

FINANCIAL FOCUS

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Don't let your pension funds disappear

How financial awareness can protect your hard-earned retirement savings

In an era when job changes are common, millions of people in the UK risk losing touch with their hard-earned retirement savings. New research highlights a concerning gap in financial awareness, with many individuals potentially missing out on a significant part of their future income because pension pots from previous jobs have been forgotten.

The findings are eye-opening: one in four UK adults (26%) admit they do not know who their current pension provider is⁽¹⁾. This lack of engagement is made worse by the fact that two-thirds (66%) have never attempted to locate a lost pension, even though the average lost pension pot is worth around £9,470⁽²⁾. This reveals a widespread misunderstanding of how pensions work when people change jobs, with a quarter (24%) unaware that switching employers can result in multiple, separate pension pots.

Growing problem of scattered savings

Fewer than one in three people (30%) have carefully kept records of all their pension funds from previous jobs. Although merging these scattered savings into a single plan is often recommended as a practical solution, most have

not taken this step. A significant 60% of adults have never combined their workplace pensions, a trend surprisingly common among older, more experienced generations.

This reluctance is clear across all age groups. Nearly three-quarters of the Silent Generation (73%) and two-thirds of both Baby Boomers (65%) and Gen X (66%) have never combined their pensions. Younger workers show a similar pattern, with over half of Millennials (50%) and Gen Z (55%) still to consolidate. Despite the potential advantages of these unclaimed savings, many who haven't combined their pensions have no plans to do so, often because they don't know where to start (31%) or feel it would be too much trouble (10%).

Simple steps to locate your lost funds

Even if a pension pot seems small, it can grow substantially over time, making the effort to find it worthwhile. Tracking down your savings might seem intimidating, but there are simple ways to help you re-establish control. A good starting point is to look for any old paperwork, as pension providers are required to send you an annual statement with important details about your plan.

If you cannot locate any documents, you can contact your previous employers directly. They will have records of the pension scheme they offered and can give you the administrator's contact details. For those still having difficulty, the government's free Pension Tracing Service is an invaluable resource. With your National Insurance number and employment dates at hand, you can use the service to find up-to-date contact details for past employers and providers.

How to keep your pensions in order

Once you have found all your savings, it is important to keep them secure and prevent them from being misplaced again. Ensure your personal details, such as your address and personal email, are up to date with all your pension providers. This allows them to contact you with important information, even long after you have left a job. Keeping a clear record of each plan will give you a complete overview of your retirement savings.

This comprehensive overview helps you make informed decisions, such as whether consolidation is right for you. Combining your pots can simplify your finances and, in some cases, reduce fees. However, it is crucial to check carefully beforehand, as some older pension schemes may include valuable guarantees or benefits that could be lost if you transfer them. Taking the time to understand what you have is the first step towards a more secure financial future. ■

WOULD YOU LIKE TO DISCUSS WAYS TO ENHANCE YOUR RETIREMENT PLAN?

For advice on finding your pension pots or improving your retirement plan, speak to us about taking control of your future. Don't let your hard-earned savings disappear. To discuss your concerns or review your current plans, please contact us.

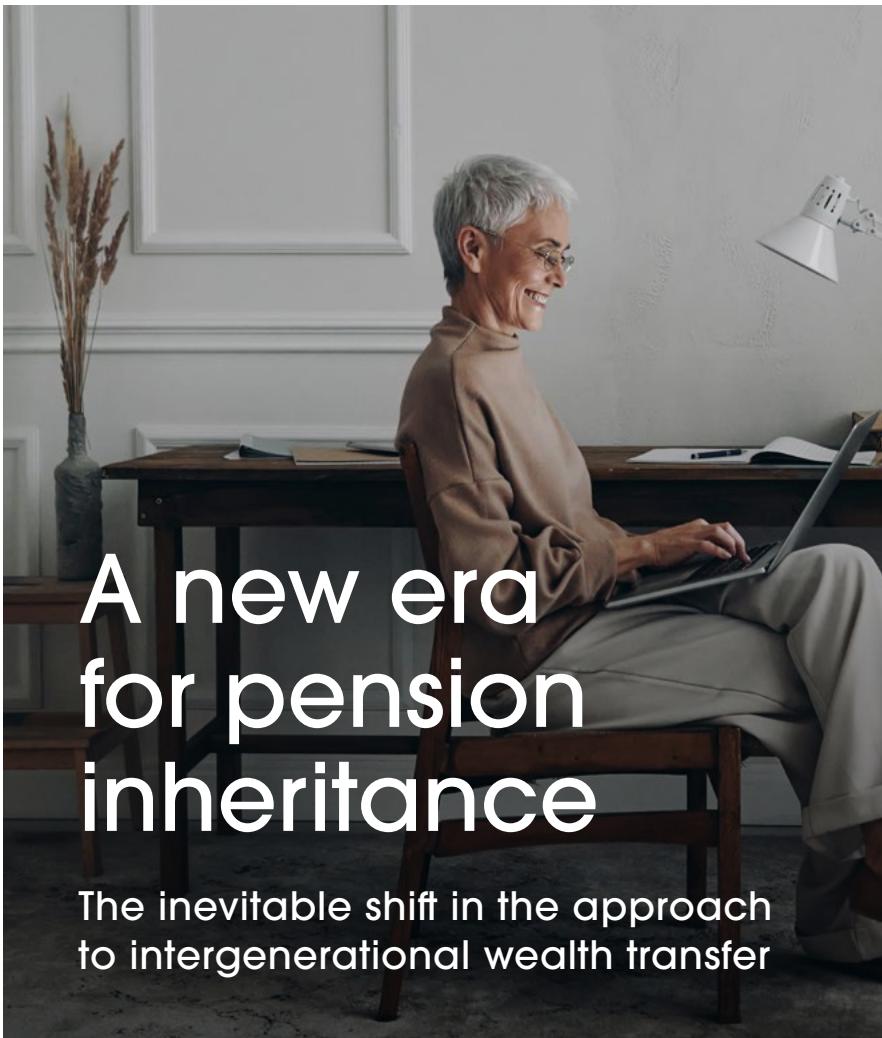
Source data:

(1) Research conducted amongst 2,000 UK adults on behalf of Standard Life by Opinium from 12-15 August 2025.

(2) The average size of a lost pension pot, according to the Pensions Policy Institute.

THIS ARTICLE IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE. TAX TREATMENT DEPENDS ON INDIVIDUAL CIRCUMSTANCES AND MAY CHANGE IN THE FUTURE. A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. INVESTMENTS CAN FALL AS WELL AS RISE IN VALUE, AND YOU MAY GET BACK LESS THAN YOU INVEST.





A new era for pension inheritance

The inevitable shift in the approach to intergenerational wealth transfer

Pension savers intending to pass on their retirement funds to loved ones received unwelcome news following announcements in the 2024 Budget. The Chancellor revealed that pensions will soon be subject to Inheritance Tax (IHT), marking a significant change from previous rules that usually protected pension funds from tax upon death.

Although the tax-free lump sum and pension tax relief remain unaffected, the government confirmed that unused defined contribution pension funds and death benefits paid from a pension will be included in a person's estate for IHT purposes. This change will take effect from 6 April 2027, meaning children inheriting their parents' pension savings could face a significant tax bill that was previously avoidable.

Understanding the new tax landscape

When you die, IHT is charged on the value of your assets above a certain threshold. This IHT threshold, known as the 'nil rate band', is currently set at £325,000, and any assets exceeding this amount are liable to a 40% tax charge. The threshold has been frozen at this level since 2009, and Chancellor Rachel Reeves

announced in the Budget that it will remain at £325,000 until April 2030, causing more families to fall into the tax net as asset values rise.

If you are married or have a registered civil partner, you can currently leave your entire estate to your spouse or partner free of IHT. Under current rules, your pension usually isn't counted as part of your taxable estate on death. From April 2027, unused pension funds and certain death benefits will be brought into scope for IHT, meaning they may form part of your estate for tax purposes.

Impact on unmarried partners and beneficiaries

The pension pots targeted by these new proposals include both defined contribution benefits paid as income to dependants through an annuity or drawdown, and defined benefit pension lump sum death benefits. Careful implementation and clarity will be essential, particularly for unmarried partners who may be at a disadvantage compared to their married counterparts.

Because the IHT spousal exemption allows married couples and registered civil partners to pass their estates to their spouses without tax, benefits paid to an unmarried partner

may face IHT charges. Now that pensions are set to fall within the scope of IHT, surviving unmarried partners could end up with considerably less income and, consequently, a lower standard of living in retirement.

Administration and strategic shifts

According to the Treasury, pension scheme administrators (PSAs) will be responsible for reporting and paying any IHT due on unused pension funds and death benefits. Including pensions in the IHT net is likely to encourage many savers to consider alternative ways of passing on their wealth without facing a significant tax bill.

The long-standing practice of shielding pensions from IHT has been a key element of retirement planning; removing this benefit will inevitably alter the approach to intergenerational wealth transfer. We might see more pensioners inclined to draw down their pension funds during their lifetime rather than leaving them as inheritance.

Rethinking your financial future

This change could direct attention towards other tax-efficient savings options, such as Individual Savings Accounts (ISAs). While ISAs offer tax-efficient growth and withdrawals, pensions still provide immediate tax relief on contributions and may include employer contributions. However, their appeal as a method of passing on wealth might be diminished by these new factors, encouraging some savers to make more generous gifts during their lifetime.

Gifts benefit from the 'seven-year rule', meaning if a gift is made more than seven years before a donor's death, no IHT is payable. There are also several other gift allowances available that haven't been affected by the Budget. While the changes are significant, avoid making panic decisions. It is worth noting that estate planning and determining the best way to manage your pension can be complex, and professional advice is often the safest approach. ■

TIME TO FIND OUT HOW TO PROTECT YOUR ASSETS FOR YOUR BENEFICIARIES?

Navigating these new rules requires careful planning to safeguard your assets for your beneficiaries. We can assist with your unique circumstances if you want more information on how this may impact you. Feel free to contact us to discuss your situation.

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