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The Great Wealth Transfer: How UK Families Should Prepare for Intergenerational Planning in 2026

Over the coming decades, the Charities Aid Foundation estimates that UK households will transfer over [£5.5 trillion](#) to the next generation - the largest wealth transfer in history.

For many families, this represents the largest financial transaction they will ever make. Yet despite its scale, intergenerational planning remains something that families put off – sometimes until it is too late.

In 2026, there are compelling reasons to move this conversation from "someday" to "now":

- The combined effect of frozen inheritance tax thresholds and rising asset values
- A looming pensions inheritance tax change that will reshape estate planning from April 2027
- The opportunity to use exemptions and allowances that will otherwise be lost

For many families, careful planning between now and April 2027 could make a difference worth hundreds of thousands of pounds. For others, it could mean the difference between a smooth transition of wealth and a lengthy, costly dispute.

The Scale of the Opportunity (and the Risk)

The "Great Wealth Transfer" is happening in a specific context. Older generations have accumulated assets - e.g. through property ownership and pension savings - on a scale unimaginable to previous generations.

Yet this wealth is now vulnerable in ways that many people do not fully understand.

A retired couple with a modest lifestyle may own a £800,000 family home, have pension pots totalling £500,000 and accumulated savings of £300,000. In practice, their estate now exceeds £1.6 million - substantially above the inheritance tax threshold of [£325,000](#) (and the residence nil-rate band of £175,000 for property).

Without planning, a substantial inheritance tax liability could arise. The amount payable will depend on individual circumstances, but proactive planning may significantly reduce the eventual tax burden.

Frozen Thresholds and Rising Values: The Hidden Tax Trap

For inheritance tax (IHT), the nil-rate band remains at £325,000. The residence nil-rate band remains at £175,000 for property passed to direct descendants.

But these fixed numbers are being eroded by inflation and asset price growth. Property values have doubled or more in many parts of the country since 2009. Pension values have grown substantially. Investment portfolios have appreciated.

The result is that an estate that would have been well below the inheritance tax threshold in 2009 may now exceed it considerably - without the owner having done anything at all.

For many families, this creates a tax liability that was completely unforeseeable even five years ago. The problem will only become more acute as asset values continue to rise and the thresholds remain frozen.

The Pension Inheritance Tax Bombshell: April 2027

Perhaps the most significant development in the intergenerational planning landscape is the change to the taxation of pensions, announced in the 2024 Autumn Budget and due to take effect on 6 April 2027.

For the past 40 years, pension savings have been a favoured asset in estate planning. They did not form part of your taxable estate. This made them an extraordinarily powerful tool for wealth transfer.

Many retirees have deliberately structured their finances to draw on other assets first, leaving their pension largely untouched so that it could pass to family members free of inheritance tax. From April 2027, that approach changes fundamentally.

Most unused pension funds will be brought within the scope of inheritance tax. This means that a pension pot of £500,000 will now be included in the inheritance tax calculation. If the total estate exceeds the threshold, a 40% tax will be payable on the pension assets.

Moreover, beneficiaries who inherit a pension will also be subject to income tax on withdrawals from that pension. In some cases, the combined tax burden (inheritance tax plus income tax) could exceed 50% of the value of the pension.

This change does not mean pension saving is any less worthwhile. But it fundamentally alters how retirement income should be structured and how estates should be planned. Families who fail to adjust their approach by April 2027 may face a much larger tax bill than they expect.

The Unspoken Question: Who Will Manage It?

When an estate is transferred to the next generation, someone must manage the process. There are accounts to close, property to value, paperwork to sort through, beneficiaries to communicate with and (often) tax returns to file.

If there is no Will in place, this process becomes a legal nightmare. If there is a Will but the executors (the people appointed to carry it out) are elderly or inexperienced, the burden can fall on the very people who are grieving.

Many families do not think about this until it is too late. A son or daughter suddenly finds themselves responsible for managing their parent's affairs - a task they have no experience with and no preparation for.

Effective intergenerational planning includes not just deciding who gets what, but who will be responsible for making that happen. This might mean appointing professional executors, providing clear instructions, or ensuring that the designated executors have access to professional advice when the time comes.

Practical Steps to Take in 2026

If you do not have a valid, up-to-date Will, this should be your first step. A Will does not have to be complex or expensive, but it is essential. If your Will is more than a few years old, review it to ensure it still reflects your wishes, especially in light of the pension inheritance tax changes coming in April 2027.

Understand how much pension wealth you have and how it will be treated from April 2027. Consider whether your retirement income strategy needs to change in light of the new rules.

An LPA (lasting power of attorney) allows someone you trust to manage your affairs if you lose the capacity to do so. There are two types: one for property and financial affairs, and one for health and welfare. This is not about what happens when you die; it is about what happens if you are unable to make decisions while you are still alive. Many families overlook this, but it can be critical.

There are several exemptions and allowances that allow you to pass money to family members during your lifetime without inheritance tax implications. The annual £3,000 per person exemption can be given away each year. Gifts made more than seven years before death are outside the inheritance tax net. Using these allowances systematically over time can substantially reduce the size of your estate.

Think about the practicalities. Who will be responsible for managing your estate when the time comes? Are they equipped to do so? Would professional executors be appropriate? What instructions would you want to leave behind?

Seek professional advice. Intergenerational planning sits at the intersection of legal, tax and financial considerations. Getting it right requires understanding not just the rules as they are now, but how they will change, and how your personal circumstances fit with those rules.

The Time to Act is Now

The Great Wealth Transfer is happening whether families plan for it or not. The only question is whether it will happen smoothly, tax-efficiently and in line with your wishes - or whether it will become a source of stress, delay and avoidable expense for the people you care about most.

The window for making decisions in advance of the April 2027 pension changes is particularly important. Many families will need to significantly rethink their approach to retirement income and estate planning in light of this change.

Those who do so in the next 12 months will have time to adjust their strategy. Those who wait until after the changes take effect may find themselves with a substantially larger tax bill and fewer options available.

Intergenerational planning is one of the most important conversations a family can have. It is also often far more straightforward than people expect once they begin.

If you would like to discuss how intergenerational planning might work for your family, or understand how the changes coming in April 2027 might affect your position, we would be happy to talk through your options.

Get in touch with a member of the team. We are here to help.

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