



3D Financial Planning

Independent Financial Advisors

Newsletter
November 2025





Budget Summary – What Changed and What It Means for You

Chancellor Rachel Reeves delivered the UK Budget on 26 November 2025. Below is a summary of the measures most relevant to personal financial planning, taxes, pensions, and long-term wealth management. The Budget contained no major surprises, but many of the changes will affect clients gradually over the coming years.

Key Announcements at a Glance

Personal Taxes

- **Income tax and National Insurance thresholds frozen until April 2031**, extending the current freeze by three years. This will continue to pull more people into higher tax bands as earnings rise.
- **Dividend tax rates increasing by 2 percentage points** from April 2026.
- **Savings income tax rates rising by 2 percentage points** from April 2027.
- **Separate tax rates for property income**: 22% / 42% / 47% from April 2027.

Property & Wealth

- **High-Value Council Tax Surcharge** introduced for homes valued over £2m from April 2028.
- **ISA allowance maintained at £20,000**, but the cash element for under-65s capped at £12,000 from 2027.

Pensions

- **Salary sacrifice NIC relief capped** to the first £2,000 of pension contributions from April 2029, which may affect higher earners who rely on this strategy.
- **Winter Fuel Payment means-tested** for pensioners with taxable income above £35,000 from Winter 2025.

Inheritance Tax & Business Relief

- **Nil-rate bands and the £1m APR/BPR allowance frozen** for an additional year, to April 2031.
- **Any unused £1m APR/BPR allowance will now be transferable between spouses and civil partners** from 6 April 2026 (including if the first death occurred before this date). This is a major change for clients using Business Relief as part of IHT planning.
- Strengthened IHT anti-avoidance rules for offshore structures and certain trusts.

Enterprise & Investment

- **EIS and VCT company investment limits increased** from April 2026, though **VCT income tax relief reduces to 20%**.

Source: HM Treasury – Budget 2025



What The Budget Means for You

While many measures take effect gradually, they highlight a clear direction of travel: the government is increasingly relying on “stealth taxes” - raising revenue through frozen thresholds and new surcharges rather than headline tax-rate changes.

A Budget Built on Stealth Taxation

By keeping income tax, National Insurance and inheritance tax bands frozen until 2031, more of your income and assets will fall into higher tax bands over time, even if your real wealth hasn't materially increased. This is often called “fiscal drag.”

Similarly, the new High-Value Council Tax Surcharge (the “mansion tax”) applies only to properties above £2 million today, but as house prices rise, more and more properties will be pulled into scope, regardless of whether homeowners feel any wealthier.

Combined with increases to dividend, savings and property-income tax rates, the Budget signals a long-term strategy of raising more revenue from wealth, assets and investment returns.

For clients, this reinforces the long-term value of:

- making use of tax-efficient wrappers such as pensions, ISAs, bonds and BR-qualifying investments;
- reviewing income-drawdown strategies, particularly if you receive rental, dividend or savings income;
- planning ahead of the salary-sacrifice cap in 2029, especially for higher earners;
- reviewing property wealth within the family and understanding long-term exposure to the surcharge;
- ensuring your portfolio and income sources remain flexible and diversified.

Nothing announced requires immediate action, but these changes will shape tax efficiency over the coming years - making regular reviews and forward-thinking planning more important than ever.

Spotlight: Business Relief – A Positive Change

For many of our clients who use Business Relief (BR)–qualifying investments to help reduce future Inheritance Tax, the Budget delivered a particularly important update.

Any unused portion of the £1 million APR/BPR allowance (the amount eligible for the full 100% relief) will now be transferable between spouses or civil partners, bringing it in line with how the standard nil-rate band already works.



This has two key benefits:

- Couples can now **preserve up to £2 million** of qualifying assets at 100% relief across both allowances.
- Estate-planning becomes **simpler and more flexible**, reducing the need to rush complex transfers purely to use up relief.

Given how widely BR is used in our planning, this is a welcome development and one we will continue to integrate into long-term strategies with clients.

Source: HM Treasury – Budget 2025

Rumours vs Reality – And the Value of Staying Calm

In the run-up to the Budget, the media was filled with speculation:

- “Pension tax-free cash to be cut”
- “IHT gifting rules to be scrapped”

None of these materialised.

Sensational headlines generate clicks and worry, but they rarely reflect confirmed policy. Our guidance throughout the autumn was simple:

Avoid making irreversible decisions based on rumours. Wait for the facts.

Had clients acted early - for example, withdrawing unnecessary tax-free cash or restructuring assets - many could have ended up in a worse financial position today.

Budgets can create anxiety, but part of our role is to help you navigate uncertainty, filter out noise, and make clear-headed decisions rooted in your long-term plan.

We’ve been through many Budget cycles, and experience has taught us that pragmatism beats panic every time.



Market Update

Global markets rose in October, supported by strong US technology performance and an easing in trade tensions. Eurozone and UK equities also delivered positive returns, while emerging markets benefited from rising demand for artificial intelligence (AI) technologies and supportive policy measures. Bond markets were generally stronger, with government bond prices rising as yields fell across major developed markets. Commodities were mixed, with oil declining and gold briefly touching a record high before easing back.

US Equities

US equities advanced, driven by strong earnings from major technology firms. Nvidia reached a record high, and Apple and Microsoft also posted gains. Though markets were unsettled earlier in the month by trade tensions and concerns around the banking sector, sentiment improved as these worries eased. The Federal Reserve implemented a small rate cut and introduced additional measures to support the economy, although no further cuts are expected in the near term.

Eurozone Equities

Eurozone equities were broadly steady in October. Politics remained in focus following the brief resignation and reappointment of French Prime Minister Lecornu amid parliamentary divisions. The European Central Bank held interest rates at 2%, while S&P downgraded France's credit rating to A+, reflecting ongoing political uncertainty.

UK Equities

UK equities delivered a positive return, helped by a fall in government bond yields after the Bank of England signalled potential rate cuts. The yield on 10-year gilts dropped to around 4.5%, its largest monthly fall since April. However, concerns persisted around high government borrowing, which reached nearly £100 billion in the first half of the year ahead of the November Budget.

Emerging Market Equities

Emerging markets rose and outperformed the MSCI World Index, supported by strong corporate earnings in Korea and Taiwan. Korea benefited from industrial strength, AI-related demand, and lower US tariffs after new trade talks. Taiwan also enjoyed robust performance as investor interest in AI-linked technology firms remained strong.

Asia ex-Japan Equities

The MSCI Asia ex Japan Index also performed positively, buoyed by enthusiasm for AI and improving US-China trade relations. Export-driven markets such as South Korea and Taiwan benefited, while supportive local government policies helped underpin confidence across the region.



Japanese Equities

Japanese equities delivered good returns, helped by the appointment of Sanae Takaichi as Japan's first female prime minister and the formation of a coalition government focused on fiscal stimulus, defence spending, and energy reform. Investors responded positively, pushing the Nikkei 225 close to the 50,000 level. The yen remained weak as markets anticipated a delay to further Bank of Japan rate rises.

Global Bonds

Government bond markets generally strengthened as yields fell across major economies, reflecting expectations of further US Federal Reserve rate cuts. Investment-grade corporate bond performance was mixed: credit spreads narrowed slightly in Europe, signalling improved confidence, but widened in the US, suggesting more caution. High-yield bonds underperformed, while UK gilts fared better as yields declined.

Commodities

Commodities delivered mixed returns. Oil prices fell to a five-month low of around \$62 a barrel amid increased supply and reduced geopolitical tensions. Gold reached a record high above \$4,000 an ounce, supported by central bank buying and investor demand, before easing slightly.

Source: Schroder Investment Solutions – Monthly Update October 2025

A Note on Recent Market Headlines

Although the above market update covers activity only up to the end of October, markets have experienced additional volatility since then, particularly within the US technology and AI-related sectors. Concerns about stretched valuations and the pace of AI growth have led to sharper-than-usual moves in some high-profile stocks, generating prominent headlines and understandable client anxiety.

These periods of reassessment are a normal feature of markets following periods of rapid growth, and your portfolio remains diversified across regions and sectors to help reduce exposure to any single theme. As always, we focus on long-term planning rather than reacting to short-term market noise, ensuring your financial strategy remains aligned with your goals.

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