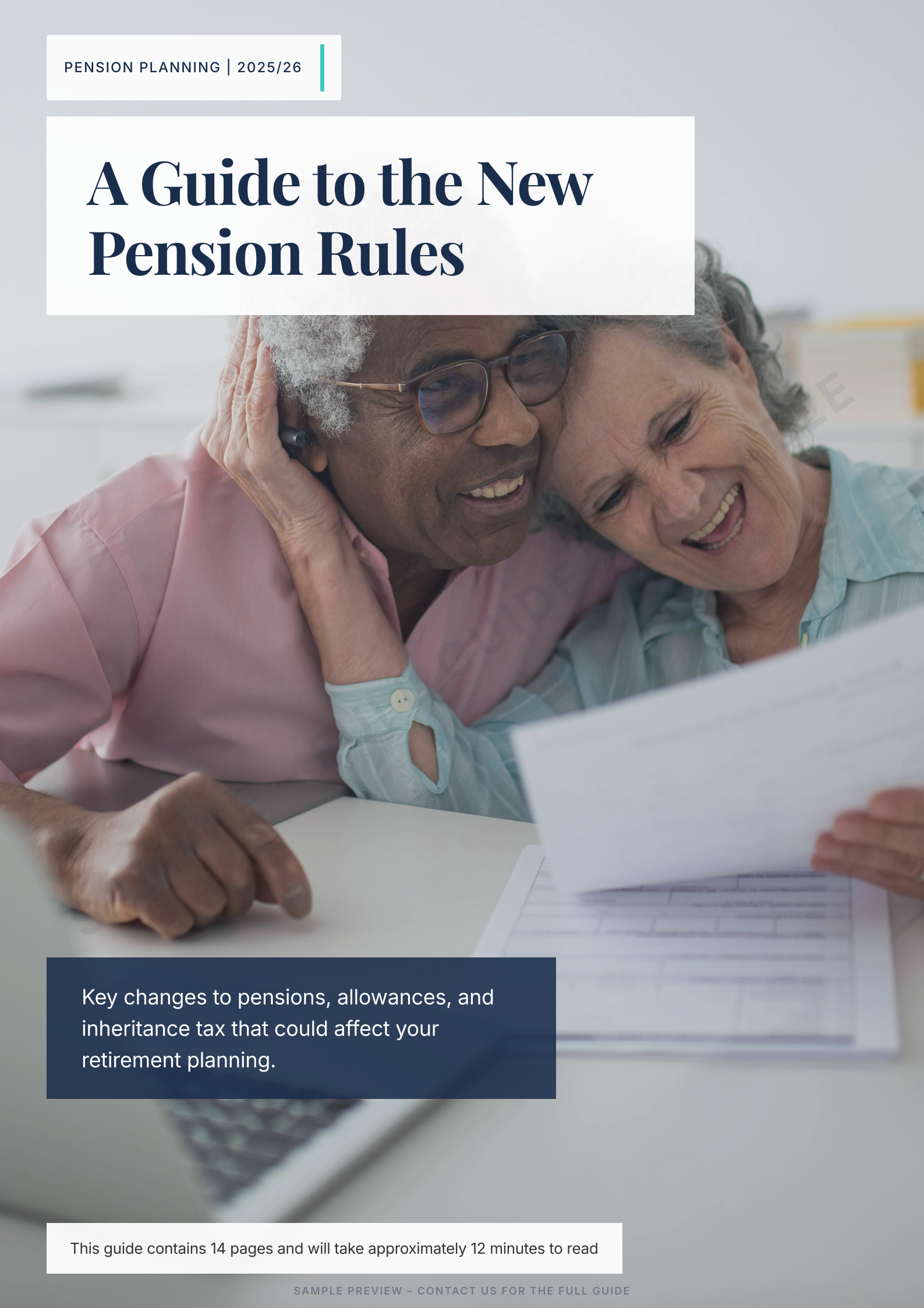


A Guide to the New Pension Rules

An elderly couple, a man and a woman, are sitting at a desk. The man is wearing glasses and a pink shirt, and the woman is wearing a light blue shirt. They are both smiling and looking at a document on the desk. The man has his hand on his head, and the woman is holding the document. The background is a blurred office setting.

Key changes to pensions, allowances, and inheritance tax that could affect your retirement planning.

This guide contains 14 pages and will take approximately 12 minutes to read



Inside This Guide

Everything you need to know about the pension rule changes affecting UK savers, from new allowances to inheritance tax implications.

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What's Changing?

The pension landscape is undergoing significant change from April 2026 onwards. Pension funds will be included in your estate for inheritance tax purposes, making the biggest shift in pension taxation for a generation.

Meanwhile, automatic enrolment will increase the State Pension age to 68, and new rules will take effect regarding the use of pension benefits.

Key Dates

- April 2026: Pension funds included in estate for inheritance tax
- April 2026: State Pension age increases to 68
- April 2026: New rules on pension benefits
- April 2026: New rules on pension benefits
- April 2026: New rules on pension benefits
- April 2026: New rules on pension benefits



Pensions & Inheritance Tax

From 6 April 2027, most pension benefits will be included in your estate for inheritance tax purposes. This is a major change that affects how pensions can be used for estate planning.

40%

IHT rate on pension funds above nil-rate band

£325k

Standard nil-rate band (frozen until 2030)

38,500

Estates affected by the changes each year

What Remains Exempt

- Pension benefits in a spouse or civil partner's name
- Death in service benefits from approved pension schemes
- Pension funds left to registered charities
- Dependents' pensions from approved pension schemes

Did you know?

From 6 April 2027, pension benefits will be included in your estate for inheritance tax purposes. This is a major change that affects how pensions can be used for estate planning.

Your Pension Allowances in 2025/26

With the introduction of changes to significant pension contributions, it's important to understand how these changes will affect your pension allowances. This guide provides a clear overview of the key allowances for 2025/26, helping you plan your pension strategy effectively.

Key Allowances for 2025/26

£60,000

Annual Allowance

£10,000

Money Purchase
Annual Allowance

£268,275

Lump Sum Allowance
(tax-free)

Tapered Annual Allowance

If your pensionable earnings exceed £260,000, your annual allowance is reduced by 5% for every £20,000 over the threshold. The minimum tapered allowance is £10,000 (subject to a maximum tapered allowance).

The New Lump Sum Rules

The following information has been identified and updated with new lump sum allowances. There's more to the old and new systems compared.

Old System (Pre-April 2024)	CURRENT New System (From April 2024)
<ul style="list-style-type: none"> £10,000 lump sum allowance 	<ul style="list-style-type: none"> No cap on lump sum allowance
<ul style="list-style-type: none"> 25% tax charge on excess 	<ul style="list-style-type: none"> No further charges
<ul style="list-style-type: none"> 25% tax free up to £10k 	<ul style="list-style-type: none"> 25% tax free lump sum
<ul style="list-style-type: none"> Transfer to pension rules 	<ul style="list-style-type: none"> Simple rules to fund pension
<ul style="list-style-type: none"> Lower flexibility for pension 	<ul style="list-style-type: none"> Enhanced pension growth
<p>2024</p> <p>Transfer to pension rules</p>	<p>2024</p> <p>Transfer to pension rules</p>

Lump Sum and Death Benefit Allowance

The simplified rules apply to lump sums during your lifetime and on death before age 75. Any amount above this is taxed as income.

State Pension: What You'll Receive

The State Pension increased by 4.8% in April 2026 under the triple-link guarantee, which updates pensions by the highest of inflation, average earnings growth, or 2.5%.

£241.30

New State Pension per week (2026/27)

£12,548

Annual full new State Pension

4.8%

Increase from April 2026

Which State Pension Do You Get?

- New State Pension** if you received State Pension before 6 April 2016. Maximum rate increases to £241.30.
- Basic State Pension** if you received State Pension after 5 April 2016. Maximum rate increases to £241.30, and you can also get additional State Pension you've built up.

Qualifying for the Full Amount

You need 35 qualifying years of National Insurance contributions for the full new State Pension. You can check your State Pension forecast and NI record at gov.uk to identify any gaps.

Check your forecast

Use gov.uk's State Pension forecast to see your personalised State Pension forecast and National Insurance record.

State Pension Age: When Can You Claim?

The State Pension age is currently 66, but it's rising to 67 between April 2026 and April 2028. The effects depend on when after 5 April 1953.

The Transition Period

If you were born between 5 April 1953 and 5 March 1955, your State Pension age will be somewhere between 66 and 67, depending on your exact date of birth.

- 1** Born before 5 April 1953
Your State Pension age is 66. Always correct.
- 2** Born 5 April 1953 - 5 March 1955
Your State Pension age is between 66 and 67, depending on your exact date of birth.
- 3** Born 6 March 1955 or later
Your State Pension age is 67 from April 2026.

Future Increases

State Pension age is expected to rise to 68 between 2036 and 2038, though a government could change the timing.

Check Your Date

66-67

Your State Pension age
being between
66 and 67



Between 5 April 1953
and 5 March 1955

SAMPLE - FULL GUIDE AVAILABLE

Pension Flexibility & Drawdown

When pension flexibility was introduced in 2015, you no longer have to choose about how to access your pension. Here's how the main options compare.

Option	How It Works	Best For
Flexi-access Drawdown	Take what you need, when you need it	Flexibility and control
Annuity	Guaranteed income for life	Security and certainty
Lump Sums (UFPLS)	Take chunks as needed (25% tax-free each time)	Occasional large expenses
Leave It Invested	Continue growing tax-efficiently	Those with other income sources
Combination	Mix approaches to suit your needs	Balancing security and flexibility

Important Money Purchase Annual Allowance

When you take money from a defined contribution pension under flexi-access drawdown, the Money Purchase Annual Allowance (MPAA) of £10,000 applies to those contributions. This limit may mean you can only withdraw small amounts.

Carry Forward: Using Unused Allowances

If you haven't used your full annual allowance in recent years, carry forward the unused allowance to offset against your contributions in the current year.

RS

Robert, 55

Company director with a high income. Wants to retire at 60 and leave a legacy. Looking for tax-efficient ways to save.

Salary	£85,000
2025 bonus	£45,000
Unused allowance	£80,000

His goals: Retire at 60

Tax-efficient saving Leave legacy

Robert's carry forward allowances

2025/26 annual allowance	£60,000
Unused from 2024/25 (contributed £40k)	+ £20,000
Unused from 2023/24 (contributed £20k)	+ £40,000
Unused from 2022/23 (contributed £20k)	+ £20,000
Total available allowance	= £140,000

What to do next

By carrying forward unused allowances, Robert can contribute up to £140,000 in 2025/26. This allows him to use his full annual allowance and offset it against his contributions, ensuring he makes the most of his savings opportunities.

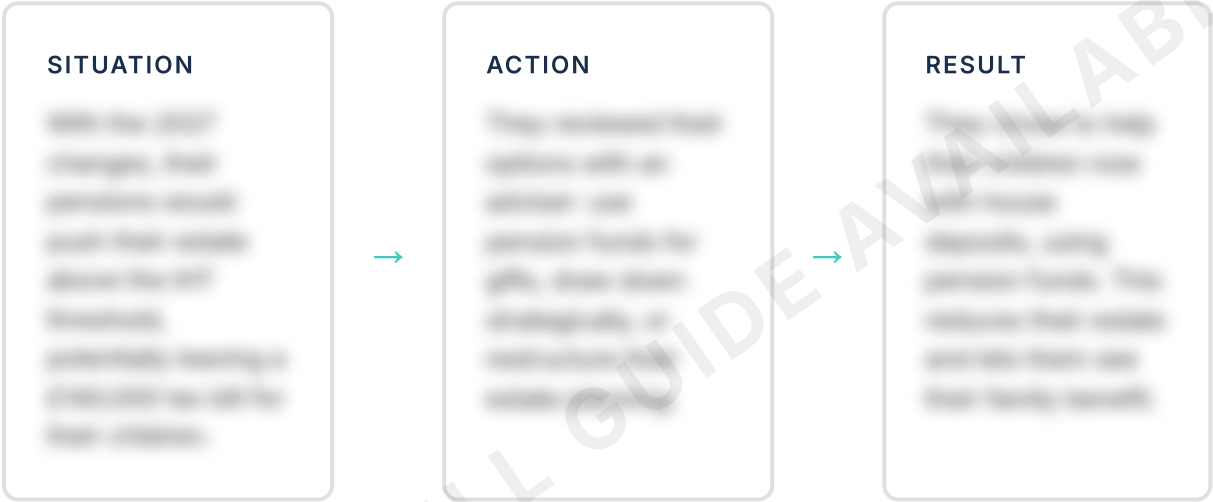
Case Study: Planning for the Changes

How can clients adjust their retirement strategy in light of the new pension rules?

Margaret & Stephen, both 65 + 10 years

Completed pension pots of £200,000. Stephen has a small UK pension. Both currently under 10% threshold.

Travel while healthy Help children with deposits Minimise IHT for family



What does this mean for Margaret & Stephen?

Instead of having income & pension to the value of 10% after tax death, they're using a smaller percentage with their family and may have income up to the property value. This means you can work for the 10% instead of 10%.

Your Next Steps

The pension landscape is changing. Take these actions to ensure you're prepared.

- 1** **Check your State Pension forecast** 10 MINS

Use your forecast state pension to see your forecast and identify any relevant insurance gaps you could fill.
- 2** **Review your pension statements** 30 MINS

Review statements from all your pension providers. Check your total pot, fees, death benefit nominations, and any unused annual allowance.
- 3** **Calculate your IHT position** 15 MINS

Use your pension funds to your estate plan. You should be able to use your annual allowance + 25% of your pension pot.
- 4** **Book a pension strategy** 5 MINS

The changes are significant enough to warrant professional advice. It could help you make the most of your family's resources to tax.

Ready to review your pension strategy?

Get in touch with our experts at [www.pensionadvice.com](#) to arrange a complimentary pension review.



Your Logo Here

Let's plan your next chapter together

The retirement stage of your working life is a unique time, and with the right guidance, you can take your pension strategy to the next level. Whether you're considering retirement or planning for the future, we're here to help you make informed decisions about your financial future.

Ready to take the next step?

Book a consultation with one of our experienced financial advisers to review your pension strategy.

Your Financial Adviser | 123 High Street, London EC1A 1AA

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