Essentially Wealth

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Starting 2026 with clarity and confidence

CAPEL ALLEY
WEALTH MANAGEMENT

Finding investment opportunities in an evolving landscape

Older workers underprepared for retirement

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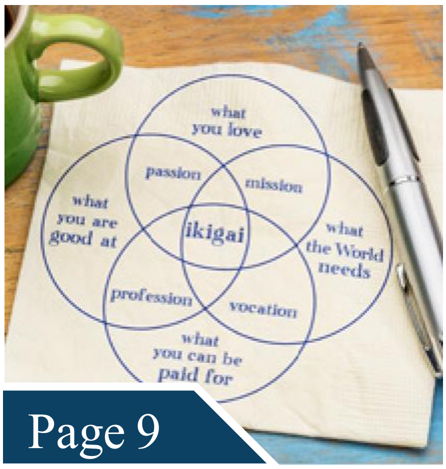
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Finding investment opportunities in an evolving landscape

After a year marked by uncertainty, many investors are likely to be approaching 2026 with cautious optimism. Despite trade-related shocks, geopolitical tension and stubborn inflationary pressures, markets demonstrated resilience last year. The sharp sell-off following 'Liberation Day' tariff announcements was followed by a strong rebound, supported by solid earnings, easing policy expectations and continued enthusiasm for AI-driven innovation.

In a world where headlines can move markets within minutes, one message continues to ring true: staying calm, selective and focused on long-term goals remains fundamental. As we look ahead, several themes look likely to define the year ahead.

Challenges and opportunities

2026 is set to bring a familiar blend of challenges and opportunities. Inflation in several major economies remains above target, keeping central banks cautious and policy finely balanced. In the UK, expectations are for inflation to return to target in 2027. Persistent inflation will retain pressure on consumer-focused sectors, while lower borrowing costs may offer support to parts of the equity market.

Meanwhile, investment in AI infrastructure and data capabilities continues at pace. While some questions remain over whether the momentum is sustainable, ongoing innovation may still present meaningful avenues for growth.

Rate cuts remain on investors' radar, though central banks may act more conservatively than markets hope.

'A landscape marked by greater protectionism and fragmentation'

The International Monetary Fund (IMF) expects the global economy to grow by 3.1% in 2026, following growth of 3.2% last year. While growth remains positive, it is tenuous, with uncertainty around tariffs, trade and wider geopolitical risks weighing. The IMF believes this fragile growth is a reflection of the *'world adjusting to a landscape marked by greater protectionism and fragmentation.'*

However, supportive fiscal policy, technological investment and favourable financial conditions continue to offset some of these pressures. With an uneven recovery likely, certain regions and sectors may offer stronger long-term potential than others.

Investing with clarity and confidence

Diversification remains central to navigating the year ahead – balancing exposure across regions, sectors and asset classes in line with your goals, timeframe and risk tolerance. As the world evolves, opportunities naturally present; with careful planning and a measured approach, we can help position your portfolio.

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Starting 2026 with clarity and confidence

As we welcome 2026, we'd like to take a moment to thank you for your continued trust and partnership over the past year. It has been a period marked by change, resilience and shifting global dynamics and your commitment to thoughtful, long-term planning has been central to navigating this landscape with confidence.

Looking forward, our focus remains on helping you plan, protect and grow your wealth with clarity and purpose. Whether it involves reviewing your investment strategy, optimising your tax position, considering pension arrangements, planning for future generations or preparing for important life milestones, we will work closely with you to ensure your financial plans stay aligned with your goals and adapt as your circumstances evolve.

As you set your priorities for the year ahead, now is an ideal moment to take stock, reflect on what matters most and begin 2026 with a clear, well-structured plan and peace of mind. We remain committed to supporting you and your family in achieving the financial future you aspire to – one built on stability, opportunity and informed decision-making.

Wishing you a happy, healthy and prosperous New Year

Tune in to Budget tax changes

With a series of tax and spending measures estimated to raise an extra £26bn a year in taxes by 2029/30, what does the Budget mean for you and your finances?

While immediate changes are limited, as Helen Miller, Director of the Institute for Fiscal Studies (IFS) said, *"the Chancellor is relying heavily on tax rises towards the back end of the parliament. More borrowing for the next few years, then a sharp adjustment."*

One of the most immediate changes takes place from April 2026. The Dividend Tax rate will increase by 2 percentage points, with the basic rate rising from 8.75% to 10.75%, and the higher rate increasing from 33.75% to 35.75%. Following repeated cuts to the tax-free annual Dividend Allowance, which now stands at just £500, people who hold investments outside of a Stocks and Shares ISA or SIPP, or who own their own business and pay themselves in dividends, are expected to pay more tax.

> *"We're here to help you make sense of the details and advise the best course of action for you"*

Salary sacrifice schemes curtailed

From April 2029, only the first £2,000 of salary-sacrificed pension contributions each year will not be subject to National Insurance (NI). Anything above that will attract both employer and employee NI at the usual rates.

New 'mansion tax' brought in

If you live in a home worth more than £2m, from April 2028, you'll be expected to pay a new annual high value Council Tax surcharge. This surcharge will be £2,500 for properties valued from £2m to £2.5m, £3,500 for homes valued from £2.5m to £3.5m, £5,000 for homes valued from £3.5m to £5m, rising to £7,500 for properties valued at £5m or more. The Valuation Office will be conducting a targeted valuation exercise to identify properties above £2m.

Changes to Cash ISAs and other investments

In a move designed to encourage more Britons to invest in home-grown companies, from April 2027, the annual Cash Individual Savings Account (ISA) allowance will fall to £12,000 for under 65s, but the overall annual ISA allowance remains at £20,000. In other words, you can invest £12,000 in a Cash ISA each year and invest £8,000 in a Stocks and Shares ISA. The Lifetime ISA or LISA, which is designed to appeal to first-time buyers, is due to be replaced sometime in 2026 with a simpler version. The Junior ISA allowance remains at £9,000.

VCT and EIS tax relief reduced

For those considering higher-risk investments, Income Tax relief on Venture Capital Trusts (VCTs) and the Enterprise Investment Scheme (EIS) will be cut from 30% to 20% from April next year. Although this reduces the upfront incentive of investing in these funding mechanisms for UK early-stage higher risk companies, there are still other benefits. The government is increasing the VCT and EIS company investment limit to £10m, and £20m for Knowledge Intensive Companies (KICs) and increasing the lifetime company investment limit to £24m, and £40m for KICs. These changes will be legislated in the Finance Bill 2025/26.

Other key tax changes include:

- Income Tax thresholds will remain unchanged until at least 2031, meaning more earners will be in higher tax bands, and National Insurance contributions (secondary threshold) are also frozen to 2031
- A new mileage-based road tax for electric (3p per mile) and plug-in hybrid (1.5p per mile) vehicles will be introduced from 2028
- Tax on savings and property income will rise by 2 percentage points from April 2027
- An extension to the freeze on Inheritance Tax (IHT) thresholds from 2030 to April 2031.

With the government pressing ahead with changes to the IHT rules regarding unused pensions, which take effect from April 2027, there's plenty to think about.

We're here to help

It's important to remember that most of the changes announced won't come into effect until 2027 or later. There's no need to make quick decisions. We're here to help you make sense of the details and advise the best course of action for you.

The path to retirement – finding the approach that's right for you

More people are rethinking what retirement looks like. Instead of a 'hard stop,' many are choosing a more gradual, flexible transition. In fact, a recent study[1] showed fewer than one in four UK workers expect to give up work entirely when they reach retirement age. Most plan to ease into retirement (43%) through changing how they work, by staying in their current role a little longer (15%), or by moving into something new (9%).

A fine line – wellbeing and finances

A phased retirement can take many shapes. For some, it means reducing hours; for others, shifting into consultancy, project work, mentoring, or even exploring a new field altogether. This softer transition can help maintain financial security, preserve purpose and routine and support wellbeing at a stage when priorities naturally begin to shift.

Confidence to make decisions you won't regret

The research also highlights understandable concerns. Many people approaching retirement worry about the complexity and uncertainty surrounding pension rules and tax treatment. Without clarity, it can feel difficult to make confident decisions – sometimes prompting people to take a lump sum or start drawing income earlier than is right for them.

Aegon's Pensions Director, Steven Cameron, notes that we're living through a *"significant cultural shift"* in how people approach later-life work. With this shift comes the need for a stable, predictable pension environment that allows individuals to plan with confidence.

[1]Aegon, 2025

Support as your plans take shape

Taking time to reflect, plan and seek advice can make all the difference. A gradual retirement should feel empowering not overwhelming. Whatever path you choose, we're here to help you understand your options and make informed decisions that support both your finances and your broader wellbeing.

Inheritance Tax receipts continue to climb

Inheritance Tax (IHT) receipts show little sign of easing, with HM Revenue & Customs[2] figures confirming continued growth. Between April and September 2025, IHT revenues reached £4.4bn – around £100m more than the same period in 2024, a rise of 2.3%. If this trend continues, total receipts for the 2025/26 tax year could approach £8.8bn, setting yet another record.

Looking further ahead, the Office for Budget Responsibility (OBR) projects that IHT revenues could climb to around £14bn by the end of the decade. This upward trajectory is likely to be reinforced by forthcoming changes taking effect from April 2027, when unused pension funds will become subject to IHT. This reform is expected to bring a larger proportion of pension wealth into the IHT net, contributing to rising receipts in the years that follow.

For individuals with significant pension savings, the changes underline the importance of reviewing estate plans carefully. Under the new rules, beneficiaries may face an IHT charge on inherited pension funds, and the responsibility for reporting and paying any tax due will sit with personal representatives rather than pension scheme administrators.

With the landscape shifting, taking proactive steps to structure your estate efficiently has never been more important. If you would like to discuss how these changes could affect you or your beneficiaries, we are here to help.

[2]HMRC, 2025

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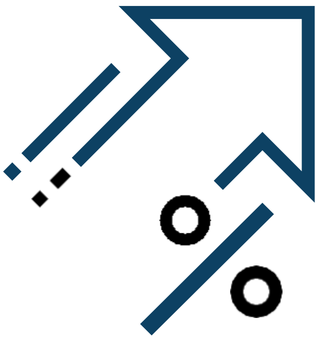


Start 2026 ahead: Know your tax numbers

As the 2025/26 tax year draws to a close, now is the perfect time to take stock and make sure you're maximising your tax-efficient opportunities before the new financial year begins on 6 April 2026. A little planning now can go a long way. Here are some key areas to consider:

The Individual Savings Account (ISA) allowance for 2025/26 is £20,000

Checking your contributions now helps ensure you don't miss out on valuable tax relief

Make the most of your ISA allowance

The Individual Savings Account (ISA) allowance for 2025/26 is £20,000. You can place the full amount in a Cash ISA (until the allowance changes in 2027), invest entirely in a Stocks and Shares ISA, or split it between the two. Junior ISAs work similarly, with a £9,000 annual limit per child. Ensuring your allowance is used before the tax year-end can help your savings grow tax efficiently.

Review your pension contributions

You can contribute as much as you like to your pension, but tax relief is capped by the Annual Allowance, currently £60,000. An individual can't use the full £60,000 Annual Allowance where 'relevant UK earnings' are less than £60,000, although your employer still could. You may be able to carry forward unused allowances from the past three years, provided you were a pension scheme member during those years. For every £2 of adjusted income (total taxable income including all pension contributions) over £260,000, an individual's Annual Allowance is reduced by £1 until the minimum Annual Allowance of £10,000 is reached. Checking your contributions now helps ensure you don't miss out on valuable tax relief.

Gifting for Inheritance Tax (IHT) Planning

You can gift up to £3,000 per year free of IHT, with any unused allowance carried forward one year. Additional exemptions exist for wedding gifts (£5,000 for a child, £2,500 for a grandchild or great grandchild, £1,000 for others) and gifts up to £250 per recipient per tax year. Under current HMRC rules, gifts outside the above categories normally cease to count for IHT purposes upon the donor's survival for seven years, with reductions in the event of death after at least three years. Thoughtful planning around gifting can help protect your wealth for future generations.

Other tax year-end considerations

Don't forget to review your Capital Gains Tax (CGT) allowance and Dividend Allowance to make sure you're making the most of all available reliefs.

A review now can ensure you enter the new tax year with confidence, clarity and control over your finances.

Aligning planning and purpose

A new year is the perfect moment for a financial reset. Where are you on your journey and how confident do you feel about the year ahead? Having a clear plan can help you move forward with purpose and peace of mind.

What drives your financial choices?

Research[3] shows that personal values are the strongest motivators for UK adults. Providing for family (44%), achieving financial independence (43%), and maintaining security (31%) top the list. Among 25 to 34-year-olds, these drivers are even more pronounced, highlighting a generation determined to plan with intention – with 58% citing family security and 53% financial independence, making them one of the most financially goal-oriented generations.

Understanding what truly motivates you brings clarity to your financial decisions, helping your money work in line with what matters most.

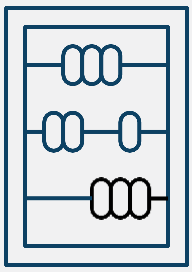
A fresh start for 2026

Mental wellbeing and financial confidence are closely connected. A clear, values-driven plan can reduce uncertainty and give reassurance, especially in a world that often feels unpredictable.

Whatever your goals, protecting your family, building independence, or securing your future – 2026 is a chance to focus, plan, and move forward with confidence. We're here to help you define your financial purpose and turn your plans into reality.

[3]Aviva, 2025

> *"Where are you on your journey, and how confident do you feel about the year ahead?"*



Finding your financial Ikigai

The Japanese concept of Ikigai – your 'reason for being' – can apply to money, too. Your financial Ikigai is the balance between what you value, what you need, and what gives you purpose. When your financial goals reflect your deeper motivations, planning becomes a meaningful path, not just a task.

New Year life insurance review

As 2026 gets underway, now is a good time to review your life insurance. It may not be the flashiest New Year's resolution, but the right cover can provide peace of mind – and may even help reduce Inheritance Tax (IHT) liabilities.

Why it matters

With the IHT threshold frozen for over a decade, life insurance has become an increasingly useful tool for families looking to manage taxable estates. Recent changes mean more assets, including business and agricultural property, are now potentially subject to IHT, making planning more important than ever.

Protection and tax efficiency

Life insurance ensures your loved ones are financially supported if the unexpected happens. Payouts are generally free from Income Tax and Capital Gains Tax, and when placed in the right type of trust, they can also be exempt from IHT.

A quick review can help you check your cover, align it with your current circumstances, and make sure your loved ones are protected while your estate planning stays tax-efficient.

How financially resilient would your family be without you?

Research[4] shows that many people in the UK are uncertain about their family's financial security if the unexpected were to happen. Only one in five feel very confident that their loved ones would feel financially secure. Just over a third (35%) believe their family could 'manage for a while,' but almost a quarter aren't confident at all.

Confidence levels vary across demographics. Women are less certain than men that their family would be secure – 49% versus 67% – and employees at large companies tend to feel more secure than those in smaller firms. The least confident age group is 45 to 54, with one in three saying their family would not manage financially without them.

These findings highlight a gap in financial resilience that can leave families exposed. Taking steps now to review your life insurance arrangements can help provide reassurance, protect your loved ones, and give you peace of mind that they'll be cared for no matter what happens.

[4]The Exeter, 2025

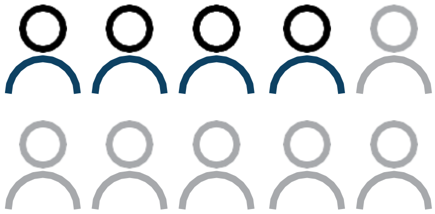
Older workers underprepared for retirement

Retirement can feel like a daunting milestone, and for many older workers, getting ready is still a challenge. A recent survey[5] found that only four in ten working people aged 60-69 feel prepared to retire. Among the more than three million workers in this age group, over a third say they do not feel ready.

Even among those aged 65–69 who are still working, 31% report feeling unprepared. Planning for life after work involves a series of important decisions, from choosing the right time to retire to managing the transition into a new routine. Beyond finances, it's about lifestyle, purpose and wellbeing – finding the balance between security and enjoyment.

Taking the time to review your pension, savings, and plans can make the process less overwhelming. With careful preparation and thoughtful guidance, you can approach retirement with confidence, ensuring the next chapter of life is both secure and fulfilling.

[5]Just Group, 2025



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Planning for life after work involves a series of important decisions

Shifting mindsets from saving to investing

Much has been made of the need to get more people investing for their long-term futures. Savers are leaving too much money sitting idle in low yielding cash savings accounts, when evidence shows that money would be better off invested for the long-term.

However, new research has identified what may be holding people back from doing just that. Financial Imposter Syndrome (FIS) is a widespread psychological barrier, affecting three million UK adults, with a further five million showing symptoms[6].

Much like imposter syndrome in the workplace, FIS is the inner voice that makes people doubt their financial capability, attribute success to luck or help from others, and prevents people making positive financial decisions at crucial stages due to a lack of confidence, not resources.

The cost is both emotional and economic. Twenty per cent of adults feel unprepared for the future, and nearly a quarter fear they won't have enough for retirement, and yet only 10% of the population currently use a financial adviser.

This affliction is not just a low-income issue either. Almost 24% of people earning £80,000 or more show signs of it. High earners often describe feeling they should know more or be doing better with their money.

Despite this research, the problem of underinvesting by the nation still persists and as a result the government is looking to get more people investing with a nationwide marketing campaign due to launch in 2026. What these figures do reveal is a profound identity gap. People see 'investing' as something other people do – something complex or risky – rather than something that already happens quietly through their pension.

However, the evidence shows that when a person does consider themselves as an investor, they feel more confident about money overall (79% v 69%). This study reveals that when people have had financial success in the past, those who consider themselves investors are more likely to attribute this to their own money skills (46% v 29%).

Investing breeds confidence and has the potential to transform people's long-term savings for the better.

To help shift that mindset, there are a number of practical ways to overcome Financial Imposter Syndrome and form positive investing habits from an early stage.

[6]Quilter, Financial Imposter Syndrome, October 2025

How to move from a saver to an investor

1. **Remember long-term saving, such as a pension, is already investing**
2. **Start small and build confidence in a way that works for you**
3. **Rather than consider monetary goals, connect investing with life goals – home ownership, retirement comfort, education funds**
4. **Emphasise time over timing: steady participation beats perfect prediction**
5. **Build accountability by sharing your goals with a friend, partner or adviser. Talking about money normalises it and keeps plans on track.**