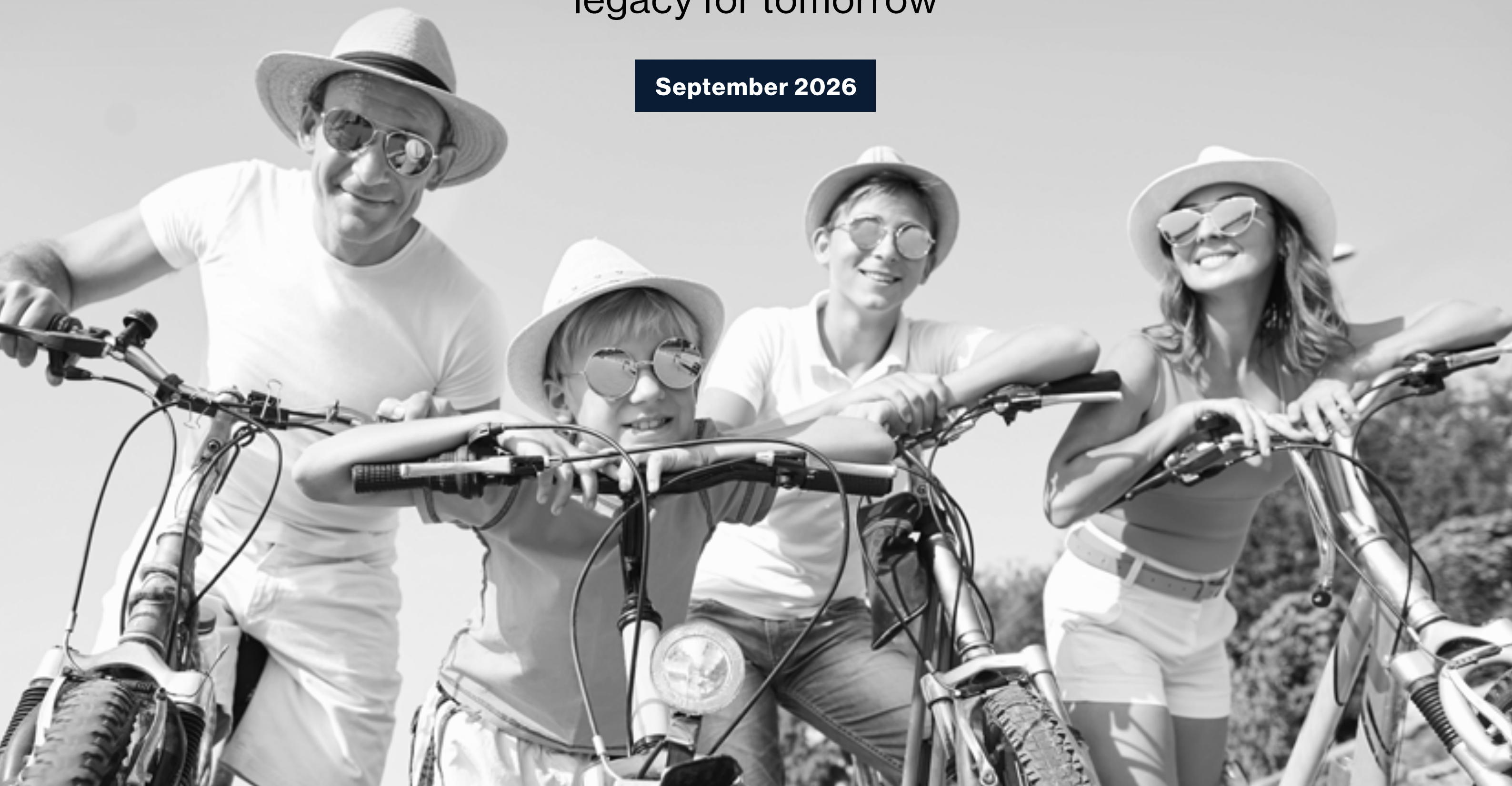
Guide to

Protecting Your Family, Wealth and Future

Building financial security for today and a legacy for tomorrow

September 2026



Financial Options Group, Stoneholme, 42 High Street, Bury, BL8 3AN
Tel: 0161 764 9944 **Email:** contact@financialopts.co.uk **Website:** www.financialopts.co.uk

Guide to

Protecting Your Family, Wealth and Future

Building financial security for today and a legacy for tomorrow

Welcome to our *Guide to Protecting Your Family, Wealth and Future.*

Most of us spend years working towards something: owning a home, building a career, achieving financial independence, securing a comfortable retirement or simply giving our families opportunities they might not otherwise have. We save, invest, contribute to pensions, repay mortgages and plan for the future. Over time, these decisions can create something valuable: financial security.

But financial security is not only about what we accumulate. It is also about having a plan for the unexpected and carefully considering what we want our wealth to achieve, both during our lifetime and for future generations.

Life rarely follows a predictable path. An unexpected diagnosis, serious illness, accident or premature death can change a family's circumstances almost overnight. Alongside the emotional impact, there can be immediate financial consequences. Bills still need to be paid, mortgage commitments remain, children still need support and long-term plans may suddenly need to change.

This guide explores how thoughtful financial planning can help families prepare for these moments. It considers three key areas of personal protection, namely critical illness cover, income protection and life assurance, and explains how each can play a distinct role in building financial resilience.

It also looks beyond today's protection to the longer-term question of how wealth can be passed on thoughtfully and effectively.

For many families, a financial plan does not end with building savings and investments. It may also involve planning for Inheritance Tax, lifetime gifts, property, pensions, business interests, trusts and Wills. Parents and grandparents may also want to support younger generations during their lifetime, helping with a first home, education, childcare or other important milestones.

Throughout the guide, we will consider how these elements can work together. You will explore why protection needs vary between households, how to identify potential gaps and why reviewing existing arrangements is particularly important as circumstances and UK tax rules evolve.

We will also consider the importance of legacy planning, not merely as a means of addressing potential Inheritance Tax, but as an opportunity to make your intentions clear, reduce uncertainty and help ensure that the wealth you have spent a lifetime building ultimately benefits the people and causes that matter to you.

Your circumstances are unique. This guide is designed to help you ask the right questions, understand the issues and have more informed conversations about your financial future.

Tax rules and financial circumstances are rarely straightforward, and there is no universal solution. That's why professional financial advice should always be sought before making significant decisions about protection, investments, pensions, gifts, trusts or estate planning, with specialist tax or legal advice where appropriate. ■

Would you like to talk through your financial plans?

Every family's circumstances, priorities and aspirations are different, and understanding how the elements of financial protection and legacy planning fit together can be complex. If you have questions about your protection needs, pensions, estate planning, Inheritance Tax or supporting the next generation, we would be happy to discuss your circumstances and explore the options available.

UNLESS OTHERWISE STATED, ALL FIGURES RELATE TO THE 2026/27 TAX YEAR. A PENSION IS A LONG-TERM INVESTMENT THAT IS NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028, UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO UP OR DOWN, WHICH WOULD AFFECT THE LEVEL OF PENSION BENEFITS AVAILABLE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE ESTATE PLANNING, CASHFLOW MODELLING OR TAX ADVICE. INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS, BASES AND RELIEFS FROM TAXATION ARE SUBJECT TO CHANGE.

Contents

> The most valuable asset many families protect is not their house or their investments; it is the ability to keep earning.

Protecting what matters most

Building wealth is only one part of the picture

Financial resilience starts with understanding what could go wrong and deciding which risks you can realistically afford to carry yourself.

Most families have a financial plan, even if they have never formally written one down. There are mortgages or rents to pay, household bills to cover, children to support, holidays to fund and longer-term ambitions to pursue. Perhaps there is a pension being built for retirement, savings set aside for emergencies or investments intended to provide financial freedom later in life.

Behind many of these commitments lies a particularly important asset: your ability to earn an income.

For a working household, income is often the engine that keeps everything moving. It funds today's lifestyle while supporting tomorrow's ambitions, covering mortgage payments, childcare, school costs, family activities, pension contributions and regular savings.

If that income is interrupted by serious illness, disability or death, the consequences can extend well beyond the immediate loss of salary.

A temporary reduction in earnings may be manageable. A prolonged or permanent loss of income can be much more difficult to absorb.

Savings can provide a valuable buffer, but they may not be intended to replace income for years. Investments can be sold, but doing so at the wrong time may compromise longer-term objectives. Family members may be able to help but relying on relatives is not always practical or desirable. State support and employer benefits may contribute, but they should not be assumed to meet every household's needs.

This is why protection planning deserves to sit alongside saving, investing and pension planning.

The starting point is a simple question: what would happen to your family if you could no longer provide for them as you do now?

Consider the possibilities. What if you became seriously ill? What if an illness or disability left you unable to work for months or years? What if you died unexpectedly? Would your family be able to remain in their home? Could they maintain their current standard of living? Would there be enough to support your children through key stages of their lives?

The answers can be revealing.

For some households, the mortgage may be the immediate concern. For others, it could be childcare costs, maintaining a family business or ensuring a partner can reduce their working hours to care for children. A family with older children may have very different needs from those of a family with a new baby.

There can also be less obvious financial consequences. A serious illness might require home adaptations, specialist equipment, private treatment or additional care. A long-term disability could affect someone's ability to continue pension contributions or to build investments. Following a death, a surviving partner may face additional childcare or household costs at a time when they are dealing with bereavement.

Protection planning is therefore about more than replacing a salary. It is about considering the financial consequences of life's major disruptions. ■

> Protection planning is not about predicting the future. It is about giving yourself more choices if the future does not go as planned.

Start with what you already have

A good protection review should begin with an assessment of your existing resources

Your employer may offer life assurance, sick pay, income protection or other benefits. You may already have personal life assurance linked to a mortgage, critical illness cover or an income protection policy.

Your savings and investments are also part of the picture, alongside pension benefits, cash reserves, property and other assets.

Understanding these resources helps identify genuine gaps rather than simply buying more insurance.

For example, an employee with six months of full sick pay may have different short-term protection needs from a self-employed person whose income could stop almost immediately. Someone with substantial liquid savings may need a different level of cover from a household with limited emergency reserves.

Similarly, a mortgage may already include some protection, but that does not necessarily mean the family's wider financial needs are covered.

The important question is not simply 'Do I have insurance?' but 'Would my existing resources be sufficient to protect the plans that matter to me?

Finding the gaps

Once your existing resources are clear, the next step is to identify where the vulnerabilities lie.

Consider the commitments that would continue even if your circumstances changed. Mortgage or rent payments are likely to remain. Utility bills, food and transport costs do not disappear. Children may continue to need financial support for many years, while pension contributions and other long-term goals may be disrupted.

Then consider what might change.

Could one partner realistically cover the household's costs alone? Would they need to work longer hours? Would caring responsibilities require them to cut back on hours? Would the family need to move home? Would children's education or other opportunities need to be reconsidered?

These questions are not intended to cause anxiety. They are designed to make potential risks visible.

This is where different types of protection can play distinct roles. Critical illness cover can provide a lump sum following a qualifying diagnosis. Income protection can help replace part of an income when illness or disability prevents someone from working. Life assurance can provide a financial benefit on death.

The policies are not interchangeable. Each addresses a distinct financial risk and the appropriate combination depends on individual circumstances. ■

Families have different priorities

Determining the level of protection required is unique to you and your family

A young couple buying their first home may have a large mortgage, limited savings and many years of future income ahead of them. Their priority may be protecting their mortgage and ensuring their young children remain financially secure.

An established family may have significant investments, pension savings and equity in their home. Their protection requirements may be lower in some areas, but their estate-planning needs may be more complex.

Someone who is self-employed may have limited access to employer-provided benefits and therefore need to place greater emphasis on personal protection. A business owner may also need to consider what would happen to the business if a key individual became seriously ill or died.

Someone approaching retirement may rely less on earned income but have more accumulated wealth to protect, with increasingly important considerations around pensions, estate planning and Inheritance Tax.

The right answer depends on the person, not simply the policy.

Protecting your plans, not just your income

One useful way to approach protection is to think about the plans behind the money.

Perhaps you are building a deposit for a child's first home. Perhaps you want to retire at a particular age. Perhaps you want your partner to have the option to work fewer hours while your children are young. Perhaps you want to preserve a family business or leave a financial legacy.

An unexpected event could put any of these objectives under pressure.

Protection can create a financial buffer between the event and the plans you have spent years building.

That does not mean every risk needs to be insured. Some may be better managed through emergency savings or investments, while others may be risks you are comfortable accepting. Insurance is generally most valuable when the potential financial loss is significant enough to seriously affect your plans if absorbed personally.

Protection premiums are also a real cost. Cover needs to be affordable not only today but throughout the period for which it is required. There is little value in creating an ambitious strategy that becomes unsustainable later.

The policy itself matters too. Definitions, exclusions, waiting periods, benefit periods, policy terms and underwriting can all affect what is ultimately provided. ■

> The goal is not to insure everything. It is to ensure that the risks you cannot comfortably afford to bear yourself are properly considered.

Review as life changes

Protection planning should not be a one-off exercise

Your circumstances can change significantly over a few years. Marriage, divorce, having children, moving home, taking on a larger mortgage, changing employment, becoming self-employed, starting a business or receiving an inheritance can all alter the balance of risk.

Even when nothing dramatic has happened, your financial position may have changed. Your salary may have increased, your mortgage may have decreased or your savings and investments may have grown.

A policy that was appropriate five years ago may therefore no longer offer the right level of protection.

It is also important to review protection as part of wider financial planning. Retirement planning, pension contributions, investment decisions and estate planning can all affect the amount and type of protection you need.

Before cancelling or replacing an existing policy, professional advice should always be sought. Older policies may include valuable terms or benefits that are no longer available in new policies, and changes in health and circumstances may affect the cost or availability of replacement cover.

Building financial resilience

Ultimately, protecting what matters most is about building resilience.

It means recognising that, if an unexpected event occurs, you have considered the financial consequences rather than leaving everything to chance.

That resilience might stem from a combination of savings, investments, employer benefits and personal protection. For one family, it may mean a substantial emergency fund and modest insurance. For another, it may mean a carefully structured mix of income protection, critical illness cover and life assurance.

Neither approach is automatically right or wrong.

The important thing is that the strategy reflects your circumstances, responsibilities, financial objectives and the people who depend on you.

Protection is not about focusing on everything that could go wrong. It is about identifying the events with the greatest financial consequences and deciding how best to prepare for them.

Ultimately, wealth protection is not simply about safeguarding money. It is about safeguarding choices, opportunities and the people who matter most.

Professional financial advice should always be sought before making significant decisions about protection. We can help you assess your existing arrangements, identify potential gaps and consider suitable options alongside your wider financial plan. ■

Critical illness cover

How an unexpected diagnosis can change more than your health

A serious diagnosis can change far more than your health. It can affect your ability to work, your family routines, your financial priorities and the plans you have spent years putting in place.

Critical illness cover provides a lump-sum payment if you are diagnosed with one of the specific illnesses, medical conditions or injuries covered by your policy, subject to its definitions, exclusions and other terms. It may be available as a standalone policy or as an additional benefit alongside life assurance.

The key point is that critical illness cover is not designed to cover every illness. Policies vary considerably between providers, and the medical definition of a condition can be just as important as the name of the condition.

For example, policies may cover conditions such as certain cancers, heart attacks, strokes, multiple sclerosis, major organ transplants and other specified serious conditions. However, the precise circumstances in which a claim will be paid can vary significantly. Some conditions may qualify only when they reach a particular severity, while certain less serious conditions may be excluded altogether.

What could the money be used for?

One of the main attractions of critical illness cover is the flexibility of the lump-sum benefit.

If a claim is accepted, the money can generally be used according to your priorities and circumstances. You might use it to reduce or repay a mortgage, replace lost earnings, pay household bills, fund home adaptations or purchase specialist equipment.

It could also help meet additional costs associated with treatment and recovery, including transport, childcare or other practical support. Alternatively, you may simply want to retain the money as a financial reserve while you and your family adjust to a changed situation.

This flexibility can be particularly valuable because the financial consequences of serious illness are not always immediately apparent.

A diagnosis may not immediately prevent someone from working, but it could result in reduced hours, a change of role or a prolonged period away from work. There may also be costs that were not part of the household budget before, such as adapting a home, travelling to appointments or arranging additional childcare.

The benefit can therefore provide something difficult to put a price on: financial breathing space.

How it differs from income protection

Critical illness cover and income protection are sometimes confused because both can provide financial support after illness or injury. However, they are designed to address different risks.

Critical illness cover generally pays a lump sum upon diagnosis of a qualifying condition, regardless of whether you subsequently return to work, subject to the policy terms.

Income protection, by contrast, is designed to provide a regular income when illness or injury prevent you from working, subject to the policy's definition of incapacity and other terms.

This distinction can make the two forms of protection complementary rather than alternatives to each other.

For example, a critical illness payment could help clear a portion of the mortgage or cover immediate costs, while income protection could provide ongoing support for household expenditure if the illness prevents you from working for an extended period.

The appropriate balance will depend on your income, savings, debts, employer benefits, family commitments and your existing insurance.

What exactly is covered?

This is where careful comparison becomes particularly important.

It can be tempting to compare policies primarily by the number of conditions covered or the monthly premium. However, a policy covering fewer conditions may not necessarily be inferior to one covering more. Definitions and severity thresholds can be more important than the headline number.

For example, cancer is a condition commonly covered by critical illness policies, but not every type or stage of cancer will necessarily qualify for a full payment. Similarly, a policy may cover stroke or heart attack but specify particular medical criteria that must be met before a claim is payable.

Some policies may also provide partial payments for less severe conditions or additional benefits if a child develops one of the specified conditions.

It is therefore important to read beyond the marketing summary and understand the actual policy wording.

Before taking cover, consider:

- Which illnesses and conditions are included?
- What medical definition applies to each condition?
- Are early or less severe forms of particular conditions covered?
- Are there exclusions that could affect a potential claim?
- Does the policy include children's critical illness cover?
- Are partial payments available for certain conditions?
- Does the benefit remain fixed or increase over time?
- What happens to the policy after a successful claim?

These details can make a substantial difference to the cover's usefulness.

How much cover might you need?

There is no universal figure.

The appropriate amount should reflect the financial impact a serious illness could have on your household and the resources you already have.

Start by considering your major commitments. A household with a large mortgage and dependent children may need a different level of cover to someone who owns their home outright and has substantial savings.

You could consider:

Mortgage and debts — Would you prefer the lump sum to repay some or all of your mortgage or other borrowing?

Income replacement — How much financial support would your family need while you recover or adjust to a new situation?

Additional costs — Might you need to adapt your home, buy equipment, pay for transport or arrange additional care?

Family commitments — Would you like to maintain childcare, education or other plans for your children?

Existing resources — How much could you realistically draw from savings and investments without jeopardising your longer-term financial plans?

> The value of protection is not measured by the premium you pay each month. It is measured by the financial support available when you need it most.

Employer benefits — How much sick pay or other support would you receive if you were unable to work?

The objective is not necessarily to insure against every possible cost. It is to create a level of financial resilience that reflects the risks you would find hardest to absorb yourself.

What affects the cost?

The cost of critical illness cover varies depending on both the policy and the person applying for it.

Factors can include age, health, smoking history, occupation, family medical history and the level of cover selected. The policy structure itself can also affect the premium.

Some policies offer guaranteed premiums, while others have reviewable premiums that may change over time.

Cover may also be structured so that the benefit remains level or increases, potentially helping to protect against inflation.

These choices involve trade-offs.

A higher level of cover will generally cost more. Additional benefits can increase the premium. A policy with broader definitions or more extensive features may also be more expensive.

The cheapest policy is therefore not necessarily the most appropriate.

The better question is **whether the policy provides meaningful protection for the risks that matter to you at a sustainable cost.**

Family protection

For parents, critical illness cover can have an additional dimension.

A serious illness affecting one parent can have consequences for the entire household. Even if the affected parent can continue working, medical appointments, treatment and recovery may disrupt family routines and increase costs.

Some policies offer children's critical illness cover, either automatically within certain limits or as an optional benefit. The covered conditions and the level of payment can vary, so the policy wording should be checked carefully.

For grandparents, the role may be different. They may not need to insure their own income in the same way as working parents, but their broader financial planning can affect the support available to children and grandchildren if a family experiences a serious illness.

This reinforces a broader principle: protection should be considered in the context of the whole family, not merely the individual taking out the policy.

Tax position

For the 2026/27 tax year, HM Revenue & Customs' (HMRC) guidance confirms that payments from qualifying critical illness policies are not treated as taxable annual income. HMRC explains that critical illness policies pay a lump sum when the insured person suffers from one of a number of specified diseases, and that such a payment is not an annuity and therefore is not taxable as income in the recipient's hands as an annual payment.

This is an important distinction from other forms of insurance or income received during periods of illness, where the tax treatment can depend on how the policy is structured and on who paid the premiums.

The tax treatment should not, however, be the primary reason for selecting a policy. Suitability, affordability, definitions and the level of protection should come first.

Where a policy is arranged through an employer, business or other structure, the tax position can be more complex. Professional advice should therefore be sought where premiums are not simply paid personally from taxed income.

Think beyond the premium

When comparing critical illness policies, it is easy to focus on the monthly premium.

But a premium is only one part of the decision.

Imagine paying for a policy for many years, only to discover that a condition you believed was covered does not meet the policy's medical definition. Conversely, a slightly more expensive policy may offer broader or more suitable protection for your circumstances.

This is why policy wording matters.

> Good protection planning is not about preparing for the worst. It is about ensuring that, if the worst happens, your family has room to breathe.

Consider the circumstances under which the policy would pay, the amount it would pay, whether benefits can be claimed more than once, what happens after a claim and whether the policy is designed to remain appropriate as your circumstances change.

Review your protection as life changes

Critical illness cover should be reviewed whenever your circumstances change.

A new mortgage, the birth of a child, a significant increase in earnings, a change of employment or a major change in your financial position can all affect the level of protection that is appropriate.

Your existing policy should also be considered alongside income protection and life assurance. You may have sufficient cover in one area but a significant gap in another.

Before cancelling or replacing an existing policy, professional advice should always be sought. Changes in age, health and circumstances can affect the cost or availability of new cover, and an existing policy may contain valuable terms that are difficult to replicate.

Financial safety net when life changes

Critical illness cover cannot prevent illness. Nor can it guarantee that every financial consequence of a diagnosis will be covered.

What it can do is provide a lump sum at a time when financial flexibility may be particularly valuable.

That money could help protect a home, maintain a family's standard of living, support recovery, fund necessary changes or simply provide time to make decisions without immediate financial pressure.

The right policy will depend on your individual circumstances, objectives and resources.

For anyone considering critical illness cover, the next step should be to understand the risks you are trying to protect against, assess the resources you already have and then consider whether additional cover is appropriate.

We will help you compare policy definitions, exclusions, benefits and costs, and assess how critical illness cover could complement income protection, life assurance and your wider financial plan.

The aim is not simply to buy a policy.

It is to create a protection strategy that gives you and your family greater financial resilience when circumstances change. ■

Income protection

How to maintain your choices when your circumstances change

For many households, the ability to earn is the foundation on which everything else rests. Your salary or business income may cover the mortgage, rent, household bills, childcare, education, holidays, pension contributions, savings and investments. It may also provide the financial capacity to support children or grandchildren in the future.

That makes your ability to work an asset worth considering carefully.

Income protection is designed to provide a regular income if illness or disability prevents you from working, subject to the policy's definition of incapacity, terms, exclusions, deferred period and maximum benefit. Unlike critical illness cover, which generally pays a lump sum on a specified diagnosis, income protection is designed to address the ongoing financial impact of being unable to work.

For someone who relies heavily on earned income, it can be an important part of a broader protection strategy. Even a substantial savings account can be depleted surprisingly quickly when household expenditure continues but earnings stop.

Why your income matters

It is easy to think of wealth in terms of property, pensions, investments and savings.

But for someone in their working years, future earnings can constitute a significant share of their lifetime financial resources. A professional in their 30s or 40s may have decades of potential earnings ahead, even if their current savings and investments are relatively modest.

An extended period away from work could therefore affect more than today's household budget. It could interrupt pension contributions, reduce investment savings, delay mortgage repayments and make other long-term goals harder to achieve.

For a family, the consequences can multiply.

If one parent becomes unable to work, the household may lose income while facing higher costs. There may be additional childcare, transport, rehabilitation or care expenses. A partner may need to reduce their working hours to provide support, creating a second financial impact.

Income protection is intended to help address this type of financial vulnerability.

How income protection works

Income protection policies generally pay a regular benefit when the policyholder meets the policy's definition of incapacity and is unable to work due to illness or injury.

The benefit is typically expressed as a proportion of earnings, rather than as a

100% salary replacement. There are limits on the amount that can be insured, and the precise calculation will depend on the policy and the insurer's rules.

This is important because the purpose is generally to provide meaningful financial support without creating an incentive for someone to remain out of work.

The policy may also take into account other income or benefits you receive, depending on its terms.

Before taking cover, it is therefore important to understand not only the headline monthly benefit but also how that figure would be calculated if you needed to make a claim.

Deciding on the deferred period

One of the key decisions when arranging income protection is the length of the deferred period.

This is the period between becoming unable to work and the point at which the policy begins paying a benefit. Depending on the policy, you may be able to choose a relatively short or a longer waiting period.

A longer deferred period can sometimes reduce the cost of cover, but it means you need sufficient resources to support yourself during the initial period.

This is where your employer's sick pay arrangements become particularly important.

For example, if your employer provides several months of full or partial sick pay, you may be able to choose a deferred period that broadly reflects that benefit. A self-employed person without employer support may need to consider how they would fund a longer absence before a policy begins paying out.

The decision should therefore be based on what you could realistically afford, rather than simply choosing the cheapest premium.

How long could the benefit last?

Income protection policies can also differ in how long they will pay benefits.

Some policies may pay for a limited period, while others may continue until a specified age, such as retirement, provided the policyholder continues to meet the relevant definition of incapacity.

A longer potential benefit period can provide greater protection against a prolonged illness or disability, but it can also affect the premium.

This is an important distinction from short-term accident and sickness policies, which may provide benefits for only a limited period.

When considering income protection, think about the financial consequences of being unable to work, not just for several months but potentially for several years.

Your definition of incapacity matters

One of the most important aspects of an income protection policy is how it defines your inability to work.

Policies may use different definitions when determining whether a claim is payable. The wording may consider your own occupation, a suited occupation or other criteria.

This distinction can be especially important for specialist professionals.

Someone with a highly specialised occupation may be unable to perform their particular role but may be technically capable of carrying out other work. The policy definition can therefore have a significant impact on whether a claim would be paid.

The wording should be understood before taking out a policy, rather than being discovered when a claim is made.

It is also important to understand exclusions and any requirements regarding medical evidence, rehabilitation and ongoing assessments.

What happens if you can return to work?

Modern income protection can be about more than simply paying a benefit while someone is off work.

Depending on the policy, there may be support for rehabilitation, treatment or a gradual return to employment. Some insurers may work with policyholders and medical professionals to help them return to work where appropriate.

This can be valuable because the objective is not necessarily to remain dependent on the policy forever.

A successful return to work can restore earned income, pension contributions and other financial benefits, while helping someone regain professional and personal independence.

The exact services available vary between providers and policies, so they should be considered part of the overall policy rather than assumed to be included.

Employees and the self-employed

Your employment status can significantly

affect your protection needs.

An employee may benefit from contractual sick pay, employer-sponsored income protection, life assurance or other workplace benefits. These benefits should be reviewed before arranging additional personal cover.

However, workplace benefits can change when you change employer. A policy provided by an employer may also cease when employment ends, subject to its terms.

Self-employed people can face different risks. If there is no employer-funded sick pay, the loss of earnings may begin almost immediately. The business itself may also depend heavily on the individual's ability to work.

For business owners, there may therefore be two distinct questions:

How would I support my household if I could not work?
and
What would happen to my business if I could not work?

The answers may require different forms of planning.

How much cover might you need?

There is no universal level of income protection that is appropriate for everyone.

A useful starting point is your essential expenditure.

Consider mortgage or rent, utilities, food, transport, childcare, insurance, debt repayments and other unavoidable costs. Then consider the lifestyle expenditure you wish to maintain and your longer-term commitments, such as pension contributions or regular investments.

Next, establish what resources would be available if you could not work.

These might include:

- employer sick pay
- existing income protection
- savings and emergency funds
- investment income
- benefits or other sources of household income
- support from a partner or other family members

The difference between what you would need and what you could realistically access can help identify a potential protection gap.

It is important not to assume that savings alone will solve the problem. Using savings to cover living costs for a few months may be manageable, but using them for several years could significantly affect retirement or other long-term objectives.

Tax position

For the 2026/27 tax year, HM Revenue & Customs (HMRC) guidance states that payments from insurance policies covering sickness or disability are generally tax-free if the policyholder has paid the premiums from taxed income. HMRC's guidance also explains that different treatment may apply if an employer or another person pays the premiums.

This makes the way a policy is arranged important.

For example, personally owned income protection funded by an individual's taxed income can have different tax treatment from arrangements where an employer pays premiums or provides cover as part of an employment package.

Tax treatment should therefore be considered alongside ownership, premium payments and the policy's structure.

Tax rules can change, and individual circumstances differ, so professional advice should be sought when the arrangement involves an employer, a business or a more complex structure.

Don't confuse income protection with critical illness cover

Although both forms of protection can respond to serious health events, they are intended to address different financial needs.

Critical illness cover generally pays a lump sum if you suffer a specified condition that meets the policy's definition.

Income protection is designed to provide cover for the loss of earnings resulting from illness or disability that prevents you from working, subject to the policy definition.

Someone could therefore receive a critical illness payment and still require income protection if their illness prevents them from working for an extended period.

Conversely, someone could become unable to work because of a condition that does not qualify for a critical illness payment but does meet the definition of an income protection claim.

This is why the two policies can sometimes work alongside each other.

Think about the whole household

Income protection is not simply about protecting the policyholder.

It can protect the financial stability of everyone who relies on that income.

For couples, it is worth considering both partners separately. One partner may earn more, but the other may provide unpaid childcare or other household responsibilities that would be expensive to replace.

The financial value of that contribution should not be underestimated.

> When your earning ability is one of your greatest financial assets, protecting it deserves a place in your wider financial plan.

A household can therefore have significant protection needs even when only one person earns the majority of the income.

Review your cover as your circumstances change

Income protection should be reviewed whenever your financial circumstances change.

A significant increase in salary may increase the need for protection. A change in occupation could affect the policy definition. Moving from employment to self-employment could alter the importance of employer benefits. A new mortgage or the arrival of children could increase household expenditure.

Equally, paying down debts, building substantial savings or approaching retirement may change the level of cover that remains appropriate.

Do not automatically cancel an existing policy simply because your circumstances have improved. The cost and availability of replacement cover can be affected by age, health and occupation.

Professional advice should always be sought before cancelling, replacing or materially changing existing protection.

Creating an income safety net

Income protection is ultimately about safeguarding the financial engine behind your plans.

It cannot prevent illness or disability. It cannot remove the emotional or practical challenges of being unable to work. But an appropriate policy can provide a regular income when it is most needed.

That support can help maintain the household's essential expenditure, preserve longer-term plans and reduce the pressure to make major financial decisions during a period of uncertainty.

The right approach is to consider income protection alongside your savings, investments, pension arrangements, employer benefits, critical illness cover and life assurance.

The objective is not necessarily to insure every pound of income. It is to understand the financial consequences of losing that income and to decide how much of the risk you can comfortably bear yourself.

We will help assess your existing benefits, expenditure, earnings, occupation and broader objectives, and explain how different policy definitions, deferred periods and benefit terms could affect the protection available.

Your income supports far more than today's bills.

Protecting it can help protect the future you are working to build. ■

Life assurance

How to create certainty for your family and loved ones amid uncertainty

For many families, the death of a parent, partner or other key earner would create an emotional loss that no financial product could ever replace. But alongside that loss, there may be very practical financial consequences. Mortgage commitments may remain, household bills still need to be paid, children may need support for many years and a surviving partner may have to manage the household on a reduced income while coping with bereavement.

Life assurance can help provide financial security at such a time by paying a lump sum, or in some circumstances other benefits, following the insured person's death, subject to the policy's terms and conditions. The level of cover you choose should reflect what you are trying to protect and the resources your family would have available without your income.

What would your family need?

The first step is to look beyond the policy and consider the financial reality your family would face.

Imagine your income disappeared tomorrow. Which costs would continue? Mortgage or rent, utility bills, food, transport and insurance are unlikely to stop. If you have children, there may be childcare, school, university or other costs to consider. A surviving partner may also need to take time off work or reduce their hours.

There may be longer-term objectives too. Perhaps you want to help your children with their first home, you are building a retirement fund for you and your partner, or you want to ensure that a surviving spouse or registered civil partner can remain financially independent.

Life assurance can be structured around these objectives.

A useful starting point is therefore not 'How much life cover can I afford?' but 'What would my family need if I were no longer here?'

Choosing the right type of cover

Different forms of life assurance can meet different needs.

Term assurance provides cover for a specified period. It can be particularly useful when there is a defined financial responsibility to protect, such as a mortgage or dependent children. If the policyholder dies during the term, the policy can pay the agreed benefit, subject to the policy terms.

There are several types of term assurance.

Level term assurance generally provides a fixed level of cover throughout the policy term. This can be suitable where the financial need is broadly consistent over the period.

Decreasing term assurance provides a benefit that decreases over time. It is commonly associated with repayment mortgages, where the outstanding debt is expected to decline. It can also be used in certain estate-planning situations.

Increasing term assurance allows the level of cover to rise over time, potentially helping to maintain the real value of the benefit as living costs rise. The precise mechanism for increasing cover varies between policies.

Looking beyond the term

Term assurance is not designed to pay out on every death. If the policyholder survives the term, the policy will normally end without a death benefit being payable.

That may be entirely appropriate.

For example, if the policy's purpose is to protect a mortgage or to provide for children until they become financially independent, the need may naturally decline over time.

But some financial needs do not disappear.

For people who want to provide a benefit upon their death, whole-of-life assurance may be considered. Subject to meeting the policy requirements and paying premiums, it is designed to pay out on death rather than ending at a predetermined date.

Whole-of-life policies can therefore play a role in longer-term estate planning, including planning for a potential Inheritance Tax liability. However, they are generally more expensive than term assurance and can involve more complex terms, premium structures and reviews. Premiums on some policies may be reviewed and can rise over time.

The reason for taking cover should therefore be established before deciding which policy to use.

Single or joint life?

Couples may also need to consider whether they require individual or joint life assurance.

A joint life policy generally covers two people and pays out on the first death. This can provide a straightforward way to protect a couple's shared financial commitments and can sometimes be less expensive than buying two equivalent single-life policies.

However, a joint policy will generally provide only one payout following the first death.

Two individual policies can provide separate benefits on each death. This can be particularly relevant where both people have their own financial responsibilities, or where the surviving partner would still have significant protection needs after the first death.

There is no universal answer. The appropriate structure depends on the family's financial circumstances and the purpose of the cover. There is an important distinction between joint and single policies, as joint cover typically pays out on the first death.

Protecting a mortgage

For many households, the mortgage is one of the first liabilities considered when arranging life assurance.

If a homeowner dies while a substantial mortgage remains outstanding, the surviving family may face a difficult choice: continue making repayments on a reduced household income, use other assets or potentially sell the property.

Life assurance can provide funds to repay some or all of the outstanding borrowing.

But mortgage protection should not necessarily be the end of the conversation.

A mortgage may be cleared, but the family will still need to live. There may be years of household expenditure ahead, including childcare, education and other costs.

A family should therefore consider both debt protection and income replacement when determining the amount of cover required.

Protecting children and dependants

Parents often view life assurance differently once they have children.

The question is not simply how much debt would remain, but how much financial support children would need if one or both parents died.

Depending on their age, this could include childcare, school-related costs, university or further education, transport, activities and support for their first home.

There may also be a less visible cost: the loss of unpaid work.

A parent who provides childcare, manages the household or supports an elderly relative may not have an income that appears on a payslip, but replacing those responsibilities could create substantial additional expenditure.

This is why both parents should consider their respective contributions when reviewing family protection, even if one earns considerably more than the other.

Employer benefits and death in service

Before taking out personal life assurance, check what protection you already receive at work.

Some employers provide death-in-service benefits, which can pay a lump sum to beneficiaries if an employee dies while covered by the scheme.

This can be valuable, but it should not automatically be treated as a permanent substitute for personal life assurance.

The benefit may be linked to your employment, and changing jobs could mean losing or altering the cover. The amount may also be based on a multiple of your salary and therefore change as your earnings change.

It is worth understanding exactly what your employer provides, who receives the benefit and whether it would be sufficient for your family's needs.

If you already have personal life assurance, the workplace benefit should be considered alongside it rather than in isolation.

Life assurance and Inheritance Tax

Life assurance can also have an important role in estate planning.

For the 2026/27 tax year, Inheritance Tax (IHT) remains a significant consideration for families whose estates may exceed the available exemptions and reliefs.

The ownership of a life policy can matter.

HM Revenue & Customs (HMRC) confirms that where the deceased is both the life assured and the policyholder, the policy proceeds can form part of their estate for Inheritance Tax purposes.

This can create an important distinction between merely having life assurance and considering how the policy is owned.

Where appropriate, a life assurance policy may be written into an appropriate trust. A trust can keep the policy proceeds outside the deceased's estate for IHT purposes, provided the arrangement is properly structured and the relevant conditions are met. HMRC confirms that life policies can be placed in trust and that the tax treatment depends on the particular trust and ownership arrangements.

A trust can also help establish who should benefit from the policy and how the proceeds are dealt with.

However, this is not a simple administrative exercise.

Placing a policy in trust can mean giving up ownership rights and control. Different trusts carry different legal and tax consequences, and transferring an existing policy may itself create tax considerations. The decision should therefore be made with appropriate professional advice rather than simply because a trust appears to offer an Inheritance Tax advantage.

Tax position

For the 2026/27 tax year, the tax treatment of life assurance depends not only on the policy itself but also on who owns it, who pays the premiums, who is insured and how the policy is structured.

A straightforward personally owned life assurance policy will generally provide a lump-sum death benefit, with the recipient not paying Income Tax on the proceeds. However, that does not necessarily mean the proceeds are outside the deceased's estate for IHT purposes. Where the deceased is both the life assured and the policyholder, HMRC confirms that the policy proceeds can form part of the estate for IHT purposes.

This distinction is important. Income Tax and Inheritance Tax are separate considerations, and a payment that is free from Income Tax is not automatically free from IHT.

Providing liquidity for Inheritance Tax

Life assurance can also play another role in estate planning: providing liquidity to help meet an Inheritance Tax (IHT) bill.

An estate can contain substantial wealth yet have relatively little cash available. A family home, business or other assets may be valuable but difficult to sell quickly, or the family may want to retain them.

A suitable life assurance policy can provide a cash sum on death that helps meet the tax liability, reducing the pressure to sell other assets.

Whole-of-life cover is sometimes considered for this purpose because the potential IHT liability arises on death rather than at a fixed future date. Life insurance is one way to help beneficiaries meet an IHT bill without necessarily having to sell the family home or other assets.

The policy needs to be structured carefully. If the proceeds form part of the estate, they may increase the amount subject to IHT, potentially reducing the effectiveness of the arrangement.

This is one reason why trust planning and life assurance should be considered together where IHT is a significant concern.

provide a lump sum on certain serious diagnoses.

Each policy addresses a different risk.

That distinction matters because solving one problem does not automatically solve another. A family could have sufficient life assurance to repay its mortgage but still face serious financial pressure if the surviving partner's income is insufficient. Equally, a strong income protection policy cannot provide the same immediate lump sum on death.

Start with essential monthly expenditure, major liabilities and future family commitments. Then consider the financial resources already available and any support that could come from employers, pensions, savings or other sources.

It can also be useful to consider different scenarios.

Supporting the wider family

Life assurance is not only relevant to parents with young children.

It can be useful for anyone with financial dependants or significant obligations. This could include a partner, adult children with additional needs, elderly parents, business partners or others who rely financially on the policyholder.

For grandparents, for example, life assurance may form part of a broader estate strategy where they want to leave a defined financial legacy or provide liquidity for their estate.

However, the purpose should always be clear.

Are you trying to replace income? Clear a mortgage? Provide a legacy? Fund an expected tax liability? Protect a business interest?

The answer can influence the type, amount and duration of cover required.

Building a family safety net

Protection works best when the pieces work together.

Consider a household with two working parents, a mortgage and two young children. Their protection strategy might combine life assurance to provide financial support on death, income protection to safeguard earnings against long-term incapacity and critical illness cover to

> A protection policy can provide more than a payout. Properly considered, it can help preserve the financial choices your family may need when you are no longer there to make them.

What happens if one parent dies?

What happens if both parents die? What happens if one partner survives but can no longer work? What happens if a serious illness creates additional costs without immediately ending employment?

Thinking through these scenarios can reveal gaps that are not obvious from looking at individual policies.

Protection for business owners

For business owners, life assurance may need to protect more than just the household.

The death of a shareholder, director or key person can create financial and operational difficulties for a business. There may be loans, business valuations, ownership issues or other obligations to address.

In some circumstances, key person protection or arrangements linked to business ownership can help mitigate these risks. Shareholder protection may also be considered where business owners want to establish a mechanism for dealing with shares following a death.

These arrangements can be complex, particularly where multiple shareholders, trusts or company-funded policies are involved.

Business owners should therefore seek professional financial advice before establishing or amending these arrangements.

Keeping your plan up to date

Life assurance should not be treated as a set-and-forget product. Your protection needs can change significantly after marriage, divorce, the birth of a child, a new mortgage, a career move, business ownership, a significant inheritance or a change in your partner's income.

The policy itself should also be reviewed.

Check that the level of cover remains appropriate, the term still aligns with the period of financial dependency and the intended beneficiaries are correctly identified.

It is equally important to check how the policy interacts with your Will and any trust arrangements. A beneficiary nomination, a trust and a Will do not necessarily operate in the same way, so coordination is essential.

If you rely on employer death-in-service benefits, review them whenever you change employer.

And before cancelling or replacing an existing policy, professional financial advice should always be sought. A new policy may cost more because of your age or health, or particular benefits may no longer be available.

When protection becomes part of your legacy

For many families, life assurance sits at the intersection of protection and legacy planning.

During your working life, it can help protect your family from the financial consequences of your death. Later, it may form part of an estate-planning strategy to provide liquidity, support beneficiaries or help meet a potential IHT liability.

This can make life assurance particularly relevant when reviewing the wider family wealth.

But the policy should never be viewed in isolation. Your property, investments, pensions, business interests, gifts and other assets all contribute to the final shape of your estate.

The 2026/27 tax year is also an important time to review pension and estate-planning arrangements ahead of the changes to most unused pension funds and death benefits from 6 April 2027. The interaction between pensions, life assurance and the wider estate may become increasingly important for some families.

A plan built around people

Ultimately, life assurance is about people rather than policies.

It is about giving a surviving partner time and choice. It is about helping children remain secure. It is about protecting a family home, supporting future ambitions and, where appropriate, helping to preserve wealth for the next generation.

The right amount of cover is therefore not simply a calculation based on salary or mortgage debt. It should reflect the life you have built, the people who depend on you and the future you want to protect.

Professional financial advice should always be sought before taking out, changing, cancelling or placing life assurance in trust. We can help assess the amount and type of cover required and explain how ownership, trusts, beneficiaries and wider estate-planning arrangements could affect the outcome.

Your family's financial security should not depend on hoping that everything goes according to plan.

Life assurance can help ensure that, if it does not, the people you love have a stronger financial foundation from which to move forward. ■

Your legacy

Building wealth is one chapter; deciding what happens to it is another

For many families, the idea of leaving a legacy begins with a simple desire: to make a positive difference to the people and causes that matter most. That might mean providing financial security for a surviving partner, helping children onto the property ladder, supporting grandchildren through their education, preserving a family business or ensuring that wealth built over a lifetime remains available to future generations.

Legacy planning is therefore about much more than reducing a tax bill. It is about making intentions clear, preparing for different family circumstances, protecting vulnerable beneficiaries and reducing the uncertainty that can arise when people are left to work out your wishes after your death.

A well-executed plan can help to smooth potential conflict amongst family members, minimise Inheritance Tax where appropriate and preserve family wealth for future generations, so your plans endure for the benefit of others.

Start with the bigger picture

Before considering tax planning, trusts or gifts, establish what you actually have. Create a clear picture of your assets and liabilities. This may include your home and other property, bank accounts, investments, pensions, business interests, life assurance, valuable possessions and any money owed to you. Against this, consider mortgages, loans and other liabilities.

For some families, this exercise can be surprisingly revealing. Wealth may be spread across several pension providers, investment platforms and bank accounts, while insurance policies or older savings arrangements may have been overlooked.

It is also important to identify assets that may not automatically pass through your Will in the same way as other estate assets. Pensions and certain life assurance policies can have separate beneficiary nominations or trust arrangements, so these should be reviewed alongside your Will, rather than independently of it.

The objective is to present a single, coherent picture of your financial affairs.

Decide what you want to achieve

Once you understand what you own, the next question is more personal.

What do you want your wealth to achieve?

You may want everything divided equally among your children. Alternatively, you may want to provide different levels of support based on individual circumstances.

Perhaps one child has substantial financial resources, while another has additional needs. Maybe a child has contributed to a family business and you want them to inherit an interest in it, while other children receive different assets.

Equal does not always mean fair, and fair does not always mean equal.

The important thing is to make your intentions clear and to consider the potential consequences before decisions become necessary. ■

Importance of a Will

Planning beyond your lifetime to ensure your family receives what you leave them

A professionally drafted Will is a cornerstone of effective estate planning.

Without a valid Will, the law determines how your estate is distributed under the intestacy rules. Those rules may not reflect your wishes, particularly where you have children from previous relationships, unmarried partners, complex family arrangements or particular people you wish to benefit.

A Will can set out who should inherit, in what proportions and, where appropriate, at what age or subject to what conditions.

It can also nominate guardians for children under 18, although guardianship arrangements should be discussed carefully with those being appointed.

A Will can provide clarity at an emotionally difficult time. It can also reduce uncertainty for those left behind by setting out your intentions, rather than leaving family members to interpret what you might have wanted.

Your Will should be reviewed when circumstances change, for example, following marriage, divorce, separation, the birth of a child or grandchild, a significant inheritance, the purchase or sale of a property, or changes to your wider financial circumstances.

A Will should also be reviewed periodically to ensure it remains consistent with your financial plan and with the people you intend to benefit.

Your Will is only part of the plan

Although a Will is fundamental, it is not the entire estate plan.

Pensions may have their own beneficiary nomination processes. Life assurance may be written in trust. Jointly owned property may have different legal and beneficial ownership arrangements. Business interests may be subject to shareholder agreements or other restrictions.

This means it is possible for someone to have a carefully drafted Will yet still have other assets distributed in a way they had not intended.

For example, an outdated pension nomination could result in benefits passing to someone who is no longer the intended beneficiary. Similarly, an old life assurance trust may need to be reviewed following changes in family circumstances.

Coordination matters

Your Will, pensions, trusts, life assurance and other assets should be considered as part of the same overall, joined-up financial plan. ■

> Planning for incapacity is not about giving away control. It is about deciding who you would trust to act for you if you could no longer make the decision yourself.

Lasting Powers of Attorney

Making sure you can maintain control when your circumstances change

Legacy planning is not only about what happens after death.

It is also important to consider what happens if you are alive but unable to make or communicate important decisions for yourself. An unexpected illness, accident or loss of mental capacity can leave family members facing difficult financial and practical decisions at an already challenging time.

A Lasting Power of Attorney (LPA) can allow someone you trust to make decisions on your behalf if you lose mental capacity, depending on the type of LPA, the instructions within it and the circumstances. Crucially, an LPA must be put in place while you still have mental capacity to do so. It is therefore worth considering as part of forward planning, rather than waiting until it is needed.

There are two main types of LPA in England and Wales. A property and financial affairs LPA can give your chosen attorney or attorneys authority to deal with matters such as bank accounts, investments, property and other financial affairs. A health and welfare LPA covers decisions about areas such as medical treatment, care and where you live, although it can generally be used only when you have lost mental capacity.

Scotland and Northern Ireland have different legal arrangements, so the appropriate form of Power of Attorney will depend on your place of residence and the relevant jurisdiction.

Planning for financial continuity

A property and financial affairs LPA can be particularly relevant to financial planning. If you become unable to manage your affairs, your attorney may be able to handle day-to-day finances, pay bills, manage investments and make certain decisions about property, subject to the legal framework and any instructions or restrictions set out in the document.

This can provide valuable continuity. Without appropriate arrangements, family members may face significant practical difficulties if you lose capacity. Being married or in a long-term relationship does not automatically grant another person unrestricted authority to manage your finances on your behalf.

An LPA can therefore be an important part of a wider financial and estate plan, alongside your Will, investments, pensions, protection policies and other arrangements. It can help ensure that someone you trust can deal with your affairs when you are unable to do so yourself.

Choosing attorneys is an important decision. They should be people you trust to act responsibly and in your best interests. You may also wish to consider whether more than one attorney is appropriate and whether to include any preferences or instructions.

Because legal requirements vary across the UK, professional legal advice should be sought where appropriate, including professional financial advice where an LPA forms part of your wider financial planning. The right arrangements will depend on your personal circumstances, family situation and jurisdiction. ■

> “A trust is a planning tool, not a shortcut. Its value lies in solving the right problem in the right circumstances.”

Trusts and family wealth

When control matters as much as inheritance

Broadly, a trust is a legal arrangement in which assets are held and managed by one or more trustees for the benefit of one or more beneficiaries. Trustees are responsible for managing the assets in accordance with the terms of the trust and their legal duties. Depending on the type of trust, it may offer different levels of control, flexibility and protection over when and how beneficiaries receive wealth.

A trust might be considered where beneficiaries are young, financially vulnerable or may not be able to manage substantial wealth themselves. It can also play a role in certain family, business or Inheritance Tax planning strategies, particularly where there is a desire to place conditions on how assets are used or distributed.

For example, rather than leaving a significant sum directly to a young beneficiary, a trust may allow assets to be managed on their behalf until they reach a specified age or meet certain conditions. Trusts can also be used when families want to provide for a vulnerable beneficiary while taking account of their longer-term circumstances.

Understanding the tax position

However, trusts are not automatically tax-efficient and should not be viewed as a simple way to remove assets from an estate.

Different types of trust can have different Income Tax, Capital Gains Tax and Inheritance Tax implications. There may also be legal, reporting and administrative responsibilities for trustees, including maintaining records, filing relevant tax returns and ensuring the trust is managed in accordance with its terms.

Some trusts can give rise to tax charges during the trust’s lifetime or when assets are transferred into or out of particular arrangements. The tax treatment can also depend on the type of asset, the value transferred, the type of trust and the beneficiaries’ circumstances.

This means the decision to establish a trust should be based on the overall planning objective, not on tax alone. A trust may provide useful control or help achieve specific family objectives, but it can also introduce additional complexity and costs.

For anyone considering a trust as part of their wealth or legacy planning, specialist legal and tax advice should be sought before transferring assets. Professional financial advice can also help ensure that any trust arrangement works alongside investments, pensions, protection, Wills and the wider financial plan. ■

Inheritance Tax in 2026/27

Making sure your wealth reaches the people you choose

For the 2026/27 tax year, Inheritance Tax (IHT) remains an important consideration for families with larger estates.

The standard nil rate band is £325,000, meaning that an individual can generally have up to this amount in their estate before the standard 40% IHT rate applies, subject to the detailed rules and available exemptions and reliefs.

The residence nil rate band (RNRB) can provide an additional allowance when a qualifying residential property is passed to direct descendants. The maximum RNRB is currently £175,000, subject to the qualifying conditions.

For married couples and registered civil partners, unused nil rate bands, and where applicable, unused residence nil rate bands, can be transferred to the surviving spouse or civil partner. This means a qualifying couple may have a combined allowance of up to £1 million before IHT is payable, though the detailed conditions must be taken into account.

The RNRB can also be subject to a taper for estates above the relevant threshold. Consequently, simply owning a qualifying family home does not automatically mean the full allowance will be available.

Tax planning should therefore be based on an assessment of the whole estate rather than on a simple calculation using the headline allowances. ■

Pensions and the 2027 changes

When retirement planning meets legacy planning

Pensions are particularly important when considering legacy planning.

Historically, pensions have often been an efficient way of passing wealth to beneficiaries because unused pension funds could, depending on the circumstances, sit outside the estate for IHT purposes.

However, a significant change is due to take effect on 6 April 2027.

Under the legislation introduced by the current UK Government, most unused pension funds and death benefits are set to fall within the scope of Inheritance Tax from that date.

This makes pension planning an increasingly important part of estate planning for families with substantial pension wealth.

It does not mean that everyone should withdraw pension funds or change their retirement strategy. In fact, doing so without considering the wider implications could lead to unnecessary Income Tax or other financial consequences.

Instead, pension arrangements should be reviewed alongside investments, property, life assurance, gifts and the intended beneficiaries.

The appropriate strategy will depend on factors such as age, income, pension value, retirement needs, health, family circumstances and the wider estate.

Professional financial advice should always be sought before making significant pension or estate-planning decisions. ■

> The rules governing lifetime gifts can be complex, particularly when they involve property, businesses, trusts, investments or significant sums of money. Gifts can also have implications beyond IHT, including Capital Gains Tax in certain circumstances.

Lifetime gifting

Balancing generosity with financial security

Legacy planning does not necessarily have to wait until death.

Parents and grandparents may want to help younger generations while they are still alive. A gift could contribute towards a house deposit, education, childcare, starting a business or another important financial milestone.

For the recipient, receiving support at the right time can be transformative.

For the person making the gift, however, there are important questions to consider.

Can I afford to give this money away? Will I still have enough for retirement? Could I need the money for future care? What happens if my circumstances change? What are the tax consequences?

These questions are particularly important when a substantial amount is being transferred.

Under UK Inheritance Tax (IHT) rules, lifetime gifts can be treated differently depending on what is given, to whom it is given and the circumstances in which the gift is made. Some gifts can fall outside the estate immediately if a specific exemption or relief applies, while other gifts may remain relevant for IHT purposes for a period of time.

A number of specific exemptions

In particular, certain outright gifts to individuals can become exempt from IHT if the donor survives seven years from the date of the gift. These are commonly known as potentially exempt transfers (PETs). If the donor dies within seven years, the gift may become chargeable, although the eventual tax treatment can depend on the size and timing of the gift, as well as other factors.

There are also a number of specific exemptions that can allow smaller or particular types of gifts to be made without creating an IHT liability. These include the £3,000 annual exemption, which generally allows an individual to give away up to £3,000 each tax year without the gifts being added to their estate for IHT purposes. If the full exemption is not used, the unused amount can generally be carried forward for one tax year, subject to the relevant conditions.

Potentially misunderstood provisions

Other exemptions may include small gifts of up to £250 per recipient, provided the conditions are met and the recipient hasn't received any larger gift from that donor. There are also specific allowances for certain wedding or civil partnership gifts, with the amount depending on the relationship between the donor and the recipient.

Perhaps one of the most useful yet potentially misunderstood provisions is the exemption for normal expenditure out of income. This can allow regular gifts to be made free from IHT where they form part of the donor's normal expenditure, are made from income rather than capital and leave the donor with sufficient income to maintain their usual standard of living. There is no fixed monetary limit for this exemption, but the conditions must be met and the donor should be able to demonstrate the pattern and affordability of the gifts.

Keeping good records is therefore important

Details of significant gifts, regular payments, the source of funds and the donor's income and expenditure can help establish the intended IHT treatment if the estate is later reviewed.

The rules governing lifetime gifts can be complex, particularly when they involve property, businesses, trusts, investments or significant sums of money. Gifts can also have implications beyond IHT, including Capital Gains Tax in certain circumstances. Professional financial and tax advice should always be sought before making substantial lifetime gifts, particularly where the intention is to reduce a future IHT liability. ■

Parents and grandparents can help

Helping younger family members achieve greater financial security and independence

Intergenerational planning can provide an opportunity for families to work together, not only by passing wealth from one generation to the next but also by helping younger family members achieve greater financial security and independence.

For parents and grandparents, providing support during their lifetime can be particularly rewarding. Money can make a meaningful difference when it is needed most, perhaps helping a child buy their first home, supporting a grandchild through education, contributing towards childcare costs or giving a younger family member the financial freedom to start a business.

The key is to consider what support would be most valuable, when it should be provided and whether it is affordable for the person providing it.

Helping with a first home

One of the most common ways parents and grandparents support younger generations is by helping with a property purchase.

With house prices, mortgage requirements and other costs making home ownership difficult for some younger people, a contribution towards a deposit can potentially make a significant difference.

That contribution could be an outright gift, a formal loan or, depending on the circumstances, part of a wider family arrangement.

Each approach has different implications.

A gift can provide certainty for the recipient, but the donor needs to be comfortable that they will not need the money later. A loan may allow the donor to retain a legal right to repayment, but it should be properly documented so that everyone understands the arrangement.

If a parent or grandparent provides a large sum towards a property, it is worth considering what would happen if the recipient later separates from a partner, sells the property, becomes bankrupt or dies.

Where substantial sums are involved, independent legal advice can help ensure that the arrangement reflects the intentions of all parties.

Gifts during your lifetime

Giving wealth away during your lifetime can allow you to see the benefits your money creates.

From an estate-planning perspective, lifetime gifts can also reduce the value of an estate for Inheritance Tax (IHT) purposes, although the outcome depends on the type and size of the gift, the circumstances and how long the donor survives after making it.

Certain lifetime gifts may benefit from specific exemptions. Others may become exempt if the donor survives seven years, while gifts that fall outside an exemption can remain relevant for IHT calculations.

This makes record-keeping particularly important.

Keep a clear record of what was given, when, to whom and whether it was intended as a gift or a loan. This can be valuable for the family and, where relevant, for the eventual administration of the estate.

A gift should also never be made solely to achieve a tax outcome if doing so could jeopardise the donor's financial security.

Protecting your own future

One of the most important questions for parents and grandparents is, 'Can I afford to give this money away and still have enough for the rest of my life?'

This question is particularly important for those approaching or already in retirement.

A substantial gift could reduce the assets available to cover everyday living costs, unexpected expenditure, future care needs or a longer-than-expected retirement.

Investment returns are not guaranteed. Inflation can erode purchasing power and circumstances can change. Money that appears surplus today may become important later.

Before making a significant gift, consider your expected expenditure, pension income, savings, investments, property and potential future needs.

The objective should be to provide meaningful support without causing financial insecurity for the person providing it.

Gifts or loans?

Families should also be clear about whether money is being given or borrowed.

This may seem obvious, but misunderstandings can arise when arrangements are informal.

A parent may believe that money provided towards a house is a loan to be repaid when the property is sold. The child may believe it was a gift.

Years later, perhaps after a divorce, death or disagreement between siblings, differing interpretations can create significant conflict.

If money is intended to be repaid, consider documenting the amount, the repayment terms, whether interest applies and what happens if circumstances change.

For significant amounts, a solicitor can help establish a suitable formal agreement.

If the money is genuinely a gift, it can still be helpful to keep a record confirming that intention.

Clarity today can prevent difficult conversations tomorrow.

Treating children fairly

Families do not always have the same financial needs.

One child may already own a home, while another is struggling to save for a deposit. One may have a successful career, while another may have caring responsibilities or additional financial needs.

This can make the idea of treating everyone equally more complicated than it seems.

A parent may choose to provide more support to one child now because that child needs it, while intending to take previous gifts into account when the estate is eventually divided.

If that is the intention, it should be communicated clearly and, where appropriate, incorporated into the family's legal and estate-planning arrangements.

For example, a Will might need to consider whether previous lifetime gifts should be taken into account when determining each beneficiary's entitlement.

There is no single definition of fairness. What matters is that the family's intentions are understood.

Helping grandchildren

Grandparents can play an important role in long-term financial planning for their grandchildren.

Support might include contributing to savings, helping with education expenses, contributing towards a first home in later life, or providing regular financial assistance.

For younger children, grandparents may also help to establish good financial habits by involving them in age-appropriate conversations about saving, spending and the value of money.

The most valuable contribution may not always be the largest in financial terms.

Teaching a child to budget, understand interest, avoid unnecessary debt and appreciate long-term investing can provide benefits that last well beyond a single financial gift.

For families with significant wealth, gradually introducing younger generations

to financial responsibility can also help them become better prepared to manage an eventual inheritance.

Saving and investing for younger generations

Parents and grandparents may choose to set money aside specifically for children or grandchildren.

The appropriate vehicle depends on the purpose, timeframe and circumstances. Options may include cash savings, investments or tax-efficient arrangements for children, such as a Junior ISA, subject to the relevant rules and annual limits.

A Junior ISA can be useful for long-term saving, but the funds are generally accessible to the child when they reach the relevant age. Parents and grandparents should understand the implications before contributing.

Other arrangements may offer different levels of control over when and how money can be accessed.

This is where financial advice can be particularly valuable. The best solution is not simply the one with the most attractive headline tax treatment; it should align with the family's objectives, investment timeframe, attitude to risk and desired level of control.

Supporting education

Education can be another meaningful form of intergenerational support.

Parents and grandparents may contribute towards school fees, university expenses, vocational training or other educational opportunities.

Regular payments may sometimes fall within specific IHT exemptions, including the normal expenditure out of income rules, provided all relevant conditions are met. Other payments may need to be treated as lifetime gifts.

The distinction can matter, particularly where substantial or regular amounts are concerned.

Maintaining appropriate records of the payments and the donor's wider financial position can help demonstrate the nature of the support.

Tax rules can be complex and should not be relied on without professional financial advice.

Supporting a business or entrepreneurial ambition

Younger family members may also need help with a business venture.

A parent or grandparent might provide capital to help launch a business, purchase equipment or fund expansion.

Again, the arrangement should be clear from the start.

Is the money a gift, a loan or an investment in return for shares? Is the family member expected to repay it? What happens if the business fails?

Family relationships can make these conversations uncomfortable, but clarity is especially important when money and business ownership overlap.

Professional financial, tax and legal advice should be sought before providing substantial funding to a family business.

Family conversations matter

Intergenerational planning is not simply about deciding who gets what.

It is also about communication.

If children know that their parents intend to provide financial support, they may make different decisions about borrowing, saving or buying a property. Conversely, if parents intend to retain control of their wealth for their own lifetime, making this clear can prevent unrealistic expectations.

Families do not need to discuss every detail of their finances, but important intentions should not come as a complete surprise.

This can be particularly valuable where the estate is complex or where different beneficiaries are likely to receive varying levels or types of support.

Consider the Inheritance Tax implications

For the 2026/27 tax year, lifetime gifts should be considered as part of the wider Inheritance Tax (IHT) position.

An outright gift can reduce the value of an estate, but the tax outcome depends on the circumstances. Some gifts may be covered by exemptions, while others may remain relevant for IHT purposes for up to seven years.

The £3,000 annual exemption, small-gift exemption, wedding or registered civil partnership gift exemption and the exemption for normal expenditure out of income can all be relevant where the conditions are met.

However, gifts should not be made merely because they appear to offer an IHT advantage.

A parent or grandparent who gives away substantial capital may subsequently need that money to fund retirement or care. In addition, certain gifts can have Capital Gains Tax consequences, particularly where assets such as investment property or shares are transferred rather than cash.

Professional advice should therefore be sought before making significant gifts or establishing arrangements intended to reduce IHT.

Keep the wider estate plan aligned

Lifetime gifting should also be considered alongside the rest of the estate.

A gift may affect the eventual distribution between beneficiaries. A pension nomination may need updating. A life assurance policy could be placed in trust. A Will may need to be reviewed.

These decisions are interconnected.

For example, if a parent gives one child £100,000 towards a house deposit but intends the other children to receive an equivalent amount from the estate, that intention should be taken into account when reviewing the Will and wider estate arrangements.

Likewise, if grandparents regularly provide financial support, the family should understand whether those payments are gifts, loans or part of a wider estate-planning strategy.

A coordinated approach can help avoid unintended consequences.

> The most valuable gift may not be the money itself, but the opportunity, security and confidence that the money makes possible.

Giving with purpose

Perhaps the greatest opportunity in intergenerational planning is to make wealth meaningful to future generations.

Money can help a younger family member take a step that might otherwise have been out of reach. It can provide education, security, independence or the confidence to pursue an opportunity.

But financial support is most effective when it aligns with the recipient’s needs and the donor’s circumstances.

Before making a commitment, ask: What am I trying to achieve? Can I afford it comfortably? Is this a gift or a loan? What are the tax implications? Does my family understand my intentions? Does my Will need to be updated?

These questions can turn an informal transfer of money into a thoughtful part of a wider family plan.

Planning for the next generation

Parents and grandparents have an opportunity that previous generations may not always have had: to involve younger family members in financial planning before they inherit significant wealth.

That might mean discussing family finances, teaching children about saving and investing, explaining the responsibilities that come with wealth or gradually involving adult children in conversations about estate planning.

The aim is not to remove every financial challenge from the next generation.

It is to help them develop the knowledge and confidence to make sound decisions when opportunities arise and when wealth eventually passes to them.

Professional financial advice should always be sought before making significant lifetime gifts, loans or investments for children or grandchildren.

Intergenerational planning is ultimately about more than just transferring money.

It is about using the wealth you have built to create opportunities, strengthen financial resilience and give the next generation a stronger foundation from which to build their own future. ■

Your next steps

Wealth protection is ultimately about choices

It is about giving your family a better chance of maintaining stability when circumstances change. It is about ensuring that a serious illness does not automatically become a financial crisis, that income can be replaced when it cannot be earned and that loved ones have financial support if someone dies.

It is also about looking further ahead and making deliberate decisions about the wealth you have built and the people you want to benefit from it.

A useful first step is to gather your current policies, pension statements, mortgage details, savings and investment information, Will and other estate-planning documents.

Then ask yourself:

- What would happen to my family if my income stopped?
- How long could my household maintain its current lifestyle from savings?
- What financial commitments would remain if I died?
- Would my existing life assurance be enough?
- Do my Will and beneficiary nominations reflect my wishes?
- What could happen to my estate under the IHT rules?
- Have I considered the pension IHT changes from 6 April 2027?
- Could parents or grandparents provide financial help during their lifetime?
- Would my family know what to do if something happened to me?

There is no universal answer. Your circumstances, objectives and attitude to risk are personal to you. ■

Professional financial advice should always be sought before taking action. We will help you assess your protection needs and broader financial objectives and, where appropriate, more complex matters such as gifting, trusts, business interests and estate planning.

Protect today.
Plan tomorrow.
Leave a legacy that reflects
what matters to you.

Have you protected the life you have built and planned for the people you love?

The future is impossible to predict. Your financial preparation need not be.

Could your family cope financially if the unexpected happened? Could your wealth pass to the people you care about as you intend? Start the conversation today.

For further information, to arrange a review or to discuss your individual circumstances, please contact us. Don’t leave it to chance.

This guide is for general information and use only and does not address your particular requirements. The content should not be relied upon in its entirety and does not constitute advice. Although every effort has been made to provide accurate and timely information, there is no guarantee that it is accurate as of the date it is received or that it will remain accurate in the future. No individual or company should act on this information without obtaining appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss arising from acts or omissions in relation to the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of taxation, and the relief from it, are subject to change, and their value depends on the investor’s individual circumstances. The value of your investments can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future performance. Unless otherwise stated, all figures relate to the 2026/27 tax year. A pension is a long-term investment not normally accessible until age 55 (57 from April 2028 unless the plan has a protected pension age). The value of your investments (and any income from them) can go down as well as up, which would affect the level of pension benefits available. Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured on it. Note that life insurance and financial protection plans typically have no cash in value at any time, and cover will cease at the end of the term. If premiums stop, cover will lapse. Cover is subject to terms and conditions and may include exclusions. Definitions of illnesses vary by product provider and are explained in the policy documentation. The Financial Conduct Authority does not regulate estate planning, cashflow modelling or tax advice.

Published by Goldmine Media Limited, 124 City Road, London EC1V 2NX.