



# THORNTONS WEALTH

## THE LONGEVITY CHALLENGE

Planning to make sure your retirement savings last



### IS IT TIME TO GIFT SMART?

*Reducing your estate's Inheritance  
Tax liability for your loved ones*

### ARE YOU MAKING THE MOST OF YOUR ISA?

*How to grow your savings  
beyond cash accounts*

### BUILDING A RESILIENT INCOME PORTFOLIO

*A fundamental aspect of prudent  
financial planning*

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Thorntons Wealth is a trading name of Drumnor Investments Limited (SC438886) and Thorntons Wealth Management Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. The companies are authorised and regulated by the Financial Conduct Authority.





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# WELCOME TO THE LATEST ISSUE OF THORNTONS WEALTH MAGAZINE.

**W**elcome to the February 2026 issue of Thorntons Wealth's monthly e-zine newsletter.

In this issue, planning how to distribute your wealth is crucial for minimising Inheritance Tax (IHT) liabilities. This article outlines the basics of IHT, including the nil-rate band and additional allowances, such as the Residence Nil-Rate Band. It highlights the benefits of gifting assets early, the seven-year rule for tax exemptions, and other tax-free gifting opportunities. By understanding these rules and planning ahead, you can safeguard your family's financial future while minimising tax burdens. Expert advice ensures your estate planning is both efficient and effective.

With changes to Cash ISA limits on the horizon, this article encourages savers to consider Stocks & Shares ISAs for better long-term returns. It addresses common barriers such as financial constraints and risk concerns while emphasising the potential for inflation-beating growth. The piece also highlights the importance of financial education, as many savers lack knowledge of tax-efficient investing. By demystifying ISAs and their benefits, this article empowers readers to make informed decisions and maximise their savings potential in the evolving financial landscape.

Creating a reliable income stream is essential for financial security, especially in retirement. This article examines the power of dividends, emphasising their role in long-term value creation and in protecting against inflation. It also explores the importance of diversification, dividend growth, and bonds for stability. By balancing growth and reliability, investors can build a portfolio that meets both short-term income needs and long-term financial goals. The piece underscores the value of careful planning and diversification in achieving a resilient, adaptable income strategy.

This article highlights the importance of proactively managing tax allowances to maximise savings and investments. It covers key allowances, including the Personal Allowance, ISA limits, and pension contributions, and addresses changes from the Autumn Budget 2025. Readers are guided on strategies to reduce tax

liabilities, including optimising income, utilising ISAs, and managing Capital Gains Tax. With a focus on "use it or lose it" opportunities, the article encourages readers to review their finances before the tax year ends to ensure financial efficiency.

As life expectancy rises, retirees face the challenge of ensuring their savings last. This article explores the importance of re-evaluating financial plans to align with longer life expectancies. It emphasises strategies such as monitoring pension withdrawals, considering annuities, and adopting flexible retirement solutions. By balancing current spending with future needs, retirees can enjoy a comfortable lifestyle while safeguarding their financial security. The piece underscores the need for ongoing planning and expert guidance to navigate the complexities of a retirement that could span decades.

We hope you find this issue insightful. If you know someone who would enjoy it, please feel free to share it with them.

Best wishes,

**Thorntons Wealth**

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# IS IT TIME TO GIFT SMART?

Reducing your estate's Inheritance Tax liability for your loved ones

**CONSIDERING THE LATER YEARS OF YOUR LIFE IS AN ESSENTIAL PART OF FINANCIAL PLANNING**, ESPECIALLY WHEN IT INVOLVES HOW YOUR ASSETS WILL BE DISTRIBUTED AFTER YOU PASS AWAY. MANY PEOPLE THINK ABOUT GIFTING THEIR DEPENDENTS OR FAMILY MEMBERS AN EARLY INHERITANCE. HOWEVER, THIS REQUIRES CAREFUL PLANNING AND A SOLID UNDERSTANDING OF INHERITANCE TAX RULES TO ENSURE YOUR WEALTH IS TRANSFERRED IN A REASONABLE AND EFFICIENT MANNER.

Talking to us about your needs can help you avoid unexpected tax burdens and understand the complexities of estate planning. So, let's think about what you should know if you are considering gifting part of your wealth early.

## UNDERSTANDING THE BASICS OF INHERITANCE TAX

Inheritance Tax, in its simplest form, is the tax imposed on the estate of someone who has died. The value of an estate comprises all assets, including savings, investments, property, and personal possessions. For many, IHT isn't a concern, as the current allowance for any individual in the UK is

£325,000. This amount is known as the nil-rate band (NRB).

If the total value of your estate is below this threshold, no tax is payable. However, if your estate exceeds the NRB, the executor of your will or the administrator of your estate must pay 40% to HMRC on the amount above the threshold. This 40% is the standard IHT rate applied to the part of the estate that surpasses the £325,000 NRB, which remains frozen until at least 2031.

## ADDITIONAL RELIEFS AND ALLOWANCES

Some relief might be available if you decide to pass your main residence to any direct



descendant, your children or grandchildren. The Residence Nil-Rate Band (RNRB) can add an extra £175,000 to the usual IHT allowance. As a result, your personal allowance could rise to £500,000. For married couples or civil partners, these allowances can be transferred to the surviving partner, possibly letting up to £1,000,000 be passed on before incurring IHT.

One of the easiest ways to reduce the value of your estate before you pass away is to give money to your chosen beneficiaries early. By gifting parts of your inheritance, your total assets may drop below the taxable threshold. A good starting point is to calculate your estate's total value to gain a clear understanding of its value. If it exceeds the IHT allowance, we can advise you on IHT mitigation planning, which may involve gifting.

## GIFTING RULES AND THE SEVEN-YEAR CLOCK

When giving money as a gift early, it is important to understand the rules. The current limit for a small cash gift to a single person is £250 a year, which can be given to as many people as you like, as long as they haven't received another gift from you. For any amount above £250, you can utilise your annual



exemption of £3,000, which can be gifted to one or more people within a tax year without IHT implications. If you do not use this exemption, you can carry it forward for one tax year, allowing a gift of up to £6,000.

If you decide to gift an amount above the annual exemption, you should become familiar with the 'seven-year rule'. These gifts are known as Potentially Exempt Transfers (PETs) if they are made to an individual or a Bare Trust. A PET can be of any value and is exempt from IHT if you survive more than seven years after making the gift. If you pass away within this seven-year period, the gift may become a taxable asset. The tax rate on the gift is on a sliding scale, on amounts over the NRB.

### **OTHER TAX-FREE GIFTING OPPORTUNITIES**

Along with the annual allowance, there are additional exemptions that let you gift part of your inheritance early. Assets left to a spouse or civil partner are exempt from IHT, as are unlimited gifts between you, as long as both of you live permanently in the UK. You can also make tax-free wedding gifts of up to £5,000 to a child, £2,500 to a grandchild, or £1,000 to anyone else.

Furthermore, regular gifts from your surplus income that do not affect your standard of living can also be exempt. These could go towards a relative's living expenses or into their savings account. Detailed records must be kept of these payments to show that they are part of a consistent pattern and originate from surplus income. By planning ahead, you may be able to reduce future tax liabilities for your beneficiaries. ■

### **READY TO EXPLORE HOW YOU CAN SAFEGUARD YOUR FAMILY'S FUTURE?**

To learn more about Inheritance Tax planning or to receive expert financial advice, contact us today to discover how we can help secure your family's future. Please get in touch, don't leave it to chance.

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TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE. THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE ESTATE PLANNING, TAX ADVICE OR TRUSTS.

# ARE YOU MAKING THE MOST OF YOUR ISA?

How to grow your savings beyond cash accounts

**RECENT RESEARCH SHOWS A SIGNIFICANT CHANGE IN SAVINGS ATTITUDES**, WITH OVER HALF OF UK CASH INDIVIDUAL SAVINGS ACCOUNT (ISA) HOLDERS WILLING TO EXPLORE THE INVESTMENT MARKET. FOR THE 2025/26 TAX YEAR, THIS OFFERS A NOTABLE CHANCE FOR SAVERS TO GROW THEIR WEALTH BEYOND THE RETURNS FROM TRADITIONAL CASH ACCOUNTS.

Since their introduction over twenty years ago, Individual Savings Accounts (ISAs) have become vital for UK savers. Despite their popularity, there is still a widespread lack of clarity about how they work, especially concerning the specific benefits of Stocks & Shares ISAs. With new research indicating that 60% of Cash ISA savers might be persuaded to invest, it is time to reassess how we approach our long-term savings goals.

The Autumn Budget 2025 announced a significant change to Cash ISAs: starting April 2027, the annual tax-free savings limit will be reduced from £20,000 to £12,000 for individuals under 65. This move aims to encourage younger savers to explore investment options such as Stocks & Shares ISAs while maintaining the £20,000 limit for those aged 65 and over.

## OVERCOMING THE BARRIERS TO INVESTING

The primary barrier preventing many from investing is financial constraints.

The research shows that 42% of those not currently investing believe they lack sufficient disposable income. This belief is slightly more common among women (45%) than men (38%), highlighting a confidence gap that goes beyond just financial resources.

The second main concern is risk. Over a third (35%) of non-investors worry about potential financial losses, a valid concern in any investment journey. An additional 12% express anxiety about their ability to access their money quickly if needed. These issues, though understandable, often stem from a lack of detailed information on how Stocks & Shares ISAs can be managed to suit individual risk tolerance and financial timelines.

## THE PULL OF GREATER RETURNS

What motivates a person to switch? For 39% of Cash ISA holders, the main motivation is the chance of better financial returns. This increases to 50% among those aged 18 to 34, a group very aware of the importance of making their money work





harder. The ability to generate returns that outpace inflation is also a crucial factor for 27% of savers, which is especially relevant in the current economic climate.

If this sentiment encourages action, a significant portion of the funds currently in Cash ISAs, potentially up to £216 billion, could be redirected into investments. This shift would rely entirely on savers feeling confident and well-informed enough to proceed, highlighting the crucial need for better financial education and guidance.

### **CLOSING THE KNOWLEDGE AND CONFIDENCE GAP**

Many people admit that limited knowledge holds them back. A quarter (25%) of non-investors say they do not understand stocks and shares, while 16% are unsure where to begin. This uncertainty is more apparent among younger savers, with nearly a third of those under 50 acknowledging a lack of understanding.

Surprisingly, even those with a Stocks & Shares ISA report a lack of knowledge. Over half (58%) feel they only have 'a little knowledge' about how their investments work. Furthermore, a significant two-thirds of UK adults are incorrect or uncertain about the tax rules, with 25% mistakenly believing they pay tax on gains from a Stocks & Shares ISA. This basic misunderstanding prevents many from recognising one of the account's most valuable benefits: tax-efficient growth.

### **MAKING AN INFORMED DECISION FOR YOUR FUTURE**

While cash is essential for short-term savings and emergencies, a Stocks & Shares ISA can be a valuable option for those with a longer-term perspective of at least five years. The data highlights a clear opportunity to empower savers

with the knowledge they need to make informed decisions that align with their financial goals.

By demystifying the world of investing and highlighting the significant tax advantages, we can help people unlock the full potential of their savings. Investing is not suitable for everyone, and capital is always at risk. However, for many Cash ISA savers, the potential for higher long-term returns could be life-changing. ■

### **IS IT TIME TO REVIEW YOUR INVESTMENT OBJECTIVES AND SET CLEAR TARGETS FOR LASTING SUCCESS?**

If you are considering your options and want to learn more about how a Stocks & Shares ISA could fit into your financial plan and review your investment objectives to set clear targets for lasting success, please speak to us.

#### **Source data:**

*[1] The Opinium research for Royal London was conducted online between 4th and 11th April 2025, with a sample of 4,000 UK adults, weighted to be nationally representative.*

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# BUILDING A RESILIENT INCOME PORTFOLIO

A fundamental aspect of prudent financial planning

**WHETHER YOU'RE NEARING RETIREMENT OR SEEKING TO BOOST YOUR CURRENT INCOME,** BUILDING A PORTFOLIO THAT GENERATES STEADY RETURNS IS A FUNDAMENTAL ASPECT OF PRUDENT FINANCIAL PLANNING. FOR MOST INVESTORS, THE AIM IS TO CREATE AN INCOME STREAM THAT IS NOT ONLY DEPENDABLE BUT ALSO FLEXIBLE TO CHANGING FINANCIAL CIRCUMSTANCES.

**H**owever, income investing isn't just about today's payouts. It's about ensuring your capital grows sufficiently to keep pace with inflation. Balancing the need to preserve purchasing power to achieve long-term growth is the key challenge for any income strategy.

## **POWER OF DIVIDENDS**

Dividends are often regarded as a mark of financial discipline. When a company commits to returning cash to its shareholders, it indicates responsible management and a focus on sustainable, long-term value creation. For investors, dividends are among the most tangible rewards for loyalty and trust in a business.

A company with a consistent history of paying and increasing dividends often signals quality. Historically, dividends have contributed significantly to overall stock market returns. While growth-focused investors may pursue the "next big thing," overlooking well-established dividend-paying firms could be costly. The true secret is not in choosing between growth and income but in recognising dependable companies that provide both.

## **HOW TO EVALUATE DIVIDEND RELIABILITY**

When choosing dividend-paying stocks, it can be tempting to pursue the highest yields. However, high yields can sometimes indicate

risk, particularly if they are unsustainable. The most reliable dividends come from companies with consistent profits and adequate earnings to comfortably cover their payouts. Investors rely on three key metrics to assess dividend reliability.

Diversification, dividend growth, and dividend cover. Diversification helps lower risk by preventing over-reliance on a small number of companies for most returns. Dividend growth indicates a company's financial stability and commitment to shareholders, as demonstrated by a consistent record of increasing payouts over time. Lastly, dividend cover assesses how comfortably a company can sustain its payments from current profits, with a higher ratio signifying greater reliability.

## **ROLE OF BONDS IN A BALANCED PORTFOLIO**

While equities offer growth potential, bonds deliver much-needed stability. Bonds pay regular interest, providing a predictable income stream with amounts known beforehand. This fixed characteristic acts as a buffer against the volatility of stock



### WANT TO DISCUSS YOUR INCOME-GENERATING NEEDS?

Whether you're preparing for retirement or simply aiming to improve your financial security, a well-structured income strategy is essential for success. To learn more or discuss your income-generating needs, please contact us.

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market dividends, helping to smooth out fluctuations in your portfolio.

The timing of bond investments often hinges on the economic cycle. Government and high-quality bonds tend to perform well during periods of economic downturn, while higher-yielding corporate bonds may be more appealing during times of economic growth.

#### **SAFEGUARDING YOUR INCOME**

Inflation can decrease the purchasing power of your income over time, but dividends can act as a strong defence. Companies that regularly boost their profits often raise their payouts at a rate

exceeding inflation, thus maintaining the real value of your money. By combining the stability of bonds with the growth potential of dividend-paying stocks, you can build a balanced portfolio that provides a reliable income stream. This strategy not only satisfies your short-term income needs but also supports your long-term financial objectives.

Building an income portfolio involves a careful balance of reliability, growth, and flexibility. By focusing on high-quality dividend-paying stocks, diversifying your investments, and including bonds for stability, you can develop a resilient income stream that endures over time. ■

# UK TAX ALLOWANCES: ARE YOU MAKING THE MOST OF YOUR MONEY?

Proactively managing your allowances can help you maximise your savings and investments

**TAX IS AN UNAVOIDABLE PART OF LIFE FOR ANYONE EARNING ABOVE THE UK PERSONAL ALLOWANCE THRESHOLD. HOWEVER, THE GOVERNMENT OFFERS VARIOUS TAX ALLOWANCES EACH YEAR THAT CAN HELP YOU KEEP MORE OF YOUR HARD-EARNED MONEY. UNDERSTANDING AND USING THESE ALLOWANCES IS CRUCIAL FOR IMPROVING YOUR FINANCIAL EFFICIENCY.**

**M**any of these allowances function on a “use it or lose it” basis. This means that if you don’t utilise them within the current tax year, which ends on 5 April, the opportunity is lost and cannot be carried over. As we near the end of the 2025/26 tax year, it’s wise to review your finances and identify where you could save, especially considering the updates from the recent Autumn Budget 2025 Statement.

## **UNDERSTANDING INCOME AND SAVINGS**

Income tax is charged on most types of earnings, but several allowances help reduce the amount you pay. The Personal Allowance

for the 2025/26 tax year is £12,570, meaning you can earn this amount without paying any income tax. This threshold remains the same following the Autumn Budget. If you are married or in a civil partnership and your partner earns less than this, you might be able to optimise your joint tax position by transferring income-generating assets to them.

Furthermore, a Personal Savings Allowance lets you earn up to £1,000 in interest from savings and investments tax-free if you are a basic rate taxpayer. This allowance drops to £500 for higher rate taxpayers and is unavailable to additional rate taxpayers. A practical way to achieve

tax-efficient growth is through the annual ISA allowance, which permits you to save up to £20,000 in the 2025/26 tax year.

Any interest, dividends, or capital gains earned within an ISA are entirely free from UK tax. The Autumn Budget confirmed that the ISA allowance will stay at its current level for the next tax year; however, from April 2027, you’ll only be able to deposit £12,000 into a Cash ISA each tax year (if you’re under 65).

## **PENSIONS AND NATIONAL INSURANCE**

One of the most significant policy changes announced in the Autumn Budget 2025 Statement affecting pension savers was the introduction of a cap on how much of your salary you can sacrifice for pension contributions without paying National Insurance (NI), with implementation scheduled for April 2029.

Your pension is one of the most effective, tax-efficient savings vehicles available. For the 2025/26 tax year, you can contribute up to £60,000 into your pension and receive

tax relief on your contributions. This allowance is tapered for high earners, reducing by £1 for every £2 of adjusted income you have above £260,000, and the MPAA could also apply.

National Insurance contributions (NICs) are also deducted from your earnings and are essential for qualifying for certain state benefits, including the State Pension. You will not pay NICs on the first £12,570 of your earnings. For income between £12,571 and £50,270, the rate is 8%, then decreases to 2% on earnings above this threshold. To receive the full New State Pension, you generally need 35 qualifying years of National Insurance contributions.

### **CAPITAL GAINS TAX CONSIDERATIONS**

Capital Gains Tax (CGT) is a tax on the profit you make when you sell or 'dispose of' an asset that has increased in value. Each individual has an annual CGT allowance of £ 3,000 for the 2025/26 tax year. For profits exceeding the allowance, CGT is charged at 18% for basic rate taxpayers and

24% for higher or additional rate taxpayers on residential property, with different rates possibly applying to other assets.

There are legitimate ways to reduce your CGT liability, such as spreading the sale of assets over different tax years or transferring an asset to a spouse or civil partner to maximise both of your allowances. It is also important to report any capital losses to HM Revenue & Customs, as these can be offset against future gains to lower your tax bill. ■

### **WILL YOU MAXIMISE EVERY OPPORTUNITY BEFORE THE END OF THE TAX YEAR?**

Proactively managing your allowances can help you maximise your savings and investments. We can help ensure you make the most of every opportunity before the tax year ends. If you'd like to discuss your personal tax planning in more detail, please contact us for further information.

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# THE LONGEVITY CHALLENGE

Planning to make sure your retirement savings last



## MANY OF US LOOK FORWARD TO RETIREMENT AS A TIME TO RELAX AND ENJOY THE FRUITS OF OUR LABOUR.

HOWEVER, AN INCREASING NUMBER OF RETIREES ARE FACING AN UNEXPECTED CHALLENGE: THEIR LIFESPANS ARE EXTENDING WELL BEYOND THEIR INITIAL EXPECTATIONS, AND THEIR FINANCIAL PLANS MAY NOT BE SUFFICIENT TO KEEP UP. THIS GROWING GAP BETWEEN LIFE EXPECTANCY AND FINANCIAL PREPAREDNESS IS A CRITICAL ISSUE FOR TODAY'S RETIREES.

**R**ecent research uncovers an unexpected trend. Nearly a third (30%) of retirees in their 70s have already surpassed their expectations from their 50s<sup>[1]</sup>. Despite this, a large majority (77%) still do not believe they will live beyond age 85. However, the reality is different. Statistics indicate that one in four 70-year-old men can expect to reach 92, and for women, the chances are even better, with a significant likelihood of reaching 100<sup>[2]</sup>.

### RE-EVALUATING YOUR FINANCIAL FUTURE

These findings highlight a serious concern: many individuals in mid-retirement may be making vital financial decisions based on outdated expectations about their life expectancy. As we age, managing complex finances can become more challenging, making it crucial to remain actively engaged in your retirement plans. Simply establishing a pension and leaving it untouched is no longer a practical strategy for a retirement that could last decades longer than anticipated.

Balancing a sustainable retirement income is a delicate task. You aim to enjoy a comfortable life now while ensuring sufficient savings for the future. The first step is to fully understand your financial

situation and the options available to you. Having the right conversations at the right moments can help you prepare for a future that may be longer and more prosperous than you ever expected.

### STRATEGIES FOR A LONGER RETIREMENT

To ensure a financially secure retirement, it is crucial to think long-term. Your retirement may last 25 to 30 years, so planning for this period and regularly reviewing your decisions is essential. Keep a close eye on your pension withdrawal levels, as assessing your spending and savings is vital for meeting your needs both now and in the future. Overspending in the early years could lead to a shortfall later, but being overly cautious might prevent you from thoroughly enjoying your retirement.

It's also wise to consider all your options. Annuities can provide the peace of mind that comes with a guaranteed, regular income later in life. Blended retirement solutions, which provide flexibility early on and security later, can also help your finances adapt as you progress through different stages of retirement. Developing a retirement strategy is not a one-time task; it's an ongoing process that will likely evolve with your needs. ■

### ARE YOU CONFIDENT THAT YOUR SAVINGS WILL LAST A LIFETIME?

Talking with us will help you stay on track and ensure your savings last a lifetime. If you have questions about planning for a longer retirement and want to make sure your finances are ready for the future, we are here to help. Contact us for further information and guidance.

#### Source data:

- [1] *Retirement Reality: Managing Money in Mid-Retirement*, May 2025.  
[2] *ONS Life Expectancy calculator*. Based on data on 09.10.2025.

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