



Article

Pensions Under Pressure: Preparing for Retirement Amid Changing Legislation

Pension planning has never been simple. But over the past year or so, the pace of change has accelerated. For those approaching retirement, or simply trying to build a solid foundation for the future, keeping up has become more important than ever.

The 2024 Autumn Budget announced major pension and inheritance tax changes. Combined with changes already taking effect in 2026/27 (and more on the horizon for 2027/28 and beyond), now is a sensible time to review existing retirement plans.

The State Pension: Good News, But Not the Full Picture

The State Pension increased by 4.8% in April 2026, bringing the full new State Pension to [£241.30 per week](#) - a meaningful boost for those already in retirement or approaching it.

This increase was delivered under the triple lock, which guarantees that the State Pension rises each year by the highest of inflation, average earnings growth, or 2.5%.

The triple lock remains in place for this Parliament, which offers some reassurance. But there is a sting in the tail for some.

The full new State Pension is now close to the personal allowance threshold of £12,570, meaning even small amounts of additional income can trigger a tax liability.

Future triple lock increases could push the State Pension into entirely taxable territory, quietly eroding the real benefit of each annual uplift.

There is also the question of when you can actually claim it. From April 2026, the State Pension age has begun its gradual rise from 66 to 67, rolled out in monthly increments based on date of birth.

Something as small as your exact birthday could now delay your retirement by weeks or months. For those planning to retire at 66, this creates an unexpected income gap.

For some people, the timing change could create a short income gap between stopping work and receiving the State Pension.

Plans are already in place to push the State Pension age to 68 between 2044 and 2046, and there are warnings that it could happen sooner.

The practical message: do not assume your State Pension will arrive when you expect it to. Check your exact entitlement date at gov.uk and build your retirement plan around the actual numbers, not assumptions.

The Biggest Change: Pensions and Inheritance Tax

If there is one announcement from the 2024 Autumn Budget that demands attention, it is this: from 6 April 2027, most unused pension funds and death benefits will be brought into the scope of inheritance tax (IHT).

Under current rules, pension funds are excluded from your estate for inheritance tax purposes. For many people - particularly those who have spent years building up a sizeable pension pot with the intention of passing it to family - this has been a central part of their estate planning strategy.

Currently, unused pension funds paid as lump-sum death benefits under discretionary trust provisions do not form part of the deceased's estate and are not subject to inheritance tax. That changes from April 2027.

This change will apply equally to defined benefit and defined contribution schemes, as well as to non-UK schemes. Draft rules include limited exclusions, including some dependants' pensions and certain charity and death-in-service benefits, but the details should be checked against the final legislation.

Inheritance tax is charged at 40% on estates above the nil-rate band. The nil-rate band of £325,000 and the residential nil-rate band of £175,000 will remain frozen until April 2030.

With pension funds now set to be counted alongside property, savings and other assets, many more estates will find themselves over the threshold than before.

If you have a substantial pension pot and had planned to leave it as a legacy, this change fundamentally alters the calculation. It is worth:

- Reviewing your nomination of beneficiaries
- Considering whether your drawdown strategy needs to change
- Thinking about whether other estate planning tools (e.g. lifetime gifts or trusts) should now form part of your plan.

The Private Pension Access Age Is Also Changing

Alongside the shift in State Pension age, the minimum age at which you can access your private or workplace pension is also on the move. From 6 April 2028, the normal minimum pension age will increase from 55 to 57. This is particularly relevant for many people born between 6 April 1971 and 5 April 1973, although some schemes may have protected pension ages.

If your date of birth falls within that range, you turn 55 within the two years before the age limit rises to 57, creating a window during which you could access your pension savings at the current minimum age. If you do not act within that window, you will need to wait until your 57th birthday.

This does not mean you should rush to access your pension. Doing so prematurely carries risks, including triggering the Money Purchase Annual Allowance, which permanently reduces the amount you can tax-efficiently contribute to your pension each year to £10,000. But if early retirement was part of your plan, this is a change you need to be aware of and factor in well in advance.

Pension Contributions and Tax Relief: Still Powerful

Despite all the changes, pensions remain one of the most tax-efficient ways to save. The Annual Allowance - the maximum you can contribute to all your pensions in a single tax year while retaining tax relief - remains at £60,000 for 2026/27.

Basic-rate taxpayers receive 20% tax relief on contributions; higher-rate taxpayers can claim 40%; and additional-rate taxpayers can claim 45%.

For those who pay higher or additional rate tax and do not claim the full relief owed through self-assessment, significant refunds could go unclaimed year after year.

For business owners, employer pension contributions can still be a tax-efficient way to save, and the company may usually obtain corporation tax relief, but the member's annual allowance and other pension tax rules still need to be considered.

If you have already started drawing flexibly from a pension, bear in mind that the Money Purchase Annual Allowance restricts further contributions to just £10,000 per year.

This catches people out more often than you might expect - particularly those who accessed pension funds early and later returned to work or wanted to continue saving.

What Should You Do Now?

The pace of legislative change means that a retirement plan written even two or three years ago may no longer reflect the rules or the most tax-efficient approach available today.

For those within ten to fifteen years of retirement, the window to adapt is real, but it is narrowing. Here are some practical steps worth taking:

- Check your State Pension forecast and confirm your exact entitlement date (do not rely on a rough estimate)
- Review the nomination of beneficiaries on your pension, especially in light of the 2027 inheritance tax change
- If you are in the 1971 to 1973 birth cohort, consider your options carefully before the minimum access age rises in 2028
- Ensure you are claiming full pension tax relief through your self-assessment return if you pay higher or additional rate tax
- If your estate is likely to exceed the inheritance tax thresholds once pension funds are included, consider whether your drawdown strategy and wider estate plan need to be updated
- Review your pension investments to ensure they remain aligned with your actual retirement timeline and risk appetite

Pension legislation will continue to evolve. What matters is not predicting every change, but building a flexible plan that can adapt as the landscape shifts.

We're Here to Help

Whether you are several years from retirement or approaching it sooner than you would like, navigating these changes is much easier with professional support.

Please don't hesitate to get in touch with a member of the team. We're here to help you make sense of your options and put a plan in place that works for you.

Please note:

This article is for general information only and does not constitute personal financial, tax or legal advice. Pension and tax rules depend on individual circumstances and may change in future. The value of pension investments can fall as well as rise, and you may get back less than you put in. Before making decisions about accessing or restructuring pension benefits, consider taking guidance from Pension Wise and/or regulated financial advice. Estate planning, will writing and some trust and tax-planning activities are not regulated by the Financial Conduct Authority.

**Discover the difference of true independence in wealth management.
Let's build your wealth, your legacy, and your future — together.**

If you value depth of expertise, a personal relationship with your adviser and the reassurance that your wealth is managed with precision and care, Corellia is designed for you.

Contact us to arrange a no-obligation discussion:
e: ganesh@corelliafs.com
t: +44 20 3375 1584

Corellia Financial Services Limited

Arena Offices - 2F02, 100 Berkshire Place Winnersh, RG41 5RD Berkshire **t:** +44 20 3375 1584. **m:** +44 7801 549274.

e: ganesh@corelliafs.com **w:** corelliafs.com Corellia Financial Services Limited is authorised and regulated by the Financial Conduct Authority (FCA) No: 793798

Company Reg. No. 10984380.

Disclaimer: The value of investments and any income from them can fall as well as rise, and you may not recover the amount of your original investment. The Financial Conduct Authority does not regulate cash flow modelling, tax planning or estate planning.