BAKER DAVIES

POOLE
01202 716455
SALISBURY
01722 322872

clientservices@bakerdavies.com
bakerdavies.com

# Your **money**

## Financial habits stuck in the past? Life moves on – have your finances?

**A lot can change in ten years. Promotions, pay rises, buying a home, starting a family or simply taking on new responsibilities, can all dramatically shift your financial needs. While life rarely stands still, many people's money habits do.**

New research[1] reveals that despite experiencing major life changes over the past decade, nearly a third (32%) of UK adults have failed to update their savings, pensions or protection plans accordingly - that's around 18 million people.

### The cost of financial inertia

The findings point to a growing disconnect between people's current lives and how they manage their money. Despite rising incomes, a third of adults say they are saving no more than they did ten years ago, while 28% admit they are saving even less.

Pensions are another area where people are falling behind. Almost four in ten (39%) have not increased their pension contributions in line with pay rises, while 32% continue to rely on default contribution levels.

This lack of action could have long-term consequences. Over half (57%) worry they've missed opportunities to grow their wealth, while more than a third (34%) say their emergency savings would not cover three months of expenses.

### Why people fall behind

Cost-of-living pressures, the pandemic and wider economic uncertainty have all put pressure on household finances.

Even where incomes have increased, they have not always kept pace with everyday expenses, but procrastination can mean missing out on valuable tax relief, allowances, stronger investment growth, financial security in the long-term and the right level of financial protection.

### Time for a summer financial reset

Managing your money as if it were 2016 could leave you underprepared for the life you're living today and for the future you hope to live. Financial inertia can wreak havoc with your finances. Even in the face of financial challenges, small refinements now could help your money work harder for your future.

A summer financial reset doesn't have to mean a complete overhaul. Reviewing your pension, savings, protection and updating us on any changes to your circumstances and financial situation can make a meaningful difference over time. Get your money working as hard for you as possible.

### Summer financial reset checklist

- Check your ISA allowance usage
- Review savings rates and goals
- Increase pension contributions / consolidate pensions
- Reassess your emergency fund (3–6 months' expenses)
- Update life insurance and protection policies after major life changes.

Small updates now can strengthen your future finances.

[1]L&G 2026

## Young people are the most proactive pension savers

**There is a widening generational divide in pension engagement, new consumer research[2] has revealed, though perhaps not in the way many might expect.**

Younger savers are emerging as the most informed and proactive group, the research shows. A total of 31% of people aged 18 to 34 say they know what their pension is invested in, compared with 21% of those aged 35 to 54.

Similarly, a higher proportion of young people are interested in domestic investments (22%), even if returns are lower, compared with only 13% among older groups.

Younger savers are also more likely to say they have made changes to their investment options. One in five 18 to 34-year-olds has done so compared with just 12% of middle-aged savers.

These findings could bode well for the next generation's retirement preparedness. Whatever your age, everyone has knowledge gaps and that's where advice is crucial.

For young people, getting the right advice early can set you on the right path throughout your career.

[2]Pensions UK 2026

*The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. Financial protection policies typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse.*

**INSIDE THIS ISSUE:**

In the news // Start early, save smarter // IHT pension changes - why now is the time to rethink your strategy // Retirement planning for the self-employed // Give your money intention // Why is life insurance back in focus?

IN THE NEWS

## UK dividends show signs of recovery

UK dividend payouts made a stronger-than-expected start to 2026, with companies distributing £16.4bn during the first quarter - up 21.1% year-on-year[3]. The increase was boosted by a rise in special dividends, while regular payouts also exceeded forecasts and steadier underlying growth. Mid-cap firms outperformed many larger companies. Analysts have since upgraded full-year dividend forecasts and projected UK equity yields of 3.5%.

## Investment scams continue to rise

Investment scams are continuing to rise as fraudsters use increasingly sophisticated tactics to target savers and investors online. Last year, over 34,000 people reported investment fraud, up 31% from the year before, with average losses of £25,612 - encompassing people's pension pots and other long-term investments[4]. Experts say scammers are increasingly exploiting social media, messaging platforms and artificial intelligence to appear more convincing.

To protect yourself, the FCA recommend taking financial advice before making any big financial decisions.

## Millions still earning minimal interest on savings

The number of savings balances earning 1% interest or less rose sharply in 2025, by 2,340%, an increase of over £67bn[5], highlighting how many consumers have yet to move money into more competitive products. The trend has renewed focus on cash management as inflation continues to erode the real value of savings held in underperforming accounts.

[3]Computershare 2026, [4]Data from the City of London Police 2026, [5]Spring 2026

# *Start early, save smarter*

**Whilst many younger adults are proactive on pensions, saving for retirement may slip down the priority list for some, squeezed out by accommodation costs and other everyday bills. Research[6] highlights a crucial truth - delaying pension contributions can be far more expensive than most people realise.**

The analysis shows that if you begin saving at 20, contributing around £264 a month could build a £1m pension pot by age 65 (assuming generous 7% annual growth after charges). However, if you delay until 40, you would need to contribute roughly £1,235 a month to achieve the same outcome, that's nearly five times as much.

### Why time matters more than money

The difference comes down to compound growth. Starting early gives your investments decades to grow, meaning much of your retirement pot comes from returns rather than your own contributions. In the above example (illustration purposes only), someone starting at 20 would contribute £142,560 in total, while a later starter at 40 would need to pay in around £370,500.

This illustrates a simple but powerful principle; time in the market is often more valuable than the amount you invest. Even small, consistent contributions early on can outperform larger amounts contributed later.

### How can I build good habits?

We understand that balancing pensions with everyday expenses isn't easy, particularly early in your career when incomes are lower. Contributing what you can, even modest amounts, sets the foundation for long-term growth. Depending on investment performance, starting early often reduces financial pressure later and allows you to harness the full power of compounding.

The figures quoted in this article are for illustration purposes only.

[6]AJ Bell 2026

*The analysis shows that if you begin saving at 20, contributing around £264 a month could build a £1m pension pot by age 65*



***The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.***

# IHT pension changes - why now is the time to rethink your strategy

**A significant change to Inheritance Tax (IHT) rules is on the horizon. Currently, pensions are widely used as a tax-efficient way to accumulate and pass on wealth. However, with unused pension funds falling within the scope of IHT from April 2027, many people could see a higher proportion of their estate subject to IHT. This is prompting many to reassess their current estate planning strategies, particularly those with larger pension pots.**

With research[7] highlighting over half (57%) of clients are unaware of the imminent change, now is the perfect time to tune in. These changes could increase the taxable value of estates, meaning loved ones may ultimately face higher IHT liabilities on pension savings.

### What's right for you

There are ways to re-position your plans, which of course will be heavily dependent on your own circumstances and objectives.

Over half (55%) of advisers are suggesting lifetime gifting strategies, while 49% are encouraging clients to consider earlier drawdown of pension assets. Just over half (51%) are also reviewing retirement income needs and long-term spending assumptions to ensure plans remain sustainable under the new rules. Other strategies being discussed include the use of tax-efficient wrappers such as ISAs (32%). Another option includes considering life insurance to help offset any potential future tax bills.

### Time to talk

What's clear is that the changes are seen by many as a catalyst for earlier and more meaningful intergenerational wealth conversations.

With the right planning, it's possible to reduce the impact on your estate. Now is the time to review your estate planning strategy and ensure it aligns with your long-term financial and family goals. We can help you explore your options and make plans that work for you and your family.

The changes from April 2027 are proposed and subject to legislation.

[7]Scottish Widows 2026

## Retirement planning for the self-employed

**Around 40% of self-employed workers are actively saving for retirement, according to research[8]. This leaves three in five who could be missing out on crucial peace of mind and tax benefits.**

Compared to employees, who have the certainty of employer pension contributions, self-employed workers, contractors, freelancers and business owners face a unique set of challenges. Here's how to look after number one and make your retirement savings a priority.

### Pay yourself first

The reality for self-employed workers is that retirement planning requires more personal ownership and discipline. Irregular or fluctuating earnings can make long-term saving feel less urgent or harder to prioritise.

To combat this tendency, it is a good idea to treat pension or retirement contributions like a regular business expense. Making regular contributions can be more achievable and build a bigger retirement pot than waiting for 'surplus' income.

### Make it simple

When running your own business, you might have a thousand things that seem like a higher priority than paying into your pension. To ensure your future self doesn't miss out on the retirement you deserve, make it as simple as possible for yourself now. One way to do that is to automate contributions, so money goes into your retirement pot each month – and you don't have something else on your to-do list!

### Let's talk tax efficiency

Income, business performance and personal goals change over time, so it's a good idea to have regular reviews. Your retirement plan can include pensions, ISAs, investments or business sale considerations.

Retirement saving can be more complex for self-employed workers. It's never too early or too late to improve retirement readiness. Time to review your current retirement strategy and refine your long-term plan?

[8]Aviva 2026

*Trust planning can be complex and may trigger tax charges depending on individual circumstances. The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. The Financial Conduct Authority does not regulate Will writing, tax and trust advice and certain forms of estate planning. Tax legislation and rates can change, and their application depends on individual circumstances.*

# Give your money intention

**When you work hard for your money, sacrificed for it, worried about it and perhaps lived through periods where there wasn't much spare, your instinct is often to protect it. To keep it safe. To avoid making a wrong move. That is completely understandable, but sometimes money that is overprotected becomes money that underperforms.**

Many people choose to keep large amounts in cash because cash feels reassuring. It doesn't fluctuate daily. It doesn't create headlines. It feels stable in a way investing might not, but cash has a problem: over time, it quietly loses ground. Inflation gradually reduces what cash can buy, meaning money left sitting without purpose may slowly lose value in real terms. What feels like the 'safe' option can sometimes do the most damage over the long term.

### Consider your options

Investing is emotionally harder because it asks people to tolerate movement. Markets rise and fall, headlines create uncertainty and it requires long-term thinking in a world that constantly encourages short-term reactions. That is not easy, but not every pound should be invested. Cash still matters and emergency reserves matter. The right balance will always depend on your goals, timescale and attitude to risk.

### Making your cash more purposeful

The key question is not 'cash or investing?' – it's whether your money has intention. Money without a purpose can become 'dead money' - cash sitting idle, earning little, doing very little to support your future. Living money, by contrast, is money with a job. It may provide security, growth, flexibility or future opportunities. It works alongside your wider life goals rather than simply sitting still.

### The confidence gap

Research[9] has found that 30% of UK adults say they lack the knowledge, confidence or time to invest, highlighting a significant confidence gap. The concern is particularly strong among working-age adults aged 30 to 44. Yet avoiding investing altogether can come at a cost to long-term wealth and future financial resilience.

Conversations around investing are important. The recent government-backed 'Take the next step' campaign aims to raise awareness of the role investing can play in improving long-term financial wellbeing and supporting future prosperity.

### You don't need to have all the answers

You do not need to become an investment expert overnight. You simply need to consider your options. For many people, that begins with a conversation. We can help turn uncertainty into a plan and help your money work with purpose to support your long-term future.

[9]Rathbones 2026

***The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. Financial protection policies typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse.***

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. Information is based on our understanding of taxation legislation and regulations. Tax treatment is based on individual circumstances and may be subject to change in the future.
No part of this document may be reproduced in any manner without prior permission.
Hanbury Wealth Management Ltd is authorised and regulated by the Financial Conduct Authority.

**All details correct at time of writing (June 2026).**

# *Why is life insurance back in focus?*

**Changes to Inheritance Tax (IHT) are leading more people to rethink how they pass on wealth. In particular, the tax efficiency of pensions needs to be considered as they will start to fall within the IHT net from April 2027.**

At the same time, frozen tax thresholds and rising asset values mean more estates are subject to IHT. This has led to a clear increase in demand for life insurance as a practical planning tool.

### How life insurance can help

Life insurance can play a valuable role in IHT planning by providing a lump sum on death to help cover the tax bill. This means beneficiaries may not need to sell assets such as property or investments to meet the liability.

When written in trust, the payout typically sits outside the estate and can be paid quickly to beneficiaries, helping avoid delays and additional tax exposure. At a time when options to mitigate IHT are becoming more limited, life insurance remains one of the more accessible solutions available.

### Why acting early matters

It pays not to procrastinate as delaying decisions can be costly. Leaving planning too late reduces the available options and may lead to higher premiums or even limited insurability later in life.

### A practical next step

Reviewing your position sooner rather than later can help ensure that any cover is affordable, structured correctly and aligned with your wider estate plan.

**IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH**