



Is your money working as hard as you do?

Good habits mean making the most of your available tax reliefs and allowances every year. So your effort brings more reward.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.

Discover the power of financial advice and contact us today.

Build habits that carry you further

Building good habits around tax planning is an important step toward achieving your long-term financial goals. When combined with a clear financial plan, maximising available tax reliefs and allowances provides a strong foundation for your family's future, support a comfortable retirement, and provide a structured approach for passing on wealth for future generations.



The power of good habits: maximising your tax reliefs and allowances today

Build strong financial habits by using your tax allowances now and in the future, as part of a clear financial plan, so you can stay on track to reach your goals.

It might be taking the first step onto the property ladder, saving to support your child through university debt-free, upgrading to a bigger home, or securing the financial freedom later in life to follow your passions. Perhaps it's about making sure you can pass on as much of your wealth as possible to loved ones.

Whatever your ambitions, smart tax planning can play an important role in helping you achieve them. But tax planning doesn't stand alone — it works best as part of a clear financial plan. Having a plan in place gives you a roadmap, helping you balance today's needs with tomorrow's goals while making the most of the tax reliefs and allowances available each year.

Taking time throughout the year to review your finances allows you to make the most of available reliefs and allowances, keeping your financial plan aligned with your goals and ensuring your money is working efficiently.

The tightening of many tax allowances is also placing a greater burden on many taxpayers, so it's essential to consider

the decisions and actions you can take now to mitigate any impacts.

Expert advice can make all the difference. Whether it's opening or topping up an ISA, maximising your Capital Gains Tax (CGT) allowance, or adding to your pension, we're here to help you build a stronger financial plan for the years ahead.

We're here to help you take full advantage of the tax allowances and reliefs available, both today and for the future. Get in touch to start the conversation.

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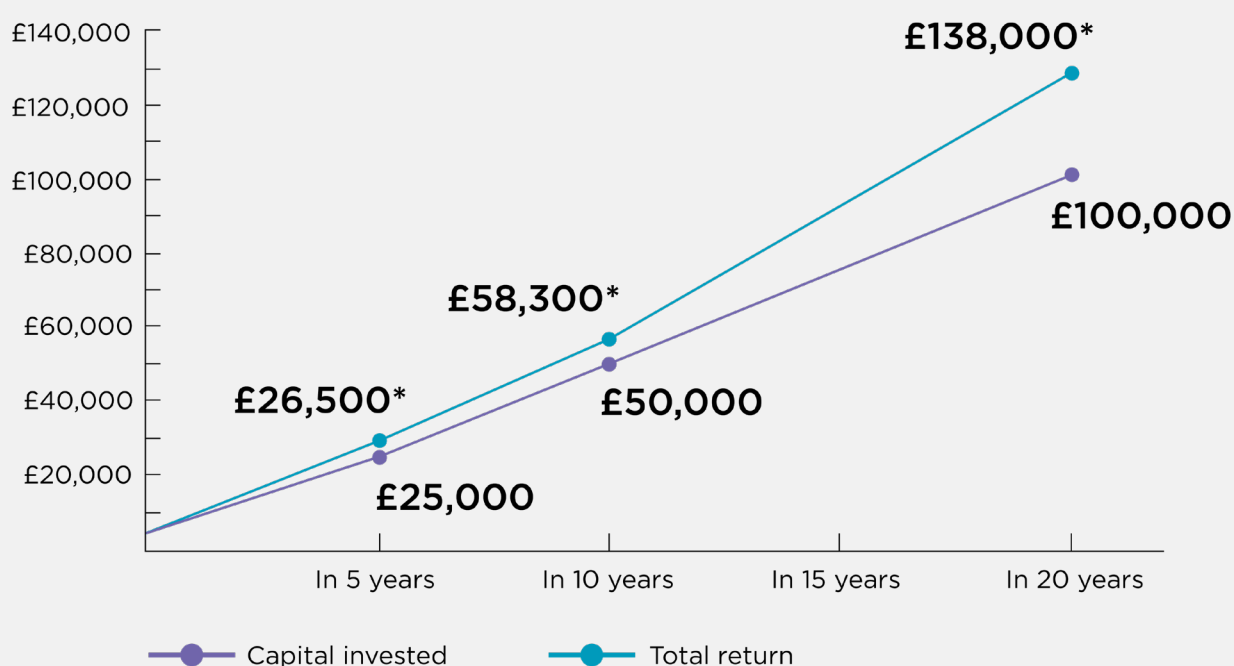
ISAs

What is an ISA and why should you consider one?

An ISA is a great way of making your money work harder for you. Everything you earn from it is currently free of Income Tax and Capital Gains Tax, making it extremely tax efficient. ISAs are also a flexible option if you want to start investing in stocks and shares. The ISA allowance applies per tax year – so make sure you use as much of this year's £20,000 allowance as you can.

Adding a little each year goes a long way

The power of compounding means that even adding relatively small amounts to your ISA each year can make a big difference in the long run. If you started an ISA with £5,000 in year one and then topped it up by £5,000 at the same time every year – thanks to the fact the returns on your investments will be reinvested and are so tax efficient – **here's how your money could grow:**



*Figures based on growth after charges of 3% per year. The figures are examples only and not guaranteed. They are not minimum or maximum amounts. What you get back depends on how your investment grows and the tax treatment of the investment. You could get back more or less than this.

Please note that if a Stocks and Shares ISA was selected, the values over this period would fluctuate and the top line would fall as well as rise. It would be possible to get back less than the amount invested.



Finding the right balance of ISAs

Even with higher interest rates, high inflation means that if you keep your savings in a Cash ISA, the money could lose its value in real terms. If you're able to invest in a Stocks and Shares ISA over the

long term (we always recommend that this should be at least five to ten years), it has the potential to beat inflation over time, despite the short-term ups and downs of the stock markets.



The less you leave to chance, the more you leave behind

Whether it's eating their greens or putting a little extra cash aside each month, good habits will set your children up for the future.

Although they must be opened and managed by a parent or guardian, Junior ISAs (JISAs) allow you to save money for any child up to the age of 18. As with

other ISAs, any returns are currently free of Income Tax and Capital Gains Tax. Another benefit is that by gifting money to children, you're removing it from your own estate, which could help mitigate Inheritance Tax or reduce the amount payable when you die (see page 14 for more details).

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested. An investment in a Stocks and Shares ISA or JISA will not provide the same security of capital associated with a Cash ISA or JISA.

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Please note that St. James's Place does not offer Cash ISAs or JISAs.



Your ISA allowances for 2026/27

Currently you can contribute £20,000 per person into an ISA (£40,000 for a couple who each hold an ISA) and £9,000 per child into a Junior ISA. This can be either a Stocks and Shares ISA, a Cash ISA, or a mix of both.

When it comes to making the most of ISAs, it's a case of 'use it or lose it' – you can't roll your allowance over into another year. So think about starting an ISA, or topping up your existing ones, before the end of the tax year.

Our approach to lifelong investing

When it comes to investing, our goal is to help you create the future you want. We always think in years and decades – not days – to help smooth out the ups and downs of the markets and help your investments stand the test of time.

Whether your investments with us are through a Stocks & Shares ISA or a pension (see page 11), we'll find the right mix of assets to balance risk against reward.

And we know that everyone's circumstances are different, so you can rely on us to advise you on solutions that are right for you, your own financial goals and your family.

Contact us now for a consultation to discuss starting an ISA or topping up your existing one.

Did you know



From April 2027, the annual cash ISA allowance will drop to £12,000 – but only for savers under 65. If you're 65 or over, you'll still be able to invest up to £20,000 in a cash ISA each year (within the overall ISA allowance).

Your Personal Savings Allowance

Find the right balance between cash and investments

What should you do if you've been keeping your savings in cash accounts? Interest rates are starting to fall. As they're still fairly high, you may find that some of the interest on your savings becomes taxable, especially if you're a high-rate taxpayer.

You do have a few options, though. It's still important to have an 'emergency fund' that you can access quickly. You should hold this in cash, as stocks and shares can lose value. But for longer-term goals, a Stocks and Shares ISA is worth considering, as there's more potential for long-term growth (see page 4).

Your Personal Savings Allowance for 2026/27

The Personal Savings Allowance (PSA) means you don't have to pay tax on some of the interest you receive from your cash savings accounts. Your annual allowance is based on the rate at which you pay Income Tax, as follows:

£1,000

Basic-rate taxpayers can earn up to **£1,000** a year in interest tax free

£500

For higher-rate taxpayers, it's **£500** a year

£0

For additional-rate taxpayers, it's **£0**, meaning all interest is subject to tax.

Here's how much you could hold in a cash account (paying 5% annual interest) before you'd be liable for tax on the interest:

Basic-rate taxpayer
▶ **£20,000**

Higher-rate taxpayer
▶ **£10,000**

Contact us to talk through the tax reliefs and allowances available to you.

Watch out for the 60% tax trap!

If you earn less than £100,000 per year, the first £12,570 of that is free of Income Tax for most people. However, if you earn £100,000 or more, that tax free personal allowance is reduced by £1 for every £2 you earn over £100,000.

That means you could be taxed at an effective rate of 60% on income between £100,000 and £125,140.

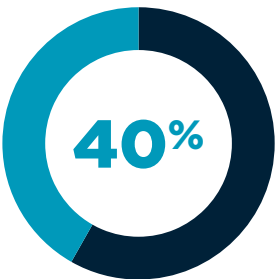
One way of avoiding this trap is to pay earnings between £100,000 to £125,140 into your pension, which will take your income below the threshold and allow you to keep your full personal allowance. You'll also benefit from the 40% higher-rate tax relief on that contribution, subject to certain limitations. Anything over the 20% basic rate of tax must be reclaimed via HMRC.

It could be you

An increasing number of people will be affected by the 60% tax trap, as earnings are rising on average but Income Tax thresholds are frozen.

Check you're making the most of your tax allowances so you don't have to pay more tax than you need to.

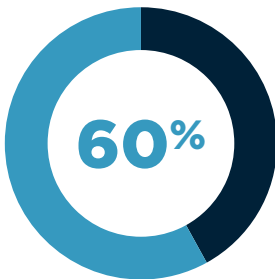
Here's how that might work in practice:
Assume your income is: **£100,000**
But you get a bonus or pay rise of: **£10,000**



Amount paid in Income Tax on the £10,000 (at 40%):
£4,000



Additional Income Tax (as your personal allowance is reduced by £5,000): **£2,000**



Total extra Income Tax paid: **£6,000**
That's 60% of your additional income

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An investment in equities does not provide the security of capital associated with a deposit account with a bank or building society.

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Pensions

Getting into good habits with your pension for a happy retirement

Because of the Income Tax relief you get on the eligible contributions you pay into your pension – when used as part of a balanced investment portfolio – it is one of the best ways to save for your retirement. This tax year, you can contribute and receive tax relief on up to the higher of 100% of your earnings or £3,600.

Total contributions, including those from

your employer, are also limited to the annual allowance (standard £60,000). More details are on page 13. Bear in mind that the freezing of the Income Tax personal allowance and tax bands – and the reduction of the additional-rate Income Tax threshold to £125,140 – means you could end up paying more tax. Maximising your pension contributions is one way to reduce the effects of this.

How tax relief on pension contributions works

When you pay into your pension (up to the higher of 100% of earnings or £3,600), you will receive tax relief on your contributions. So, to make a total contribution of, for example, £100:

**Starter or Basic-rate
Income Tax**

You pay:

£80

Income Tax relief is:

£20

**Higher-rate
Income Tax**

You pay:

£60

Income Tax relief is:

£40

**Additional-rate
Income Tax**

You pay:

£55

Income Tax relief is:

£45

You will need to claim any tax relief over the basic rate via HMRC.

Contributing to your pension now is a great habit to start

It's worth topping up your pension as early as you can. That's because, over the long term, this money can benefit from compounding and could add a

significant amount to your retirement fund. Therefore, the earlier in life you start contributing to a pension, the better.

Let's say you're planning to retire when you're 67 and you make a contribution towards your pension starting at £200 a month.



If you start saving at age



Your estimated pension fund at retirement might be



This calculation is based on monthly contributions invested each month, increasing by 2.5% a year, with growth after charges of 2.4% a year. These figures are examples only and are not guaranteed. All monetary values shown have not been adjusted for future inflation. They are not minimum or maximum amounts. What you get back depends on how your investment grows and the tax treatment of the investment. You could get back more or less than this.

But whatever age you are, it's never too late to start saving for your retirement.

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How much do you need for a comfortable retirement?

Here’s an idea of what various levels of income in retirement will cover for a single person:

Minimum	Moderate	Comfortable
Income required: £13,400 per year	Income required: £31,700 per year	Income required: £43,900 per year
What could I do?		
 DIY maintenance and decorating one room a year	Some help with maintenance and decorating each year	Replace kitchen and bathroom every 10-15 years
 £85 a week on food (including food away from the home)	£99 a week on food (including food away from the home)	£138 a week on food (including food away from the home)
 No car	Three-year-old car replaced every seven years	Three-year-old car replaced every five years
 A week-long UK holiday	A fortnight 3* all inclusive holiday in the Med and a long weekend break in the UK	A fortnight 4* holiday in the Med with spending money and three long weekend breaks in the UK
 Up to £450 for clothing and footwear each year	Up to £1,548 for clothing and footwear each year	Up to £1,548 for clothing and footwear each year

Source The Pensions and Lifetime Savings Association/Loughborough University, ‘Retirement Living Standards’, 2025. All figures are for illustration only and based on people living outside London

Did you know ?

From April 2027, most pensions will be included in the value of your estate and therefore may be subject to Inheritance Tax. Currently most pensions are exempt from IHT.



Your pension allowances for 2026/27

You can personally get Income Tax relief on up to **100% of your earnings, or £3,600, whichever is higher**, but the total amount that can be paid into your pension, including from your employer, is limited to an annual allowance of **£60,000**.

You can 'carry forward' your annual allowance if you haven't used it all in the previous three years. You use this year's one first, then you can go back up to three tax years (i.e. 2023/24) and use the unused allowance, then the next, and the next. The total amount you pay, and still receive tax relief on personally, would still be limited to 100% of your earnings or £3,600.

From age 55 (set to rise to 57 in 2028), you can withdraw up to 25% of your pension pot tax free. The rest is charged at your usual Income Tax rate.

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Make the most of your annual pension allowances and ensure your retirement plans stay on track. Reach out today to discuss your options.

Inheritance Tax

How to protect your family wealth

The high rate at which Inheritance Tax (IHT) is charged gives many families a shock, so it's well worth doing what you can to take advantage of the relevant tax reliefs and allowances available to you.

Although the nil-rate band of £325,000 per person may seem generous, the 40% rate at which IHT is paid on the rest of your estate is not (subject to other allowances being available).

Here's an example of what could be charged when you die:

Total estate value

£1.5 million

First

£325,000

tax free

Taxable sum

£1.175 million

Inheritance Tax liability at 40%

£470,000

This example does not take into account the residence nil-rate band of up to £175,000 if you leave your residence to your direct descendants (see next page).

Make the most of your tax-free gifting allowances

A good way of reducing IHT liability is to make the most of your gifting allowances. You can give gifts to your loved ones every year that won't be counted as part of your estate for tax purposes. This is an effective way of passing on as much of your wealth as possible.

Here's how gifting works



£3,000

The amount you can gift tax free per year.

£6,000

The total amount you and your spouse or civil partner can gift if you combine your allowances.

£12,000

The amount you and your partner can gift this year if you haven't used last year's allowance, as it can be carried forward for one year (although the current year's allowance has to be used first).

Did you know



From April 2027, most pensions will be included in the value of your estate and therefore maybe subject to IHT.

With this change, coupled with the frozen nil-rate band thresholds, Inheritance Tax planning is likely to become more important.

Contact us to discuss this and other ways of protecting your family wealth.

Contributing to a Junior ISA (see page 6) or a pension (see page 10) for your children or grandchildren are also effective ways of passing on your wealth tax efficiently.

Your Inheritance Tax allowances for 2026/27

If you leave all your estate to your spouse or civil partner, there is no tax to pay. The first **£325,000** of your estate that you leave to anyone else is also tax free.

If your home is included in your estate and you pass it on to your children, grandchildren or other lineal descendants, the tax-free threshold increases to **£500,000** per person, as long as the estate is worth less than £2 million.

When your spouse or civil partner dies, your allowances can be combined – meaning up to **£1 million** can ultimately be passed on tax free. You and your spouse or civil partner can also each gift up to **£3,000** per year during your lifetime which will reduce the value of your estate as soon as the gift is made.

This £3,000 allowance can be carried forward if you didn't use it last year – giving a limit of up to **£12,000** for a couple for this tax year. It is important to note that the current year's allowance has to be used first.

You can make larger gifts, but they usually take seven years to become exempt from Inheritance Tax (IHT). You can also give as many gifts of up to £250 per person each tax year, as long as you haven't used another allowance for that person. Gifts for birthdays or Christmas made from your regular income are also exempt from IHT.

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Capital Gains Tax

How to steer clear of the CGT trap

Capital Gains Tax (CGT) can be one of the most complex taxes, so it's no wonder people fall into the trap of paying unnecessarily, or end up being fined for not paying when they should.

Here's how you might fall liable for CGT without even realising:

You were given some free shares in a company as a bonus, which are worth **£5,000**

Their value rises considerably and they're now worth **£25,000**

Your 'taxable gain' (i.e. the profit you have made) if you sell them all at once is **£20,000**

The first £3,000 of the profit is tax free, but you must pay tax on the remaining **£17,000**

If you're a higher-rate taxpayer, the tax charge is **24%** – therefore the tax liability would be **£4,080**

There are several ways of reducing this bill – potentially to zero – including:

1. Holding the shares in an ISA, which makes them exempt from CGT (see page 4).
2. Realising £3,000 of the gains from shares this tax year, which is the 2025/26 annual exempt amount, and the rest over the following years.
3. Transferring some of your assets to your spouse or civil partner so you can both make use of your individual allowances.

Times are changing

This year the CGT allowance has remained the same at **£3,000** and the basic rate of CGT has increased from 10% to 18% and the higher rate has increased from 20% to 24%. Making sure you're using losses and realising gains at the most appropriate time can make a big difference to the amount of tax you have to pay. This could mean moving assets into different wrappers – pensions and ISAs, for example – to make sure you're not creating gains, or splitting the sale of assets over several tax years.

We can guide you through making the most of your allowances and planning for the future you want.

Get in touch today to discuss your situation and avoid paying more or less than necessary.

Dividends

Consider holding your shares in an ISA

You usually receive payments from stocks and shares in the form of dividends. If they're not held in an ISA, it can mean you're liable to pay Dividend Tax. The first £500 you receive in dividends is tax free, but after that you'll have to pay tax according to your Income Tax band: **10.75%** if you pay tax at the basic rate, **35.75%** if you pay at the higher rate and **39.35%** if you pay at the additional rate.

Here's how much you'd be taxed if you're a higher-rate taxpayer:

You receive annual dividends to a total value of

£5,000

The amount that is taxable is

£4,500

The amount you'll be taxed (35.75%) is

£1,608.75

If you'd held your shares in an ISA,
you'd be taxed

£0

Mind your allowances

The dividend allowance has reduced significantly in recent times, and for this tax year is only **£500**. This makes it even more worth your while to ensure your stocks and shares are held in a tax-efficient wrapper, such as an ISA (see page 4) or a pension (see page 10).

Did you know



From 6 April 2026, the dividend tax rate will rise by 2% for both basic and higher rate taxpayers.

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Your tax planning checklist

Ensure you've made the most of your available tax reliefs and allowances to create the financial future you want.



ISAs

Have you taken full advantage of this year's £20,000 ISA allowance? Or the £9,000 Junior ISA allowance?



Personal Savings Allowance

Have you got the balance between keeping a cash fund and making the most of this year's ISA allowance?



Pensions

Consider paying as much as you can into your pension. If you are at the point in your life when you could increase your pension contributions, then do it.



Inheritance Tax

Are you looking to reduce a potential IHT liability? You may be able to gift as much as £6,000.



Capital Gains Tax

Make sure you pay what you owe this year, but don't end up paying when you don't need to.



Dividends

Are you receiving your dividends tax free in an ISA?

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Helping your children onto the property ladder, paying for their wedding, upgrading your home, securing a worry-free future, passing on an inheritance – whatever your dreams, good habits in tax planning can help you get there. And when those good habits are part of a clear financial plan, you'll have the structure and confidence to turn ambitions into reality while making the most of the allowances and reliefs available to you each year.



Build it. Grow it. Secure it.

We can help you make the most of your available tax reliefs and allowances to put you on track to help achieve your ambitions.

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Get in touch so we can help you reach your financial goals.

www.capstone-financial.co.uk

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