

Your Latest Update from LCA

Dear Adviser



In this edition, we highlight key considerations for advisers as the retirement planning landscape continues to evolve, with a particular focus on how recent developments may impact existing client strategies.

Inheritance tax changes: why retirement strategies may need a rethink

The Government's proposals to bring unused pension funds within the scope of inheritance tax (IHT) are now close to becoming law, with the Finance (No. 2) Bill expected to receive Royal Assent. From **April 2027**, pensions will, for the first time, form part of a client's taxable estate and may be subject to IHT at rates of up to **40%**.

This represents one of the most significant changes to pension taxation in recent years and challenges long-standing assumptions around pension preservation for estate planning purposes. For advisers, it signals the need to review existing retirement and intergenerational wealth preservation strategies to ensure they remain aligned with client objectives.



A shorter runway than it appears

Although April 2027 may seem some way off, many clients are likely to have limited advice touchpoints before the changes take effect. Advisers therefore face a relatively narrow window to explain the implications, manage expectations around unused pension assets, and revisit estate-planning arrangements.

The proposed rules may also introduce greater complexity on death. Personal representatives could be required to obtain pension valuations, submit additional IHT documentation and potentially withhold a significant proportion of inherited pension benefits for an extended period to meet tax liabilities. This may delay payments to beneficiaries at an already difficult time.

Reassessing the role of pensions in retirement planning

Historically, pensions have often been treated as the last asset to draw on, reflecting their tax efficiency and ability to pass wealth outside the estate. This, however, was never the government's intention when it came to incentivising individuals to save into a pension. As this position changes, advisers may wish to reconsider:

- the order in which assets are accessed during retirement
- whether continued pension preservation remains appropriate in all cases
- the balance between income needs, tax efficiency and estate-planning objectives

For some clients, particularly those who are close in age to 75, with larger pension pots and those with non-exempt beneficiaries (such as unmarried partners), existing strategies may no longer deliver the intended outcomes.

Against this backdrop, advisers may find it helpful to explore non-pension-based solutions as part of a broader retirement such as annuities, which are experiencing a resurgence in their popularity. For certain client profiles, options such as Flexible Pension Annuities (FPAs) or Preference Share arrangements may play a role by:

- providing greater certainty of income
- diversifying assets away from traditional pension wrappers
- supporting more predictable estate-planning outcomes

As always, suitability will depend on individual circumstances, objectives and tax position.

Product Spotlight

A proactive opportunity for advisers

With the direction of travel now clear, advisers who act early have an opportunity to demonstrate value by helping clients navigate increased complexity and make informed decisions well ahead of implementation.

At LCA, we see this not simply as a tax change, but as an opportunity to re-examine long-held planning assumptions and ensure retirement strategies remain robust, flexible and aligned with clients' long-term intentions.

Talking Points

LCA's flexible annuities address many of the shortcomings of both the annuity and investment sectors, namely:

- The ability to increase, decrease, pause, and restart payments depending on Annuitants' individual circumstances
- The open investment architecture associated with the unit-linked nature of our flexible annuities
- The age flexibility
- The ability to top-up the initial premium
- The absence of full underwriting
- The jurisdictional advantages of operating out of Gibraltar
- The Protected Cell Company (PCC) structure and the spin-off benefits. LCA allows annuitants to purchase a Preference Share in LCA (not mandatory). The ownership of the Preference Share allows the Annuitant's Estate to receive any residual balance/Preference Share value in their Cell
- This is a **key and unique** selling point for LCA as there is no return (£) to the Estate when the Annuitant of a traditional 'guaranteed' annuity dies (unless there is a Death Benefit)
- A very advantageous outcome of the PCC structure is that LCA's Preference Share is an asset that currently qualifies for Business Relief. LCA is in the business of selling annuities not Preference Shares. The Business Relief element is tangential to LCA's annuities, and while it is a very attractive accoutrement, it is still secondary and should not be the primary reason for selling or purchasing an LCA flexible annuity.

Suitability will depend on individual circumstances, objectives and tax considerations. The forthcoming changes highlight the importance of revisiting long-term planning assumptions and solution selection.

Click here for full product information

If you'd like information in a different format or need a version with more technical details or compliance notes, just let me know!

LinkedIn Email

All the best,

Anthony Lowes

Product Specialist & Business Development Manager
London & Colonial

Tel: +34 711034156



You are receiving this email as you signed up for our newsletters.

Want to change how you receive these emails?

You can Unsubscribe or Update your preferences