



Freedman Frankl & Taylor  
chartered accountants & business advisors

# Preparing for your Twilight Years

A guide to getting your finances  
ready for retirement and later life



# How to start planning for the future

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When planning for retirement, most people have a general idea of what it will look like for them.

Not working, spending time with grandchildren, pursuing new hobbies and taking that dream trip you always said you would do but never found the time to go on.

However, while all of these ideas sound incredible, the best way to make sure you can do each and every thing on your retirement bucket-list is to prepare a detailed retirement plan well before the day you leave the workforce.

## First things first, what assets have you got?

To make sure your plan actually covers everything you'll need in later life, start by making a list of everything you'll need to review.

This includes:

- Pensions (both personal and state).
- Savings.
- Investments.
- Property.
- Inheritance.
- Ongoing financial commitments (mortgage, rent, bills, subscriptions, insurance, dependents, etc).

You'll also need to know as accurately as possible how much income you are likely to need once work comes to an end.

Having a figure in mind allows you to plan more effectively for covering those costs in the future.

Questions worth asking at this stage:

- When would you like to stop working or reduce your hours?
- What level of income would feel comfortable for you to live on?
- Are there any large expenses expected in the coming years?
- Do you still have a mortgage to pay off?
- How much money are you currently putting aside for the future?
- Do you have any dependents?
- Do you know how much income you will get from your pension?

When you run through the answers to the questions above, it should highlight some gaps that may need extra attention during your planning preparation.

For instance, we often talk to people whose savings are unlikely to stretch as far as they hoped, so they ask us to help them adjust their strategy accordingly.

**If you need help reviewing how much money you need for your retirement, contact our team.**

# What do the changes to pensions mean for you?

Pensions are among the most widely used tools for retirement planning, but recent Government changes have altered how some people plan to use them going forward.

Did you know:

**13,000,000**

people in the UK receive the State Pension.

**20,000,000**

people in the UK save into a workplace pension.

**75%**

of adults aged 40-75 have a private pension.

**9,000,000**

people are considered 'underpensioned' and not saving enough (or at all).



## What changes have been announced for UK pensions?

As of 6 April 2026, all administrators of UK-registered pension schemes must be UK residents.

The majority of further changes to pensions will be phased in over the next few years.

Some of the key announcements include:

- Bringing unused pension pots into scope for Inheritance Tax (IHT) from April 2027.
- State Pension age is increasing to 67 between 2026 and 2028.
- State Pension rate increase (2026/27).
- Salary sacrifice cap introduced from April 2029.
- Normal Minimum Pension age increases from to 57 from April 2028.

Some of these will likely influence how you prepare for retirement.

## How will pensions impact IHT?

Many retirees have chosen to draw on savings first, leaving their pension untouched for as long as possible to allow pension funds to be passed on to their loved ones in a more tax-favourable way.

However, this choice is unlikely to remain as effective in the future due to upcoming reforms.

The Government confirmed in the 2024 Autumn Budget that most unused pension funds and death benefits will form part of an individual's estate for Inheritance Tax purposes. This change is due to take effect from 6 April 2027.

If the pension is passed to anyone other than a spouse, such as their children or grandchildren, it could be taxed twice.

Once for IHT and again for Income Tax when they withdraw it, if the death occurs after age 75.

With the rules set to change, it may be worth reconsidering how and when pension funds are used as part of a wider estate plan.

You may also want to change the beneficiary listed on your pension form to a spouse rather than your children, if that was your original plan and intended preference going forward.

## Increases in State Pension age

The age at which you can receive your State Pension Age is set to increase from 66 to 67 for both men and women between 2026 and 2028.

The adjustment will not happen all at once, as it depends on your date of birth.

For individuals born between 6 April 1960 and 5 March 1961, the State Pension age will be rising gradually. Individuals born after 6 March 1961 will receive their State Pension at 67.

There are plans to raise the age to 68 from 2044, but nothing has been confirmed yet, so we will be keeping an eye out for further developments and will update you as they are announced.

If you are unsure of your specific State Pension age and how much you will receive, there is a tool on the Government website: [Check your State Pension forecast - GOV.UK](#). Our team can also offer advice on how to increase the amount you receive.

## State Pension rate increase

UK State Pension rates have risen by 4.8 per cent as of 6 April 2026. The exact amount you receive from your pension will depend on your National Insurance (NI) record and whether you are eligible for the new State Pension or the basic State Pension.

To qualify for the new State Pension, you must be:

- A man born on or after 6 April 1951.
- A woman born on or after 6 April 1953.

If you are eligible to receive the full rate of the new State Pension, you will receive £241.30 per week. To receive the full amount, you will usually need 35 qualifying years of National Insurance Contributions (NICs).

To qualify for the basic State Pension, you must be:

- A man born before 6 April 1951.
- A woman born before 6 April 1953.

If you are eligible to receive the full rate of the basic State Pension, you will receive £184.90 per week. To receive the full amount, you will usually need 30 qualifying years of NICs.

However, you may need more qualifying years if you are a woman born before 1950 or a man born before 1945.

## What if you don't have enough NIC years?

Sometimes people have not made enough years of NICs due to taking time away from work to raise children or for health reasons.

It is also common for people who have worked abroad for some of their career to have lower NICs.



If you do not have the required qualifying years, you may be able to make voluntary NICs to fill the gaps. This can help you increase your State Pension entitlement, depending on how many years you're missing and which tax years you're topping up.

It's important to check whether paying voluntary contributions will actually boost your pension before you hand over any money, as you normally only have the option to fill gaps going back up to six years.

It is also worth noting that pension rules are subject to regular review by the Government, so your plans will need similar considerations.

## What should you do if you have multiple pension pots?

If you've switched between jobs or your company has changed pension providers, you'll likely have a few different pension pots at your disposal.

The good news is that it is entirely possible to consolidate all of these schemes into one if you prefer.

Consolidation can sometimes be more cost-effective because each pension typically carries its own annual charges.

Having everything in one place often makes it far easier to keep an eye on your savings and can help them grow.

However, before making the decision to put your pension schemes all into one pot, discuss it with an accountant first to make sure this is the best solution for you.

## How are pensions taxed?

Tax liabilities related to pensions depend on the type of pension it is.

### State Pension

In the UK, the State Pension is treated as taxable income, just like a salary. It's paid every four weeks without tax deducted, so any tax you owe is taken from your other sources of income.

For the 2026–27 tax year, the new State Pension amounts to £12,547 a year and you'll still receive your personal allowance each year (£12,570).

The personal allowance is the amount of income you can receive before tax is applied.

As the standard personal allowance is higher than the State Pension, most people won't pay tax if the State Pension is their only income.

However, for anyone who does have additional income coming through from other avenues, you will need to monitor your total earnings, as this may influence your overall tax position.

### Private Pensions

Contributions to your private pension are exempt from Income Tax. However, the money does become taxable once you withdraw from the pot.

You can usually take up to 25 per cent of your pension pot tax-free and the other 75 per cent of your pension money is then taxable.

You can choose to take your money as a single lump sum payment or receive it in smaller instalments, depending on your preferences.

## What if you continue to work while taking your State Pension?

If you carry on working while receiving your State Pension, the way you pay tax depends on whether you're employed or self-employed.

If you're employed, your employer will continue to deduct tax through PAYE and this will cover both your wages and your State Pension. HMRC works out how much tax you owe overall and adjusts your tax code, so the right amount is collected.

If you're self-employed, you'll handle things yourself through your Self Assessment tax return as usual. You'll need to declare all your income, including your self-employed earnings, your State Pension and any private pensions to determine how much tax is payable.

## Can you keep adding to a pension pot once you start withdrawing from it?

You can continue adding to a pension after you begin making withdrawals, but the amount you're allowed to pay in each year may drop depending on how you take the money out.

If you take flexible withdrawals from a defined contribution pension, you trigger something called the Money Purchase Annual Allowance (MPAA). Once triggered, your annual allowance for contributions falls from the standard limit (currently £60,000 a year for most people) down to a much smaller amount of £10,000.

It is not possible to carry forward any unused MPAA from the previous year.

**Unsure how pension changes apply to you? Speak to one of our accountants for personalised guidance.**



# Retirement age and timing your exit from work

The idea of a fixed retirement age has more or less died out. Some choose to stop work entirely when they reach their State Pension age, if not earlier.

However, others choose to move to part-time roles or consultancy work either because they want to continue working or because they need the extra money to support their lifestyle.

About 9.5 per cent of people aged 66 and older in the UK are still working, according to research by [Age UK](#). The increase in pension access age means that stopping work too early can create a gap between income sources.

Bridging this gap may require drawing on savings or other investments. On the other hand, continuing to work longer can:

- Allow pension funds to grow further.
- Reduce the number of years those funds need to support.
- Provide continued structure and routine.

There is no single approach that will suit every UK citizen, as we all have our own priorities and circumstances. The key is aligning your financial position with how you want to spend your time.

A careful review can help you understand the financial impact of different retirement dates before making a decision.

**If you're weighing up when to retire or how different retirement dates could affect your finances, contact our experts.**

# Is a Cash ISA still tax-efficient?

Currently, you are able to save as much as £20,000 a year in a Cash ISA tax-free.

However, for anyone under 65, this limit is being cut to £12,000 from April 2027, making this the final year for many to take advantage of the higher allowance.

The remaining £8,000 of the allowance can be invested in Stocks and Shares ISAs or Innovative Finance ISAs. Individuals over 65 will be able to carry on as normal with their £20,000 allowance across ISAs.

This is the first cut to the allowance since 2017.

The intention of the reduction is to encourage more people to invest in Stocks and Shares instead, boosting the UK economy.

There is currently no change to the annual contribution limit to Stocks and Shares ISAs or to Innovative Finance ISAs, which remain at £20,000 until 2031.

**If you're unsure how the ISA allowance changes affect your savings strategy, speak to our team.**



# Inheritance Tax and your estate

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Inheritance Tax (IHT) remains a concern for many families, particularly where property, business assets and pensions form a large part of the estate.

## Where does IHT remain unchanged?

The 40 per cent IHT rate remains in place for estates exceeding the Nil-Rate Band (NRB) until April 2030. The NLB threshold is frozen at £325,000 until April 2030.

While frozen rates can sometimes be considered a positive, in this case, the freeze will likely result in more estates incurring IHT as the value of their assets, especially property, increases.

## IHT changes to be aware of from April 2026

### Unused pensions

As we mentioned in an earlier section, unused pension pots will be included in the estate for IHT purposes from April 2027.

### Agricultural Property Relief and Business Property Relief

There is now a cap on the 100 per cent relief on Agricultural Property Relief (APR) and Business Property Relief (BPR).

If you are married or in a civil partnership, you will be able to transfer your allowance to your partner. This will allow couples to pass on up to £5 million worth of qualifying assets to loved ones, in addition to the assets protected by standard nil-rate bands.

Assets that exceed the cap will be subject to 20 per cent IHT. The cap applies to qualifying property held in trusts.

Shares listed on the AIM and other unquoted shares now only receive 50 per cent relief, down from the previous 100 per cent.

Unlike most IHT payments, IHT due on qualifying APR and BPR assets can be paid in interest-free instalments over 10 years.

When reviewing your IHT plans, make sure you understand:

- The total value of your estate (including unused pension pots).
- How close this is to current thresholds.
- Which assets may be subject to tax.
- What reliefs or allowances may apply.

Gifting during your lifetime can form part of a wider plan, though this needs to be approached carefully.

Leaving everything to be dealt with later can limit the options available to minimise IHT liabilities.

**Get in touch for more detailed advice on gifting opportunities and limitations.**

# Property and later-life decisions

For many of us, property is both a home and a major financial asset. As circumstances change, it is worth reviewing whether your current arrangements remain suitable.

Points to consider:

- The cost and upkeep of your home.
- Whether the property meets your needs as you get older.
- The possibility of downsizing or relocating.
- If you may need to sell it to pay for care.

Releasing equity from property can provide additional funds for retirement or reduce financial pressure.

At the same time, decisions around property often carry more sentimental weight, especially when it is a home that has been passed down through generations and holds so many memories.

There is value in taking time to weigh both the financial and practical aspects before making a change to living arrangements.



# Planning for care costs

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Care is often one of the least certain areas of retirement planning. Some people will not require any formal care in their lifetime beyond their standard GP check-ups, which, in most instances, can be covered by the NHS

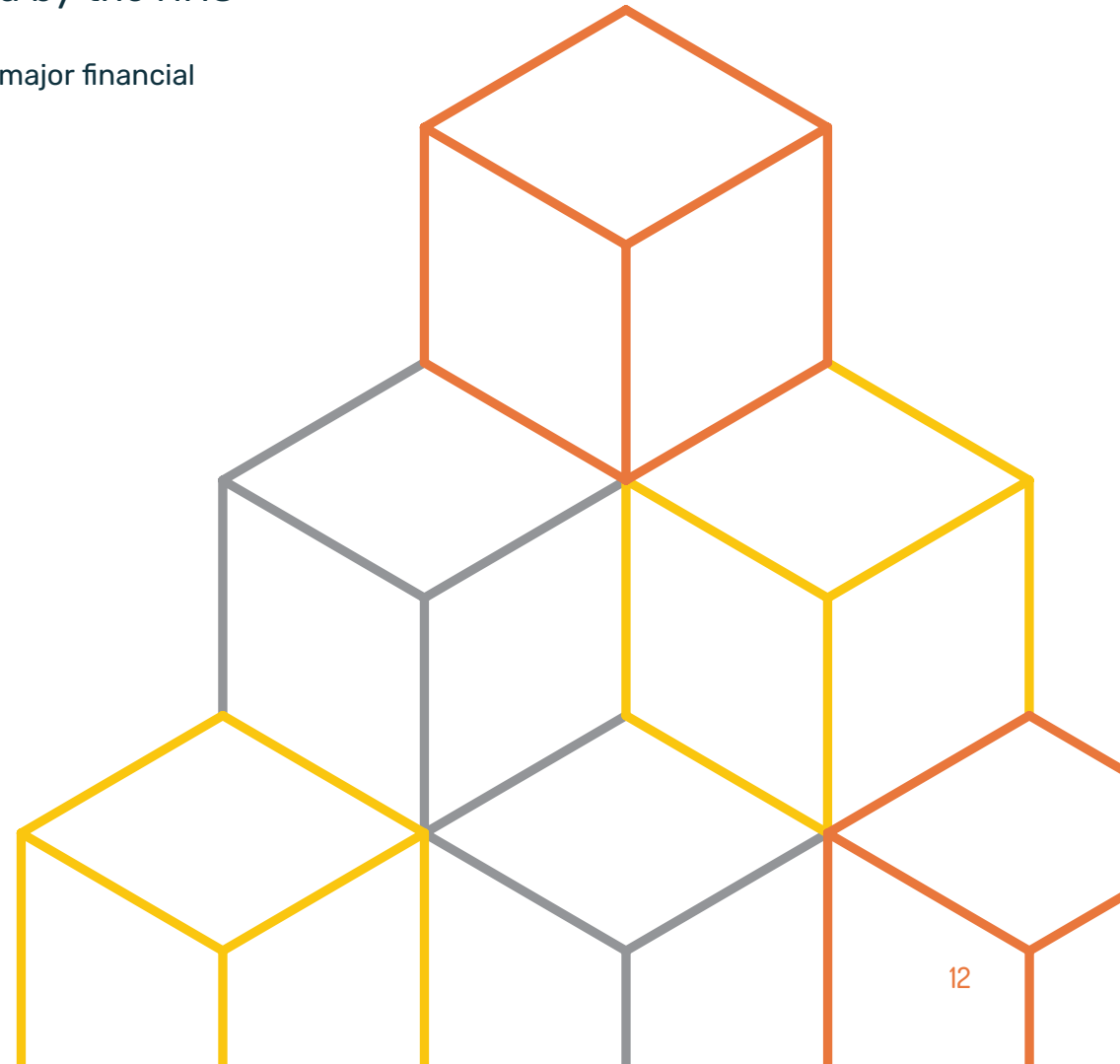
Others may need support from carers for many years, which can be a major financial burden where costs can't be covered by public funding.

Planning ahead for a potential health decline allows you to consider:

- How care might be funded if needed.
- Whether to set aside specific savings.
- The role your property may play in funding care.
- How family may be able to support you.
- Whether you should make a Lasting Power of Attorney (LPA) for both financial and medical decisions.

Discussing these matters early can also help reduce pressure on family members later on.

While it is not possible to predict every outcome, having a plan in place provides a degree of control and reassurance that many fail to fully appreciate until the time comes.



# Lasting Powers of Attorney for finances

An LPA allows someone you trust to act on your behalf if you lack the mental capacity to make decisions about your affairs.

LPAs can cover both financial matters and health decisions. You can choose the same person to take on both responsibilities or have separate attorneys if you think that is more suitable for your needs.

The person you choose as your attorney can be a friend or family member, or if you prefer to have someone more impartial, you can also select an accountant or lawyer to act for you.

Steps you can take to ensure your family is looked after include:

- Keeping key documents organised and accessible, including Wills, LPAs, property deeds and pension provider details.
- Making your wishes known to those close to you.
- Reviewing arrangements regularly.

These measures may not be your main priority as you plan for your future, but they are an important part of later-life planning.

**Need advice on later-life decisions? Get in touch!**



# How we can help

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Our role is to bring clarity and structure to your retirement plans.

We can assist with:

- Reviewing your current financial position.
- Assessing pension arrangements and income options.
- Considering IHT exposure.
- Exploring ways to draw income efficiently, maximise your income and reduce tax exposure.
- Coordinating your financial and legal planning.
- Staying up to date with new Government regulations.

Each plan we'll draft is tailored to your circumstances and priorities. Our experts will get to know you and your priorities to ensure that the decisions you make for yourself align with what you envision for your future.

Some clients require detailed ongoing support, while others prefer periodic reviews and we're prepared to accommodate either one. Our aim is to provide you with the confidence that your affairs are in order and that your plans remain suitable in the years ahead.

**Need help with your retirement plans?  
Get in touch with our team today!**






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