Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you are unlikely to be protected if something goes wrong. Take 2 minutes to learn more on page 10.

BLACKFINCH

Empowering the Grey Pound.

Complementary Investment Strategies in Retirement

Mark Keogh
Head of Asset Management

Cath Faulds
Head of Tax Distribution

Retirement today is about more than preserving wealth.

Today's retirees are growing their assets, enjoying greater financial freedom, and planning for future generations. As inheritance tax changes loom in 2027, financial advisers face new opportunities to align managed portfolio services with tax-efficient vehicles. In this article, Mark Keogh and Cath Faulds explore how complementary strategies can support income, flexibility and legacy planning throughout retirement.

Contents

75% of the UK's wealth is held by retirees.

The UK's retired population is reshaping the economic landscape, holding over 75% of the nation's wealth and contributing nearly half of all household expenditure (ECI Partners).

As retirees live longer, enjoy more active lifestyles, and pursue financial independence and legacy planning, the need for robust and responsive financial strategies has intensified.

Additionally, with pension pots set to fall within the scope of inheritance tax (IHT) from 2027, understanding how to structure retirement wealth across Managed Portfolio Services (MPS) and tax-efficient investments is more important than ever.

"With pension pots set to fall under inheritance tax from 2027, retirees must reconsider how they manage their wealth. Tax-efficient strategies not only help safeguard assets but also unlock growth opportunities, ensuring that retirement savings are optimised for both personal fulfilment and legacy planning."

Cath Faulds
Head of Tax Distribution

The Rise of the Grey Pound:

A Demographic and Economic Force

This demographic shift demands investment strategies that provide sustainable income, tax efficiency, and adaptability across decades.

Retirees are living longer, with average life expectancy at 65 now reaching 18.6 years for men and 21.1 years for women (ONS).

Individuals over 50 are responsible for approximately £320 billion in annual household spending, nearly half the UK total (ECI Partners).

Over-50s hold more than 75% of the UK's financial assets (ECI Partners).

By 2040, older consumers are expected to account for 63% of all UK consumer spending (ILC UK).

Wellbeing peaks in the 60–74 age bracket, with higher life satisfaction and happiness reported than in middle age (ONS).

Managed Portfolio Services:

Core Stability and Professional Oversight

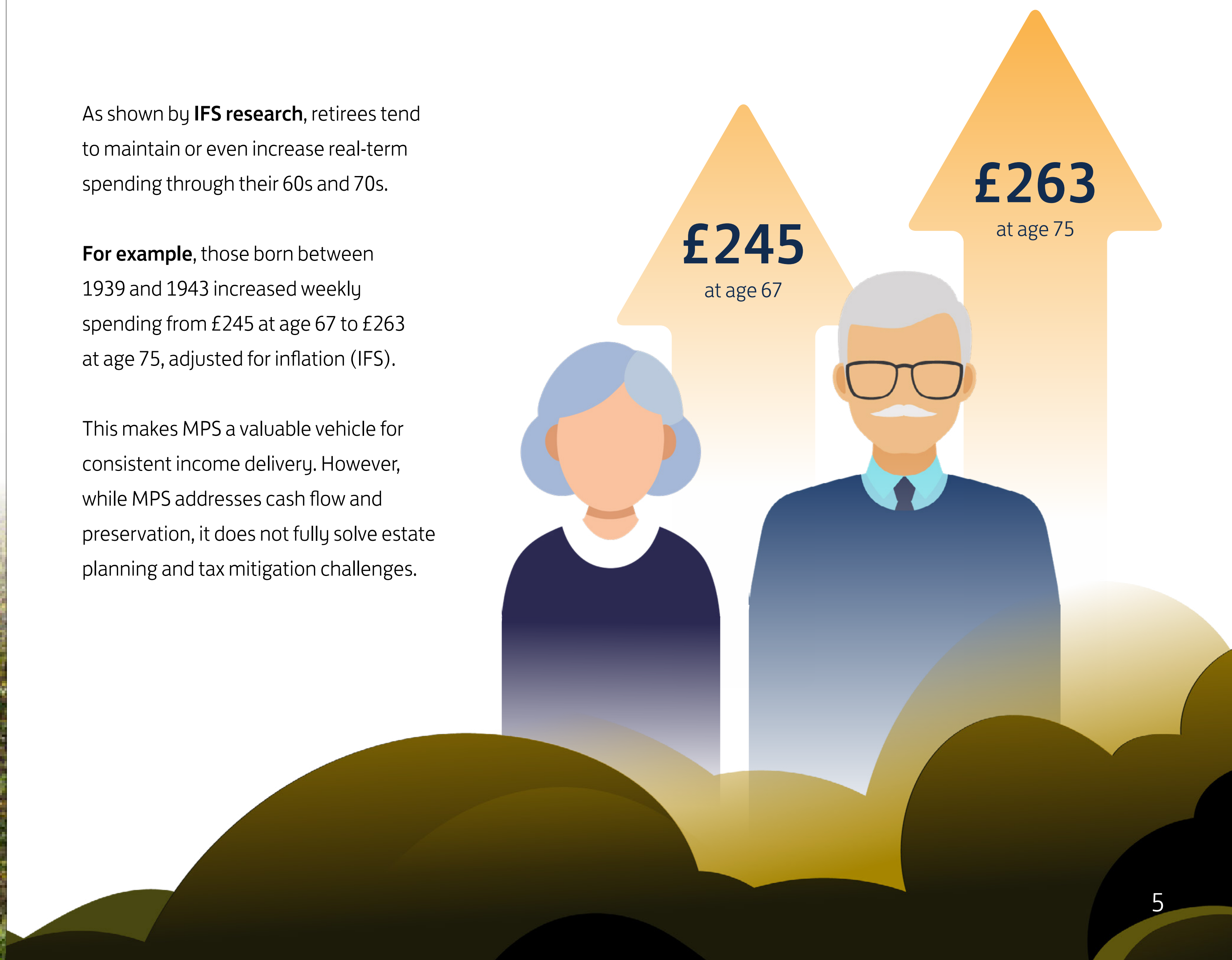
MPS forms the bedrock of a retiree's financial strategy by offering:

- Diversified and **risk-aligned** portfolios **tailored** to income needs.
- Ongoing rebalancing and oversight, reducing **behavioural risks**.
- **Transparent** and **cost-efficient** investment structures.

As shown by **IFS research**, retirees tend to maintain or even increase real-term spending through their 60s and 70s.

For example, those born between 1939 and 1943 increased weekly spending from £245 at age 67 to £263 at age 75, adjusted for inflation (IFS).

This makes MPS a valuable vehicle for consistent income delivery. However, while MPS addresses cash flow and preservation, it does not fully solve estate planning and tax mitigation challenges.



Tax Implications of MPS Withdrawals

As retirees begin to draw income from their MPS portfolios, the nature and timing of withdrawals have direct implications on their tax liabilities:

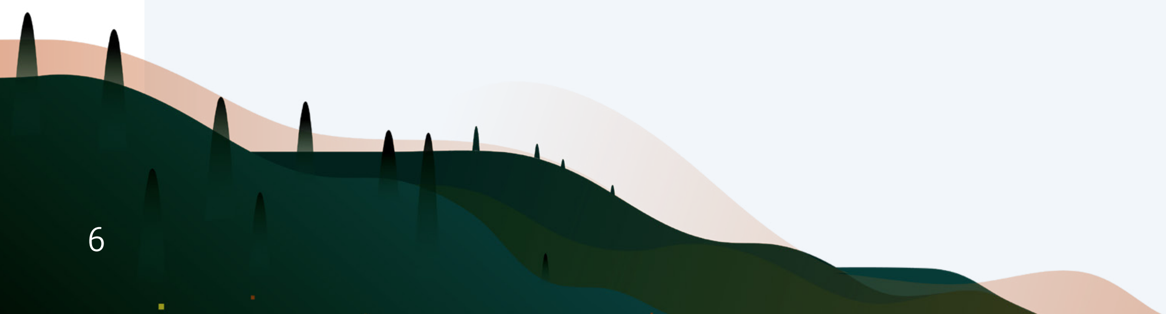
CAPITAL GAINS TAX (CGT)
Gains realised from non-ISA or non-pension investments within MPS are subject to CGT. The annual exemption has been gradually reduced and is expected to remain a constraint on larger portfolio withdrawals.

DIVIDEND TAX
Dividends received from equity holdings in general investment accounts may be taxable above the annual dividend allowance.

INCOME TAX ON BONDS
Interest from corporate or government bonds may also be taxed as income depending on portfolio structure.

SEQUENCING WITHDRAWALS
Tax efficiency can be eroded by poorly timed withdrawals across tax years, potentially pushing retirees into higher tax bands.

As pension savings begin to fall under IHT from 2027, careful tax planning around MPS withdrawals becomes even more critical. Without proper structuring, accessing funds from MPS may erode both post-tax income and the value of the estate passed to heirs.



Tax-Efficient Investments:

Targeted Tools for Growth and Legacy

Tax-efficient investments offer a potent counterbalance to MPS withdrawal tax liabilities:

Offsetting Income Tax

Both EIS and VCTs provide income tax relief—up to 30% of the investment value—which can reduce or neutralise the tax due on MPS withdrawals.

Shielding from CGT

EIS and VCTs offer CGT advantages. EIS can defer CGT from other investments, while both EIS and VCTs allow for tax-free capital gains. In the case of EIS, this is where the Income Tax has been claimed and the EIS portfolio has been held for a minimum of three years.

Inheritance Tax Mitigation

BR-qualifying investments provide up to 100% relief from IHT after two years, offering a powerful strategy in light of the 2027 pension changes.

In effect, while MPS supports income stability, layering tax-efficient investments allows clients to reclaim tax reliefs and reduce exposure to CGT and IHT. This dynamic creates a **mutually reinforcing strategy** that supports both current cash flow and long-term legacy objectives.

A Holistic Framework:

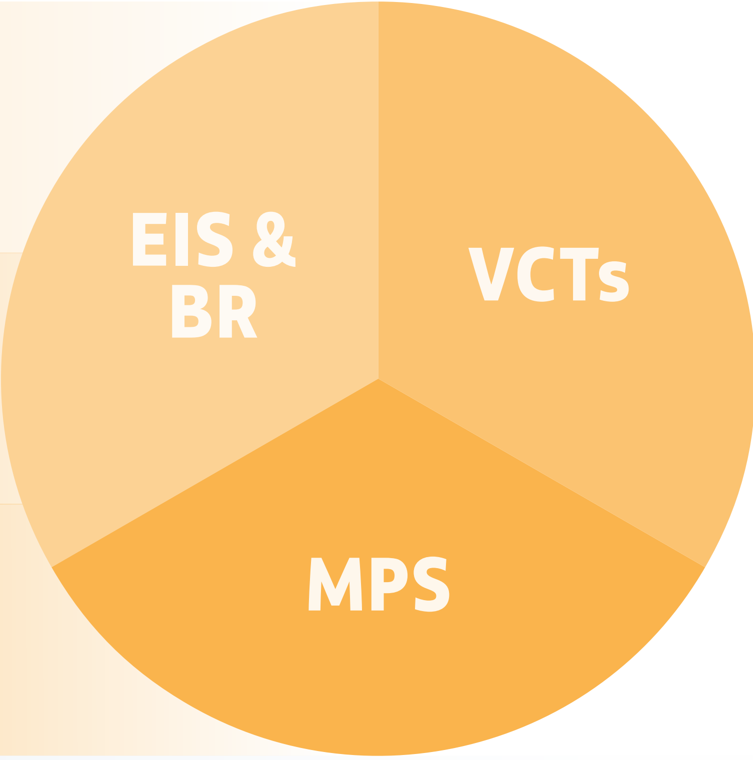
Integrating Investment Types for Retiree Outcomes

Using a layered approach, retirees can derive the best of all worlds:

Growth and Legacy Layer: EIS & BR
Drives high-growth potential and strategic IHT mitigation, with flexibility for intergenerational wealth transfer.

Income Enhancement Layer: VCTs
Delivers tax-free dividends to supplement lifestyle s pending without eroding core capital.

Foundation Layer: MPS
Provides disciplined, diversified exposure and income alignment, forming the base of retirement funding.



This structure mirrors the spending and longevity trends in today's retirement:

Spending remains steady or rises until age 80 (IFS).

Life satisfaction and wellbeing are highest in the 60–74 age group (ONS).

Estate planning is an increasing priority with wealth concentrated in older demographics (ONS).

> By integrating decumulation-sensitive asset allocation with tax mitigation strategies, advisers can create portfolios that evolve with clients' lives.

Practical Considerations and Suitability

Liquidity and Risk:
VCTs and EIS are less liquid and higher risk than MPS; careful allocation is crucial.

Client Segmentation:
Suitable for clients with sufficient core capital to tolerate illiquidity in exchange for tax benefits.

Regulatory Compliance:
Advisers must align strategies with FCA suitability and advice standards.

Client Engagement:
Education and transparency are key to client understanding and confidence.

"Managed Portfolio Services offer retirees a flexible income structure while adapting to changing economic conditions. By tailoring portfolios to individual goals, retirees can enjoy consistent returns, greater flexibility, and the peace of mind that their wealth will continue to grow throughout retirement and beyond."

Mark Keogh
Head of Asset Management

Retirees today are not merely preserving wealth—they are growing it, enjoying it, and planning its transfer. Managed Portfolio Services provide a flexible income and capital structure, while tax-efficient vehicles unlock growth and legacy advantages. With pensions becoming subject to inheritance tax from 2027, the case for integrating MPS with tax-advantaged solutions is stronger than ever.

Supported by clear demographic and economic trends, this complementary strategy empowers advisers to meet the full spectrum of retiree objectives. By aligning MPS strategies with tax-efficient investments, financial planners can build enduring portfolios that deliver income, flexibility, and peace of mind throughout retirement and beyond.

Estimated reading time: 2 mins

Risks

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the FCA key risks?

1 - You could lose all the money you invest
If the business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail.

2 - You are unlikely to be protected if something goes wrong
Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker (https://www.fscs.org.uk/check/investment-protection-checker).

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection (https://www.financial-ombudsman.org.uk/consumers).

3 - You won't get your money back quickly
Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.

The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.

If you are investing in a start-up business, you should not expect to get your money back through dividends. Start-up businesses rarely pay these (https://www.financial-ombudsman.org.uk/consumers).

4 - Don't put all your eggs in one basket
Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.

A good rule of thumb is not to invest more than 10% of your money in high-risk investments (https://www.fca.org.uk/investsmart/5-questions-ask-you-invest).

5 - The value of your investment can be reduced
The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.

These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website (https://www.fca.org.uk/investsmart).

Important Information
Capital at Risk. This Information is Issued by Blackfinch Investments Limited which is authorised and regulated by the Financial Conduct Authority (FCA Number 153860). Registered Address: 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered in England and Wales Company Number 02705948. All information correct at August 2025.