

**CREDO**

Tax Year End Planning  
2026



## Private Client Tax Year End Planning Guide 2025/26: Tax Efficient Strategies to Protect and Grow your Wealth

### Introduction

The end of the tax year presents an opportunity to step back and review your financial position in a structured and deliberate way.

While many individuals focus solely on using annual allowances before they expire, effective year-end planning should go further. It is a valuable moment to reassess long-term objectives, stress test existing arrangements, and ensure that tax, investment and estate structures remain appropriate in a changing legislative and economic environment.

This guide outlines the principal areas that individuals and families should consider before 5 April 2026. It is structured across three key phases of financial life:

#### **Accumulation**

Building and structuring wealth efficiently.

#### **At Retirement**

Converting capital into sustainable income.

#### **Legacy**

Protecting and transferring wealth effectively.

Each section can be read independently and concludes with a practical year-end checklist.

This document is designed to support discussions with your professional advisers and to highlight areas where timely action can materially improve long-term financial outcomes.



## A Structured Approach to Year-End Planning

Before reviewing specific allowances or reliefs, it is important to consider the wider context of your financial position.

### 1) Clarify Your Objectives - Define what you are working towards

- Retirement timing and income requirements
- Property purchases or debt reduction
- Funding education costs
- Business exit planning
- Succession intentions

### 2) Assess Whether You Remain on Track

- Is your savings rate sufficient?
- Is your asset allocation aligned with required returns?
- Have legislative changes altered your position?
- Do adjustments need to be made before tax year end?

### 3) Optimise Tax Position Where Appropriate

- Pension contributions
- ISA allowances
- Capital gains management
- Income structuring
- Gifting strategies

### 4) Ensure Investment Strategy Is Appropriate

- Target long-term return
- Tolerance for volatility
- Liquidity requirements
- Time horizon
- Tax positioning

### 5) Maintain a Review Framework

Financial plans evolve as circumstances, legislation and markets change. An annual structured review, particularly before tax year end, provides discipline and clarity.



## Accumulation: Building and Structuring Wealth Efficiently

During the accumulation phase, the focus is typically on growing capital while balancing professional progression, business activity, property commitments and family expenditure.

Decisions at this stage have lasting compounding effects.

### CORE ACCUMULATION QUESTIONS

- How much can you afford to save each year on a sustainable basis?
- Are current contribution levels consistent with long-term goals?
- Is excessive capital held in low-return assets?
- What risks could disrupt projections such as inflation, taxation or health events?
- Is there a structured review process in place?

**Alignment between savings rate, tax wrapper and investment strategy is fundamental.**

## Pension Planning

Are you optimising your pension contributions for 2025/26?

- Pensions remain one of the most tax-efficient long-term planning structures available.
- Higher and additional rate taxpayers can obtain up to 40% and 45% income tax relief respectively.
- The annual allowance for 2025/26 is £60,000 gross, subject to relevant earnings and tapering.
- For those with income above £260,000, the allowance tapers to a minimum of £10,000 once income reaches £360,000.
- Unused allowances from the previous three tax years may be carried forward, enabling larger lump sum contributions.
- National Insurance relief on salary sacrifice pension contributions will be capped from April 2029, creating a planning window over the next three tax years.

## Pension Planning for Higher Earners:

### 1) INCOME £100,000–£260,000

- Effective marginal tax rates can reach 60% between £100,000 and £125,140 due to personal allowance withdrawal.
- Pension contributions can restore tax efficiency and may help manage exposure to tapering.

### 2) INCOME £260,000+

- The annual allowance reduces progressively to £10,000.
- Using available allowances earlier may preserve contribution capacity.
- Review whether the annual allowance has been exceeded and assess mitigation options.



## Additional Planning Considerations

### FAMILIES WITH CHILDCARE EXPOSURE

- Pension contributions can reduce adjusted income below £100,000, preserving eligibility for childcare benefits.

### BUSINESS OWNERS

- Remuneration strategy across salary, dividends and employer pension contributions should be reviewed before tax year end.

“For the majority of people who are saving for a retirement goal, pensions are still likely to be the most tax efficient way to save and invest. A £60,000 gross contribution will effectively cost an additional rate taxpayer only £33,000”.

#### Effective cost of a £60,000 gross personal contribution

Higher rate taxpayer	£36,000
Additional rate taxpayer	£33,000

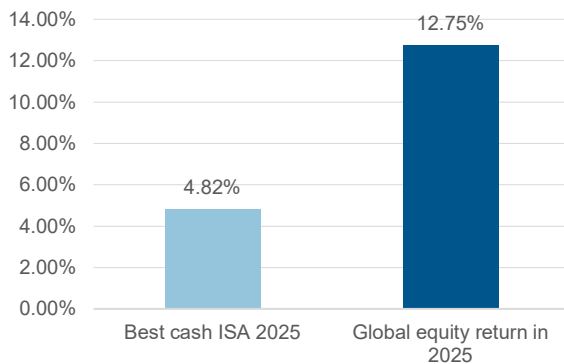
## ISA Planning

Are you maximising Individual Savings Account (ISAs) allowance for 2025/26?

- Where appropriate, and subject to affordability and your pension contribution plan, you should aim to utilise your ISA allowance of up to £20,000 per tax year each (and £9,000 for children under 18).
- An ISA provides tax-free growth and income, letting you take home all of the interest and growth within the fund.
- An ISA can be useful for goals prior to retirement, as there is no restriction on when you can withdraw funds, but can also be used in retirement to sit alongside your pension. This is likely to be particularly relevant to high earners who are restricted on the amount they can contribute to a pension.
- Where appropriate, consider an investment ISA rather than a Cash ISA for long term savings, as the expected return differences can be significant over a long time period.



### Highest cash ISA rate for 2025 compared with global equity returns for 2025 in GBP



*"We often find that clients hold Cash ISAs when their savings goal is 5-10+ years away, particularly as interest rates have been elevated over the last few years. Holding cash even during times of higher interest rates is not generally optimal for long term investors"*

Source: Moneysupermarket and FE Analytics

***Past performance is not necessarily a guide to future performance, income is not guaranteed, share prices may go up or down and you may not get back the original capital invested***

Should other tax wrappers be considered outside pensions and ISAs: General Investment Accounts (GIA), Offshore Bonds, EIS, and VCT?

- Once pensions and ISAs have been maximised, a review of the other available tax wrappers should be considered, as they could play an effective part in your retirement (or succession) objectives.
- An investment bond can offer additional flexibility and tax efficiency for high earners, with the tax deferral mechanism proving advantageous in certain circumstances, for example those who are additional rate taxpayers during accumulation, but the funds are only needed at a point in time when the policy holder is a non- or basic rate taxpayer.
- EIS and VCT, whilst higher risk and illiquid, can be suitable for certain clients and confer up front tax relief of up to 30% in the 2025/26 tax year.

***Just because you have maximised your pension and ISA contributions does not mean that you should stop saving for retirement, other tax wrappers are available and should be utilised where appropriate.***

### Alignment of Investment Strategy with Accumulation Objectives

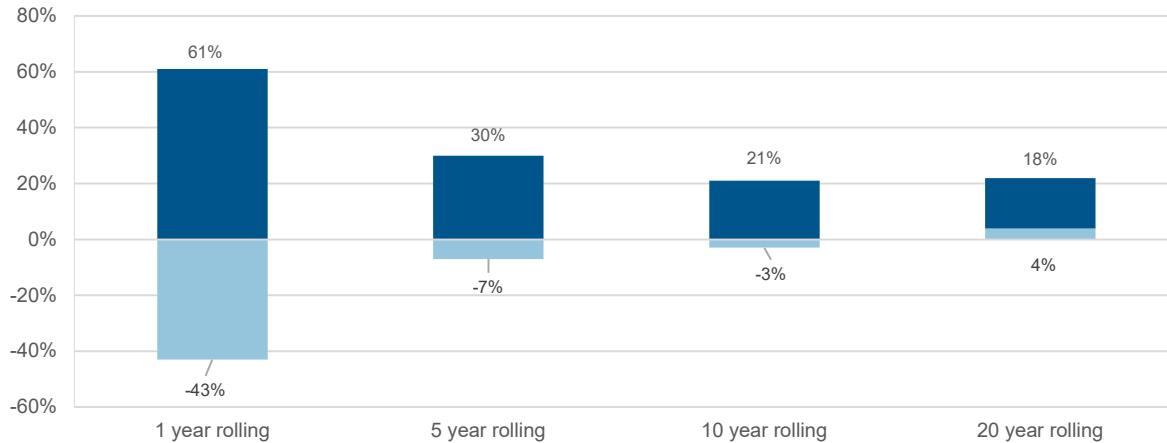
Once capital has been allocated to the appropriate tax structures, attention should turn to the composition of the underlying investments. The investment strategy should reflect:

- The required long-term rate of return required to meet objectives
- The investor's tolerance for short-term volatility
- The time horizon associated with each goal

Investment risk must be considered over the correct timeframe. Equity markets can experience significant short-term fluctuations, yet the variability of outcomes has historically reduced over longer holding periods.



**Historical data from US equity markets between 1950 and 2025 demonstrates that while short-term returns can be highly variable, extended investment horizons materially reduce the probability of negative outcomes. This reinforces the importance of aligning asset allocation decisions with the intended holding period.**



Source: JP Morgan Guide to the Market 2025

**Past performance is not necessarily a guide to future performance, income is not guaranteed, share prices may go up or down and you may not get back the original capital invested**

#### ACCUMULATION – YEAR END PLANNING CHECKLIST

- Pension contributions:** review unused annual allowance and available carry forward
- ISA allowances:** ensure current-year allowances are fully utilised
- State Pension credits:** check National Insurance record and entitlement
- Additional tax wrappers:** consider GIA, bonds, VCT or EIS once pensions and ISAs are used
- Capital gains:** use annual exemption and consider crystallising losses
- Business owner remuneration:** review salary, dividends and employer pension contribution mix
- Protection planning:** review life, health and income protection cover
- Investment strategy:** assess whether asset allocation remains aligned with objectives
- Childcare benefits:** assess income thresholds and planning opportunities
- Charitable giving:** review Gift Aid use and other related reliefs
- Spousal allowances:** utilise unused personal and CGT allowances
- Dividend and interest allowances:** ensure available allowances are used efficiently



## At Retirement: Turning Capital into Sustainable Income

### Converting Wealth into Sustainable Income

As individuals move from accumulation into retirement, the focus of planning changes fundamentally. The priority is no longer the growth of capital, but ensuring that existing assets can generate reliable income while preserving flexibility for the future.

Retirement introduces a different set of challenges. Longer life expectancy, inflation, healthcare costs and the order in which investment returns occur can all materially affect outcomes. Income requirements in the early years must be balanced against the need for financial resilience later in life.

With many retirements now lasting several decades, the risks of longevity and inflation have become central considerations. A disciplined and tax-aware strategy is therefore essential.

### **FOUR KEY AREAS TO REVIEW BEFORE 5 APRIL 2026**

#### **AT RETIREMENT: IMPORTANT QUESTIONS**

- What level of income will be required to maintain your desired lifestyle?
- How long might your retirement last?
- How will inflation affect spending power over time?
- Are you confident your plan can absorb unexpected costs, such as care, medical expenses or larger gifts to family?
- Is your investment strategy appropriate for how income will be generated in retirement?

### **1) ADDITIONAL PENSION CONTRIBUTIONS**

Even after retiring from full-time employment, pension funding opportunities may still exist.

Individuals undertaking consultancy, part-time work or other forms of income-generating activity may continue contributing to pensions and obtain tax relief at their marginal rate, potentially up to 45 percent. This may be particularly relevant for those whose total income exceeds £100,000 and who are affected by the tapering of the personal allowance.

There may also be scope to contribute on behalf of family members, including spouses or children, as part of longer-term intergenerational planning.



## 2) STRUCTURING RETIREMENT INCOME EFFICIENTLY

The legislative landscape surrounding defined contribution pensions continues to evolve. Recent changes to the Lifetime Allowance framework and the planned inclusion of pension assets within the estate for inheritance tax from April 2027 increase the need for careful review.

### Key considerations include:

- Whether to draw tax-free cash, taxable income or a combination of both
- How much taxable income to withdraw in order to utilise available income tax bands efficiently
- Whether withdrawals should be managed to remain within certain thresholds

Pensions should not be assessed in isolation. ISAs, General Investment Accounts, property and investment bonds may form part of the wider asset base. Coordinating withdrawals across different tax wrappers can significantly influence overall tax outcomes.

## 3) MANAGING LONGEVITY AND INFLATION RISK

Balancing capital preservation with growth remains one of the more complex elements of retirement planning.

On one side, assets must generate sufficient return to preserve purchasing power and provide for later-life expenses such as long-term care. On the other, tolerance for volatility may reduce as investment time horizons shorten.

A diversified approach that blends growth-oriented assets with lower volatility holdings may help manage these competing pressures. For a couple currently aged 60, the probability of at least one individual surviving into advanced ages remains meaningful:

*“For many people entering retirement now, there is a high probability of at least one person living into their 90s. With care home costs typically exceeding £75,000 per annum in the south of England, and recently increasing at a rate of 7%-10% per annum, it is imperative to factor this into your retirement plan”*

Source: Timeline Planning

Age	Probability of survival
60	100%
70	99%
80	94%
90	67%
100	11%

## 4) LIQUIDITY AND CASH MANAGEMENT

- Many retirees choose to hold a portion of their capital in cash or lower risk assets in order to fund near-term expenditure and reduce exposure to short-term market volatility. Holding one to five years of anticipated withdrawals in liquid assets can provide stability during market downturns.



- However, interest earned on cash or bond funds held outside tax-advantaged wrappers such as pensions or ISAs is taxable at marginal income tax rates, currently up to 45 percent and scheduled to rise to 47 percent from April 2027.
- For some investors, directly held government or qualifying corporate bonds may offer a more tax-efficient method of achieving similar levels of capital stability, depending on individual circumstances.
- As the tax year end approaches, reviewing the amount of interest received and the associated tax liability can identify opportunities to improve net returns.

**Illustrative net returns assuming assets are held outside a tax wrapper:**

	Cash on deposit	Tax Efficient Bond
<b>Non-taxpayer</b>	4.0%	3.6%
<b>Basic Rate Taxpayer</b>	3.2%	3.6%
<b>Higher Rate Taxpayer</b>	2.4%	3.6%
<b>Additional Rate Taxpayer</b>	2.2%	3.6%

*Source: Bloomberg. Tax efficient bond based on a 1 year government bond as at 6 January 2026*

**RETIREMENT – YEAR END CHECKLIST**

- Review retirement income needs:** compare expected income with current and anticipated spending
- Stress test retirement plans:** assess longevity, inflation and sequencing risk
- Review State Pension position:** check entitlement, forecast and National Insurance record
- Assess further pension contributions:** consider tax efficiency prior to crystallisation
- Review pension withdrawal strategy:** ensure tax-free cash, drawdown and income are sequenced efficiently
- Review non-pension withdrawal strategy:** coordinate ISA, bond and GIA withdrawals to manage tax bands
- Check tax efficiency of cash holdings:** assess whether large cash balances on deposit remain appropriate
- Utilise tax allowances:** ensure CGT, dividend and income allowances are used where possible
- Review asset ownership:** consider whose name assets are held in to improve overall tax efficiency
- Review liquidity levels:** ensure accessible capital is available for short-term and unexpected costs



## Inheritance & Estate Planning

### Protecting and Transferring Wealth

Effective inheritance planning is not solely about reducing tax. It is about ensuring clarity, control and fairness, while retaining sufficient flexibility to adapt to changing needs, legislation and family dynamics.

#### **KEY SUCCESSION CONSIDERATIONS FOR THE 2025 TO 2026 TAX YEAR**

##### **SUCCESSION PLANNING: IMPORTANT QUESTIONS**

- What is your affordability for gifting taking into consideration your own retirement position?
- What is your current inheritance tax (IHT) liability?
- What are your short- and longer-term succession planning goals?
- Do you have any requirements to maintain control and / or flexibility over any gifted funds.
- Have you reviewed your Wills and do you have a power of attorney in place?

### Balancing Control and Tax Efficiency

Inheritance planning is not simply a tax exercise. It is about maintaining clarity, protecting family interests and ensuring that assets are passed on in a controlled and deliberate manner.

Effective succession strategy balances several competing objectives. Reducing inheritance tax exposure may involve transferring ownership or control of assets. However, doing so can affect personal flexibility, income security and long-term financial resilience.

The central challenge is achieving an appropriate balance between tax efficiency and continued financial security.

Planning options typically involve trade-offs. These may include:

- Lifetime transfers where capital is surplus to personal requirements
- Trust arrangements that allow control or protection for beneficiaries
- Retaining sufficient assets to meet future income needs, contingency expenditure or potential care costs

**The appropriate approach will vary depending on family structure, asset composition and long-term objectives.**



## 1) PENSION ASSETS AND INHERITANCE TAX REFORM

- From April 2027, UK pensions will form part of the estate for inheritance tax purposes. This represents a significant development in estate planning and may materially affect existing strategies.
- When pension assets pass to beneficiaries, both inheritance tax and income tax may apply depending on the age of the deceased and the beneficiary's tax position. The combined effect can be substantial.
- Illustrative effective rates on inherited pension funds where the deceased is over age 75 and allowances are ignored:

Tax Rate of beneficiary on eventual withdrawal	Typical Effective Tax Rate on inherited pension
Basic Rate	52%
Higher Rate	64%
Additional Rate	67%

The decision to draw from a pension, retain it or restructure retirement income should therefore be assessed in conjunction with broader estate planning objectives. In some cases, preserving pension assets during lifetime may remain advantageous, but the position must now be reviewed carefully.

## 2) ORGANISING PERSONAL AFFAIRS

Practical organisation is an often-overlooked component of succession planning.

Ensuring that executors and family members can easily identify assets, liabilities and key contacts can significantly reduce administrative complexity during a difficult period.

A consolidated record of important information may include:

- Personal information: national insurance numbers, phone numbers, addresses
- Important passwords
- Life insurance documents
- Details of financial assets: bank accounts, investment accounts, property, pensions, income sources
- Details of any debts or liabilities
- Important documents: wills, powers of attorney, trust documents, property deeds
- Contact list of important or useful people



### 3) USE OF INHERITANCE TAX ALLOWANCES AND RELIEFS

A range of inheritance tax exemptions and reliefs remain available. Reviewing these before the end of the tax year can ensure that opportunities are not missed.

Allowance / Relief	Summary
<b>Annual Gifts</b>	Gifts of £3,000 per tax year are immediately exempt from IHT. Can be carried forward one year
<b>Small Gifts</b>	Gifts of £250 per recipient per tax year are immediately exempt from IHT
<b>Potentially Exempt Transfers</b>	Gifts to individuals which are not immediately exempt will fall outside the estate after 7 years, with tapering relief applying after 3 years.
<b>Gifts out of surplus income</b>	Regular gifts made from surplus income can be immediately exempt from IHT. However, conditions are strict and care is needed.
<b>Business &amp; Agricultural Relief</b>	Certain qualifying business and agricultural assets can qualify for up to 100% relief from IHT. Limits have recently been announced to this which may affect business owners (see below)
<b>Charitable Reliefs</b>	Donations to charity exempt from IHT. In addition, if more than 10% of net estate is left to charity the IHT rate on the remainder of the estate reduces from 40% to 36%

***“It is important to consider the exemptions and reliefs in conjunction with other areas of your planning, such as the potential use of gifts out of surplus income in combination with withdrawals from a pension”.***

### 4) CHANGES TO BUSINESS RELIEF AND AGRICULTURAL RELIEF

From 6 April 2026, the combined value of assets eligible for 100 percent relief under Business Relief and Agricultural Relief will be capped at £2.5 million per individual. Assets exceeding this threshold will qualify for 50 percent relief.

For business owners and landowners with substantial qualifying assets, this may result in increased inheritance tax exposure and potential liquidity pressure for beneficiaries, particularly where assets are illiquid.

Advance planning may therefore be required. Options could include:

- Reviewing ownership structures
- Considering lifetime transfers
- Exploring insurance arrangements to provide liquidity on death
- Assessing the role of trust structures where appropriate

Such decisions should be taken within the broader context of capital gains tax, retirement income needs and the implications of transferring control during lifetime.



## SUCCESSION PLANNING – YEAR END CHECKLIST

- Wills and Powers of Attorney:** review your wills and POAs to ensure that they continue to reflect your wishes.
- Use of IHT Allowances:** ensure that where appropriate, you are maximising the IHT allowance available.
- Pensions:** review how your pensions fit into your retirement and estate plan considering the changes to IHT in April 2027
- Life File:** create a file with all important documents and information to one place
- Business and Agricultural Relief:** if you hold assets which may qualify for either relief, you should review your position before April 2026
- Insurance policies and Trusts:** review your personal life insurance policies, and where appropriate ensure they are in trust.
- Succession Planning strategy:** assess your overall succession planning strategy to ensure it aligns with your objectives and personal circumstances.

## Conclusion

Tax year end planning is most effective when it is treated as a structured review rather than a last-minute exercise. As income, assets and family circumstances evolve, so too do the opportunities and risks that shape long-term financial outcomes.

Approaching the tax year end with a clear understanding of where you sit within your financial life cycle allows allowances to be used more effectively, assumptions to be challenged, and decisions to be made with greater confidence.

By combining Credo's financial planning and investment approach, clients benefit from joined-up advice that considers tax efficiency, investment strategy and long-term objectives in the round.

A proactive review ahead of 5 April can help ensure that today's decisions continue to support financial security, flexibility and control in the years ahead.



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