



**3D Financial Planning**  
Independent Financial Advisors

Newsletter  
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## Market Update

The first quarter of 2026 is now behind us, and markets have experienced a more unsettled start to the year than we saw towards the end of 2025.

Geopolitical tensions, particularly in the Middle East, alongside ongoing uncertainty around inflation and interest rates, have led to more mixed performance across regions and asset classes.

### Global Equities

Global stock markets fell over the quarter, with weakness in parts of the US technology sector and a more cautious backdrop as geopolitical tensions escalated. There were some areas of resilience, however. Japan delivered positive returns, while emerging markets held up relatively well compared to developed markets.

### US Equities

US markets were volatile during the quarter. Early optimism faded as concerns around interest rates re-emerged, alongside rising oil prices linked to the Middle East conflict. Energy and materials sectors performed more strongly, while technology was mixed. Areas linked to artificial intelligence, such as semiconductors and data centres, proved more resilient than many software companies.

### Eurozone Equities

European markets fell over the quarter, with the most notable weakness coming towards the end of the period. Higher oil prices and increased uncertainty weighed on confidence, particularly in sectors such as consumer discretionary and industrials. Energy stocks were a positive area, although rising costs also contributed to renewed inflation concerns. The European Central Bank indicated it remains prepared to respond if energy-driven inflation persists.

### UK Equities

UK equities delivered a positive return over the quarter. Performance was supported by exposure to energy companies and a weaker pound, which benefited internationally focused businesses. Larger companies outperformed mid-sized firms. Energy and healthcare were among the strongest sectors, while technology and consumer discretionary lagged as inflation and interest-rate concerns resurfaced.

### Emerging Market Equities

Emerging markets were slightly down over the quarter but performed better than many developed markets. Strength in technology-focused markets such as Korea and Taiwan, along with parts of Latin America, helped offset a more challenging end to the period. Energy-importing countries, such as India, were more affected by rising oil prices.



## Japanese and Asia Equities

Japanese markets rose overall during the quarter, supported in part by a post-election boost earlier in the period. Some of these gains were given back in March, as rising oil prices and inflation concerns weighed on sentiment. The Bank of Japan kept interest rates unchanged, but highlighted the potential for higher energy costs to sustain inflation. Elsewhere in Asia, markets declined over the quarter. Gains earlier in the period, particularly in technology and semiconductor sectors, were reversed by a sharper sell-off in March as investor sentiment became more cautious. South Korea held up relatively well, while other markets were more affected by rising energy costs and weaker confidence.

## Global Bonds

Bond markets were volatile during the quarter. Rising energy prices contributed to inflation concerns, leading markets to shift between expectations of interest rate cuts and the possibility that rates may remain higher for longer. US government bonds held up better than those in Europe and the UK, while central banks largely adopted a cautious, wait-and-see approach.

## Commodities

Commodities were one of the strongest performing asset classes over the quarter. Energy prices rose sharply due to disruption to supply and shipping routes linked to the Middle East conflict. Agricultural and industrial commodities saw more modest gains. Precious metals rose overall, although some profit-taking and higher interest-rate expectations led to a slight pullback towards the end of the period.

*Source: Schroder Investment Solutions (Q1 2026 Update), alongside market commentary from Reuters, Bloomberg and the Financial Times. Market data derived from MSCI and FTSE indices. Data as at March 2026.*

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## In the Spotlight

### Pensions & Inheritance Tax – Now Confirmed

We've been talking with many of you about the potential for pensions to fall within the scope of inheritance tax for some time.

What has changed recently is certainty.

Following the passing of the Finance Act 2026, which received Royal Assent on 18 March, it is now confirmed that from **6 April 2027**, most unused defined contribution pensions and death benefits will form part of your estate for inheritance tax (IHT) purposes.

This is no longer a proposal or consultation. The changes have now been confirmed.



## A Change Few People Have Fully Taken On Board

Despite the significance of this shift, awareness remains surprisingly low.

Research from Standard Life suggests that:

- Almost 9 in 10 UK adults are unaware of the upcoming changes
- Only a small proportion feel confident in their understanding of inheritance tax
- Around 10,500 more estates are expected to become subject to IHT, with a further 38,500 paying more than before

*Source: Standard Life research (March 2026)*

In other words, this is a meaningful change, but one that many people have not yet fully absorbed.

For many of our clients, however, this won't feel entirely new.

We've been discussing these potential changes for some time, and in many cases have already started to consider what they might mean for your own plans.

What has changed now is certainty.

And with that certainty comes an opportunity to move from awareness to action.

### Why Is This Happening?

To understand the change, it helps to look back at how pensions have evolved.

Since the introduction of pension freedoms in 2015, individuals have had far greater flexibility over how and when they access their pension savings. One unintended consequence of this has been a shift in behaviour.

Pensions, once primarily a source of retirement income, increasingly became:

- A tax-efficient legacy vehicle, and
- In some cases, a way to pass wealth down generations largely outside of the inheritance tax system

From the government's perspective, this created a mismatch.

Pensions were receiving generous tax relief on the way in, but in some cases were not being used during the individual's lifetime at all.

Bringing pensions into the IHT framework is, in part, designed to encourage a behavioural shift:

To ensure pension savings are used more as intended, to support retirement, rather than primarily as a vehicle for passing on wealth.



## What Will Change From April 2027?

From this point, the treatment of pensions begins to look more like other assets within your estate.

### 1. Defined Contribution Pensions Are Affected

The changes primarily apply to:

- Personal pensions
- Workplace defined contribution schemes
- SIPPs

These are the arrangements where unused funds can build up and be passed on.

Defined benefit pensions are generally less affected, as they do not typically leave behind large residual funds.

### 2. Unused Pension Funds Will Be Included in Your Estate

Any pension funds that remain unspent at death will:

- Be added to the value of your estate
- Potentially increase your inheritance tax liability

This represents a significant shift from the current position, where pensions have often sat outside the estate.

### 3. More Estates May Be Brought Into Scope

For some, this change may simply increase an existing inheritance tax bill.

For others, it may be the point at which inheritance tax becomes relevant for the first time.

For example:

- An individual with assets just below the £325,000 nil-rate band may now exceed it once pension assets are included
- Larger estates may find themselves exceeding **£2 million**, where the Residence Nil Rate Band begins to be tapered away

This is where relatively modest changes in structure can have a disproportionate impact on the eventual tax position.

### 4. The Probate Process Becomes More Involved

Another important practical change is how pensions are dealt with on death.

- Pension providers will still pay death benefits
- However, the value of those benefits must now be reported as part of the estate
- Responsibility will sit with the personal representatives (executors) to ensure this is done correctly



This introduces additional complexity into the probate process at what is already a difficult time for families.

## 5. Not Everything Changes

It's also worth saying that not all pension-related benefits will fall into the IHT net.

Certain arrangements, such as some death-in-service benefits, are expected to remain outside the scope.

However, for most clients, the broad direction of travel is clear:

Pensions will no longer offer the same level of protection from inheritance tax as they have in the past.

### What This Means For You

For many years, a common planning approach has been:

“Use other assets first, and preserve pensions for as long as possible.”

From April 2027, that approach may need to be revisited.

This doesn't mean pensions lose their value or importance. They remain one of the most tax-efficient structures available.

But it does mean that:

- The order in which assets are used
- The role pensions play within your wider plan
- And the way wealth is passed to the next generation

...will need to evolve.

The key point is that these changes affect everyone differently.

Some may see little impact. For others, it could materially change the outcome for their family.

That's where careful, joined-up planning becomes essential.

And importantly, it's exactly what we're here to help you navigate.

*Source: HM Treasury / HMRC – Finance Act 2026 and supporting guidance, alongside technical commentary from industry sources including Aberdeen Adviser TechZone.*



# Planning in Practice

## Turning Change Into Opportunity

Changes like this can feel unsettling at first.

But in reality, they often create opportunities for thoughtful planning.

The key is not to react quickly, but to understand what the change means for you and then make measured, well-informed decisions.

## Exploring the Right Options

As part of this change, we will be working with clients to explore a range of planning options to help ensure pensions continue to be used as efficiently as possible.

This may include:

- **Simplifying pension arrangements** where appropriate, to make planning clearer and reduce complexity for families
- **Revisiting how pensions are used**, including whether it makes sense to draw more income during your lifetime
- **Thoughtful gifting strategies**, either directly or via pension contributions for family members
- **Making use of available tax-free cash**, rather than leaving it unused
- And in some cases, considering secure income options such as annuities

The right approach will vary from person to person, and not all of these will be relevant in every case.

But the key point is that there are practical steps we can consider, and we will be guiding you through what is appropriate for your own circumstances.

## A Subtle Shift in Perspective

Perhaps the most important point is that this isn't just a technical change. It's a shift in how pensions are viewed.

For many years, the dominant approach has been to preserve pensions for as long as possible, often with the intention of passing them on.

From April 2027, that mindset may begin to evolve.

For some, it may become less about holding pensions back for the future, and more about using them intentionally during your lifetime.



That might mean:

- Supporting children or grandchildren when it could make a real difference
- Helping with things like housing, education, or early financial stability
- Or simply providing assistance at a time when it is most needed

There is, of course, a practical side to this.

But there is also a human one.

The idea of giving with a *warm hand* rather than a *cold one*.

Seeing the benefit of your support, and the difference it can make, is something many families value deeply.

### **Bringing It All Together**

As with all planning, the right approach will depend on your own circumstances and preferences.

Not everyone will want, or need, to make changes.

And for some, preserving assets for later will still be the right course of action.

But what this change does is open up a different conversation.

One that balances:

- Financial efficiency
- Personal goals
- And the timing of support to those who matter most

### **Keeping Plans Flexible**

One final point to keep in mind is that planning doesn't happen in a vacuum.

While these changes are now confirmed, the broader landscape of pensions and taxation has evolved many times over the years, and it will almost certainly continue to do so.

That doesn't mean we delay action.

But it does mean we plan carefully.

Where we explore planning opportunities, we will always do so in the context of your wider financial plan, ensuring that:

- Your options remain open
- Decisions are not unnecessarily restrictive or irreversible
- And your plan can adapt as rules, circumstances, or priorities change

There is no suggestion that these rules will be reversed in the near future.



However, good planning recognises that change is a constant.

Our role is to help you navigate that uncertainty with a plan that is both robust today and flexible for tomorrow.

#### Sources used

- Schroder Investment Solutions – Q1 2026 Update
- Reuters, Bloomberg, Financial Times – market commentary
- MSCI & FTSE – market index data
- Standard Life – consumer research (March 2026)
- HM Treasury / HMRC – Finance Act 2026

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