CLEAR, CALM FINANCIAL ADVICE

SUMMARY GUIDE

Pensions and Inheritance Tax

The April 2027 change in brief, and what it means if your pensions are spread across several providers

Benjamin Beck

This guide is for information only and is not personal advice. Tax treatment depends on your individual circumstances and may change. Please speak to Benjamin Beck before acting on anything in it.

What changes on 6 April 2027

Pensions stop being the one part of your wealth that inheritance tax cannot reach. For most families this will change nothing. For a sizeable minority it will change a great deal, and for anyone whose pensions sit with several providers it creates a practical problem.

6 April 2027	40%	6 months	£31.1bn
Applies to deaths on or after this date	Inheritance tax above your allowances	Your executors have this long to find every pension and pay	Sitting in 3.3 million lost UK pension pots

Your pension sits outside your estate today because the scheme, not you, decides who receives it. From 6 April 2027 that no longer keeps the money out. Most unused pension funds and most death benefits will be counted as part of your estate. **Your executors, not your pension providers, must find every pension you hold, value it, report it and pay the tax within six months of your death.** This is settled law, enacted in the Finance Act 2026, and what matters is the date of death: 5 April 2027 falls under the old rules, 6 April 2027 under the new ones.

Whether it will actually cost you anything

You have a nil rate band of £325,000, and up to £175,000 more where a home passes to children or grandchildren. Both transfer between spouses, so a couple can have £1 million between them, and both are frozen until 2031. The Treasury expects 38,500 estates a year to pay more tax because of this change and 10,500 to pay it for the first time, at an average of around £34,000. Roughly three quarters of estates holding pension wealth will still pay nothing. The charge on a married couple lands on the second death instead.

IMPORTANT

The taper that can catch people who do not feel wealthy

The residence nil rate band is withdrawn by £1 for every £2 an estate exceeds £2 million, and that test now counts your pension. An estate below the threshold on 5 April 2027 can be over it the next day without any asset changing hands, and the marginal rate on that slice is 60%. A house in the South East, two reasonable pensions and some ISAs could be enough to reach it.

What is caught, and what is not

Caught by inheritance tax	Still outside it
Unused personal, SIPP and workplace pension funds	Anything passing to your spouse or civil partner
Drawdown funds, including beneficiaries' drawdown	Death in service benefits, excluded outright
Lump sum death benefits from a final salary scheme	A dependant's scheme pension, being income not a fund
Lump sums paid to a bypass or discretionary trust	Charity legacies, and annuities bought at retirement

The 90% figure you may have seen is wrong

Die at 75 or over and a second tax applies: your beneficiaries pay income tax at their own marginal rate rather than yours. Headlines of 80%, 87% and 90% assume income tax is then charged on the slice already taken as inheritance tax. HMRC's technical note specifically prevents that, so the same pounds are not taxed twice.

EFFECTIVE TAX ON A £100,000 PENSION, DEATH AT 75 OR OVER, BENEFICIARY NOT A SPOUSE

Beneficiary's tax position	Total tax	Effective rate	They receive
Non-taxpayer	£40,000	40.0%	**£60,000**
Basic rate, 20%	£52,000	52.0%	**£48,000**
Higher rate, 40%	£64,000	64.0%	**£36,000**
Additional rate, 45%	£67,000	67.0%	**£33,000**

Die before 75 and only inheritance tax applies, a flat 40% whatever the beneficiary's own position. **67% is the realistic ceiling**, and 68.8% at the Scottish top rate. Still the highest effective rate in the UK tax system on ordinary savings, but not 90%.

The problem if your pensions are scattered

All of this applies whether you have one pension or ten. The average worker changes jobs around nine times in a career and each move tends to leave a pot behind, so eight to ten pots is common. Under the old rules that was an inconvenience and nothing more, because your executors did not need to know about the pensions at all.

- **You cannot ask a provider you do not know exists.** A pension found in month five means a 28 day valuation starting in month five. One found after probate means starting again
- **Every pot is a separate workflow**: identity checks, valuation, beneficiary decision, payment. Delays may occur where information from one arrangement is outstanding, because the nil rate band is shared across your estate and your pensions in proportion to value
- **The six month deadline does not move**, and interest runs from month six whether or not a provider has replied. The government was asked to extend it and expressly declined
- **Liability sits with your executors**, and with your beneficiaries once the money reaches them. Providers are not normally liable, whatever earlier commentary said. Executors can also hold back 50% of a beneficiary's money for up to 15 months while the tax is settled

EXAMPLE

Seven pensions and a six month clock

Peter dies on 12 May 2028, aged 77. He accumulated seven pensions over a forty year career: two old defined benefit schemes, three workplace pots left behind when he changed jobs, a SIPP, and a stakeholder plan from the 1990s that nobody in the family knows about.

Inheritance tax due and payable	**30 November 2028**
Withholding notice window closes	**31 August 2029**

His executors, his daughter and his brother, have from 12 May to 30 November to find all seven schemes, obtain seven valuations, wait for seven sets of trustees to determine beneficiaries, work out the apportionment, file the account and pay the tax. The stakeholder plan surfaces in October, when a dividend statement arrives at the house.

> KEY POINT
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> **Had Peter consolidated to two pensions, this would be a different story**
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> Two valuation requests instead of seven, and two sets of trustees instead of seven. Exactly the same tax bill, but potentially with fewer administrative steps and a lower risk of delays.

What can be done about it

- **Nomination forms.** Directing benefits towards exempt or lower rate beneficiaries costs nothing and is often the single most valuable fix
- **Knowing where every pension is, and tracing the lost ones**, which removes the discovery problem your family cannot solve for itself
- **Consolidation.** Fewer providers, fewer parallel deadlines, and a calculation your executors are more likely to be able to finish in time. But guaranteed annuity rates, defined benefit schemes, protected tax-free cash and exit penalties all need checking first, and a transfer cannot be undone
- **Spreading the money across beneficiaries and tax years.** The same £300,000 pension can leave a family with £98,000 or £180,000 on an identical inheritance tax bill
- **Reviewing any trust named on a pension.** Bypass trusts were set up when pensions sat outside inheritance tax, and that logic has reversed. A £200,000 lump sum to a trust can lose 67% before the trust has done anything
- **Spending, gifting and life cover in trust.** Regular gifts from surplus income are exempt immediately with no upper limit, and a policy in trust pays out fast

How Benjamin Beck can help

I find every pension you hold

Including the ones you have lost track of, so nobody is discovering a forgotten plan while the clock is running.

I work out your actual number

Your estate valued with the pensions counted, your allowances applied, and whether you cross the £2 million threshold.

I review every nomination and scheme

What each provider holds on file, and whether your beneficiaries could inherit into drawdown.

I model the options side by side

Consolidation, spending, gifting and life cover, with the numbers for each.

April 2027 is the deadline for the rules, not for the planning. Gifts take seven years to fall out of your estate, and life cover costs more with every birthday. My full guide is available on request.

General information as at August 2026, not personal advice. Rules change and treatment depends on your circumstances. Tax and estate planning are not FCA regulated. Details overleaf.

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Let's work out where you stand

The change takes effect on 6 April 2027, but the planning that matters could take longer than that. If you would like to know what this means for your family, in numbers rather than in general terms, I would be glad to hear from you.

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