Future Directions Newsletter 17

– October 2026

Welcome to our latest newsletter.

As before, we have put together a few articles that we hope you may find useful.

We hope you enjoyed the very sunny summer and are as glad as we are that things have cooled down a bit.

From all at Future Directions



Article: ISA Changes from April 2027: What Savers and Investors Need to Know

Individual Savings Accounts (ISAs) have long been one of the most valuable tax-efficient savings vehicles available to UK investors. However, from **6 April 2027**, significant changes are set to take effect that will alter the way many people use their ISA allowances.

The overall annual ISA allowance will remain at **£20,000**. However, the way that allowance can be used is changing.

What is Changing?

Currently, an individual can place up to the full **£20,000 annual allowance** into a Cash ISA if they wish.

From **6 April 2027**, investors under age 65 will be limited to contributing a maximum of **£12,000 per tax year into a Cash ISA**. The overall ISA allowance will remain at **£20,000**, meaning that any additional contributions above £12,000 will need to be directed to a Stocks & Shares ISA or another non-cash ISA if the full allowance is to be utilised.

An Important Exception

The changes will not apply to everyone.

The Government has confirmed that individuals aged **65 and over** will continue to be able to contribute up to the full **£20,000 annual allowance into Cash ISAs** if they choose.

Why is the Government Making This Change?

The Government's stated objective is to encourage more people to invest for the long term rather than hold large sums of money in cash. Its view is that many savers may achieve better long-term outcomes by investing some of their savings rather than relying solely on cash accounts.

While cash remains entirely appropriate for emergency funds and short-term spending needs, investments have historically offered greater growth potential over longer periods, albeit with higher levels of risk and no guarantee of returns.

New Rules for Stocks & Shares ISAs

Alongside the reduction in the Cash ISA limit, the Government is introducing measures designed to prevent investors simply moving excess cash into Stocks & Shares ISAs and leaving it there uninvested.

From April 2027:

- Interest earned on cash held within a non-cash ISA will be subject to a **22% charge**.
- ISA managers will apply and pay this charge to HMRC.
- The measure is intended to discourage long-term holding of large cash balances inside investment ISAs.

In practical terms, Stocks & Shares ISAs will increasingly be expected to contain genuine investments rather than substantial amounts of uninvested cash.

Transfer Restrictions

The Government also plans to restrict certain ISA transfer arrangements from April 2027.

For investors under age 65, transferring funds from a Stocks & Shares ISA back into a Cash ISA will no longer generally be permitted, a move designed to prevent individuals from bypassing the new Cash ISA limit. Transfers from Cash ISAs to Stocks & Shares ISAs will still be allowed.

What Does This Mean for You?

For many ISA holders, particularly those who save less than £12,000 per year into cash, these changes may have little practical impact.

However, if you regularly maximise your Cash ISA allowance, the new rules could require a rethink of your savings strategy. Investors who have previously held substantial sums in cash may wish to consider whether a carefully constructed investment portfolio could form part of their long-term financial planning.

As always, investment decisions should be guided by your objectives, timescale, capacity for loss and attitude to risk. Cash still plays an important role in financial planning, particularly for emergency reserves and short-term goals.

Our Thoughts

The forthcoming ISA reforms represent one of the most significant changes to the ISA landscape for many years. While the overall £20,000 allowance remains intact, the Government is clearly signalling a desire to encourage greater participation in long-term investing.

If you would like to discuss how these changes may affect your personal circumstances, please contact us. We would be delighted to help you make the most of the opportunities available while continuing to keep your finances organised in a tax-efficient manner.

The value of your investments can go down as well as up, so you could get back less than you invested. Past performance is not a reliable indicator of future performance

Article: Why Life Cover Matters for Families

Most of us insure the things we own, such as our home, car and possessions. Yet our greatest financial asset is often our ability to earn an income and provide for our family.

Life cover is designed to provide financial security if the worst should happen. A lump sum payment could help your loved ones repay a mortgage, cover household expenses, fund children's education or simply maintain their standard of living during an extremely difficult time.

For families with young children, the financial impact of losing a parent or partner can be significant. Beyond the emotional loss, there may be ongoing commitments such as mortgage repayments, utility bills, childcare costs and future education expenses. Life cover can provide reassurance that these financial pressures will be easier to manage.

Importantly, life cover is not just for families with large debts. Even households with substantial savings can benefit from having a dedicated source of financial support that protects long-term plans and preserves family wealth.

The right level of cover will depend on your personal circumstances, including your income, liabilities and family responsibilities. Reviewing your protection arrangements regularly is essential, particularly following key life events such as marriage, the birth of a child or taking on a new mortgage.

A simple protection review today could help provide valuable peace of mind for tomorrow.

Article: Pensions and Inheritance Tax: A Major Change from April 2027

For many years, pensions have been one of the most effective tools for inheritance tax (IHT) planning. Under current rules, most unused pension funds can pass to beneficiaries outside of an individual's estate, meaning they are generally not subject to IHT.

However, from **6 April 2027**, this is set to change. Most unused pension funds and pension death benefits will be included when calculating the value of an estate for inheritance tax purposes. This means that pension savings which would previously have been outside the IHT net may now contribute towards a potential inheritance tax liability.

The good news is that important exemptions remain. Pension benefits passing to a surviving spouse or civil partner will continue to benefit from the spouse exemption, and registered death-in-service benefits will remain outside the scope of IHT.

For those who have deliberately preserved pension funds as part of their estate planning strategy, these changes could have a significant impact. In some cases, estates that were previously below the IHT threshold may become taxable once pension assets are taken into account.

With less than a year before the new rules take effect, now is an ideal time to review your retirement and estate planning arrangements to ensure they remain aligned with your objectives and your family's needs.

Tax treatment depends on individual circumstances and may change in the future. Professional advice should always be sought before taking action.

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