

Coton Financial Management

Autumn Newsletter 2025



Latest figures show a change in the cost of retirement
It's less for a minimum retirement, a little more for a comfortable one

Inside this issue

Welcome to the autumn edition of our quarterly client newsletter, which provides topical financial articles.



These newsletters are intended to bring a few key topical issues to your attention. If you would like to discuss any of them (or any other aspect of your financial planning) in more depth, please contact us.

Please note: We may not necessarily advise on all the topics in each newsletter, but thought they may be of interest to you.

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Any information in this newsletter does not constitute advice and should not be acted upon without taking professional guidance.

The value of pensions and investments and the income they produce can fall as well as rise and you may not get back the full amount that you originally invested.

Modern Retirement Living

The new figures for retirement living show a decrease for a minimum standard and a slight rise for a moderate or comfortable retirement. The most significant change was how people's living arrangements are now described.

Making Tax Digital

From April 2026, sole traders earning over £50,000 will have to switch to using Making Tax Digital (MTD) for their income tax return and they'll stop using traditional tax returns.

Self-invested personal pensions

A Self-Invested Personal Pension (SIPP) is a pension plan that lets you choose how your savings are invested. A SIPP is a type of defined contribution personal pension, which means the value of your pension pot at retirement depends on the amount you pay in and how it performs.

Rising impact of inheritance tax

Significant changes for inheritance tax come into force on 6th April 2027. Make sure you won't be affected.

Holiday scams

You may be thinking about winter sun and planning a holiday. Make sure you are not caught out by holiday related fraud.

Latest Figures from Retirement Living Standards

Retirement Living Standards Report

The latest update of the PLSA's Retirement Living Standards (RLS), published in June 2025 shows a decrease in the cost of the Minimum retirement lifestyle, down to £21,600 per year for a two-person household, due to the impact of lower energy prices and changes in the public's expectations for this standard.

Meanwhile, the cost for moderate and comfortable standards have risen modestly, reflecting the impact of inflation across many expenditure categories offset by decreases in energy costs.

The most significant change seems to be how living arrangements are described in the Standards. The terms "one-person" and "two-person" households have replaced "single" and "couple" to recognise that not everyone in retirement lives with a romantic partner – but many do share their housing and many living costs with someone.

<https://www.retirementlivingstandards.org.uk/library/2025-rls-update>

Modern Retirement Living

The recent PLSA survey found that most people today already live with others:

When looking ahead to retirement:
77% of non-retired people expect to live with a someone else in retirement and only 23% expect to live alone.

When asked who they'd be willing to live with in retirement to help share costs like housing and bills, only 12% of people said "nobody" and

wanted to live alone. This shows widespread openness to shared living - including the possibility of roommates and house shares.

The Standards recognise that retirees can share costs, often with a partner, and that can make a huge difference to affordability in later life."

Minimum Retirement

One person: £13,400

Two person: £21,600

The Minimum Standard covers the cost of all your basic needs, and some left over for fun. A self-catering or half-board holiday in the UK, eating out once a month and some affordable leisure activities with family and friends once or twice a week.

Moderate Retirement

One person: £31,700

Two person: £43,900

The Moderate Standard provides more financial security and flexibility than the Minimum. An annual overseas holiday and a long weekend off peak break in the UK, and a take-away a week and eating out a couple of times a month.

Comfortable Retirement

One person: £43,900

Two person: £60,600

The Comfortable Standard allows more spontaneity to the Moderate lifestyle, including extra-long weekends away in the UK, some day trips extra spending allowance on eating out and social activities.



Making Tax Digital

Making Tax Digital (MTD) for Income Tax starts in April 2026

For sole traders and landlords with qualifying income over £50,000, MTD starts April 6th 2026.

Digital record-keeping is thought to deliver time-saving benefits for taxpayers. There is less than a year to go until sole traders and landlords with an income over £50,000 will be required to use Making Tax Digital (MTD) for income tax returns.

You may be exempt (for now)

If you become a sole trader or a landlord after 6 April 2026 you will not need to start using Making Tax Digital for income tax returns until after you have submitted your first Self Assessment tax return, but you can choose to voluntarily sign up at any time.

There are other exemptions too:

<https://www.gov.uk/guidance/apply-for-an-exemption-from-making-tax-digital-for-income-tax>

Quarterly updates

Quarterly updates are thought to spread the workload more evenly throughout the year, bring the tax system closer to real-time reporting and help businesses stay on top of their finances and avoid the last-minute rush.

From April 2026, individuals with qualifying income above £50,000 will need to keep digital records, use MTD-compatible software and submit quarterly summaries of their income and expenses to HMRC. These digital requirements are thought to help businesses save time through more

efficient record-keeping, reduce errors in tax calculations, and provide a clearer picture of their tax obligations throughout the year.

Qualifying income includes gross income from self-employment and property before any tax allowances or expenses are deducted.

Further changes coming

The same goes for those earning over £30,000 from April 2027, and over £20,000 from April 2028.

Those earning under the thresholds will continue to use Self Assessment.

Find Software that works

If you are eligible you will have to use commercial software that works with Making Tax Digital (and your own accounting software) for income tax from 6 April 2026. After submitting a final tax return for 2024 to 2025 (which has to be submitted by 31 January 2026).

If you will be affected by this change and haven't started yet, here's a link to software that works with MTD: <https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax>

If you haven't given it any thought and you are eligible for this change; it may be worth getting started now.

HM Revenue & Customs have produced a guide: <https://assets.publishing.service.gov.uk/media/6807527fe16c376084e7c751/making-tax-digital-for-income-tax-agent-toolkit.pdf>



Explaining self-invested personal pensions (SIPPs)

What is a SIPP?

A SIPP is a self-invested personal pension. It allows you decide how your pension money is invested and can often offer a wider selection than other pension types. You can either let your provider choose for you, pick your own investments or pay a financial adviser to help you.

Why would I need a SIPP?

With life expectancy growing and retirement often lasting longer; saving for retirement is becoming increasingly important. A self-invested personal pension or SIPP is a type of pension that allows you to manage and control your savings.

What are the advantages and disadvantages of a SIPP?

SIPPs are designed for people who want to manage their own fund by dealing with, and switching, their investments when they want to. However, SIPPs can also have higher charges than other personal pensions or stakeholder pensions.

For these reasons, SIPPs tend to be more suitable for large funds and for people who are experienced in investing.

How does a SIPP work?

A SIPP is a pension 'wrapper' that holds investments until you retire and start to draw a retirement income. It is a type of personal pension and works in a similar way to a standard personal pension. The main difference is that with a SIPP, you have more flexibility with the investments you can choose.

The Flexibility with SIPPs

Once you reach 55, you can access your whole pension pot. You decide how and when to use the fund built up in your SIPP to provide you with an income. You can take up to 25% of your fund as a

tax-free lump sum and use the balance to provide you with a pension through income withdrawal from your SIPP, or through the purchase of an annuity. You can also take a series of lump sums from your SIPP – **it's flexible**.

SIPPs can be opened by almost anyone under the age of 75 living in the UK. You can open a SIPP for yourself or for someone else, such as a child or grandchild. Even if you've already retired, you can still open a SIPP and take advantage of the extra flexibility that it gives you over your pension savings in retirement – but you may be limited by how much you can pay into it.

Investment choice

A Self-Invested Personal Pension (SIPP) allows you to invest in a wide range of assets, essentially giving you more flexibility than a standard pension. The specific assets you can invest in within a SIPP are subject to HMRC regulations. Generally, SIPPs can invest in a variety of assets, including stocks, shares, bonds, funds, and more.

Tax Relief

SIPPs offer the same tax relief as other pensions, with contributions potentially benefiting from tax relief.

Retirement Planning

Retirement should be a time of freedom, but achieving that dream often requires planning.

If you need advice with a pension, we would be happy to guide you on retirement savings options.

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The rising impact of inheritance tax

Inheritance tax (IHT) and Pensions

Significant changes to the inheritance tax (IHT) treatment of private pensions, are set to take effect from **6 April 2027**. That's notwithstanding the fact that IHT thresholds are now due to be frozen until 2030.

Key changes to inheritance tax on private pensions

Currently, private pensions are typically excluded from a person's taxable estate for IHT purposes, allowing them to be passed to beneficiaries without incurring IHT.

However, starting from **6 April 2027**, most unused pension funds and death benefits will be included within the value of a person's estate for IHT purposes. This means that the value of your private pension could be subject to the standard IHT rate of 40% on amounts exceeding the existing thresholds.

Several measures were announced in the Autumn Budget 2024

In the Autumn Budget 2024, the government announced several measures to reform Inheritance Tax. This included a measure to bring most unused pension funds and death benefits within the value of a person's estate for Inheritance Tax purposes from 6 April 2027.

From 6 April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for Inheritance Tax purposes and pension scheme administrators will become liable

for reporting and paying any Inheritance Tax due on pensions to HMRC

The inheritance tax threshold freeze was also extended from 2028 to 2030. This will mean the IHT threshold is unlikely to increase with inflation, potentially bringing more estates into the scope of IHT over time.

For those who have incorporated private pensions into their estate planning strategies, it's crucial to understand these changes and consider revisiting your plans to ensure they remain effective.

Current IHT thresholds and rates

Currently the IHT thresholds and rates are:

Nil-Rate band (NRB): £325,000 per individual.

Residence Nil-Rate Band (RNRB): An additional £175,000 per individual, applicable when passing a primary residence to direct descendants.

IHT Rate: 40% on the value of the estate exceeding the combined NRB and RNRB thresholds.

Given these changes, it may be advisable to evaluate how the inclusion of private pensions in your taxable estate (from April 2027) will impact your overall IHT liability before the new rules come into effect and look at alternative strategies.

The Financial Conduct Authority (FCA) does not regulate Inheritance Tax Planning, Tax and Trusts.





Don't fall victim to holiday related fraud

Are you planning a winter break?

Winter sun can offer benefits to your health and well being, especially during the colder months. When booking any holiday it's important to protect yourself from scams by watching out for clone websites and fake deals.

Over £11 million lost to holiday fraud

Action Fraud, the national fraud and cybercrime reporting service, has launched a holiday fraud campaign urging the public to look out for suspiciously enticing offers online.

New data shows that more than £11 million was lost to holiday related fraud in the UK last year – with more than 6,000 reported victims.

https://www.actionfraud.police.uk/news/holiday_fraud

What steps can you take?

There are some simple steps to take, the first one is to check the travel company is legitimate, especially if you haven't used them before. Use consumer websites, or reviews from people (or organisations) that you trust.

Look for the logos: look for the ABTA, ABTOT or ATOL logos on the company's website. If you're unsure, you can use the links below to verify membership:

ABTA - <https://www.abta.com>

ABTOT - <https://www.abtot.com/abtot-members-directory/>

ATOL - <https://www.atol.org>

Use a credit card to pay: use a credit card for payments (if you have one). Many of these protect online purchases as part of the Consumer Credit Act.

Only provide required details at checkout: when making your payment, only fill in the mandatory details (often marked with an asterisk) such as your address. Unless you think you'll become a regular customer, don't create an account.

Keep your accounts secure: create a strong and unique password for your email. If 2-step verification is available, always enable it.

Watch out for suspicious links: whether it's in an email or social media post, be wary of promotions for unbelievably good holiday offers. If you receive a suspicious email, report it by forwarding it to: report@phishing.gov.uk

Discounted flight tickets for sale on social media – book directly with the airline instead

Take your time!

Don't let yourself be rushed or pressured. Often scammers may try to create a false sense of urgency in their attempts to trick you – be cautious of this. If in doubt, don't proceed. Make sure you're dealing with the real firm before sharing any information.

More info on how to protect yourself from fraud: <https://stopthinkfraud.campaign.gov.uk>

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