about your joint and separate finances. You don't have to have a monthly spreadsheet – although this will work for some people – just a willingness to talk and listen. Start with day-to-day concerns: bills, subscriptions or covering next year's holiday. Look at how much each person spends and saves each month. Are there debts or spending patterns a partner needs to know about?

Long-term approach

As relationships progress, decisions around children, career breaks and retirement have significant financial consequences and it will be difficult to plan, or model good practice for your children, if financial issues remain taboo.

Focus on the best way to achieve your goals. For some couples, involving a financial adviser or other third party can help. Ultimately financial compatibility is about building trust and having honest conversations about one of the most important aspects of our lives.

NEWS IN BRIEF

News round up

More company cars

New data from HMRC show that the company car population jumped by nearly 10% between 2023/24 and 2024/25 and is now 200,000 larger than in 2021/22. The current, generous tax treatment of electric vehicles (EVs) is behind the jump – in 2024/25 EVs accounted for half of the company fleet.

If you're an EV company car driver, be warned that tax on your car will rise sharply in future years – by 2029/30 it will be 225% of the current level.

Missing: £59.2 billion

How much tax goes unpaid? For the last 20 years HMRC has attempted to put a figure on this known unknown and even tried to work out where the losses originate. Its latest estimate for the 'tax gap' in 2024/25 is £59.2 billion – about a third of the total amount raised by VAT. Over 60% of the unpaid tax is attributed to small businesses, more than five times as much as their larger counterparts.

Social care back up the agenda

One of the new Prime Minister's early set piece announcements focused on social care in England, something he tried to reform when Health Secretary. Probably the announcement's most significant element was bringing forward the publication of the final report of Baroness Casey's Commission on Social Care to next year. Casey's work is the 23rd investigation into the subject. If any change does result, it's unlikely to be initiated before the next general election.

