COMPASS

1 Basepoint Business Centre
Waterberry Drive
Waterlooville
PO7 7TH

01243 850975
enquiries@financialcompass.co.uk
www.financialcompass.co.uk

# Essentially Wealth

Q4 2026



**Is your cash working hard enough for your future?**

**Budget 2026 – key announcements and tax changes**

**ISA reforms – what savers need to know**

**AI and your finances – personal advice matters**

***Inside:*** *Are past relationships impacting your financial future? / Why retirement is becoming a balancing act for many families / Pension contributions – making a real difference / Could life insurance help cover a future Inheritance Tax bill? / Pension IHT changes – the clock is ticking / Retirement might feel out of reach – but don't switch off just yet / Money lessons start at home*



Page 11



Page 12



Page 6



Page 5

# Contents


3
*Budget 2026 – key announcements and tax changes*

4
*Is your cash working hard enough for your future?*

5
*Are past relationships impacting your financial future?*

6
*Why retirement is becoming a balancing act for many families*

7
*Pension contributions – making a real difference*

8
*Could life insurance help cover a future Inheritance Tax bill?*

9
*Pension IHT changes – the clock is ticking*

10
*ISA reforms – what savers need to know*

11
*Retirement might feel out of reach – but don't switch off just yet*

11
*Money lessons start at home*

12
*AI and your finances – personal advice matters*

# Budget 2026

## *Key announcements and tax changes*

*As the dust settles on John Healey's inaugural Budget, although announcements were less far-ranging than many anticipated, there's still plenty to digest for households and businesses alike.*

Against a backdrop of *"global economic storms,"* the Chancellor set out the government's tax and spending plans, alongside a series of measures aimed at easing cost-of-living pressures to give people *"breathing space."*

These included plans to remove standing charges on household gas bills, extend the VAT cut on electricity and maintain the Fuel Duty freeze. Up to 20 million households in England in Council Tax bands A to D are set to receive a £100 energy payment. Meanwhile, the National Minimum Wage and National Living Wage will both increase by 3.9% from April.

To help fund these measures, the Chancellor announced that the bank profit surcharge will double from 3% to 6% for 15 months from 1 January 2027.

### *Key personal finance announcements included:*

**Savings and property income** – one of the main changes is a further increase in the tax applied to savings and property income. Last year's Budget increased these rates by two percentage points across all tax bands from April 2027. The Chancellor has now added a further two percentage points from April. The tax rates on property and savings income will increase to 24% (basic rate), 44% (higher rate) and 49% (additional rate and property / savings trust rates).

**Individual Savings Accounts (ISAs)** – the annual Cash ISA limit is being kept at £20,000 – this was due to reduce to £12,000 for under-65s from April. In addition, the government is exploring a new ISA Incentive for people investing in a Stocks & Shares ISA for the first time and a new First Time Buyer ISA will be introduced from April 2029. And on Lifetime ISAs (LISAs), from 29 October, when buying your first home above the £450,000 price cap, the withdrawal penalty was reduced from 25% to 20%. You can read more on ISAs in our article on page 10.

**Pensions and wealth planning** – technical changes to pension taxation were announced, including the removal of the two-year rule for the taxation of pension and lump-sum death benefits from 28 October 2026. This is likely to be linked to April 2027 changes when most unused pensions and death benefits will be subject to Inheritance Tax (IHT) – read our article on page 9 to learn more. In light of the wider changes to pensions and estate planning, individuals with significant pension assets should consider how these changes interact with their succession planning.

### *Other pension announcements include:*

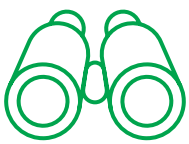
A new Pension Tax Allowance (PTA), will ensure pensioners with total income up to and including the value of the new State Pension will not pay Income Tax from April 2027

The State Pension will rise in line with the Triple Lock by 3.9% from April 2027, (the Triple Lock is set to be reformed in April 2030).

### *Business owners and entrepreneurs*

A few business measures were announced, one of the pivotal ones being the reduction of the lifetime limit on gains eligible for Business Asset Disposal Relief (BADR) from £1m to £500,000 from April 2027. The government is also introducing a new Founders' Relief to provide qualifying founders of high-growth, innovative UK companies with a 10% Capital Gains Tax (CGT) rate on up to £10m of lifetime gains. Other initiatives include:

| Entrepreneurs | Business rates |
|---|---|
| A Young Entrepreneurs Allowance pilot has been proposed for England and British Business Bank commitments to women-led businesses and funds will double to £200m | The Small Business Rate Relief threshold for eligible retail, hospitality and leisure properties in England will rise from £12,000 to £18,000. A two-year real-terms freeze will apply to other eligible properties in these sectors. |



**Looking ahead – stay focused on long-term plans**

We're here to help you make sense of the changes and understand what they mean for you. The key message is to focus on your long-term financial plan. Now is a good opportunity to review your plans and consider whether any adjustments are needed in light of the Budget announcements.



# Is your cash working hard enough for your future?

*Having money set aside for a rainy day is a cornerstone of sound financial planning, but when your cash reserves grow beyond your emergency and near-term spending needs, it's worth asking a bigger question – could your wealth be doing more for your future?*

UK households are sitting on an estimated £218bn in cash above their emergency savings needs, according to research[1]. Around 5.7 million working-age adults (27%) have cash set aside beyond what they need as a precautionary reserve.

Surprisingly, surplus cash is particularly common among higher-income, older and financially secure individuals. Yet despite having the financial resilience to invest, these affluent savers typically hold just 33% of their investable assets in investments.

So why are so many choosing to keep their wealth in cash?

**When playing it safe comes at a cost**

The answer is often less about financial necessity and more about psychology.

The research shows that 75% of surplus cash holders believe it is better to 'play it safe' with savings, even if investing is likely to deliver higher returns. In an uncertain world, that instinct is understandable. Cash feels secure, accessible and reassuring – particularly when markets are making headlines.

**There is a potential downside to leaving too much money on the sidelines...**

Over time, inflation can erode the purchasing power of cash, while missed investment opportunities may limit the growth of your wealth. Although investing involves risk, and returns are never guaranteed, a diversified portfolio has historically offered the potential for stronger long-term growth than cash.

**From financial security to financial opportunity**

The goal isn't to abandon cash. An emergency fund, money for planned expenses and a comfortable financial buffer all have an important role to play. The key is finding the right balance.

Money you may need in the short term should generally remain accessible, while wealth earmarked for longer-term goals could have greater potential when invested appropriately. Your ideal mix will depend on your circumstances, objectives, investment timeframe and attitude to risk.

**Make your wealth work for you**

There is no one-size-fits-all answer, and investment decisions shouldn't be driven by market headlines or short-term uncertainty.

A well-diversified portfolio, aligned with your goals and reviewed regularly, can help manage risk while supporting your long-term financial ambitions.

We work closely with clients to understand their financial priorities, establish an appropriate cash reserve and build investment strategies designed around their individual needs.

If you're holding substantial cash reserves, it may be time to ask – is your money protecting your future, or is it simply standing still?

[1]Vanguard

# Are past relationships impacting your financial future?

*You've moved on, blocked them and cancelled your shared Netflix subscription, but new data suggests your financial behaviour in your current relationship is still being shaped by the one that came before.*

A new study from Quilter found that of UK adults who previously shared finances with a former partner, more than two-thirds (69%) experience lasting effects on the way they speak to their new partner about money. For many, that means opening up the conversation more (59%), while others found it caused them to avoid the topic entirely (10%).

**Are you 'financially single?'**

It's not just the conversation that's affected. Almost two-thirds (64%) of those who combined finances with an ex say the experience shaped whether they went on to take out joint financial products with their new partner. In fact, the Quilter research found that overall many long-term couples are planning their future finances independently and acting 'financially single' despite sharing every other aspect of their lives. Almost half (46%) of couples do not share financial planning equally.



**Move forward – together**

Having a shared financial plan isn't just about tax or investments but also agreeing what you want your life to look like and making sure you're both moving in the same direction. Planning as a couple can then ensure that together you make better use of tax allowances and reliefs, and often leads to a more efficient overall approach than acting alone.

Indeed, many are aware of the long-term emotional benefits.

Two in five (42%) Brits in long-term relationships said that managing finances together can make a relationship feel stronger.

Seeking financial advice or having open conversations about shared financial plans can have positive outcomes both emotionally and financially. The research showed that more than a third (35%) of people in long-term relationships took financial action they wouldn't have taken alone after speaking to their partner.

## To help start a conversation with your partner around money, there are three tips to consider:

1

**Values, not numbers**

Rather than focusing on pounds and pence and who earns what, talk about how you see your life panning out and what your shared objectives are. This allows the financial side to fit more easily into the plan you create together.

2

**Name the feelings in the room**

Money remains a taboo subject for many and can lead to feelings of inferiority or shame. If one partner goes quiet or tries to ignore the conversation about money, gently ask what's happening to them and give them space to reveal their feelings.

3

**Get a neutral third party involved**

Sometimes having a neutral person in the conversation can help unlock any potential friction. Utilising a financial planner, especially if one person already engages with one, can help to focus the conversation and provide behavioural tips to help put a plan in place together.

Nationally representative research of 2,000 UK adults in a relationship for longer than three years, conducted by OnePoll on behalf of Quilter from 15-16 June 2026.

# Why retirement is becoming a balancing act for many families

*Retirement is often seen as a time to enjoy more freedom, spend time with loved ones and focus on the things that matter most. Yet for many people, it is becoming a balancing act between funding their own lifestyle and helping family members financially.*

New research from Quilter's Retirement Lifestyle Report 2026 shows retirees now spend an average of £27,159 a year, up 23% on last year. However, much of that increase is not being spent on themselves. Instead, retirees are increasingly using their money to support younger generations.

On average, retirees now provide £4,522 a year in financial support through gifts and contributions towards education costs. Combined with charitable giving, these payments account for almost a quarter (24%) of total retiree spending.

While many retirees take great satisfaction from helping loved ones, concerns about personal finances are also rising. Six in ten (60%) retirees worry about maintaining their current standard of living over the next 12 months, up from 51% a year ago. More than a quarter (27%) say they are very concerned.

Supporting family can be one of the most rewarding uses of your wealth, but it is important that generosity does not come at the expense of your own financial security. Decisions around gifting, spending and drawing retirement income can have a lasting impact, making careful planning more important than ever.

> *"Your spending priorities are likely to change over time"*

**Put your own finances first**

Before making gifts or providing ongoing support, make sure your own income needs are covered. Retirement can last decades, and once money has been given away it may be difficult to replace. A good starting point is understanding how much you need to maintain the lifestyle you want for the duration of your retirement.

**Plan for a retirement that evolves**

Your spending priorities are likely to change over time. Early retirement may be focused on travel, hobbies and family, while later years could bring higher healthcare, care or home adaptation costs. Building flexibility into your plans can help you adapt to whatever lies ahead.



## *Review your plans regularly*

Retirement planning is not a one-off exercise. Rising living costs, tax changes and shifts in family circumstances can all affect your finances. Regular reviews of your finances, with the support of a financial planner where possible, can help ensure your income, spending and longer-term goals remain on track.

Research conducted among 5,002 UK retirees for Quilter's Retirement Lifestyle Report 2026 by Censuswide between 23 March and 7 April 2026, with follow-up polling conducted between 28 May and 11 June 2026.



# Pension contributions – making a real difference



*Did you know that paying into your pension could do more than help secure your financial future? It could also reduce your taxable income and help you retain valuable childcare support.*

Research[2] shows over half (52%) of people are unaware that pension contributions can reduce their taxable income. Could this be a financial planning opportunity worth exploring?

**Are you caught by the £100,000 childcare threshold?**

For parents in England, adjusted net income above £100,000 can mean losing entitlement to the government's 15 or 30 hours of funded childcare.

If your income exceeds the threshold – even by £1 – it can make a significant difference to your family's finances.

**How could pension contributions help?**

Making additional pension contributions, including through salary sacrifice where available, may reduce your adjusted net income. For some parents, particularly those just above £100,000, this could bring their income below the threshold and help them retain childcare support.

Would you benefit from reviewing your pension contributions? Could a small change today support both your family's finances and your retirement goals?

**We can help you explore your options**

Every family's circumstances are different. Why not speak to us about your pension, income and wider financial planning? We can help you understand the options available and whether increasing your pension contributions could work for you.

**Tax and pension rules apply. Salary sacrifice rules are changing in April 2029. Advice should be based on your individual circumstances**

[2]Standard Life

*"If your income exceeds the threshold – even by £1 – it can make a significant difference to your family's finances"*

# Could life insurance help cover a future Inheritance Tax bill?



*With changes to Inheritance Tax (IHT) rules due from April 2027, more families may need to consider how they would meet a potential tax bill. Could life insurance provide a helping hand?*

For families reviewing their estate plans, life insurance could offer a practical way to help cover a future IHT liability. Life insurance, particularly whole of life cover with no set term, is increasingly becoming part of these conversations.

While life insurance does not reduce the amount of IHT due, it can provide a cash lump sum that beneficiaries can use towards the bill. This could help ease the financial pressure at an already difficult time.

**What if much of your wealth is tied up in property or investments?**

When an estate includes a family home, buy-to-let properties or other assets that cannot easily be accessed, beneficiaries may face difficult decisions about how to pay an IHT bill.

A life insurance payout could provide funds when they are needed, helping beneficiaries avoid selling assets in a hurry or at an unfavourable time.

**How could writing a policy in trust help?**

Life insurance policies can often be written in trust. This may help keep the proceeds outside the estate for IHT purposes and allow them to be paid to beneficiaries more quickly, depending on the arrangements in place.

However, trusts are complex, and the right approach will depend on individual circumstances.

*With April 2027 approaching, could now be the time to revisit your estate planning?*

Understanding your potential IHT liability is an important first step. You may also want to consider whether your existing arrangements would provide enough accessible funds to help meet any future bill.

Life insurance could form part of a wider estate planning strategy, offering beneficiaries greater financial flexibility when it matters most.

> *"A review today could help your family feel better prepared for tomorrow"*

**Trust arrangements are complex and suitability depends on individual circumstances. Life insurance is not suitable for everyone. Advice should be sought before taking out a policy or making changes to existing estate planning arrangements.**

# Pension IHT changes – the clock is ticking

*With significant changes to retirement and estate planning due to take effect from April 2027, it's wise not to leave planning until the last minute.*

**A seismic shift in wealth planning conversations**

Under planned reforms, most unused pension funds and certain pension death benefits will be brought within the scope of Inheritance Tax (IHT). This means the way you save, access and use your pension could have implications not just for your retirement income, but also for your estate and the people you hope to leave your wealth to.

The reforms also introduce new responsibilities for personal representatives, who will need to account for and pay any IHT due on pension assets.

For individuals with significant pension savings, this could make a review of retirement and estate planning particularly important.

**Your pension is part of the bigger picture**

There is no single solution that will work for everyone. Your retirement plans, income needs, other assets and legacy ambitions all need to be considered together.

If retirement is still some way off, you may not need to make any immediate changes. However, understanding how your pension fits alongside your savings, investments and property can help you make informed decisions over time.

For those approaching or already in retirement, it may be worth reviewing how and when pension savings are accessed, and how this fits with wider estate planning.

Depending on your circumstances, options could include reviewing gifting plans, considering life insurance or assessing how your assets are structured. Any changes should be carefully considered, as a decision that reduces a potential IHT liability could have unintended consequences for your retirement income or financial security.

**Don't let uncertainty lead to rushed decisions**

Major tax changes can create opportunities for fraudsters. Experts are concerned that criminals will exploit uncertainty surrounding the changes, by promoting schemes claiming to eliminate IHT through pension transfers or alternative investments.

Be wary of anyone suggesting you must urgently move your pension, withdraw funds or invest in a scheme that promises to eliminate IHT. Unexpected contact, guaranteed tax savings and pressure to act quickly should all raise red flags.

**Take time to plan with confidence**

April 2027 may still be some way off, but good financial planning takes time. Starting the conversation now gives you an opportunity to understand the proposed changes, review your options and make decisions that reflect your circumstances and goals.

**If you're concerned about how the pension IHT changes could affect you or your family, we're here to help you understand what they mean and whether any action is appropriate.**



*A seismic shift*

*Under planned reforms, most unused pension funds and certain pension death benefits will be brought within the scope of Inheritance Tax (IHT)*



# ISA reforms – what savers need to know

*Budget 2026 has changed the outlook for ISA savers, preserving the Cash ISA allowance and announcing new plans for first-time investors and homebuyers. Here's what you need to know.*

**Cash ISA allowance remains £20,000**

The government has abandoned plans to cut the annual Cash ISA allowance from £20,000 to £12,000 for under-65s in April 2027. All adult savers can therefore continue allocating up to £20,000 annually between Cash ISAs and other eligible ISAs, including Stocks & Shares ISAs.

**Proposed 22% charge dropped**

The proposed 22% charge on interest from uninvested cash held in Stocks & Shares ISAs and other non-Cash ISAs will not proceed. Associated restrictions on transfers from investment ISAs to Cash ISAs have also been withdrawn.

**Investment incentive under consideration**

The government has announced plans to work with the investment industry to explore a new ISA incentive for people investing in a Stocks & Shares ISA for the first time. The aim is to encourage more people to consider investing as a way of building long-term wealth. Further details, including eligibility, how the incentive will work and when it might become available, have yet to be confirmed.

**First-Time Buyer ISA from April 2029**

A new First-Time Buyer ISA will replace the Lifetime ISA (LISA) for new savers from April 2029. Savers will be able to contribute up to £4,000 annually, with a 25% government bonus calculated on the account balance when used towards a qualifying first home. The maximum bonus will be £20,000, with a property price cap of £450,000. Unlike LISAs, there will be no upper age restriction. Existing LISA holders can continue contributing to and using their accounts under existing rules.

**LISA withdrawal charge reduced**

From 29 October 2026, existing LISA holders purchasing a first home above the £450,000 property price cap, where the purchase otherwise meets the qualifying rules, face a reduced withdrawal charge of 20%, rather than 25%. The change is designed to protect savers' original contributions when purchasing a property above the price cap. Other unauthorised withdrawals will remain subject to the standard 25% charge.

**Review your ISA strategy**

With changes ahead, now is a good time to review your ISA arrangements and consider whether your ISA arrangements remain appropriate for your circumstances The right approach will depend on your financial goals, timescales and attitude to investment risk.



# Money lessons start at home

*From pocket money to everyday spending, small lessons today can help children build healthier financial habits for life.*

**Lead by example**

Children learn about money long before they understand mortgages, pensions or interest rates. Their earliest lessons often come from watching their parents.

How adults spend, save and talk about money can shape a child's attitudes for years to come. Parents who plan their spending, avoid unnecessary impulse purchases and demonstrate the value of saving are setting an important example.

It's difficult to teach children to budget if they regularly see money spent without thought. Showing that financial choices involve priorities, rather than simply having or not having money, can make a lasting difference.

**Make money part of everyday conversations**

Money doesn't need to be a taboo subject. Age-appropriate conversations can help children understand that every spending decision has consequences.

Explain that choosing one treat might mean waiting for another, or that saving towards something special can make it even more rewarding. Keep discussions simple, positive and free from unnecessary financial anxiety.

**Give them a budget to manage**

Pocket money, household jobs and handling physical cash can all introduce children to the basics of budgeting.

Giving them control over a limited amount of money allows them to practise making choices. If they spend it all, resist the temptation to immediately bail them out. Learning to wait and plan is a valuable lesson in itself.

**Small habits, lasting impact**

Teaching children about money isn't about complicated financial products. It's about everyday behaviour, honest conversations and giving them opportunities to make decisions. By setting a positive example at home, parents can help build the confidence and habits children need for a financially healthier future.

# Retirement might feel out of reach – but don't switch off just yet

With rising living costs, housing affordability challenges and economic uncertainty, it's easy to see why some younger people question whether they'll ever be able to retire.

Meet the NERDs – the *Never Ever Retiring Demographic*. Research from The People's Pension[3] found that 12% of young adults are disengaged from pension saving because retirement feels unachievable. That's around 2.2 million people who may be switching off from their financial future.

Writing off retirement could become a self-fulfilling prophecy.

**Small steps today, more choices tomorrow**

You don't need to make huge pension contributions to start building a stronger financial future. Small, regular payments add up over time, helping you build savings and keep your options open.

The earlier you start, the more time your pension has to potentially grow. Even if retirement feels a long way off, taking action now can make a meaningful difference to your future.

**Your retirement, your way**

Retirement may look different for future generations. More people are choosing phased retirement[4], gradually reducing their working hours rather than stopping work completely.

That flexibility can be valuable – but continuing to work should be a choice, not your only option.

**Don't disconnect from your future**

You can't predict what retirement will look like, but you can take steps towards greater financial resilience.

This autumn, why not review your pension and consider what small changes you could make?

[3]The People's Pension, [4]WTW

# AI and your finances – personal advice matters

*Artificial intelligence can help you explore financial terminology, but when it comes to your money, a one-size-fits-all answer may not be enough.*



### Gen Z turns to AI for life's big decisions

Almost half (48%) of Gen Z adults aged 18 to 29 say AI has changed their mind about a decision, according to research commissioned by Aegon[5]. More than half (55%) trust and use AI, compared with just 18% of Boomers.

Young adults are also increasingly comfortable discussing money concerns with AI, with 24% saying they would feel at ease doing so.

### The risks of relying on AI

The growing use of AI for financial decisions has raised concerns. The Financial Conduct Authority (FCA) found that four in five 18 to 40-year-olds have used AI to inform investment decisions. Despite 73% recognising that AI can be inaccurate, 38% believe it is acceptable to rely solely on AI-generated investment information.

AI can be useful for explaining financial jargon, researching companies and exploring options. However, it cannot predict future investment performance, and the information it provides may be incomplete or incorrect.

Head of the Money:Mindshift campaign, Dr Tom Mathar, said the primary issue is not if people are using AI but - how they're using it. He surmises, *"AI is excellent at surfacing information and challenging our assumptions, but it can only work with the information we give it. Many of life's biggest decisions are shaped by experiences, relationships and personal priorities that are difficult to capture in a prompt. AI only knows what you tell it, and a personal logic hardly transpires in a chat window."*

### Your finances are personal

Financial decisions depend on much more than the information entered into a chatbot. Your goals, circumstances, attitude to risk, income and future plans all matter.

AI-generated financial information is not regulated, and protections such as the Financial Services Compensation Scheme or Financial Ombudsman Service do not apply if things go wrong.

### Get advice tailored

AI has its uses, but it should not replace personalised financial advice. Bespoke advice can help you understand your options and make decisions based on your individual circumstances, goals and risk appetite.

[5]Aegon

> *"Almost half (48%) of Gen Z adults aged 18 to 29 say AI has changed their mind about a decision"*

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Past performance may not be repeated in future. Future returns cannot be guaranteed. For ISA's, investors do not pay any personal tax on income or gains but ISAs do pay unrecoverable tax on income from stocks and shares received by the ISA manager. Tax treatment varies according to individual circumstances and is subject to change.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.

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