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Edition
03

The Wealth Manager

Summer 2025 newsletter

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WEALTH

Welcome

Brought to you by the MHA Wealth team, The Wealth Manager provides you with key updates each quarter from the world of investment and financial planning.

Over the last quarter, global financial markets have been navigating a complex and volatile environment shaped by geopolitical tensions, shifting trade policies, and evolving central bank strategies.

In this edition, we look at the lessons investors can learn from the turmoil caused by the Trump tariffs. We also cover the importance of building a sustainable road to your retirement, and answer key questions about the recent changes to inheritance tax.

Should you wish to discuss any topics in further detail or have queries on any related matters, please contact your usual MHA financial adviser, or get in touch with us on wealth@mha.co.uk.

We look forward to accompanying you on your financial journey in 2025!

Best wishes,

The MHA Wealth team.

The full list of topics in this edition include:

A Volatile Quarter for Global Financial Markets

Over the last quarter, global financial markets have been navigating a complex and volatile environment shaped by geopolitical tensions, shifting trade policies, and evolving central bank strategies.

The most significant catalyst was the announcement of sweeping US tariffs on 2nd April - dubbed “Liberation Day” - which triggered a sharp sell-off across equities, bonds, and currencies. Although markets partially recovered by mid-May, investor sentiment remains fragile, with volatility elevated and macroeconomic indicators offering mixed signals.

In the UK, the FTSE 100 has shown relative resilience, ending the quarter 2.1% up after plunging 10.5% in early April, buoyed by energy and mining stocks, while mid-cap indiceshave been more sensitive to domestic economic data. Inflation remains volatile, having fallen to 2.6% in March, prompting speculation about a potential Bank of England rate cut later this summer, but an inflation print of 3.4% in May proved inflation remains sticky, and markets rolled back expectations of the BoE rate cut to September at the earliest. Concerns around stagnating growth and weak business investment persist

Globally, equity markets have diverged. US indices initially plunged after "Liberation Day", but subsequently, stabilised as corporate earnings came in stronger than expected. European and Japanese equities performed strongly, benefiting from capital rotation and currency tailwinds. Meanwhile, emerging markets outperformed their developed market peers, off the back of a weaker dollar.

Fixed income markets have seen a flight to quality, with government bonds rallying in April before yields rose again and prices fell back in June amid inflation concerns. Commodities have been mixed - gold surged as a safe haven, while oil prices have been volatile due to demand worries and the Iran-Israel conflict.

Overall, the period since April has underscored the importance of diversification and agility in navigating a rapidly shifting investment landscape.

1 Global Equity Markets

Global equity markets have endured a turbulent second quarter, marked by sharp volatility in April, followed by a strong recovery in May, and sustained momentum through June. The quarter began with a jolt on 2nd April ("Liberation Day") when the US administration imposed sweeping tariffs on imports, triggering a global sell-off. The S&P 500 plunged over 10% in early April, briefly entering bear market territory before rebounding on news of a 90-day pause in some tariff measures, and closing out the quarter 10.6% higher.

The tech-heavy Nasdaq gained almost 18% as "The Magnificent Seven" continued to forge ahead off the back of optimism surrounding AI-driven growth, despite previously faltering amid an environment of rising costs, regulatory scrutiny, and investor rotation into defensive sectors such as utilities and healthcare. Nvidia once again took the crown as the world's most valuable company, having advanced 12.3% over the quarter. Healthcare, utilities, and consumer staples have outperformed.

Across the pond, European equities have shown resilience. The Euro Stoxx 50 posted a modest gain of 1.1%, supported by lower inflation, ECB rate cuts, and fiscal stimulus - most notably Germany's €500 billion infrastructure package. UK equities have also held up well, with the FTSE 100 buoyed by energy and defence stocks. The more domestically focused UK mid-caps have also fared surprisingly well, with the FTSE250 advancing 11%, considering the UK government's £8.4 billion spending cuts and a cautious Spring Statement have tempered investor enthusiasm.

Japanese equities have rebounded after a flat Q1, aided by a weak yen and investor optimism around corporate reforms. The Nikkei 225 closed out the quarter 13.7% higher, despite broader global volatility. Meanwhile, Chinese markets remained relatively subdued, with SSE Composite gaining just 3.3% over the quarter, due to continued weakness in the property sector and limited policy stimulus. Emerging markets outperformed their developed peers off the back of a weak dollar; after initially falling following the announcement of "Liberation Day", the subsequent 90-day pause on tariffs calmed markets and allowed losses to be clawed back.

Currency movements have played a significant role in shaping equity returns. The US dollar weakened sharply in April, falling 7% against a basket of developed market currencies, which helped boost returns for non-US investors. This currency dynamic has favoured UK-based investors with diversified global portfolios. Overall, the equity landscape has been defined by volatility, policy-driven dislocations, and a renewed focus on fundamentals. With geopolitical tensions and trade policy still in flux, equity markets remain vulnerable to further shocks but also present selective opportunities for long-term investors.

2 Fixed Interest

Fixed income markets have been defined by volatility and shifting rate expectations since April, as investors responded to geopolitical shocks and evolving central bank guidance. The US Treasury curve steepened notably, with short-term yields falling on safe-haven demand following the 2 April tariff announcement, while long-term yields rose amid persistent inflation concerns and more cautious outlooks on rate cuts. The 10-year Treasury yield oscillated between 3.99% and 4.60% during the quarter, reflecting heightened uncertainty around growth and Federal Reserve policy direction.

In the UK, Gilts outperformed many global peers. Cooling inflation, a cautious fiscal stance, and expectations that the Bank of England may lower interest rates by a cumulative 75 basis points over the course of 2025 helped support demand for sovereign debt. The BoE most recently held the base rate at 4.25%, but dovish commentary and improving inflation data have prompted speculation about further easing later this year. However, the gilt curve has steepened at the long end, with the 30-year yield climbing to 5.65%, its highest level since 1998, prompting the Debt Management Office to cancel a scheduled long-dated gilt auction.

Corporate credit markets were more fragile. Investment-grade and high-yield spreads widened across the US, UK, and Europe, reflecting risk aversion and equity market volatility. Despite this, short-duration and inflation-linked bonds outperformed, particularly in Europe, where stagflation concerns have driven demand for real-yield protection.

3 Commercial property

The Global REIT (Real Estate Investment Trust) sector continued its positive momentum in the second quarter, with the FTSE NAREIT Global REIT Index up by 3%. In a measure of domestic property performance, the FTSE EPRA/NAREIT UK Index saw much stronger performance, with a total return of almost 10%, buoyed by corporate activity.

As well as a further easing of interest rates in the UK, boosting the attractiveness of property income yields, the sector continues to exhibit a relatively high level of merger and acquisition activity, with several situations having developed over the quarter where bidding wars have emerged between listed REITs and private market property investors, forcing up price levels.

4 Alternative assets

Alternative assets have delivered mixed but generally resilient performance since April, offering diversification amid equity and bond market volatility. Renewable energy infrastructure remains a standout, buoyed by strong policy support and rising demand from AI-driven data centres. European wind and solar funds posted modest gains, while battery storage projects attracted fresh capital, particularly in the UK and Germany. However, supply chain bottlenecks and planning delays continue to challenge project timelines.

Commodities have been dominated by geopolitical developments. Oil prices initially surged following the outbreak of hostilities between Iran and Israel in mid-June, with Brent crude spiking to $79.40 per barrel amid fears of a potential blockade of the Strait of Hormuz - a chokepoint for nearly 20% of global oil supply. Although a ceasefire has since been declared, prices remain volatile, reflecting lingering concerns over regional stability and supply disruption risks. Analysts warn that in a worst-case scenario involving a prolonged closure of the strait, Brent could climb as high as $110–130 per barrel. For now, prices have eased back to around $67–70, but the market remains sensitive to any signs of renewed escalation.

Gold also benefited from the initial flight to safety, while industrial metals like copper and lithium saw renewed interest amid green transition spending and infrastructure demand.

5 Outlook

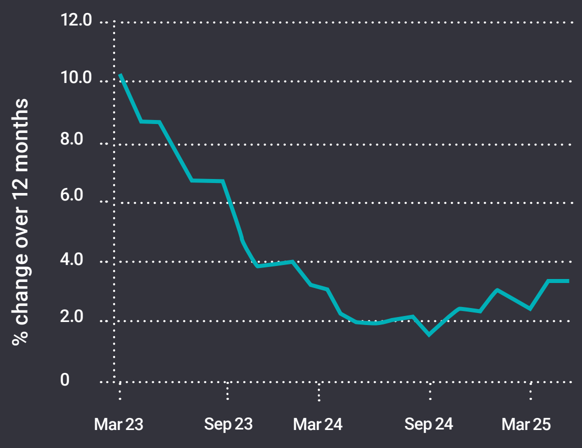
The second half of 2025 is poised to test investor resilience as markets navigate a confluence of macroeconomic and geopolitical crosscurrents. While inflation is gradually easing across major economies, it remains above central bank targets, limiting the scope for aggressive monetary easing. The Federal Reserve, European Central Bank, and Bank of England are expected to proceed cautiously, with modest rate cuts likely only if inflation continues to trend lower and growth falters.

Geopolitical risks remain elevated. The recent Iran–Israel conflict has underscored the fragility of energy markets, while ongoing US–China trade tensions and the July deadline for US–EU tariff negotiations could reignite volatility. Investors should also monitor upcoming elections in the US and key European states, which may influence fiscal policy and regulatory direction.

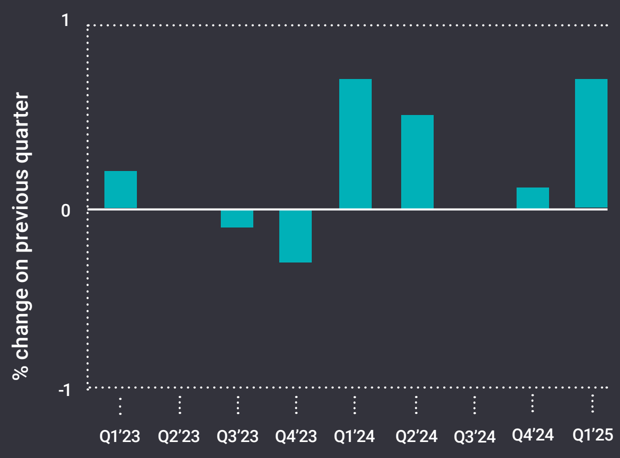
Despite these headwinds, select opportunities persist. AI-driven infrastructure demand continues to support tech and renewables, while defensive equity sectors and short-duration bonds offer relative stability. Emerging markets may benefit from further weakening of the US dollar and improving trade dynamics, though tariff uncertainty risks remain.

Overall, the outlook is one of cautious optimism. Diversification, liquidity management, and tactical flexibility will be essential as markets adjust to slower growth, higher-volatility regime in the back half of the year.

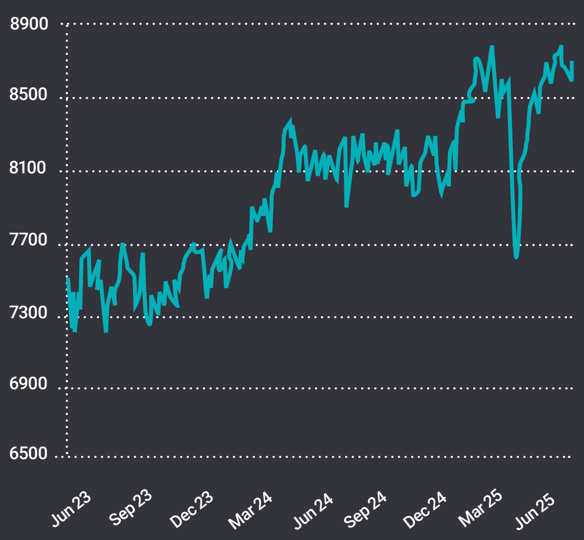
UK Consumer Prices Index (CPI)



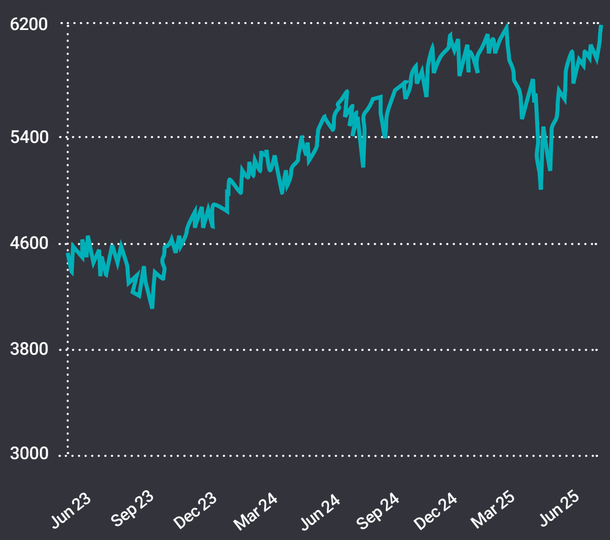
UK Gross Domestic Product



FTSE 100 Index



S&P 500 Index



Contributors

Investment Management Team

Paul Mansfield

Chartered FCSI
Head of Investment Committee

Andrew Cockerill

Chartered FCSI
Partner

Andrea Wood

Chartered MCSI
Associate
Investment Manager

Steve Willerton

Chartered Wealth Manager
Director
Investment Manager

Coming around again: inflation returns

Inflation jumped sharply in April. What's going on?

The rollercoaster ride of inflation was set in motion at the start of this decade. In January 2020 the annual inflation rate, as measured by the Consumer Prices Index (CPI), was 1.8%. By August 2020, as Covid-19 took hold, it had dropped to a mere 0.2%. Two years later the Ukraine war was flaring energy prices, increasing inflation above 10% on its way to an October 2022 peak of 11.1%. Since then, annual inflation has been generally on a downward path… and then the April figure was published.

Bank forecasts

April's published 3.5% CPI rate would have been 3.4% (the same as May's), were it not for a calculation error. Either way it meant the Governor of the Bank of England was required to write to the Chancellor –explaining why inflation was over 1% above the Treasury's target and the actions planned to rein it back to 2%. In reality, the letter had probably been drafted several months ago. As far back as early February the Bank was saying that it expected inflation "to rise quite sharply in the near term, to 3.7%".

The Bank's forecast highlights one of the oddities about annual inflation. While longer-term projections are notoriously difficult to get right (as played out over 2022/23), short-term estimates are often much easier to make.

For example, annual inflation in three months' time will include nine months' of already known price rises. What matters is the inflation difference between the three old months that will disappear and their replacements. In the case of April 2025, the Bank could see two major changes arriving:

1. A new Ofgem quarterly utility price cap that would replace the 12.3% fall of a year ago with a rise of 6.4%.
2. An Ofwat-determined increase in annual water and sewerage charges for England and Wales that averaged no less than 26%, albeit with large regional variances.

Countering wealth erosion

Inflation is due to peak in September, then steadily decline to around 2% early in 2027. However, you should not consider 3%-plus inflation as a blip that can be ignored. Inflation always erodes purchasing power: since January 2020 the buying power of £1 has shrivelled to 78.3p. That decline affects every aspect of your financial planning – retirement, savings goals, health and life protection – which has not been inflation-adjusted in the last five and a half years. We can help review your financial goals in case the shifting CPI has knocked you off target.

The long road to retirement – building a sustainable plan

Whether you are many years from retirement, or just a few, ensuring your pension plans will sustain you when the time comes requires focus, now more than ever.

Recent research indicates that 1.6 million more people are at risk of hardship in retirement compared to a year ago, due to rising living costs. This comes despite increased levels of pension savings. The research highlights low to middle-income earners, the self-employed, and younger Generation Z savers as those who are particularly facing challenges for the future.

Around half the population are aware they are not building sufficient retirement savings across all ages and income brackets. Many face a significant reduction in living standards after stopping work or will end up working longer than they'd like because they won't be able to afford to retire comfortably.

The long road

It's certainly never too early to start paying into a pension – or too late. If you're 10 years or more away from retirement, you need to focus on maximising savings and making the most of pension tax relief, especially if you're a higher-rate taxpayer. Where possible, and as long as attitude to risk and capacity for loss allow, ensure funds are in growth assets, such as equities, which have historically delivered higher returns over longer time periods.

During your working life, it's easy to lose track of multiple pension pots and savings. But you can't build a robust retirement plan without knowing what funds you have and what they are likely to be worth by your planned retirement date. This includes State pension provision, which for many people can be a sizeable chunk of retirement income. If you're only ten years or fewer from retirement, get a forecast from gov.uk/check-state-pension. This will also confirm when it will be paid, a key date in your retirement plan.

Countdown

As you get nearer to retirement you may find that consolidating separate funds gives a clearer overview of your potential pension income. However, before making such changes, it is worth checking that you aren't giving up valuable guarantees and looking carefully at the charges and performance of any new scheme. This can be complex, so you should take advice.

Knowing what your savings are worth is only half the picture. You also need to think about what level of income you'll require once you stop working. The Pension and Lifetime Savings Association estimates a single person today needs £31,700 a year for a moderate standard of living (or £43,900 for a couple). Understanding what you are aiming for, and what it will cost, can help you identify shortfalls and take action, such as saving more or delaying retirement.

The finish line

Once you're within five years of retirement, think about how you'll turn your investments into income. This is the time to explore the pros and cons of drawdown, annuities or a combination of the two.

How you'll use your pension may influence your investment strategy in the final years. If you plan to keep funds invested, you may want to remain in growth assets. But if you want to cash in or buy an annuity, switching to less volatile assets to protect your funds from sudden downturns just before you retire may be advisable.

Seek advice or guidance on all your options, whether you're a decade away or retirement is imminent. These are complex decisions, so regular reviews of your position could make all the difference.

The lessons of 'Liberation Day'

Investment markets had a wild ride after Trump's tariff announcements. Amidst the turmoil there were lessons to be learned.

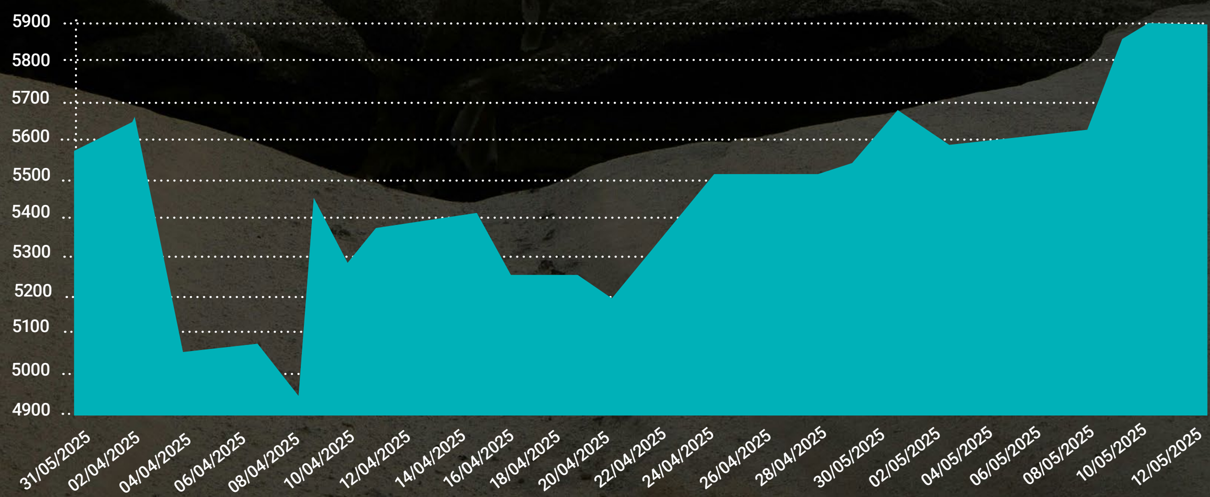
"Past performance is not a guide to the future."

Those words are probably familiar enough from investment articles and advertisements but are unlikely to have prepared you for the 'performance' that followed Donald Trump's 'Liberation Day' tariff announcement. He made his big rate reveal in the White House Rose Garden after the US stock market had closed on 2 April.

The left-hand side of the graph shows US investors' immediate reaction, which can only be described as a cliff-edge fall, as measured by the professionals' preferred market index, the S&P 500.

While there had been widespread speculation about the tariffs' levels and targets, what Trump delivered blind-sided everyone. Tariffs were imposed on islands inhabited only by penguins and the top tariff (50%) was applied to Lesotho, a small, impoverished African diamond exporter which, unsurprisingly, has little appetite for US imports.

The S&P 500 31 March - 12 May 2025



A domino effect

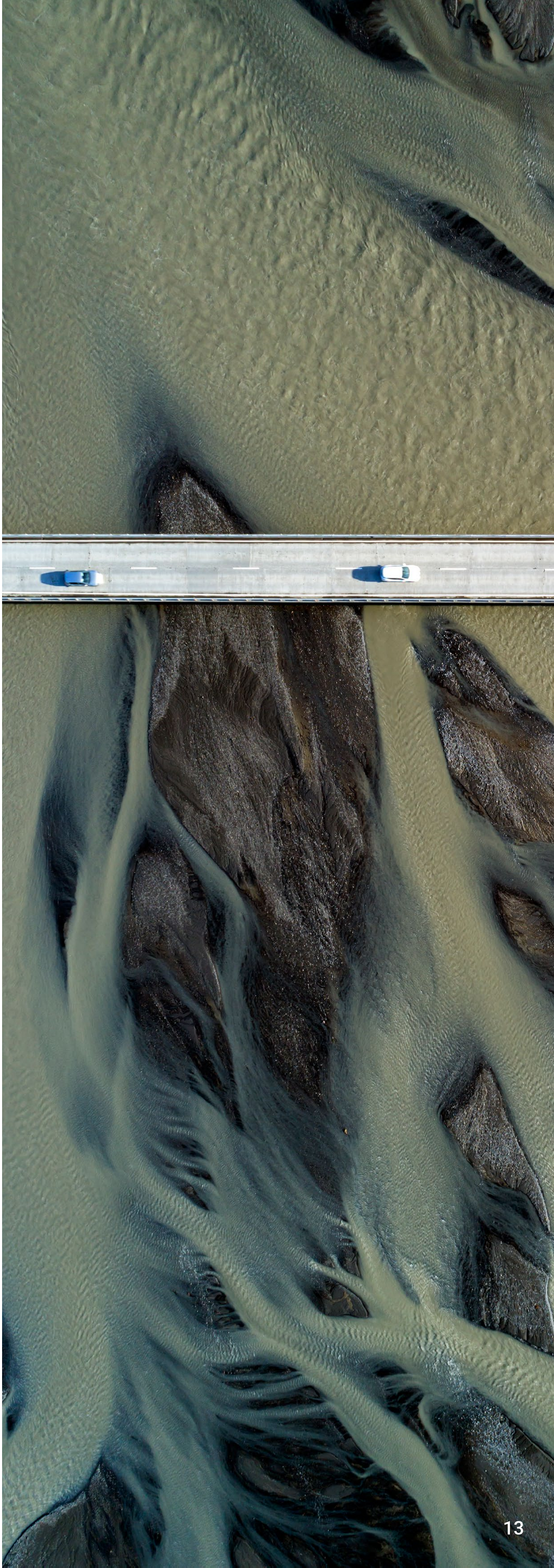
Most other major stock markets reacted with similar sharp drops. For example, the FTSE 100 fell 10.5% from the end of March to 9 April. That day, a week after the Rose Garden shock, proved to be the turning point as it coincided with a fresh Trump announcement – after UK markets closed – that most tariffs would be suspended for 90 days (to 8 July), albeit with a baseline tariff of 10% staying in place. The relatively quick U-turn was interpreted as cold feet and second thoughts, or clever manoeuvring, depending on who you listened to.

Markets rebounded on the turnaround news because the 'pause' was interpreted as an end to high tariffs. This optimism was reinforced when, in mid-May, the US and China agreed a mutual 90-day reduction of 115% in the blockade level of tariffs they were applying to each other. The result was the US (and other) stock markets climbing back above the levels reached immediately before the initial tariff announcement. It was almost as if the six weeks of rollercoaster ride had never happened.

Taking the long view

Look again at that graph and it is easy to see now how quick and large profits could have been made by selling at the start of April and then buying back a little over a week later. However, such wisdom is purely hypothetical as nobody knew how the tariffs would play out. A more likely outcome is the panicked investor who sold out after the Rose Garden announcement and got stuck holding cash as the market rebounded.

That is a major – and long-standing – lesson of the Trump tariff saga: timing the investment markets, whether buying or selling, is next to impossible without hindsight. Another familiar lesson is, to use a well-worn phrase, don't panic. Markets have a habit of over-reacting in both directions. A third lesson is to remember investment is about the long term – not just one month, however dramatic.



Wedding bells and wedding bills

The number of UK couples marrying or forming civil partnerships every year has returned to pre-pandemic levels despite a significant rise in the costs of saying 'I do'. Traditionally the bride's parents were expected to pick up the tab for the celebrations, and although more couples are now paying their own way, around 70% still receive help from parents or wider family.

In the UK the average cost of a wedding was over £23,000 last year, with a quarter of couples spending upwards of £30,000. For parents who plan to make a meaningful contribution, starting to set aside funds early can make the eventual event less stressful.

Savings over a longer period will be less of a drain on your income. If you are saving over a 10-year plus period and your attitude to risk and capacity for loss allows, you can invest in higher-growth assets such as equities, which historically have been more likely to deliver higher returns.

Stocks and shares ISAs are a good option for those saving over these timeframes. Individuals have a £20,000 annual allowance, and there is no capital gains tax or income tax to pay when you cash them in.

As the event draws nearer, consider gradually shifting your savings into lower-risk assets. The last thing you want is a sudden market downturn to disrupt your finances just before the big day. If your timeline is shorter, a cash ISA can be a safer option – just be sure to compare rates to get the best possible return.

It helps to set a realistic goal and work backwards – decide what you can afford, then save a monthly amount that fits your timeframe. Wedding spending can easily get out of hand, so let family know your budget before they get carried away looking at venues or planning the guest list.

Gifting and inheritance tax

Normally we need to live for seven years for cash gifts to be outside of our estates for inheritance tax (IHT) purposes. However, weddings and civil partnerships provide the potential for effective IHT planning. Parents can each gift up to £5,000 towards the costs, which will be completely outside of their estate for IHT purposes. Grandparents can also gift up to £2,500 each, with others able to gift £1,000 under the gifting rules.

Saving for the big day before your children are in a serious relationship may seem premature or like tempting fate. But starting early can be the most effective way to help them have the celebration they want, whether it's with confetti and bells or barefoot on a Caribbean beach.

And if they decide married bliss is not for them, you will have created a savings pot that can be used elsewhere – perhaps helping towards a first home, further study or boosting your own retirement funds.

Funding for long-term care

A solution for funding social care in England remains many years away.

"Time and again, governments have stepped back from reform when faced with the cost. Too much emphasis is put on the cost of change and not enough consideration is given to the human and financial cost of no or incremental change."

Those words are from the report, 'Adult Social Care Reform: the cost of inaction', issued by the House of Commons Health and Social Care Committee in early May. The timing was somewhat ironic as three days before – on the Friday before the early May bank holiday – the government had published the terms of reference for an independent commission into adult social care in England, to be chaired by Baroness Louise Casey.

The commission had been announced in early January, six months after the Chancellor abandoned a plan for a long-term-care funding cap in England which had been due to start in October 2025. The cancellation drew little attention, as the media spotlight was on the Winter Fuel Allowance cut, announced at the same time. In practice there had been some expectation that the capped funding plan would not go ahead. Its commencement had already been deferred several times since being legislated for in 2014.

A distant prospect

The terms of reference for the new care commission were surprisingly brief, but buried in them was the statement that the first phase, due to report in 2026, "…should produce tangible, pragmatic recommendations that can be implemented in a phased way over a decade." In other words – not spelt out – a scheme that had been set to start later this year is to be replaced by a new structure that will not be fully operational until 2036 – at least two general elections away.

Until the Casey commission's plan begins, England will be left with a long-term-care funding system which many earlier investigations (including a royal commission at the turn of the century) has said needs reform. The current rules broadly mean that anyone in England with capital of over £23,250 (unchanged since 2010/11) must meet their own long-term-care costs in full.

There is currently no insurance policy available to protect against such future costs. If potential care home fees concern you, the best approach today is to ensure your retirement planning makes some allowance for their possibility. The same principle applies to all constituents of the UK, each of which have their own similar funding rules.

Understanding retirement income needs

One of the most complex financial decisions people will make is around income in retirement. But there is no simple, total solution.

Today's retirees typically have a mix of workplace and private pensions plus savings. These might be defined benefit schemes that pay a guaranteed income linked to earnings or defined contribution plans acting effectively as investment funds, where retirees can choose to draw down a regular income or buy an annuity for a guaranteed lifetime income.

Choosing the right approach is far from straightforward. The most suitable option will depend on factors such as the value of your pension pots, types of schemes held, other financial assets, relationship status as well as your health and attitude to risk.

Spending patterns

Recent research from the University of Bath based on spending patterns going back decades, found there is no 'one-size-fits-all' solution. Some retirees, particularly homeowners, spend more in the early years of retirement, but this falls away as they age. They would benefit from flexible options such as drawdown. Others have steadier, often lower spending needs, and may benefit from a guaranteed income solution with some inflation protection.

Understanding the implications of these differences underlines the importance of taking advice, especially as some decisions, such as buying an annuity, are irreversible.

Retirement can last for 25 years or more and needs will change. Regular advice MOTs may also prove useful, particularly as many retirees now keep funds invested for longer. If markets shift, living costs rise, or personal circumstances change, your strategy may need to adapt.

Reviews are an opportunity to discuss investment strategy and consider future annuity purchases, aswell as look at wider planning issues like estate planning, setting up lasting powers of attorney or eligibility for state benefits.

Ready for Making Tax Digital?

The tax reporting system is changing for the self-employed and property investors.

Making Tax Digital (MTD) has been one of those major government IT projects subject to significant delays. Announced in December 2015, it promised that "...by 2020, HMRC will have moved to a fully digital tax system."

While MTD is now fully operative for VAT, it will not start to come into force for some elements of income tax until April 2026...and that could affect you.

Thresholds and implementation

MTD will apply to you from April 2026 if you are registered for self-assessment and:

1. You received income from self-employment and/or property investment before 6 April 2025; and
2. You had a gross turnover (strictly 'qualifying income') from self-employment and/or property exceeding £50,000 in 2024/25.

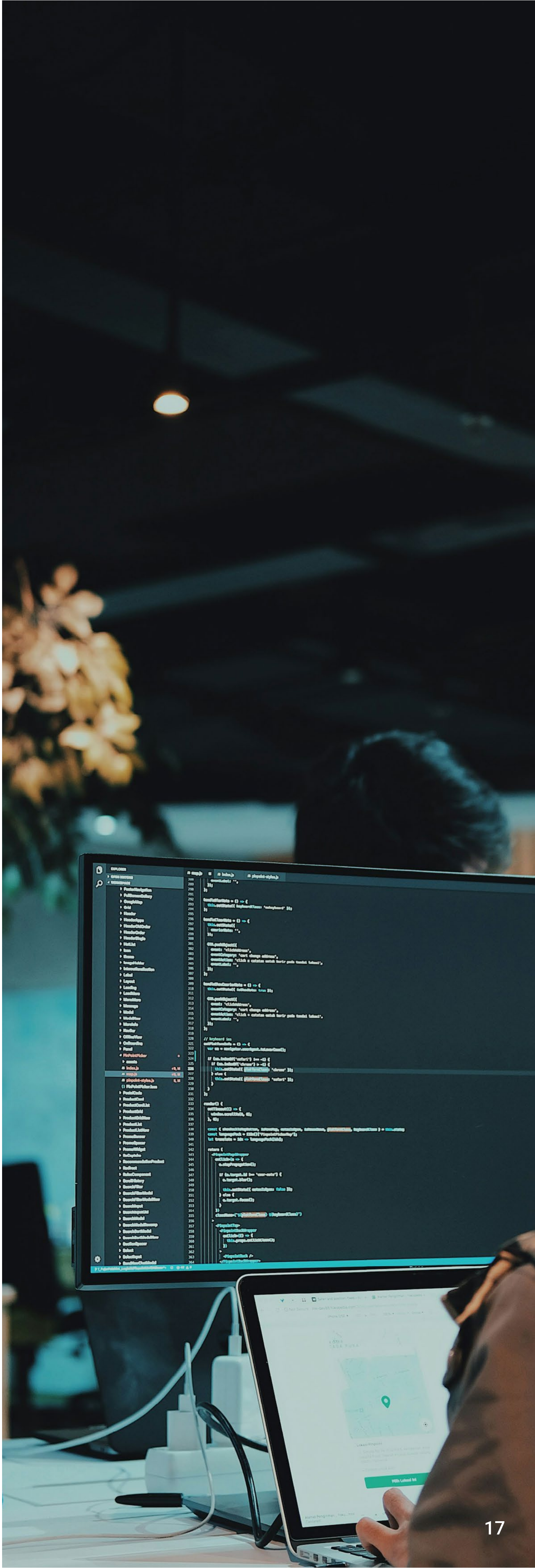
A year later, the MTD threshold will be lowered to over £30,000 of qualifying income in 2025/26.

To encourage compliance with the new MTD regime, which demands quarterly reporting, new rates of late payment penalties for MTD for income tax (and VAT) took effect from April 2025. These are (in addition to late payment interest):

1. 3% of the tax outstanding where tax is overdue by 15 days; plus
2. 3% where tax is overdue by 30 days; plus
3. 10% per annum where tax is overdue by 31 days or more.

If MTD is news to you, make sure you are prepared before your 'joining' date arrives.

Contact your usual MHA tax adviser or get in touch for assistance: mha.co.uk



Gold gets a glowing review

The price of gold has rocketed this year, fueled by geopolitical tensions, stock-market volatility and demand from investors seeking a safe haven for their money amid the turmoil.

Returns have been impressive for investors. With gold prices hitting a record high in April, this equates to around a 40% gain in just 12 months. While it's easy to be dazzled by these numbers, investors should remember that there have been long periods in recent decades where returns were broadly flat, offering little reward for long-term holders.

Effects of currency conversion

Gold is priced in US dollars, which adds a currency dimension for UK investors. If the dollar weakens against sterling, the value of gold holdings can be depressed when converted back into pounds, even if the gold price rises in dollar terms.

For investors gold may play a role as a diversified asset, but only as part of a broader, balanced portfolio.

Inheritance Tax Planning for Businesses in 2025/26 – navigating the changes.

Recent reforms to Inheritance Tax and Capital Gains Tax mean that effective tax planning is now essential.

Our tax teams have seen increasing concerns from entrepreneurial and business owner clients about the Inheritance Tax reforms announced in the Autumn Budget in October 2024, how they can best handle the impact of the changes, and any tax planning that is needed before April 2026.

Changes to pensions will impact on many owner-managed and family-run businesses. You'll also be affected if you are retired and/or planning succession, use trusts, draw dividend income, or have unused pensions.

In this article, we highlight common concerns raised about the reforms, and how these can be addressed with the right tax and wealth planning to ensure the legacy you've worked hard to build is protected for the next generation.

What was announced?

1. Changes to Agricultural Property Relief (APR) and Business Property Relief (BPR).
2. Inclusion of unused pensions within the scope of Inheritance Tax.

IHT reforms may be subject to further change, so we recommend reviewing your tax and wealth planning regularly, especially considering changing rules and personal circumstances, to ensure your plans remain tax-efficient and aligned with your financial goals.

What's changing and when?

April 2025: Capital Gains Tax (CGT)

The rate of CGT that applies to Business Asset Disposal Relief increased to 14% in April 2025 and will rise again to 18% in April 2026.

April 2026: Combined Assets

From April 2026, the first £1m of combined business and agricultural assets will continue to attract no inheritance tax at all, but for assets over £1m, inheritance tax may apply with 50% relief, at an effective rate of 20%.

April 2027: Pensions, APR & BPR

From 6 April 2027, unused pensions are expected to be subject to Inheritance Tax.

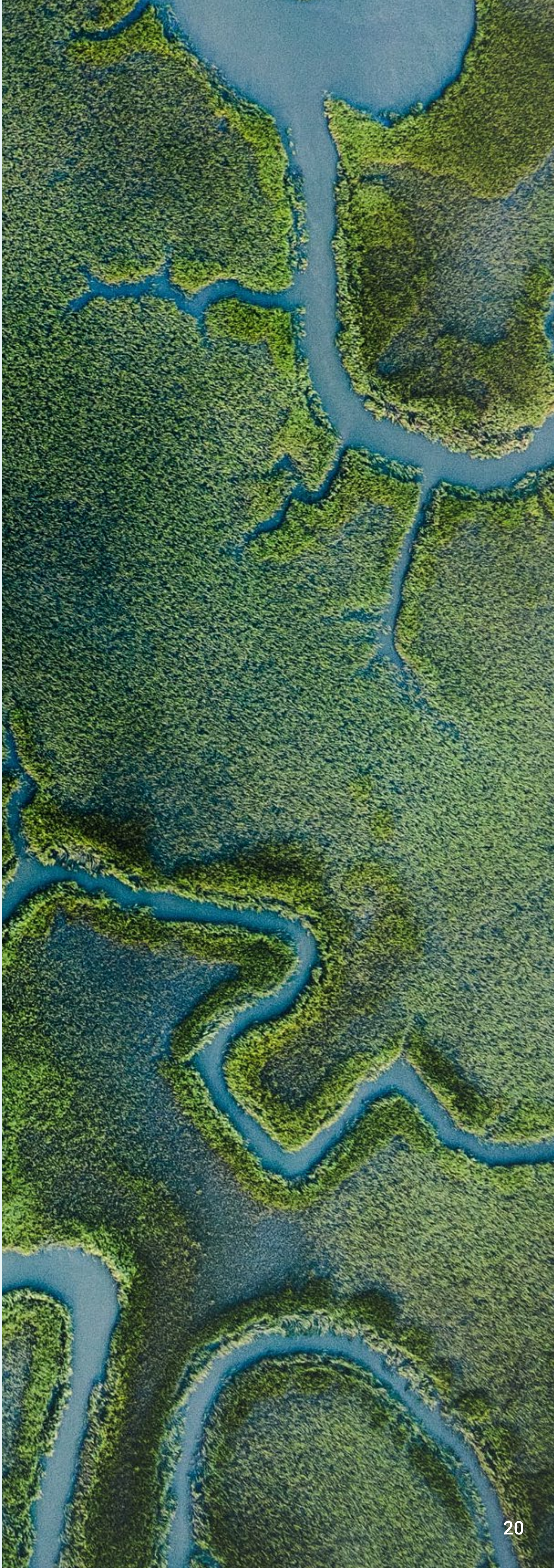
Inherited pensions will likely be brought into IHT from April 2027, along with reforms to Agricultural Property Relief and Business Property Relief.

Who will be affected?

- OMB and family-owned businesses.
- Individuals with trust arrangements in place.
- Individuals with significant dividend income.
- Individuals who are retired or close to retirement.

Key points to consider

- For all but the smallest businesses, doing nothing is likely to waste potential savings.
- Any transfer of shares will require robust valuation including consideration of minority interest discounts.
- Strong consideration should be given to insuring potential liabilities.
- Any planning needs to be cognisant of wider commercial and family factors and should involve a financial planner.



Frequently asked questions about the upcoming IHT reforms:

1 What happens if I choose to do nothing, and instead wait and see?

Doing nothing would have been the preferred option before the changes announced in the Budget, as 100% BPR would have been available. Now however, for businesses worth over £1m, IHT is likely to apply.

The majority of wills will be set up to leave everything to the surviving spouse at the first death. This potentially wastes £1m of BPR resulting in an increased IHT liability of £200k, because unused BPR is non-transferable between spouses under the new rules.

2 Can I gift my shares to my spouse?

The spousal exemption still applies, allowing transfer of assets to a spouse with no IHT. Transferring at least £1m worth of shares to a spouse will potentially save £200k in IHT by utilising both spouses BPR limits.

Consideration should be given to amending both wills to leave the first £1m of value in the business to children / trust, as this will preserve both spouses BPR limits regardless of order of death.

3 Can I gift my shares to my children?

Gifts to children will be potentially exempt transfers (PETs), falling out of the estate if the donor survives 7 years. CGT on gifts can potentially be held-over, meaning no immediate tax to pay for the donor but an increased gain should the recipient sell the shares in the future. This is, amongst other things, subject to the nature of the business and assets held in the company.

Transferring shares to a spouse (as suggested above) should also be considered alongside the gift.

4 Can I give my shares into a trust?

Transfer to trust will be a chargeable lifetime transfer (CLT) at a lifetime rate of 20%. However, BPR may be available to reduce the charges. Transfers made pre-April 2026 may benefit from unlimited BPR at 100%, thereafter the first £1m at 100% limit may apply.

While gifts made before April 2026 may qualify for full relief if the 7-year rule is met, a death after April 2026 and within the 7-year period could mean the gift falls under revised IHT rules. Given this uncertainty, a reducing life insurance policy written in trust may be appropriate to help cover any potential IHT liability.

Trusts are subject to a ten-year charge on the value of the trust property at a maximum of 6% (reduced to 3% by BPR at 50%).

5 Can I sell the business to my children?

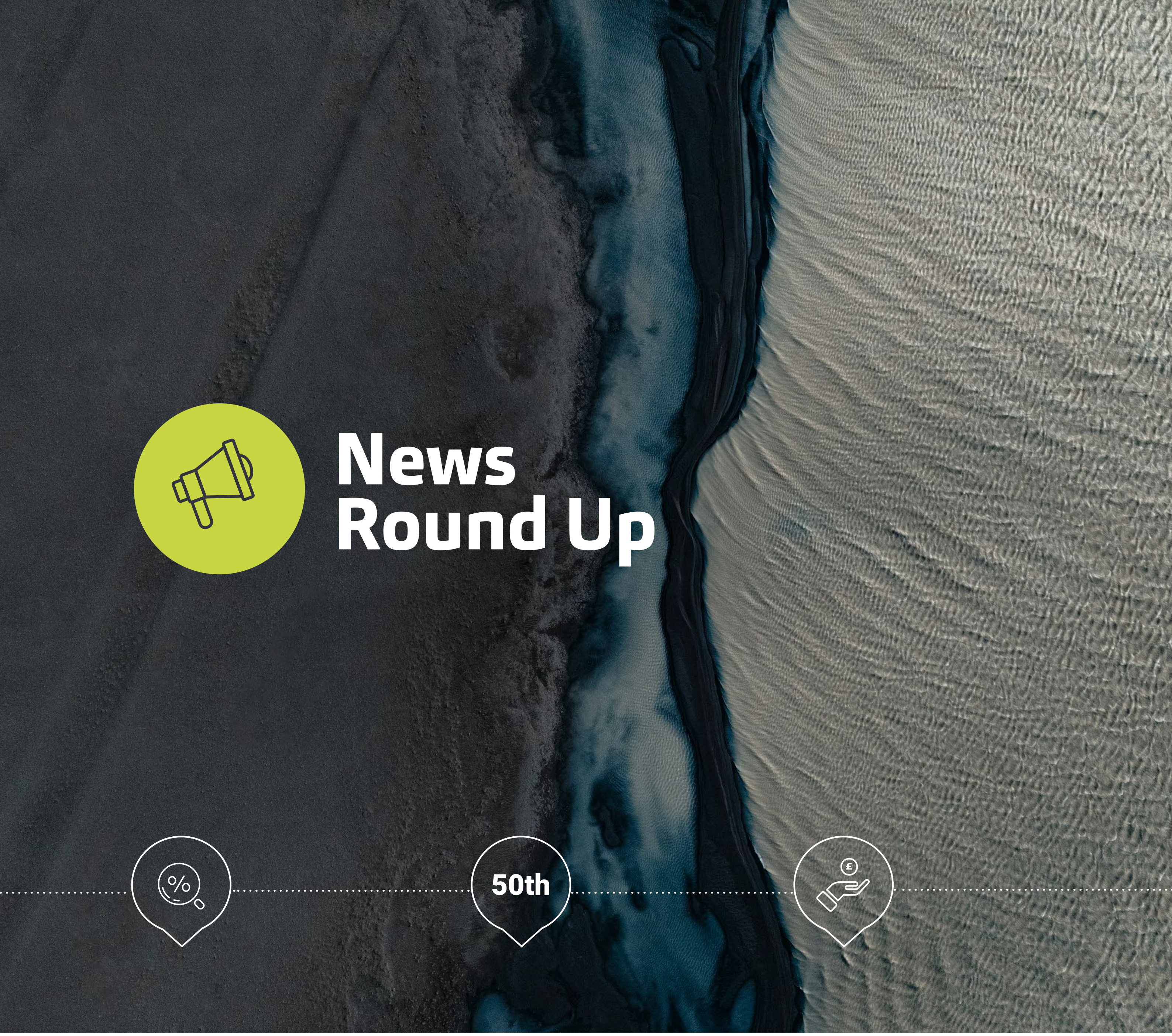
There are several tax efficient ways to have children succeed into the business, including family buyouts. These options offer flexibility for current owners to realise some cash, whilst also gifting a percentage of the business.

6 Are pensions still efficient for IHT purposes?

From April 2027, pensions are expected to fall within the scope of Inheritance Tax (IHT), which may reduce their effectiveness for estate planning. This is particularly relevant for estates where the pension holder is over 75, as the pension fund could be subject to both IHT and income tax. Given the complexity of this area, it is important to seek professional advice tailored to your circumstances.

For further assistance

Please contact your usual MHA adviser for more guidance on these changes and help in reviewing your tax plan. Alternatively, please contact your local office and we will be happy to assist you.



News Round Up

Interest and tax

If you're used to HMRC automatically sorting out any tax due on your bank/building society interest via your PAYE code, be warned. For the 2023/24 tax year, HMRC received around 130 million automatic reports of interest, but could only match 80% of them to taxpayers, a job that was not finished until March 2025. The taxpayer is responsible for paying the correct tax and HMRC is now reminding those who have not received a coding adjustment that they need to report any taxable 2023/24 interest ASAP.

Half a century ago…

In April a 50th anniversary passed, largely unnoticed. April 1975 was the last time that the basic rate of tax was increased (from 33% to 35%). Ever since the only direction for the basic rate has been down. That's not quite as positive as you might think as it has prompted successive Chancellors to raise revenue in different, less obvious, ways. The most recent example is the freezing of tax bands and allowances to create an ever-growing band of higher-rate taxpayers.

Spending Review

The Chancellor presented her Spending Review on 11 June covering day-to-day spending over the next three tax years and investment through to 2029/30. Having now defined her spending and investment goals, with the NHS and defence top of the list, these will be hard to shift. Place those expenditure aspirations against her "non-negotiable" fiscal rules and speculation is rife on the likelihood of tax rises when the Chancellor presents her next set piece – the Autumn Budget.

Our financial advisers

Graham Gordon
Head of Wealth Management for the MHA Group
North West

Simon Harvey
COO
MHA Wealth
Northampton

Liz Hall
Financial Planning Partner
North West

Ben Harrison
Financial Planning Director
North West

Lee Salter
Financial Planning Director
North West

Gary Doolan (DipPFS)
Independent Financial Adviser
Birmingham, Cardiff & Swansea

Gregg Taffs (APFS)
Chartered Financial Planner, Associate Director
Northampton

Charlotte Elgar (FPFS)
Independent Financial Adviser, Chartered Financial Planner, STEP Affiliate
London, Maidstone & Colchester

David Hume (Chartered FCSI)
Independent Financial Adviser, Chartered Wealth Manager
London

Dominic Thackray (DipPFS)
Independent Financial Adviser
Thames Valley

Marcus Bull (DipPFS)
Independent Financial Adviser
Milton Keynes & Peterborough

Our financial advisers

Scott Kent (APFS)

Chartered Financial Planner, Associate

Peterborough & Northampton

Scott Newbould (CFP™)

Certified Financial Planner, Associate

Leicester & London

Rob Houghton

Independent Financial Adviser

North West

Roy Osbourne (DipPFS)

Independent Financial Adviser

Northampton

Adam Norris

Independent Financial Adviser

North West

Ian Aldred

Independent Financial Adviser

North West

Phil Brook

Independent Financial Adviser

North West

mha.co.uk

London, Midlands, South East,
North West, Wales, Scotland.

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Capital at risk. The value of your investment and the income from it can fall as well as rise and is not guaranteed, therefore you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

Occupational pension schemes are regulated by The Pensions Regulator.

The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.

Investement markets and conditions can change rapidly, as such, investments should always be considered long-term and should fit in with your overall attitude to risk, personal and financial circumstances.

Investments do not offer the same level of capital security as deposit accounts.

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