



Tina Pollock

**A case study on the IHT implications
of the 2024 Autumn Budget**

August 2025



This content is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice. The impact of any taxation (and any tax reliefs) depends on individual circumstances.

Where content includes case studies or examples these are for illustration purposes and are not recommending a specific course of action.

Past performance is not a reliable indicator of future performance. The value of an investment can go down as well as up and your client may get back less than they've paid in.

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Learning objectives

By the end of this session, you will be able to:



Assess the impact of the IHT changes in the 2024 Autumn Budget on your clients' financial planning



Describe the fundamental elements of an IHT plan



Evaluate different options to mitigate a pension driven IHT liability

Introducing

Tina

- 74-year-old widow - 75th birthday in January 2026.
- Husband Ian died 8 years ago at 68 and she inherited everything, including his AIM ISA, on his death.
- Lives alone in family home she shared with Ian.
- In good health with no known health issues.
- Two sons have joint power of attorney on her health and finances.
- She has a will and is splitting everything equally between her two sons.

Tina has seen the publicity around the changes to IHT in the budget and is concerned about how much of her and Ian's hard-earned wealth she will have left to pass onto the boys.



The “Boys”



- Lives with his partner Kevin (45). No dependents.
- Both work for a large IT company and are financially independent.
- Roy earns £115,000 a year.
- His workplace pension is quite generous. He pays in 6% and his employer pays in 12%



- Married to Lyndsay (40) who works in the family home as a full-time mum
- 3 children
Rosie (10) and twins Sophie and Emma (8).
- Bob earns £70,000 a year
- His workplace pension only provides auto enrolment minimum.

Material Information

Income & Expenditure

- Met from state pension and drawdown.
 - No foreseeable income or capital needs.
-

Gifting

- Not gift averse but wants control – boys to “make their own way in the world”.
 - £200,000 of inherited AIM shares to boys 4 years. On condition they paid off chunks of their mortgages.
-

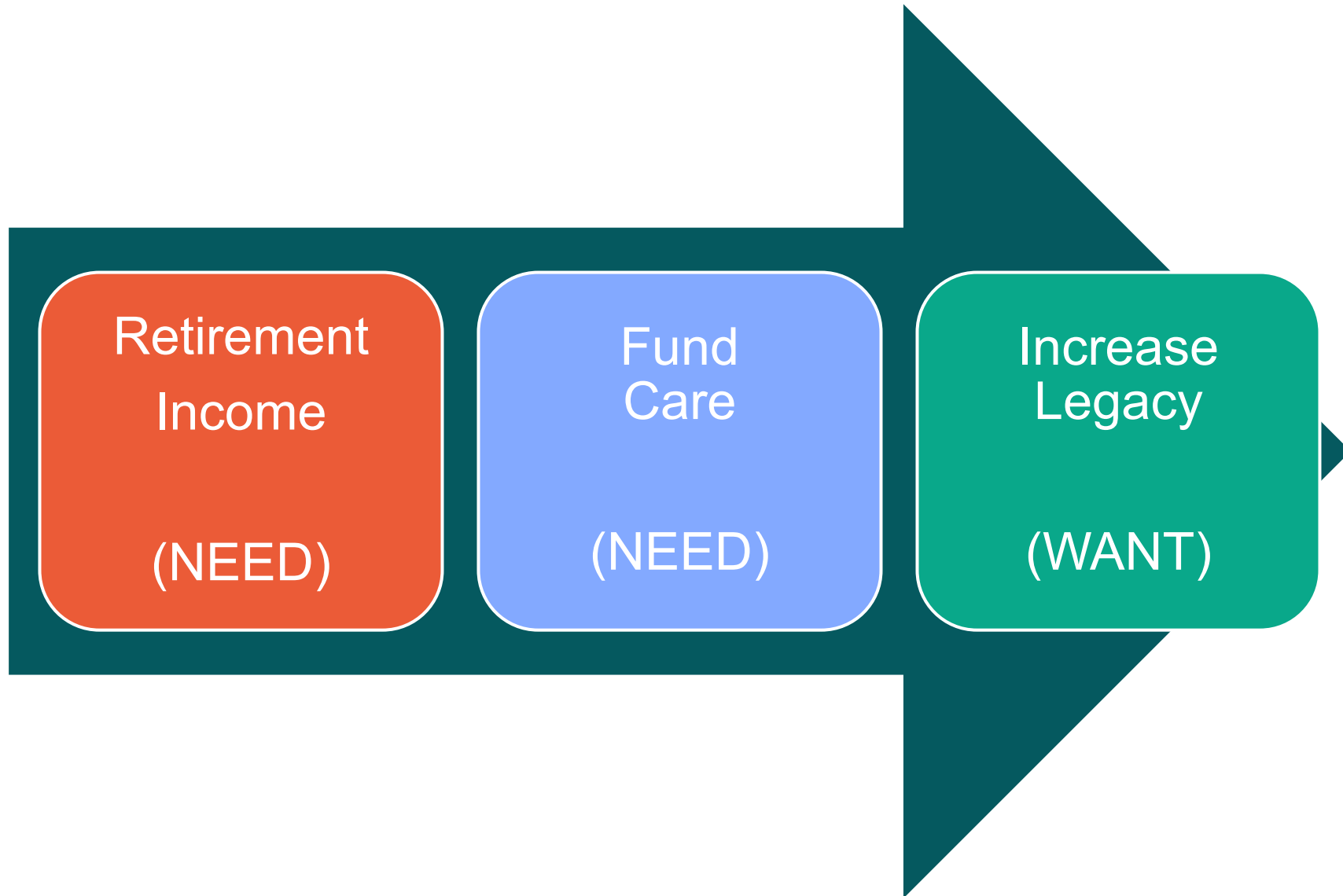
Soft facts

- “Care aware”. Quite comfortable with using her home as a means of funding the care as “it’s too big anyway and I’m rattling around in it most of the time”. She’ll probably downsize and move closer to the kids and grandkids at some point anyway.
- Concerned with investment performance with her AIM shares.



Objectives

Priority order



Assets



£760,000

Home

Unencumbered

3% growth



£8,000

Cash in Bank

2% interest



£37,000

Premium Bonds

0% growth

Spends winnings



£400,000

Member drawdown

6% growth

No income



£480,000

Beneficiary Drawdown

6% growth

Income £2,200 p.m.



£220,000

AIM ISA

2% growth

No withdrawals

IHT liability pre budget

Net Estate	House	£760,000	£1,025,000
	Bank	£8,000	
	Premium Bonds	£37,000	
	AIM ISA	£220,000	
Add settled property			£0

RNRB Taper check!

IHT liability pre budget

Net Estate	House	£760,000	£1,025,000
	Bank	£8,000	
	Premium Bonds	£37,000	
	AIM ISA	£220,000	
Add settled property			£0
Less exemptions			£0
Less reliefs	Business relief 100% - AIM	£220,000	£220,000

IHT liability pre budget

Net Estate	House	£760,000	£1,025,000
	Bank	£8,000	
	Premium Bonds	£37,000	
	AIM ISA	£220,000	
Add settled property			£0
Less exemptions			£0
Less reliefs	Business relief 100% - AIM	£220,000	£220,000
Less Nil Rate Bands	Main NRB	£450,000	£800,000
	RNRB	£350,000	

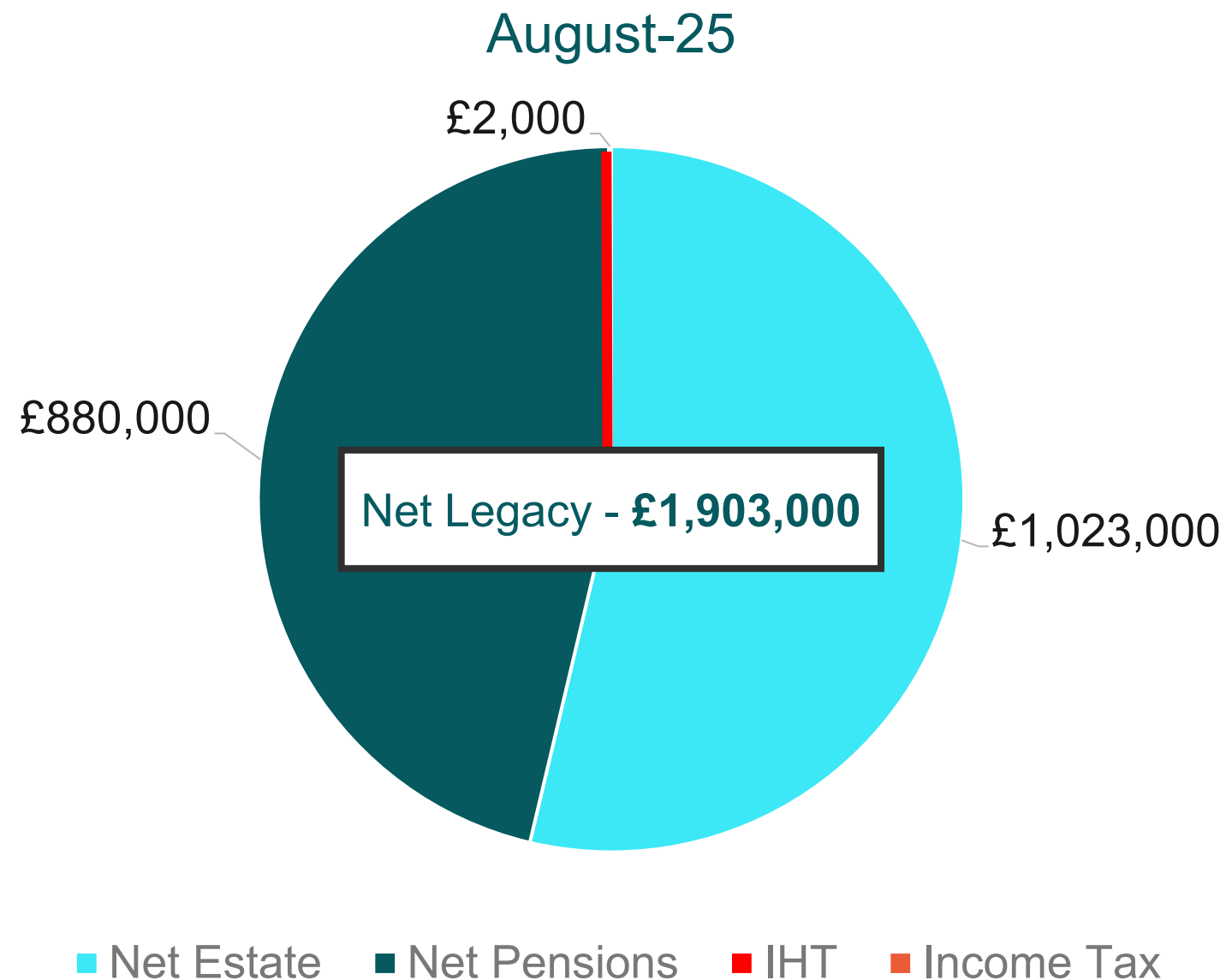
Main NRB reduced by failed gifts.

IHT liability pre budget

Net Estate	House	£760,000	£1,025,000
	Bank	£8,000	
	Premium Bonds	£37,000	
	AIM ISA	£220,000	
Add settled property			£0
Less exemptions			£0
Less reliefs	Business relief 100% - AIM	£220,000	£220,000
Less Nil Rate Bands	Main NRB	£450,000	£800,000
	RNRB	£350,000	
Taxable			£5,000
IHT due @ 40%			£2,000

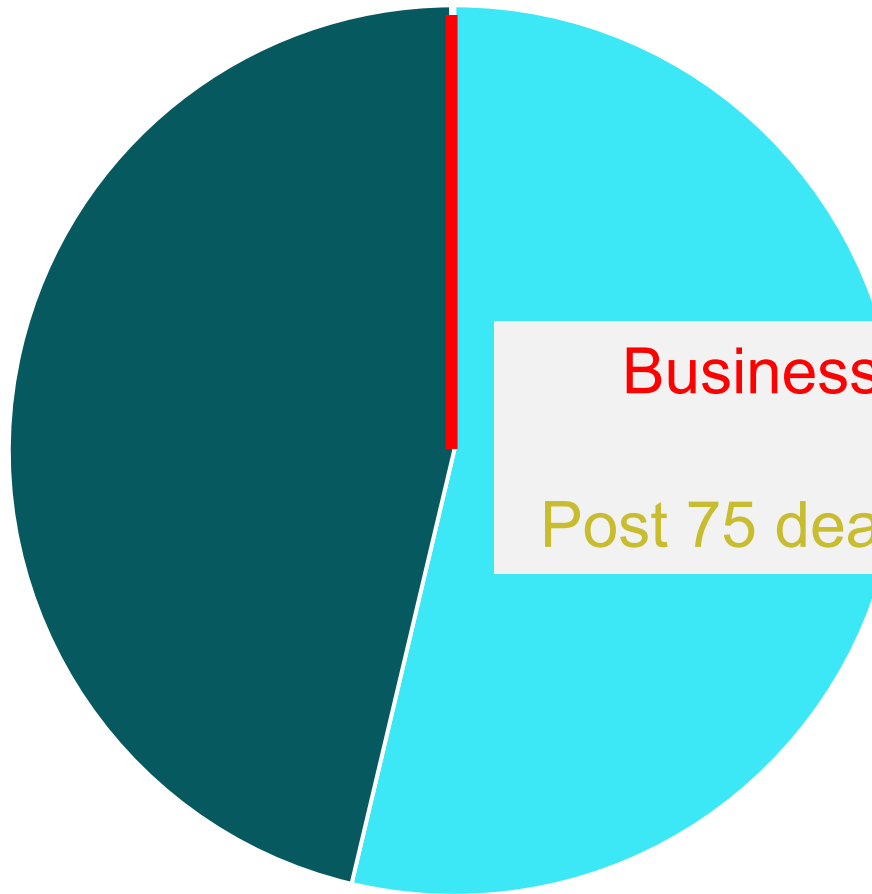
Member and Beneficiary Drawdown pensions IHT free...!

Net legacy



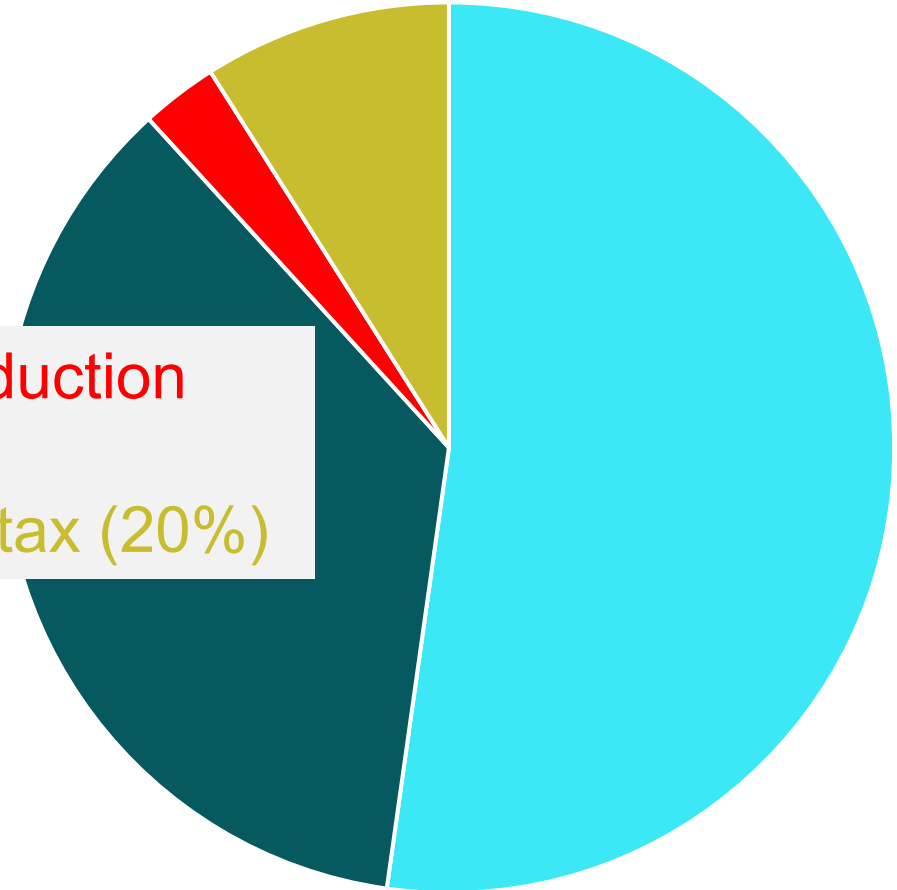
Net Legacy - £1,903,000

August-2025



Net Legacy - £1,721,416

August-2026



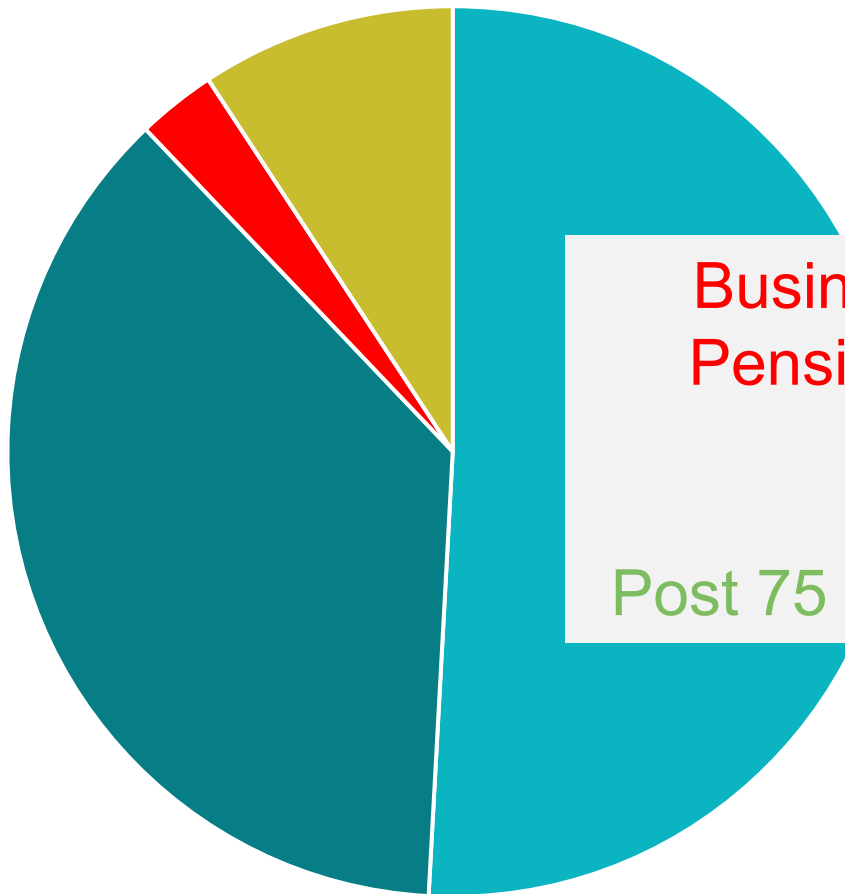
Business Relief Reduction

Post 75 death income tax (20%)

■ Net Estate ■ Net Pensions ■ IHT ■ Income Tax ■ Net Estate ■ Net Pensions ■ IHT ■ Income Tax

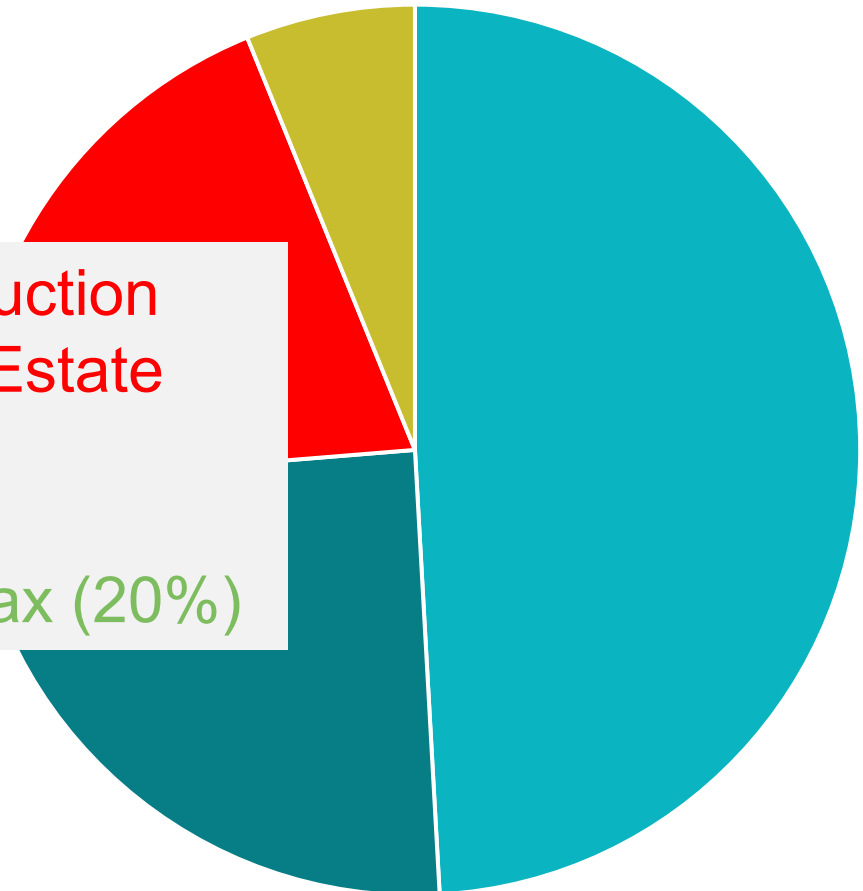
Net Legacy - £1,721,416

August-2026



Net Legacy - £1,436,471

August-2027



Business Relief Reduction
Pension included in Estate
Loss of RNRB

Post 75 death income tax (20%)

■ Net Estate ■ Net Pensions ■ IHT ■ Income Tax ■ Net Estate ■ Net Pensions ■ IHT ■ Income Tax

Apportioning the NRB/RNRB

Estate	
Net estate	£1,080,495
less Exemptions	£0
less Reliefs	£114,444
Chargeable	£966,051

Pension scheme 1	
Death benefit	£484,944
less Exemptions	£0
less Reliefs	£0
Chargeable	£484,944

Pension scheme 2	
Death benefit	£449,440
less Exemptions	£0
less Reliefs	£0
Chargeable	£449,440

Chargeable estate £1,900,435

Available NRB + RNRB (£992,560 - £200,000) = £792,560

$$(\text{£}966,051 / \text{£}1,900,435) \times \text{£}792,560 = \text{£}404,408$$

$$(\text{£}484,944 / \text{£}1,900,435) \times \text{£}792,560 = \text{£}202,242$$

$$(\text{£}449,440 / \text{£}1,900,435) \times \text{£}792,560 = \text{£}188,145$$

Apportioning the NRB/RNRB

Estate	
Net estate	£1,080,495
less Exemptions	£0
less Reliefs	£114,444
Chargeable	£966,051
Nil rate band	£404,408
Taxable	£561,643

£224,657

Pension scheme 1	
Death benefit	£484,944
less Exemptions	£0
less Reliefs	£0
Chargeable	£484,944
Nil rate band	£202,242
Taxable	£282,702

£113,081

Pension scheme 2	
Death benefit	£449,440
less Exemptions	£0
less Reliefs	£0
Chargeable	£449,440
Nil rate band	£188,145
Taxable	£261,295

£104,518

Paying IHT

Personal Reps

Recovery from
beneficiaries

Same
beneficiaries?

Pension Scheme

IHT “Scheme
pays”

Prior to setting
up benefits?

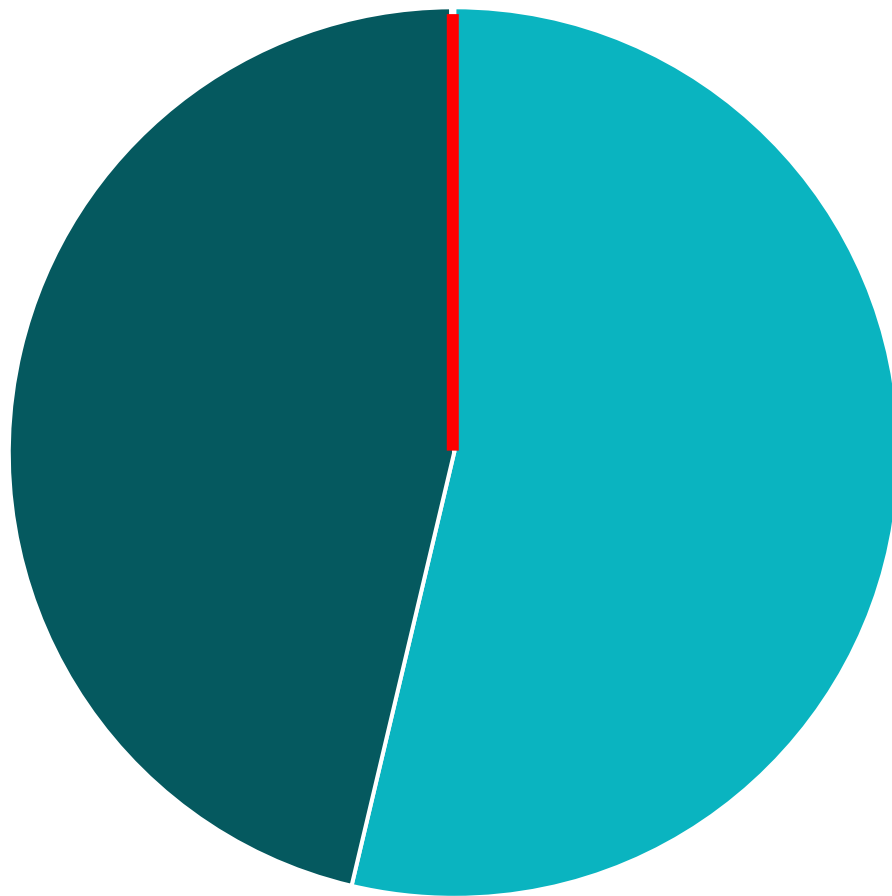
Beneficiary

Requests
benefits / own
resources

Income tax
refund on IHT
amount

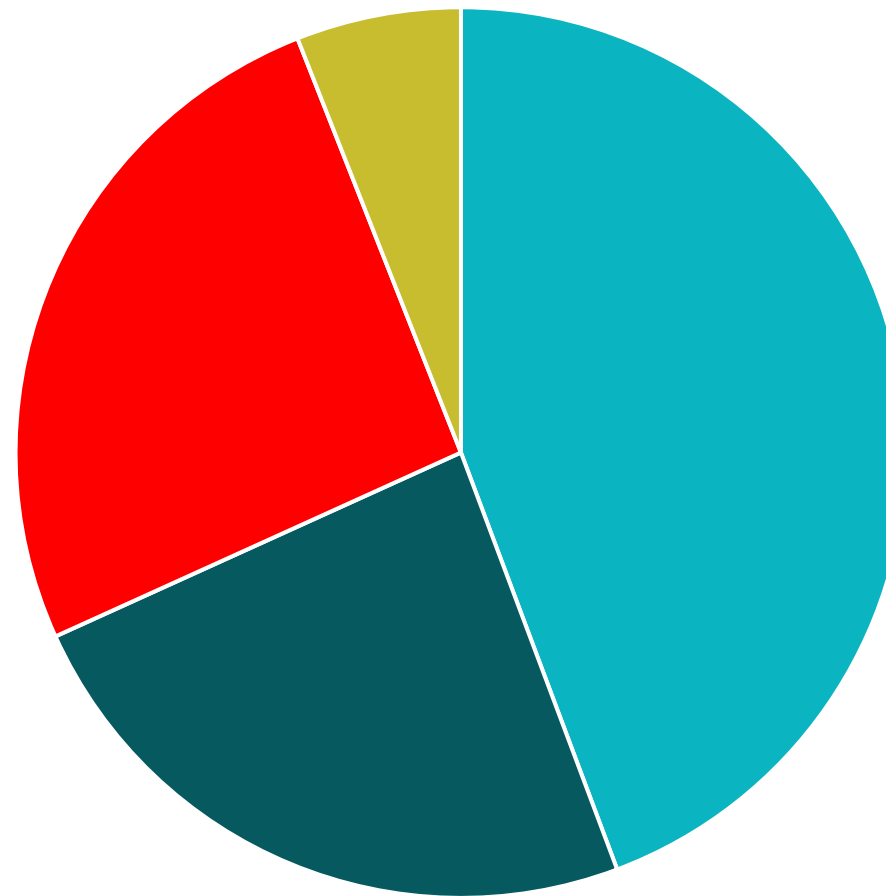
Net Legacy - £1,903,000

August-2025



Net Legacy - £1,926,282

August-2040



■ Net Estate ■ Net Pensions ■ IHT ■ Income Tax ■ Net Estate ■ Net Pensions ■ IHT ■ Income Tax

Planning matters



A 6-step process

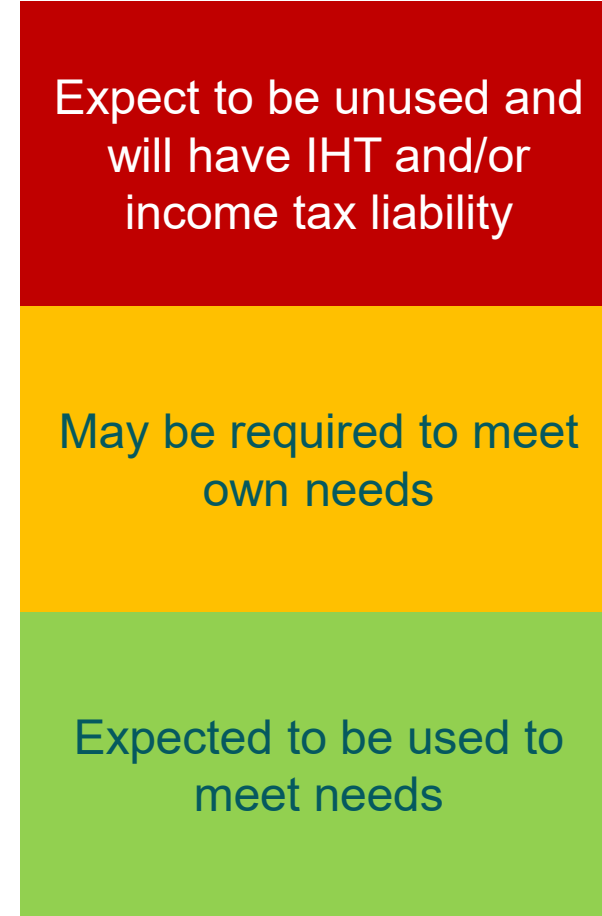




STEP 3 – RAG assets

Access needs and tax considerations (lifetime & death)

“Ragging” your assets



Assets



£760,000

Home

Unencumbered

3% growth



£8,000

Cash in Bank

2% interest



£37,000

Premium Bonds

0% growth

Spends winnings



£400,000

Member drawdown

6% growth

No income



£480,000

Beneficiary Drawdown

6% growth

Income £2,200 p.m.



£220,000

AIM ISA

2% growth

No withdrawals

Taxes everywhere...

	Access Tax		Death Tax	
	Today	Today	August 2026	August 2027
Tax Free Pension	0%	0%	20% / 40%	52% / 64%
AIM ISA	0%	0%	20%	20%
Taxable Pension	20% to 43%	0%	20% / 40%	52% / 64%
Residual assets	N/A	40%	40%	40%

Assets



£760,000

Home

Unencumbered

3% growth



£8,000

Cash in Bank

2% interest



£37,000

Premium Bonds

0% growth

Spends winnings



£400,000

Member drawdown

6% growth

No income



£480,000

Beneficiary Drawdown

6% growth

Income £2,200 p.m.



£220,000

AIM ISA

2% growth

No withdrawals

Tina's income

Current

Source	Amount	Band	Tax Due
Beneficiary drawdown	£26,400	Exempt	£0
State Pension	£11,800	PA	£0
Interest	£163	SRS	£0
Total	£38,363		£0

Gross	£38,363
Beneficiary drawdown	£0
Expenditure	£38,200
Surplus	£163

Member's pot – Annuity or Drawdown?

Basis	Monthly		Annual		Effective tax rate	Drawdown exhaustion
	Gross	Net	Gross	Rate	%	Age
No Guarantee	£3,258	£2,608	£39,101	9.78%	19.93	89
10 yr Guarantee	£3,024	£2,431	£36,282	9.07	19.58	91
15 yr Guarantee	£2,790	£2,244	£33,480	8.37	19.54	95
20 yr Guarantee	£2,573	£2,071	£30,871	7.72	19.50	99
30 yr Guarantee	£2,198	£1,771	£26,378	6.59	19.42	114

* £400,000 pot, single life, level, standard rates

Annuitise v Drawdown

74

79

84

89

94

Annuity					
Probate value	£281,764	£243,475	£174,659	£99,123	£0
IHT	£112,708	£97,390	£69,878	£39,649	£0
G'tee payments still to be made	£617,420	£463,065	£308,710	£154,355	£0
G'tee payments less IHT	£504,712	£365,675	£238,832	£114,706	£0

Drawdown					
Probate Value	£400,000	£360,051	£306,165	£233,482	£135,443
IHT	£160,000	£144,020	£122,466	£93,392	£54,177
Residual pot	£240,000	£216,031	£183,699	£140,090	£81,266

£400,000 fund standard annuity rates, 74 yr old, 20yr gtee - £30,871 per annum²⁹

Tina's income

Current

Source	Amount	Band	Tax Due
Beneficiary drawdown	£26,400	Exempt	£0
State Pension	£11,800	PA	£0
Interest	£163	SRS	£0
Total	£38,363		£0

Gross	£38,363
Beneficiary drawdown	£0
Expenditure	£38,200
Surplus	£163

Our plan

Source	Amount	Band	Tax Due
State Pension	£11,800	PA	£0
Interest	£163	SRS	£0
Member drawdown	£37,700	PA/BR	£7,386
Total	£49,663		£7,386

Gross	£49,663
Income Tax	£7,386
Expenditure	£38,200
Surplus	£4,077

Assets



£760,000

Home

Unencumbered

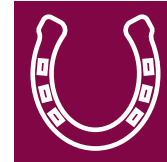
3% growth



£8,000

Cash in Bank

2% interest



£37,000

Premium Bonds

0% growth

Spends winnings



£400,000

Member drawdown

6% growth

No income



£480,000

Beneficiary Drawdown

6% growth

Income £2,200 p.m.



£220,000

AIM ISA

2% growth

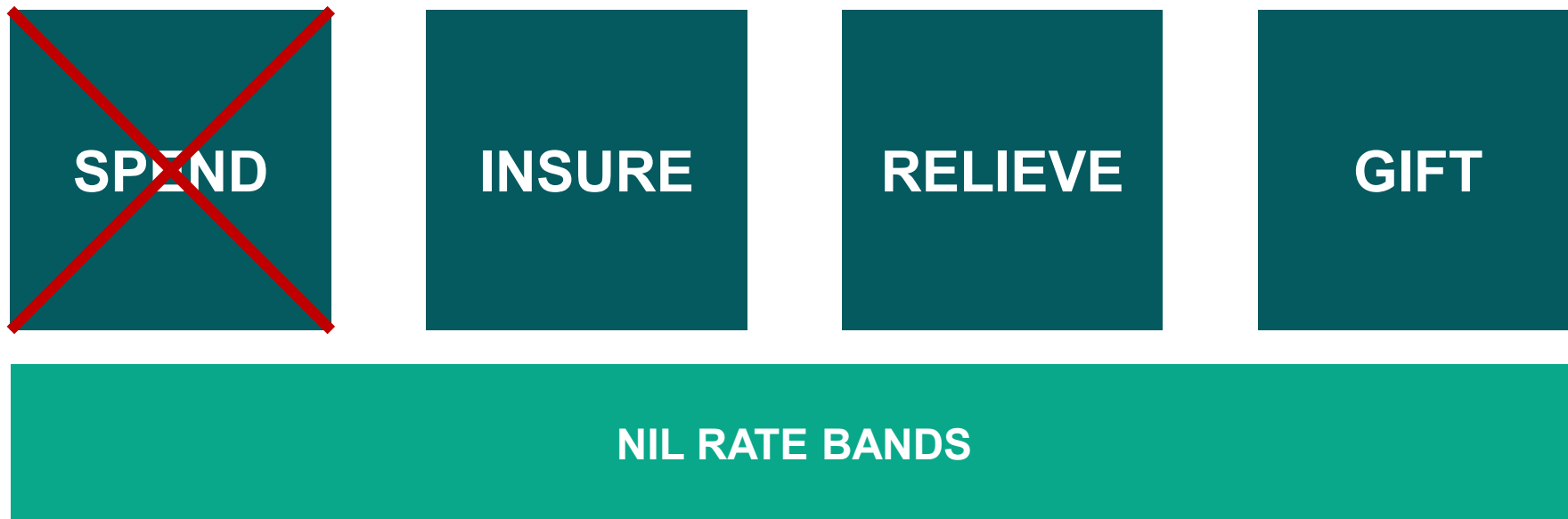
No withdrawals



STEP 4

Identify and exclude unsuitable options – gift spend relief insure

IHT planning



Tell me when you're
going to die
and I'll tell you what to
buy!

Age

- 74 +

Sex

Male Female

Calculate average life expectancy

Average life expectancy

89 years

Chance of female aged 74 years living to...

● **94 years**

1 in 4 chance

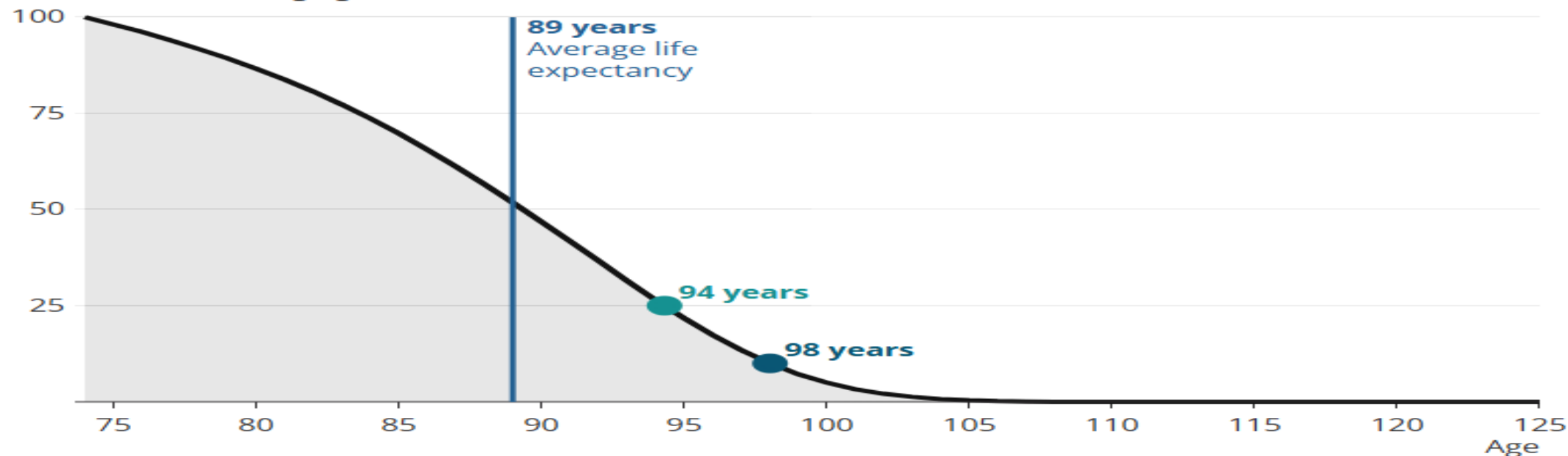
● **98 years**

1 in 10 chance

● **100 years**

5.0% chance

Chance of reaching age (%)



Insure?

Age Sex

Calculate average life expectancy

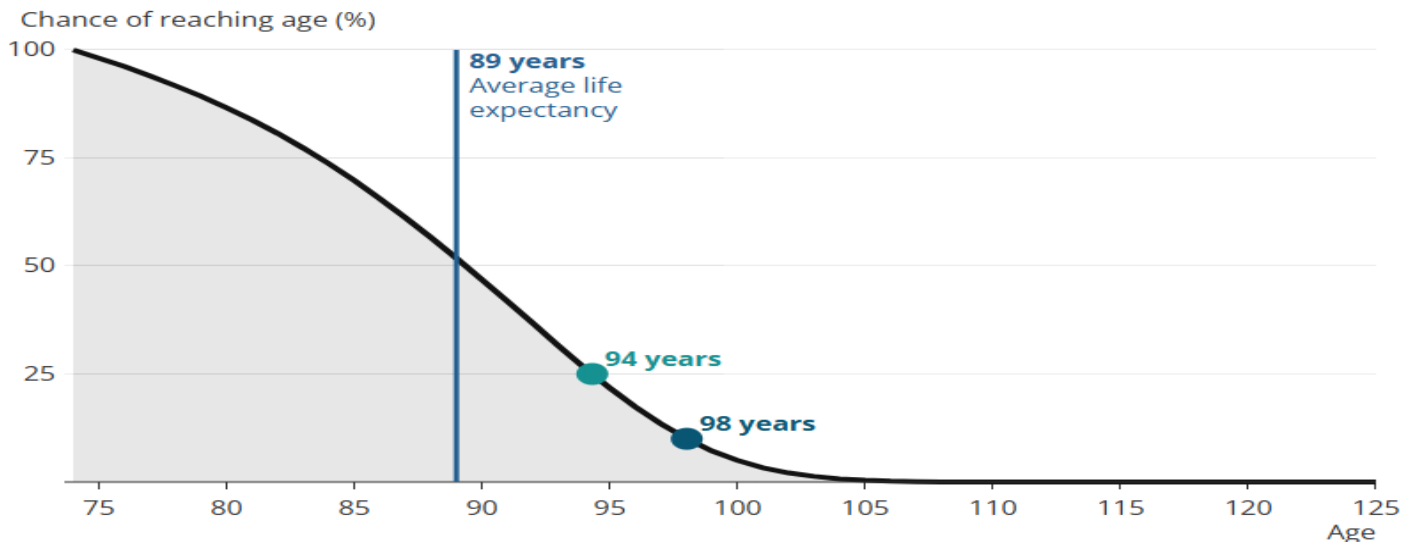
Average life expectancy
89 years

Chance of female aged 74 years living to...

● **94 years**
1 in 4 chance

● **98 years**
1 in 10 chance

● **100 years**
5.0% chance



£1,472 p.m

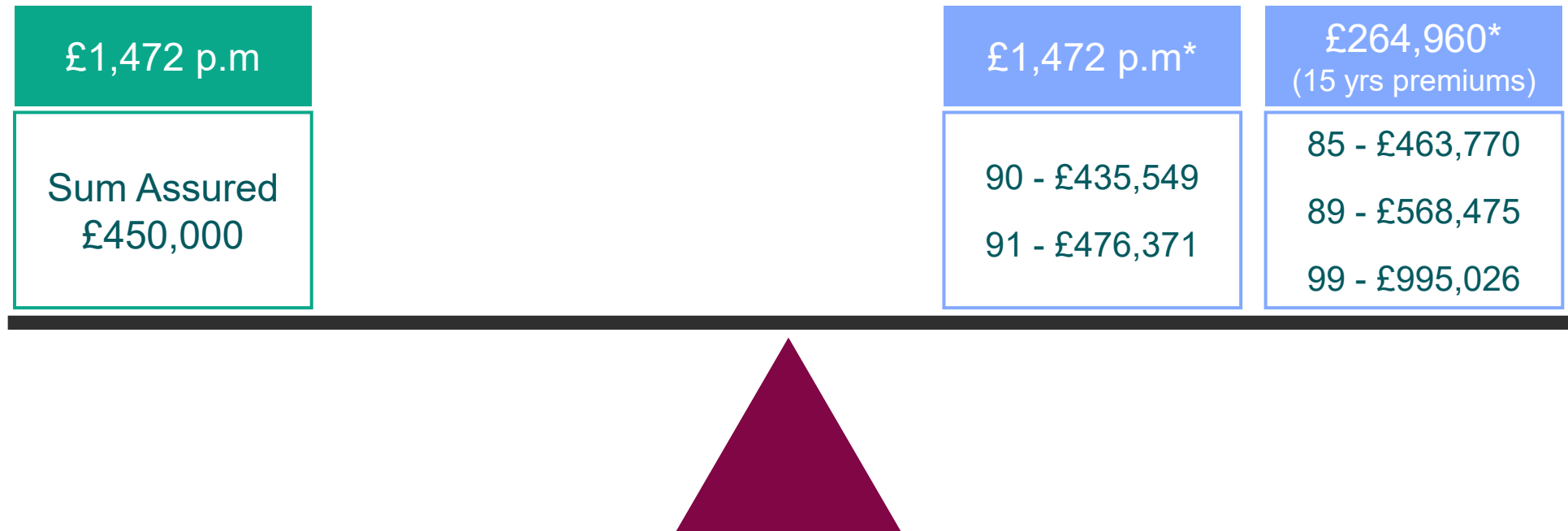
Sum Assured*
£450,000
(August 27 liability)

*“You’ll be 99 before
you’ll have paid
over £450,000!”*

Insure?

*“You’ll be 99 before
you’ll have paid
over £450,000!”*

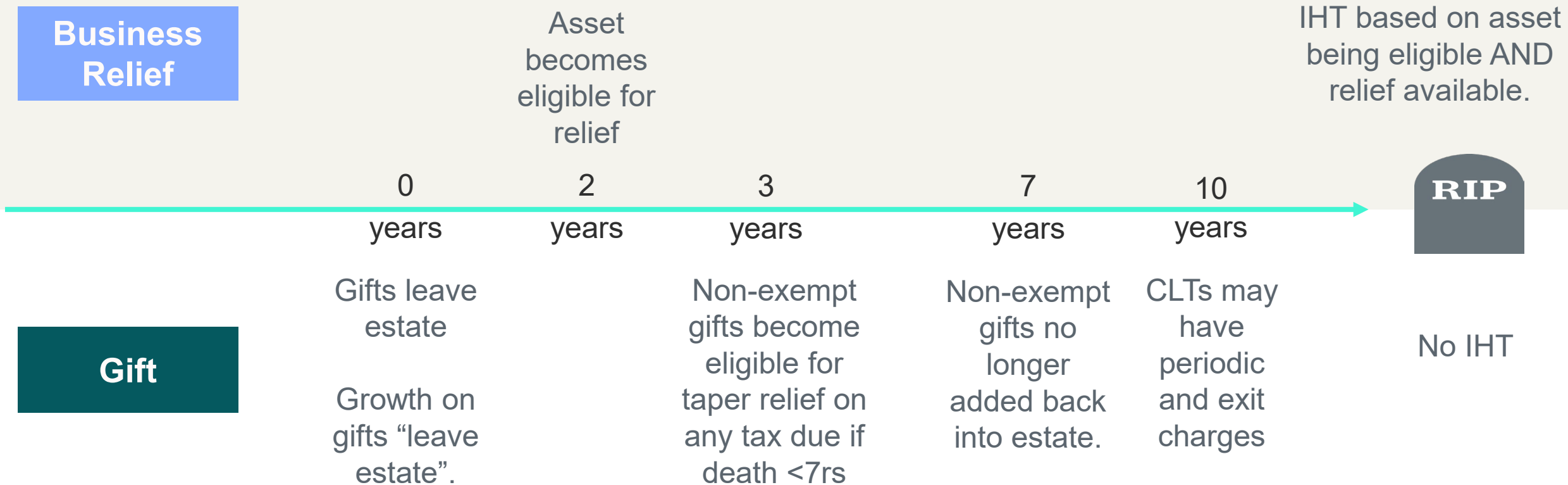
*“But if you make it
beyond? 85/90 your
legacy will be smaller”*



IHT planning



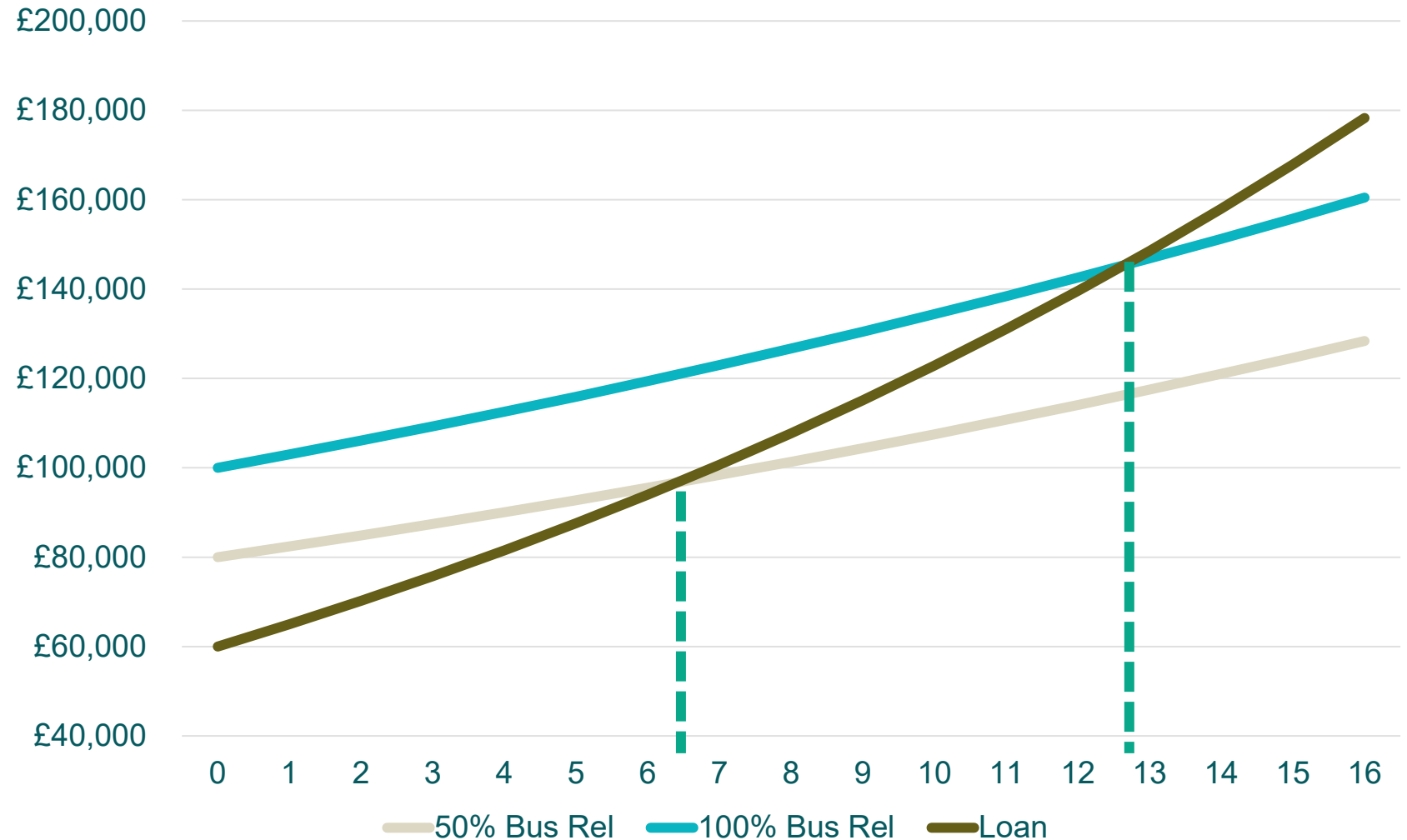
Timeline – Reliefs v gifting



Business Relief 3% v Loan Trust 5%

£100,000 invested

- 20% tax on bond gain
- No tax on BR
- 40% IHT on Loan
- 50% IHT relief on BR
- 100% IHT relief on BR



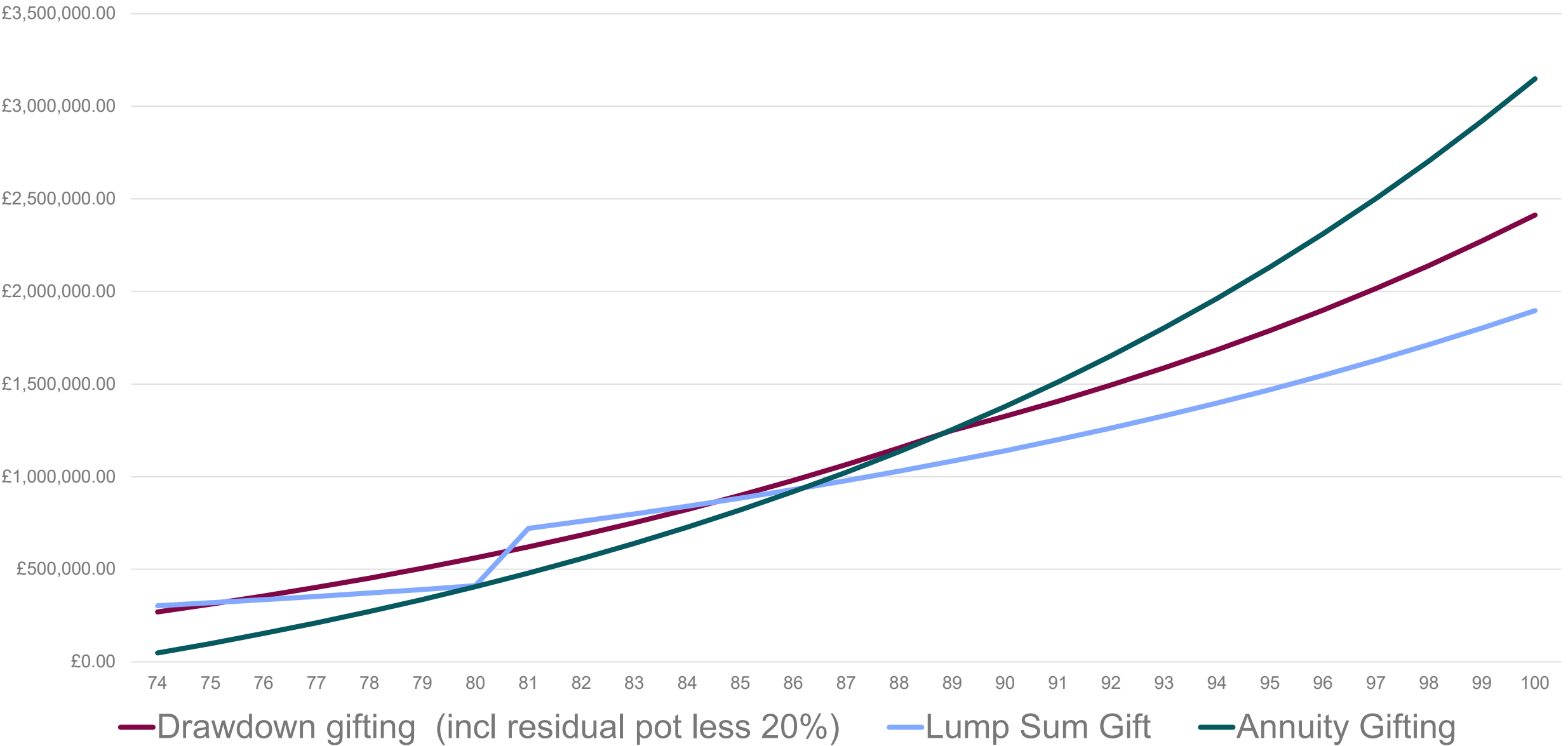
Is a poorly performing IHT efficient investment better than a less IHT efficient investment that performs better?

IHT planning



Gifting Regular v Lump Sum

£480,000 annuitised, £3,904 p.m,
growth: pension 6%, gifts 5.1%



Moving money

REGULAR

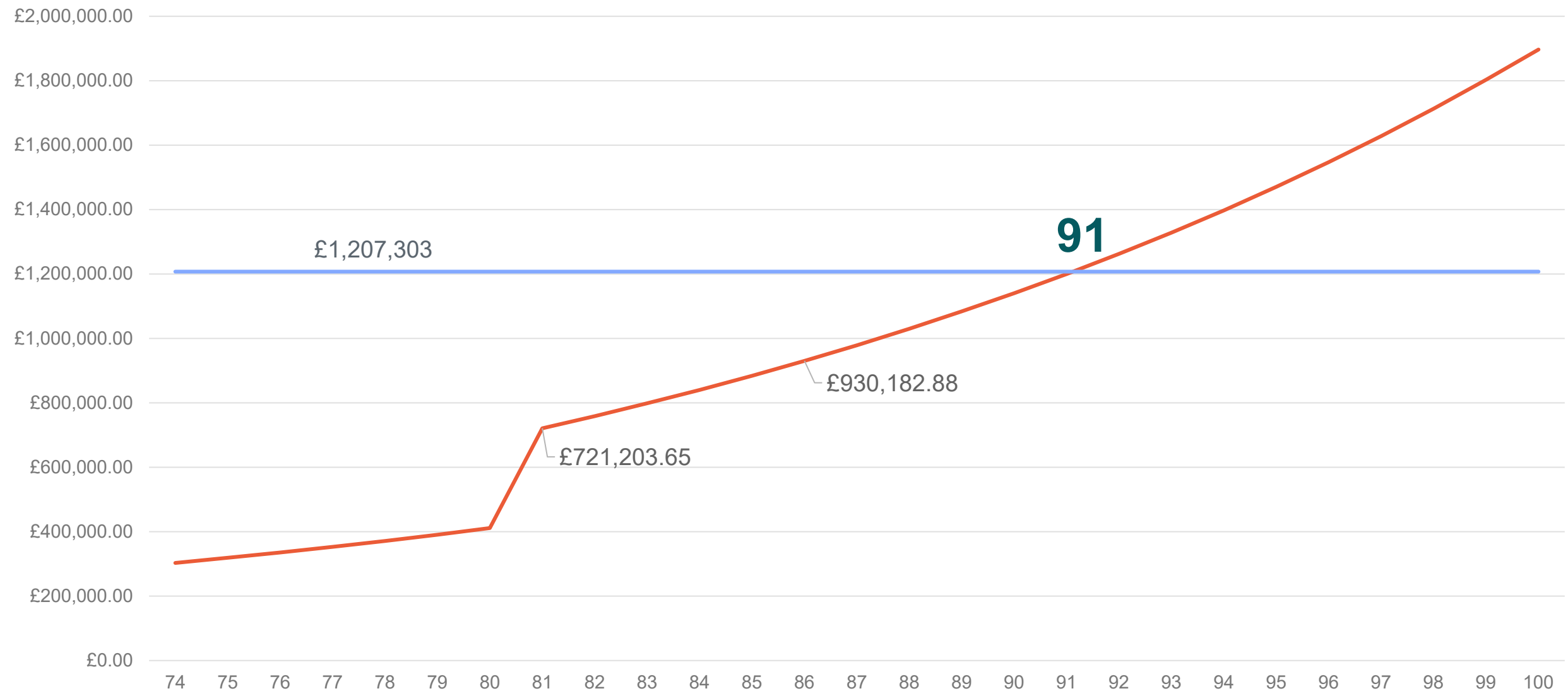
- More admin
- Lower legislative confidence
- Still got access to future payments
- Ability to redirect
- Growth on remaining capital will be in your estate (unless annuity)
- Potentially immediately exempt

LUMP SUM

- Less admin
- Greater legislative confidence
- Loss of access
- Immediate reduction in estate (only for RNRB)
- All growth in capital outside estate
- 7-year clock

There's always protection...

Protect v Lump Sum



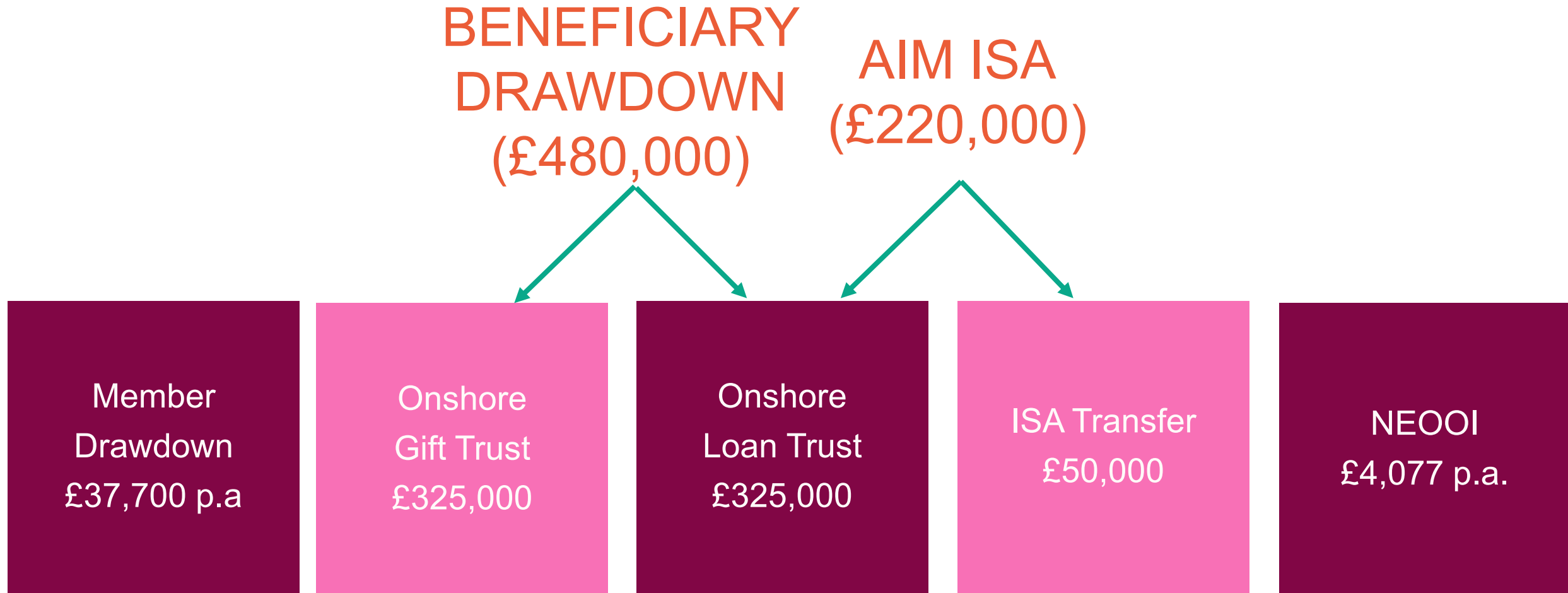
£480,000 annuitised, £3,904 p.m Sum Assd £1,207,303, growth 5.1%



STEP 5

Choose most suitable from remaining options - pros/cons/modelling

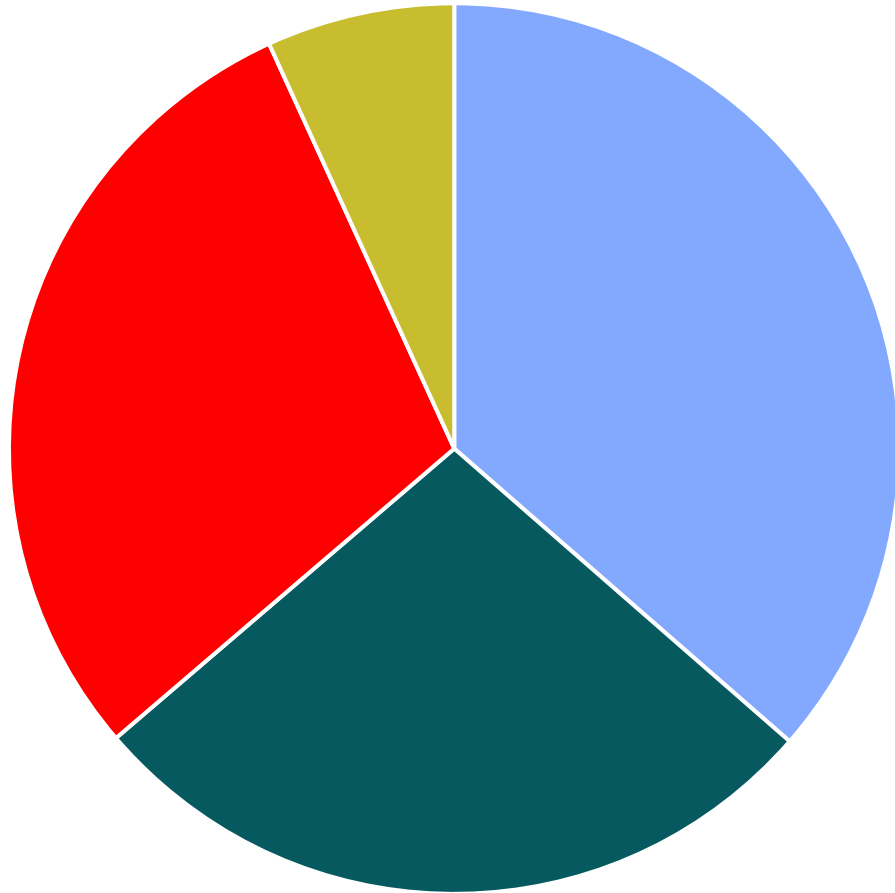
Recommendation



August 2040

Net Legacy - £1,926,282

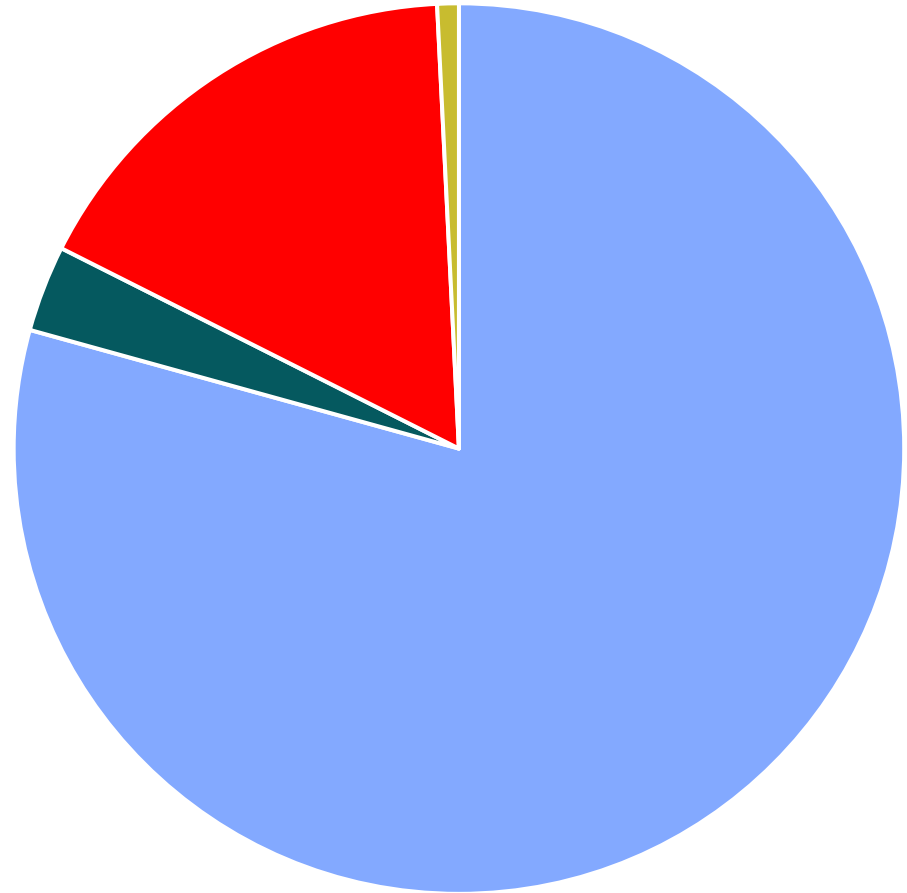
No Planning



■ Net Estate ■ Net Pensions ■ IHT ■ Income Tax

Net Estate - £1,420,469

Planning



■ Net Estate ■ Net Pensions ■ IHT ■ Income Tax

August 2040

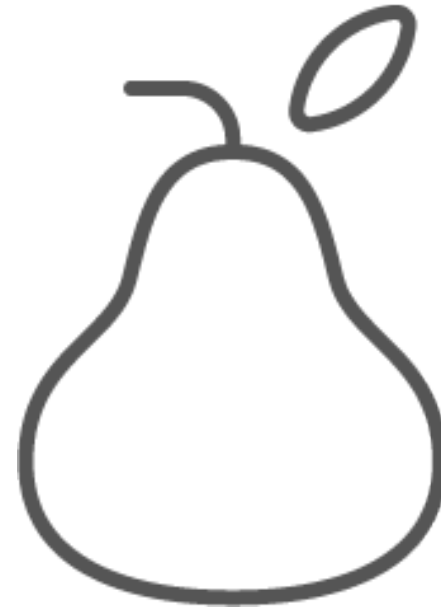
Net Legacy - £1,926,282

No Planning



Net Estate - £1,420,469

Planning



Red money moved!

Loan Trust
£360,368

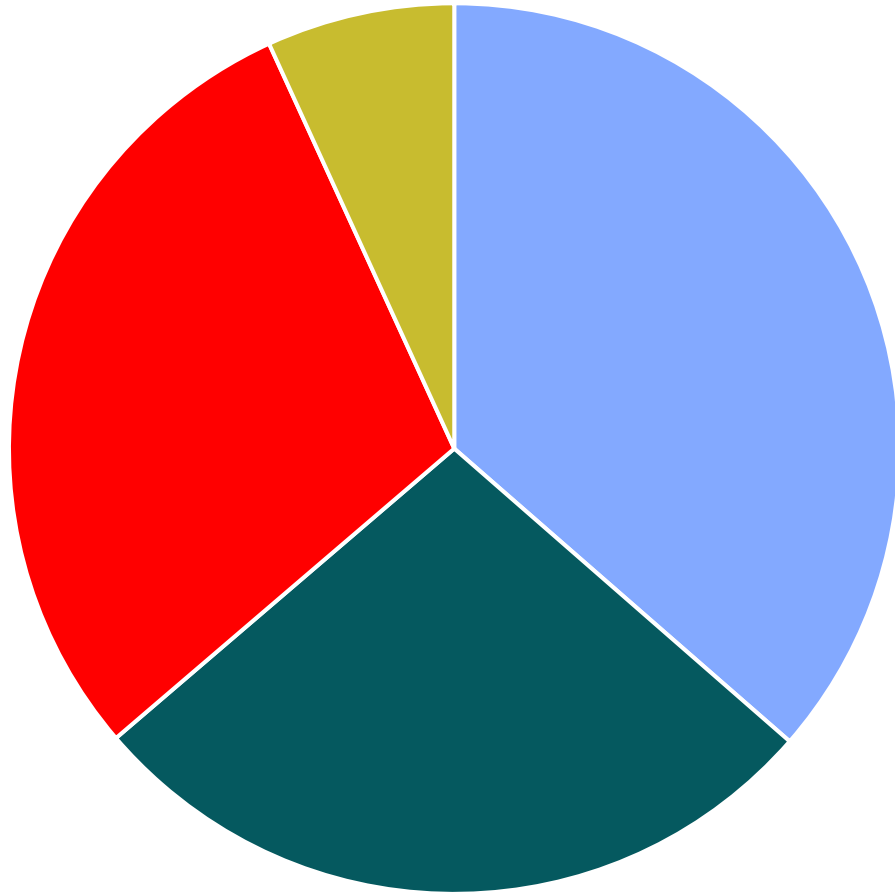
Gift Trust
£670,527

NEOOI
£61,155

August 2040

Net Legacy - £1,926,282

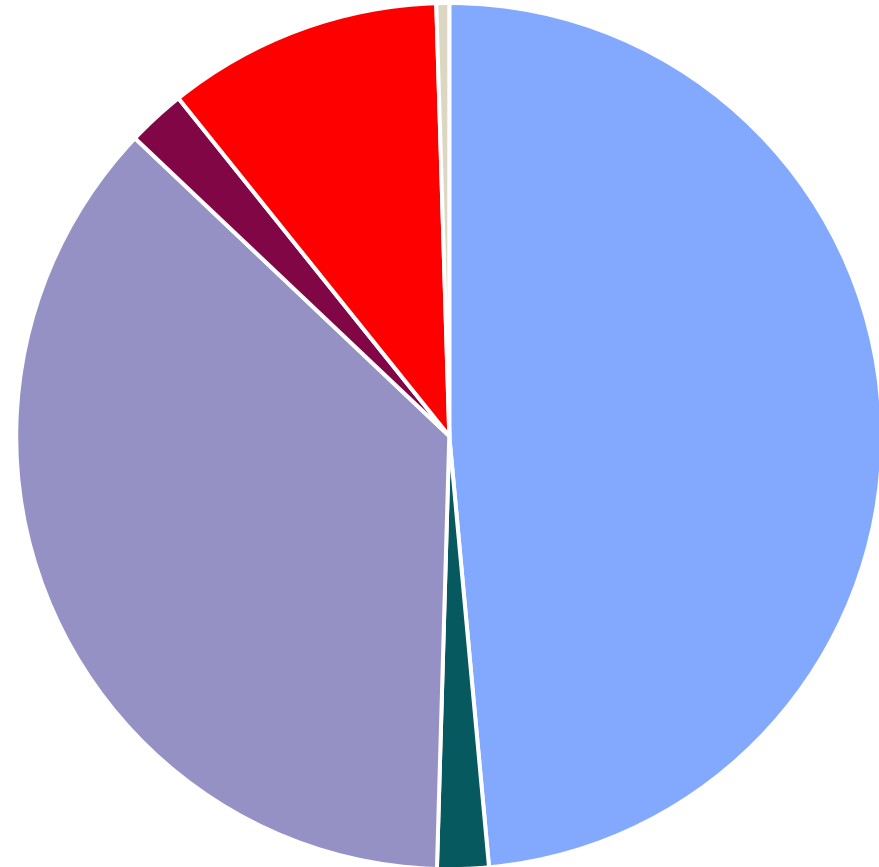
No Planning



Net Estate Net Pensions IHT Income Tax

Net Legacy - £2,451,364

Planning



Net Estate Net Pensions Net Trust
Net NEOOI IHT Income Tax

Checklist

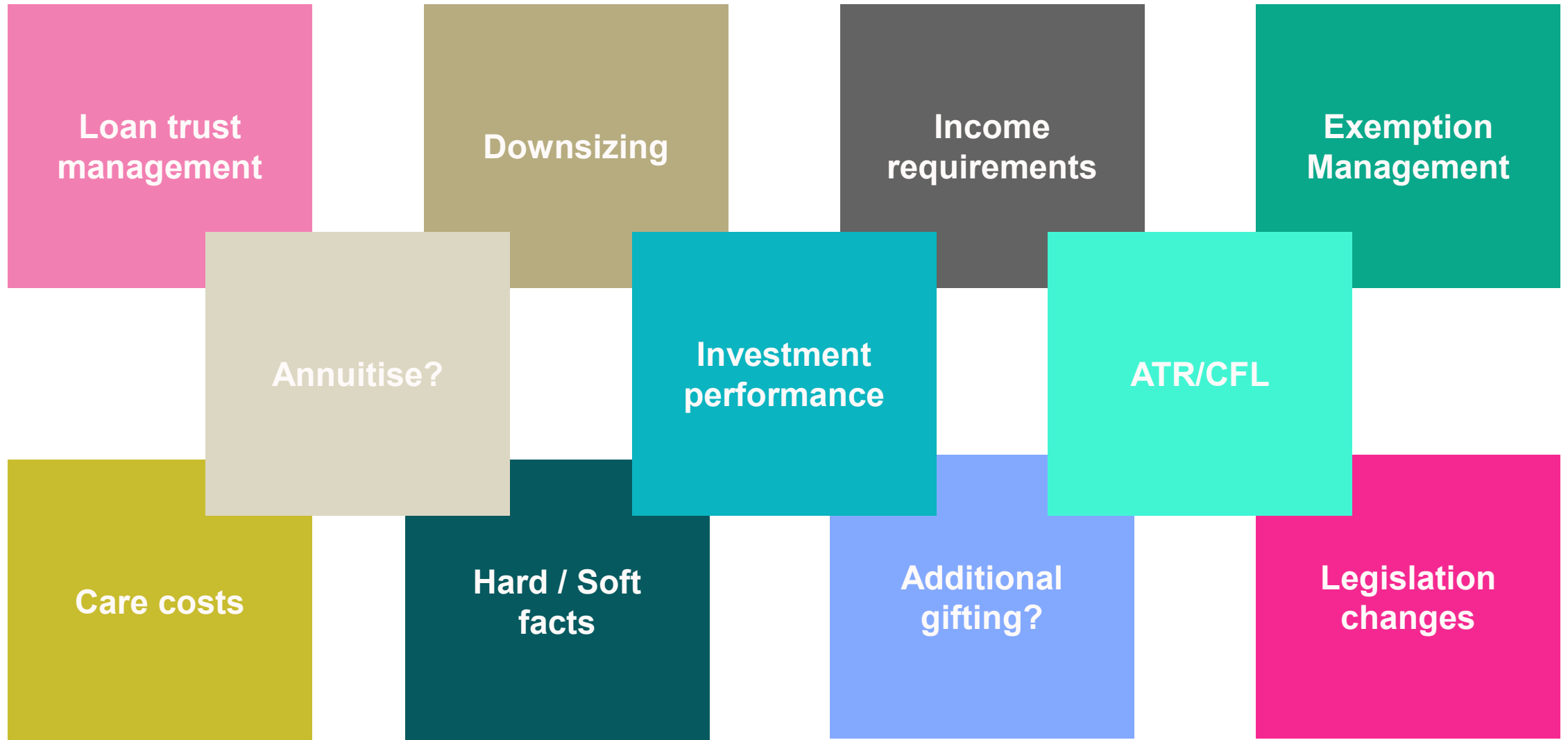
Recommendation	Retirement Income (NEED)	Fund Care (NEED)	Increase Legacy (WANT)
Member Drawdown	✓	✓	✗
ISA Transfer	✓	✓	✗
Loan Trust	✓	✓	✓
Gift Trust	✗	✗	✓
NEOOI	✗	✗	✓



STEP 6

Implement & Monitor

Implement & review



Learning objectives

By the end of this session, you will be able to:



Assess the impact of the IHT changes in the 2024 Autumn Budget on your clients' financial planning



Describe the fundamental elements of an IHT plan



Evaluate different options to mitigate a pension driven IHT liability

Thank
you

M
&G



Appendix

Appendix

Our Plan

	Apr 2025	Apr 2026	Apr 2027	Apr 2040
Gross Estate	£1,180,000	£1,205,960	£1,232,787	£1,642,163
Inheritance Tax	£282,000	£292,384	£347,138	£275,694
Net Estate (excl failed gifts)	£898,000	£913,576	£885,649	£1,366,469
Gross Pension	£400,000	£386,300	£371,778	£81,119
Income Tax	£0	£77,260	£53,418	£13,500
Inheritance Tax	£0	£0	£104,688	£13,619
Net Pension	£400,000	£309,040	£213,672	£54,000
Gross Trust	£650,000	£683,150	£717,990	£1,355,895
Income Tax (CE)	£0	£0	£0	£0
Outstanding Loan	£325,000	£325,000	£325,000	£325,000
Net Trust	£325,000	£358,150	£392,990	£1,030,895
Net NEOOI	£0	£4,077	£8,154	£61,155
Net Pension	£400,000	£309,040	£213,672	£54,000
Net Estate	£898,000	£913,576	£885,649	£1,366,469
Net Trust	£325,000	£358,150	£392,990	£1,030,895
Net Legacy	£1,623,000	£1,580,766	£1,492,311	£2,451,364

Appendix

No Plan

	Aug 2025	Aug 2026	Aug 2027	Aug 2040
Gross Estate	£1,025,000	£1,052,360	£1,080,495	£1,527,913
Inheritance Tax	£2,000	£56,064	£185,058	£427,131
Net Estate	£1,023,000	£996,296	£895,437	£1,100,782
Gross Pension	£880,000	£906,400	£934,384	£1,494,485
Income Tax	£0	£181,280	£135,258	£206,375
Inheritance Tax	£0	£0	£258,092	£462,610
Net Pension	£880,000	£725,120	£541,034	£825,500
Net Legacy	£1,903,000	£1,721,416	£1,436,471	£1,926,282