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The Premier Partnership Limited

Your Family Office

Budget Special - So What Actually Happened?

NewsLETTER

After reviewing and commenting on Budgets for the last 40-plus years, I can honestly say this was the most shambolic and dishonest of all.

A colander of leaks, U-turns and downright lies does not make a Government sit well with its people – but it happened.

So how does the event actually affect you? Here are the most talked about areas.

Pensions

We were strident in our advice pre-Budget that the tax free cash (TFC) allowance on pensions would not be changed, and we are very pleased that we counselled against clients taking out TFC prior to the Budget.

Summary
The maximum amount that can be withdrawn as a tax free sum from a Personal Pension arrangement remains at £268,275, unless the individual retains protection under Lifetime Allowance regulations.

It is confirmed that from 6th April 2027 unused pension funds and pension death benefits will be counted in an individual's estate for Inheritance Tax calculations.

Direct death-in-service payments from insurance arrangements will be excluded from IHT calculations.

The existing Inheritance Tax principles providing exemption for death benefits passing to a surviving spouse or civil partner will be maintained, meaning spousal exemption still exists.

The pension will be inherited by the spouse/civil partner as a pension, and not as a tax free sum.

These rules follow the October 2024 Budget which dramatically changed the pension freedoms legislation brought in by the Tories in 2015.

Savings and Dividends

The Budget announced that an extra 2% will be added to the tax rate on savings income from April 2027.
Basic rate tax on savings income will now be 22% (20%) and 42% (40%) for higher rate taxpayers, so cash is no longer king!

The starting rate for savings allowance will stay at £5,000 until April 2031. The personal savings allowance will also be kept at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers.

This is the income you are allowed to generate from cash and deposit savings without being assessed for tax.

The Cash ISA Allowance will reduce to £12,000 (£20,000) for under-65s from April 2027. Over-65s will retain the full £20,000 annual contribution allowance.

The tax rates on dividend income has historically made dividends an attractive income source for business owners and investors alike. However dividends have recently been a target in Budgets. In 2016 the Dividend Allowance was £5,000; it is now £500.

An extra 2% tax will be applied to dividends from April 2026 – a year earlier than the change to the savings tax. The dividend nil rate allowance remains at £500.

How significant a change this is depends upon whether you are an investor or business owner.

Solutions

We still have available tax efficient investment structures that can prove invaluable to investors going forward.

Pensions – still largely intact to provide income in retirement.

Investment ISAs – still available with full £20,000 annual allowance.

Cash ISAs – Full allowance of £20,000 still available for over-65s.
Reduced allowance of £12,000 for under-65s from April 2027.

Investment Bonds – very much back in play following tax changes to savings & dividend tax.

Business Relief Portfolios – still available to provide very efficient IHT planning.

Gifting Relief – No changes.

Trusts – No changes

Summary

It could have been worse!

The 2025 Autumn Budget brought with it changes that may affect clients' financial plans and investment strategies, including an increase to tax on dividends, savings and property income, plus a decrease to the cash ISA allowance to £12,000 from April 2027.

The Chancellor also announced an extension to the freeze to income tax thresholds (first introduced in 2022) and a £2,000 cap on the amount of salary that can be sacrificed into pensions before National Insurance applies. Income tax relief on Venture Capital Trusts will be reduced from 30 per cent to 20 per cent from April 2026.

While some of the changes announced by the Chancellor may seem tough on savers, the broader goal is to encourage more people to take advantage of the greater growth potential that investing can offer. As with last year's Autumn Budget, the changes offer an opportunity for advisers to engage with clients and lead them through the evolving fiscal landscape.

Changes To ISA Allowance

The overall ISA allowance remains unchanged at £20,000. However, for those aged 65 and under, the amount you can put into cash ISAs will be capped at £12,000 per year from 6 April 2027, with the rest of the allowance reserved for investment ISAs. Individual's aged over 65 will still be able to put up to £20,000 into cash ISAs.

This is a significant change for savers aged 65 and under. Currently, clients can split a £20,000 allowance between the different types of ISAs (including cash ISAs and stocks and shares ISAs). But from 6 April 2027, younger investors will only be able to put up to £12,000 of their annual ISA allowance into a cash ISA. The new cap is part of the Government's ambition to encourage more people to invest.

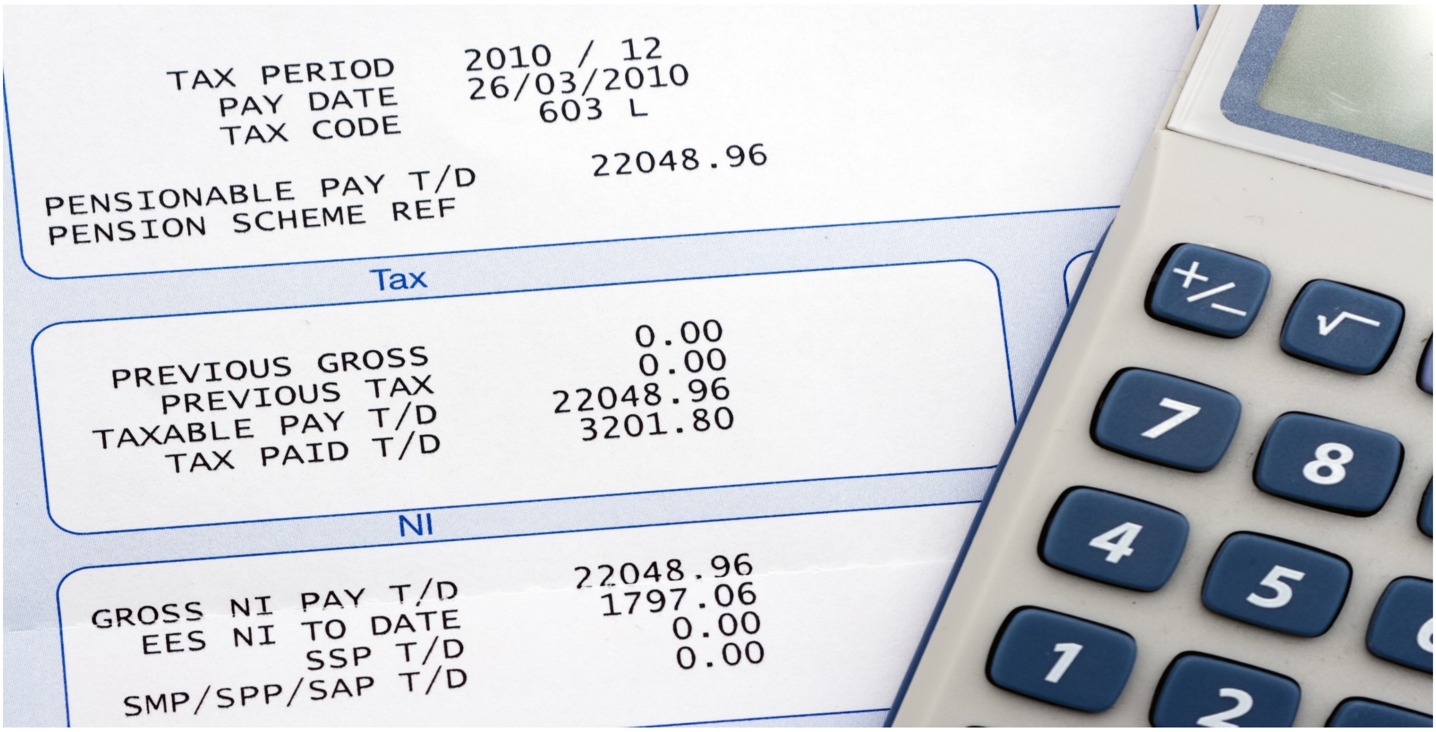
The Chancellor also introduced measures to help investors identify UK-focused portfolios as well as funds dedicated to the UK. The measures include a pledge by investment platforms, to highlight such funds on their websites. This will come into effect by April 2026.

Income Tax Threshold Freeze

There was some speculation that the Chancellor would increase income tax rates, but this did not happen. However, income tax thresholds have been frozen for another three years until the end of the 2030-31 tax year. This is a significant change from last year's Budget, when the Chancellor said the thresholds would start rising again from 2028 in line with inflation. The thresholds were frozen at their current levels by the previous Conservative Government in 2022.

The announcement means that the personal allowance (the amount of tax-free income a client can earn each year) will remain at £12,570 until April 2031. The higher-rate tax threshold will stay at £50,270 and the additional rate threshold will remain at £125,140.

With income tax thresholds frozen, clients' increasing earnings may push them into higher tax brackets, resulting in greater tax liabilities. To help mitigate this greater tax drag, we can work with clients to make efficient use of allowances and to structure wealth in an appropriate way.



Changes To Pension Salary Sacrifice

The Chancellor outlined a £2,000 cap on the amount of salary that can be sacrificed into pensions before National Insurance applies. This cap will come into effect from April 2029. While clients in salary sacrifice schemes will pay more in National Insurance contributions, if they change their behaviour and cut pension contributions to avoid this change, they could be worse off in retirement.

Our calculations show that for a basic rate taxpayer who sacrifices £5,000 a year into a pension, their take-home pay will reduce by £20 a month once the changes come into effect. A higher rate taxpayer who sacrifices £5,000 a year will see their take-home pay fall by £5 a month.

Meanwhile, the full State Pension will rise to £241.30 per week in the 2026-27 tax year.

Despite some speculation, the Budget contained no changes to pension tax relief or the amount of pension tax-free cash you can take in retirement.

Dividend Tax Changes

Dividend tax rates are set to increase from 6 April 2026. For clients, this means basic rate taxpayers will pay 10.75% (up from 8.75%) and higher rate taxpayers 35.75% (up from 33.75%) on dividend income above the £500 annual allowance. The additional rate tax remains at 39.35%. This reduces the tax efficiency of assets held outside of a tax wrapper, creating even more reason to proactively make use of available allowances.

Tax On Savings Interest

From 6 April 2027, savings interest above the personal savings allowance (£1,000 for basic rate, £500 for higher rate, and £0 for additional rate taxpayers) will be taxed at higher rates: 22% for basic rate, 42% for higher rate, and 47% for additional rate taxpayers. Clients may want to review their savings strategies to minimise exposure to these increased tax rates.

Close - But No Cigar

The Uk's premier market index - The FTSE 100 'almost' reached a magical landmark in November by almost touching the 10,000 index value, but falling just short. It reached 9898 in trading and looked all set to go through the tape - but not this time.

I say not this time because if you look at the chart below, back to the inception of the index in 1983 at the lowly level of 1,000, you will see that many 'new highs' have been achieved, each one with a subsequent reversal in value - before moving upward again to continue its path.

I was on the floor of The London Stock Exchange the day the new index started, superseding our beloved FT30 Index, which had been the benchmark measurement since the Second World War. So it was a seismic change, not only in the make up and constituents of the index itself, but for the fact this new index was 'live' with values recalculated every minute, whereas its predecessor was valued at every hour. Us wisened old buffers blamed the crash of 1987 on this new fangled index - 'it would never have happened under the old system' - because now things moved quickly, technology was taking over (sound familiar), and market volatility was greater because of instant information.

Move forward 42 years with an index approaching 10,000 from its 1,000 starting position, and you can see beyond all reasonable doubt that investment into stock markets provide positive returns over time. The S&P 500 Index in America began in 1957 with a value of 44.6, it is now 6800. The UK FTSE 250 Index began life in 1992 at a level of 2403 - it is now 22,000.

These comparisons on numbers prove only one thing that round numbers do not matter, it is the overall long term direction and returns from the capital markets that matter, and long may that continue to fund financial planning, retirement planning and personal objectives in the future.

FTSE 100 Index

Source: FactSet. Past performance is not a guide to the future.

What Is Financial Planning?

Financial planning can be as complex or as simple as your circumstances dictate, but has a simple objective, to create a clear and informed picture of your financial life taking into account and planning for future objectives. A most common example is - I want to retire early! Well, plan for it and you may be able to. We believe in a simpler and hopefully easier starting point for planning, which only requires basic data such as 'how much do I earn a month, and what do I spend a month' People's finances can become easily fragmented with policies and investments existing without a coherent plan or objective, and seldom fit into a clear overall picture. So, let's look at a simple starting point for planning, and it consists of just four words:

Earn - Spend - Own - Owe

Put that together on a piece of paper as below and we have the starting point for our planning.

Set out the below, fill in the gaps and we have our starting point. This creates a clear and concise picture of your financial life - and can provide vital assistance to beneficiaries. What information do we need?

Earn: Everything coming in from all sources of salary, dividends, rental income, interest on deposits or pensions.

Spend: Everything that goes out - irrespective of where and how often it does. You can split this further into needs, mortgage etc. and nice - discretionary spending such as holidays, hobbies etc.

Own: Everything you have built up such as property, pensions, investments, savings and investments. Basically everything you have.

Owe: Everything you have borrowed: mortgages, loans, car loans/leases/credit cards, student loans.

Again, not intended to be a comprehensive list, but you get the gist.

What do I **Earn**	What do I **Spend**
What do I **Own**	What do I **Owe**

Once you have got here then consider the following:

“When I retire will what I own, pay for what I spend?”

Remember this is the point in life when the EARN box no longer pays for the SPEND box and the spend box is a must have.

The question no adviser can answer however is ’how much do you need?’ You and your lifestyle is the arbiter of that question, but as a very broad guide use current annuity rates. For a 65 year old male that is about 6%. So an investment value of £500,000 should be able to produce about £30,000 per annum. That is a very rough guide, but gives an indication. If we are not looking just at pensions, annuity rates may not be applicable to a wider set of investments, then use the rule of 375*.

So your planning then starts to take on a form of its own, and we expand it out to include taxation etc as required.

We receive questions and have discussions every day about the fragmented nature of ISAs, deposit accounts, pensions, investments and even alternative assets such as gold, cars, wine, antiques and others. Fragmented, but a simple four words can bring it all together for clarity of purpose, and money in all its forms can then have context.

Give it a go and see where your four words take you.

*The rule of 375 is based on a considered ‘safe withdrawal rate’ where an investor can reasonably assume a withdrawal rate per annum without depleting capital too greatly.

As an example, if you want to generate an income of £1,000 per month, you need a pot of £375,000 value to sustainably pay the required target income ongoing.

These figures are based on a heuristic 4% per annum sustainable withdrawal rate, adjusted for inflation, net of fees and taxes.

Family Law - Wills

Many people do not know the value of a valid Will in their overall financial planning, but it is a vital piece of kit to have.

We have covered the subject of dying without a Will previously, but just as a recap, that situation is known as 'dying intestate'. When someone dies intestate in the UK, the rules of intestacy will be applied to the estate - meaning the direction of value contained within the estate may not be what the deceased desired.

A person's 'estate' includes everything the deceased owned such as property, money and possessions. The rules of intestacy do not follow normal modern family relationships, meaning unmarried partners or those in unregistered partnerships, may not inherit. If no Will exists. There is an official order of distributions of the estate that must be followed and as above, this may not fit the deceased's requirements or wishes. Some of the common issues are below:

The deceased had a spouse or civil partner - but no children.

The surviving spouse/civil partner inherits the entire estate.

The deceased had a spouse or civil partner - and children.

The surviving spouse/civil partner will inherit all personal possessions, the first £270,000 of the estate and half the remaining estate. Any blood or legally adopted children will then in turn inherit the other half of the estate with the amount divided equally. Step Children will not inherit.

Next in line comes rules of division including parents, brothers and sisters, grandparents, aunts and uncles.

So whilst the above is not a comprehensive review of intestacy, it clearly shows that dying without a Will may not direct your estate values to your intended inheritors.

Simple advice, contact us to make your Will today.

One of the most common causes for estate disputes is the lack of understanding of the above, but also there are further 'unknown unknowns' that people come across in points of estate disputes. For example: Did you know that marriage or a civil partnership automatically revokes an existing valid Will.

Following on, many people believe a divorce automatically revokes a Will. It does not. Once a divorce is finalised by a decree absolute, then a valid Will is still valid.

The laws surrounding the governing of Wills in England and Wales date back to 1837, so not surprisingly there has been an attempt to update these rules going on for 9 years!

In England and Wales we have full testamentary freedom - meaning with a valid Will we can leave our estate to whomever we wish, the estate is not governed by forced heirship or religious instructions. In a situation where an individual prepares a Will, but then for example re-marries (potentially with additional children joining the family), the original Will is valid and may not accommodate the new family.

The same confusion and misunderstanding also often occurs when relationships change, but pension nominations or beneficiaries remain unchanged. Potentially directing valuable pension benefits to a previous spouse or partner.

Changes to pension and inheritance tax laws in the October 2024 Budget further highlighted the need for this section of your finances to be reviewed. Life assurance policies written in Trust should also be reviewed to ensure the intended inheritor receives the value, not a previous relationship, unless part of a divorce settlement.

A Will is vital. Simple advice - contact us today to review yours.

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