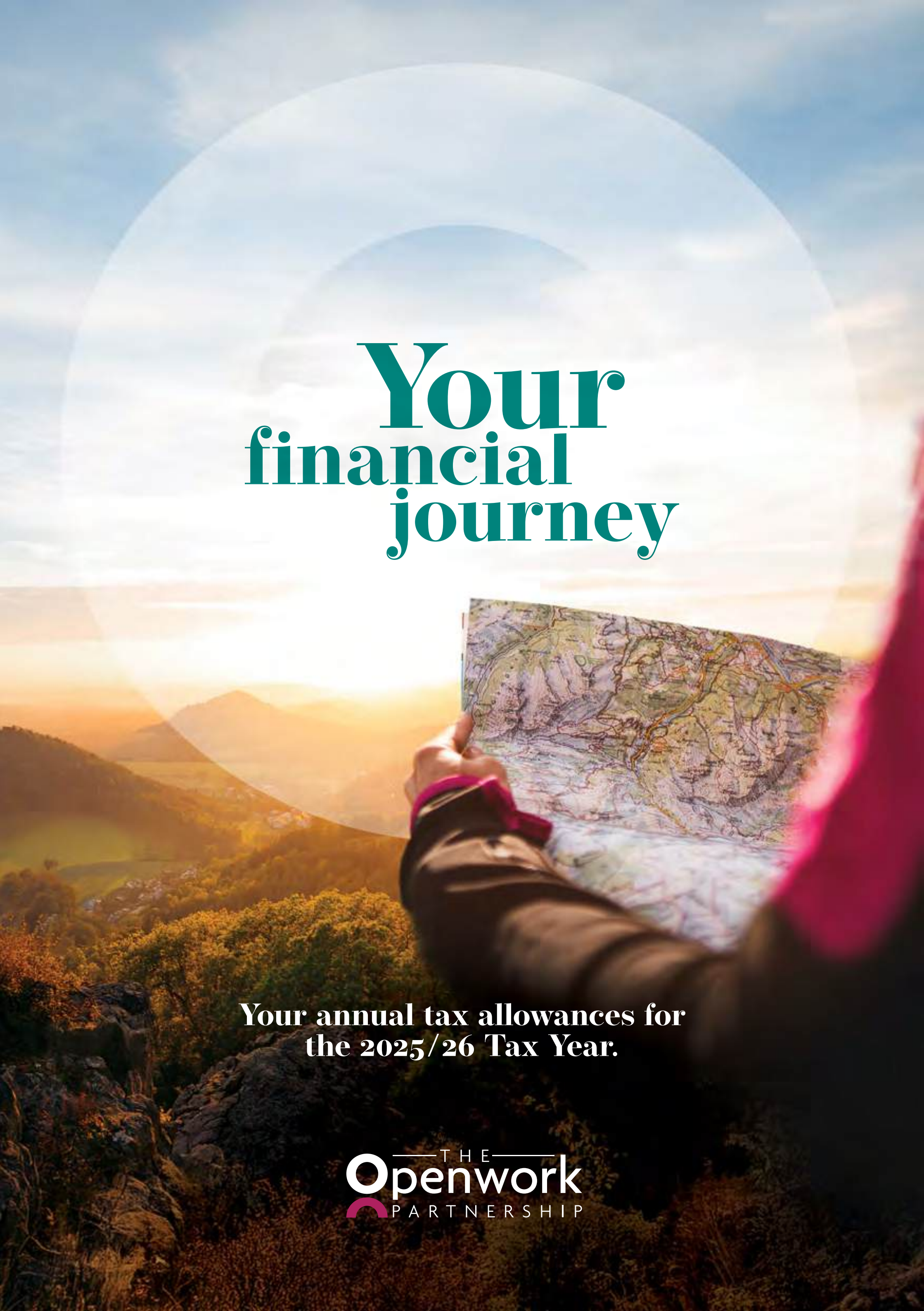

Your financial journey

Your annual tax allowances for the 2025/26 Tax Year.

The Openwork Partnership

Small steps Big difference

Tax planning doesn't have to be complicated. Talk to your financial adviser now.

Making the most of your annual tax allowances will help you achieve your long-term financial objectives.

Whether you're just starting out and looking to buy your first home, securing your family's financial future, looking at how you can retire in style or passing on your wealth, there are things that you can do now to help you to achieve this.

In this guide, you'll find useful information to help you think about how to secure yours and your loved ones financial future by using the allowances available.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Your home may be repossessed if you don't keep up repayments on your mortgage.

ISAs

STOCKS & SHARES | CASH

ISAs offer flexible, tax efficient savings and are a good way to make your money work harder for you.

Do you already have ISAs?

If the answer is yes, when was the last time you reviewed them? What is their performance like?

Everything earned from your ISA is free from Income and Capital Gains Tax – in other words, you won't pay tax on interest, withdrawals or growth.

You can invest a total of £20,000 into one ISA or multiple ISAs in the 2025/2026 tax year. They're also an easy and straightforward way to invest into stocks and shares.

If you don't use your annual allowance, you'll lose it.

Should I choose Stocks & Shares or a Cash ISA?

Both offer flexible ways of saving. As well as offering all of the tax advantages, you can access your savings whenever you need to. They're also a great way of subsidising your retirement and may help you to leave your pension pot untouched for longer.

Talk to your trusted adviser now for advice on how you can make the most of your ISA allowances.

An ISA is a medium to long-term investment, which aims to increase the value of the money you invest for growth or income or both.

The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

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Investing for the long-term

You can withdraw from your ISA at any time, but it's best that you consider investing for the long-term to minimise the effects of peaks and troughs in the market.

Over the long-term (5+ years), stock markets tend to rise and therefore have the potential to give you a greater return on your investment.

You should remember that there is always risks involved with investing and you could get back less than you invested.

The power of compound growth, making your money grow faster

Investing for the long-term and leaving your investment intact, means that at the end of each year, your initial capital plus any growth is reinvested for the following year and so on, which means that your money could grow faster.

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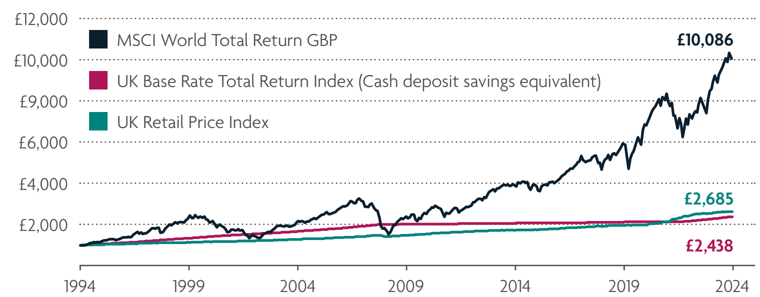
The benefits of long-term investing

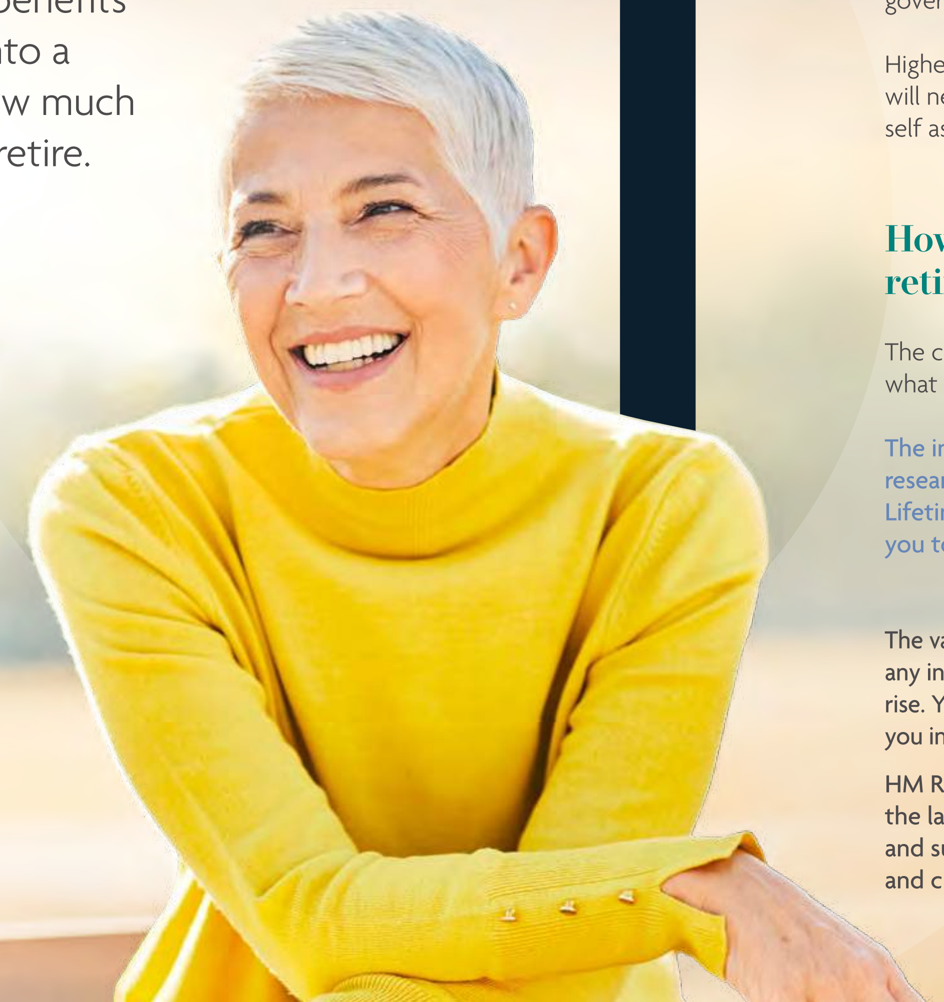


This graph shows performance from 01/12/1994 to 01/12/2024

Source: Bloomberg 31/12/2024

Retirement

Many of us aren't aware of the benefits of investing into a pension or how much we'll need to retire.



A pension is one of the best ways to save for your retirement, yet many of us aren't aware of the benefits of investing into a pension or how much we'll need to retire.

You can invest up to £60,000 per year or 100% of your annual income (whichever is lower) into a pension, and you can also carry forward any previously unused allowances from the previous three tax years. For a basic rate taxpayer, if you pay £80 into a personal pension, the government contributes £20.

Higher and additional rate taxpayers will need to claim further relief through self assessment.

How much do I need to retire in style?

The choices you make now will shape what you will be able to do in retirement.

The information in the table, based on research carried out by the Pension and Lifetime Savings Association, will help you to consider this.

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Rate of pension tax relief

Basic rate tax payer
20%

Higher rate tax payer
40%

Additional rate tax payer
45%

Single

£43,100
Comfortable

£31,300
Moderate

£14,400
Minimum

Couple

£59,000
Comfortable

£43,100
Moderate

£22,400
Minimum

How much should I save?

You should save as much as you can into your pension as soon as you can. We all know that at different stages of our lives, this may not be as easy as at others.

Regularly reviewing your finances and putting plans in place is vital to secure the retirement you deserve. If you haven't started saving for your retirement, you could think about contributing an amount equal to half of your age.

For example, if you are 30 you should consider saving 15% of your income into your retirement savings, whereas if you're 50 it would be wise to consider 25%. What is clear is that, the later you leave it, the higher the amount you'll need to save.

The earlier you start investing, the greater the benefit of compounding – whereby the amount you invest grows and that total amount is reinvested in the next year and the full amount benefits from the growth. Like a snowball, the amount in your pot, will keep growing.

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Benefits?

The state pension is currently around £11,970 per year.

The current UK state pension age is 66 for both men and women. There are changes coming that mean people born after 5 April 1960 will see a phased increase to age 67, and anyone born after 5 April 1977 will see a rise to 68.

The government is very keen to ensure individuals can support themselves in retirement. To assist, they offer a tax benefit for any personal contributions you make.

An additional tax relief is added to your contributions, which for a basic rate taxpayer is 20%. Higher rate and top rate taxpayers can claim back the additional tax relief through their annual self-assessment.

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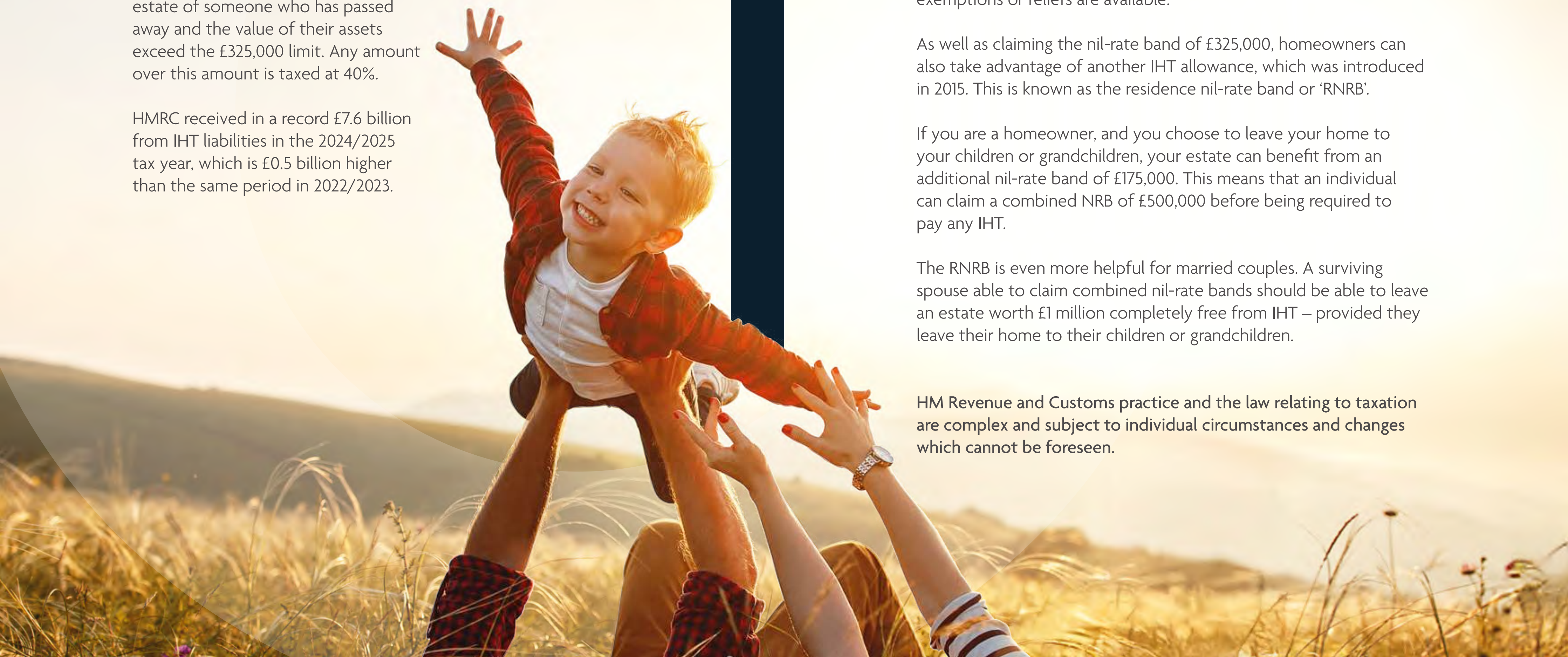
Did you know...

Pensions don't have to be complicated. Talk to your trusted adviser now who can help you to achieve retiring in style.

Estate planning

Inheritance Tax (IHT) is a tax on the estate of someone who has passed away and the value of their assets exceed the £325,000 limit. Any amount over this amount is taxed at 40%.

HMRC received in a record £7.6 billion from IHT liabilities in the 2024/2025 tax year, which is £0.5 billion higher than the same period in 2022/2023.



Your 'estate' essentially means everything you own. This includes your home and other properties, any savings or investments, and also any life insurance policies held in your name. There will be no tax to pay if the estate is left to any surviving spouse or civil partner.

From April 2027, any unused pension funds and death benefits payable from a pension will also form part of your estate. If your estate is valued at less than £325,000 (known as the 'nil-rate band' or 'NRB'), there is no IHT to pay, and the estate can be passed to your beneficiaries IHT free.

However, if your estate is valued above £325,000, your beneficiaries may be expected to pay IHT at a rate of 40% on everything over that threshold. This depends on whether any other allowances, exemptions or reliefs are available.

As well as claiming the nil-rate band of £325,000, homeowners can also take advantage of another IHT allowance, which was introduced in 2015. This is known as the residence nil-rate band or 'RNRB'.

If you are a homeowner, and you choose to leave your home to your children or grandchildren, your estate can benefit from an additional nil-rate band of £175,000. This means that an individual can claim a combined NRB of £500,000 before being required to pay any IHT.

The RNRB is even more helpful for married couples. A surviving spouse able to claim combined nil-rate bands should be able to leave an estate worth £1 million completely free from IHT – provided they leave their home to their children or grandchildren.

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Residence Nil-rate Band Key facts

- Qualifying individuals can use the RNRB to leave an IHT free estate valued at £500,000.
- Married couples could leave an estate valued at £1 million completely IHT free.
- To be eligible, you must leave a qualifying property (or assets representing it if previously disposed of) to lineal descendants such as your children or grandchildren.

Did you know you can reduce your future IHT by giving away some of your wealth during your lifetime?

As of 2025/2026, you're entitled to an annual tax-free gift allowance of £3,000 - known as your annual exemption. With your annual gift allowance, you can give away assets or money up to a total of £3,000 without them being added to the value of your estate. If you don't use your full £3,000 gift allowance in one year, you're allowed to roll it over to the following year.

You're only allowed to do this once, so you can't roll any allowance you haven't used over for a second year. For couples, this could mean you could gift £12,000 in this tax year if you have the maximum unused allowance for both this year and last. This can help you and your family during difficult financial times and could benefit family members now for various reasons such as a down payment for a mortgage.

You can gift your allowance to one person or to several.

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Capital Gains Tax (CGT)

Each tax year you can make a set amount of profit before paying CGT. This is known as the 'annual exempt amount', or put more simply your 'CGT allowance'.

Last tax year, the CGT allowance was cut to £3,000 and it could be cut again in future years. The amount you pay in CGT depends on what you're selling and the income tax band you fall into.

Next Steps

- 1. Make the most of your ISA allowance - Open or top up your ISA and shelter up to £20,000 this tax year (2025/26).
- 2. Open a Junior ISA - Up to £9,000 per child in the current tax year (2025/26).
- 3. Use your pension allowance of up to £60,000 and use any carried forward allowances.
- 4. Review your potential Inheritance Tax liability - You can gift up to £3,000 per year, known as your annual exemption, and if unused you can use the previous year's. As an example, if you only used £1,000 in the last tax year you can use this year's allowance in full first and then the remaining £2,000 from last year.
- 5. Make the most of your annual Capital Gains exemptions.
- 6. Review your non-financial arrangements - Ensure they are up to date and reflect your current situation and wishes, such as Wills and lasting powers of attorney (LPA).
- 7. Review any existing borrowing arrangements in place - For personalised financial advice to suit your circumstances, please get in touch.

Get in touch

Contact your trusted adviser for expert help on how to make the most of the allowances available to you.

THE Openwork PARTNERSHIP

Will writing and Lasting Power of Attorney are not regulated by the Financial Conduct Authority.

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Approved by The Openwork Partnership on 31/03/2025