

luminnews

Be better off with expert financial planning

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INSIGHTS

AT A GLANCE

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New IHT rules are looming. Can your financial strategy keep up?

People are feeling the weight as pensions and Inheritance Tax (IHT) rules collide. For many, it's a wake up call to act sooner rather than later.



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Wealth planning has always required foresight, but today it demands even more agility. From April 2027, unused pension funds will fall within the scope of Inheritance Tax (IHT), unless passed to a spouse or civil partner. This rule change marks a turning point for wealth transfer in the UK, prompting many to rethink how their wealth can be optimised for both themselves and loved ones without hefty tax burdens.

As rules evolve and the lines between pension savings, estate planning, and taxation blur, individuals must reconsider long-held assumptions about how – and when – to retire, withdraw from their pensions and transfer their wealth. With over £3.7 trillion now held in UK pensions and IHT receipts hitting £8.2 billion last year, the stakes have never been higher. What was once seen as a clear path to retirement security, now feels like murky waters to navigate. In this edition, you will learn how to turn legislative changes into long-term advantages within a shifting financial landscape.

- ▶ You've inherited a lump sum – what now? (page 2)
- ▶ Pension rules keep shifting – but cashflow modelling could be your secret weapon (page 5)



Lumin Wealth is a firm of Chartered Financial Planners with offices in St Albans, London, Reading, Bishop's Stortford and Penn. We provide financial advice and discretionary fund management. ●

Investing

Diversification during volatile times

When Trump unexpectedly announced tariffs on China, the S&P 500 dropped 10.7% in just one day, highlighting how political shocks trigger market volatility. Yet, such turbulence isn't new. Diversification – the act of spreading investments across assets like stocks, bonds, and property – helps shield portfolios from volatility. ▶ **Page 7**

Retirement

Age 75: The new tax tipping point

Many retirees don't realise that after age 75, pensions become taxable for beneficiaries, increasing their tax burden. Taking your 25% tax-free lump sum before 75 can reduce this risk, lowering the taxable pension value and helping protect your savings from unexpected tax charges, making it a key strategy for legacy planning. ▶ **Page 3**

Tax planning

Exiting a business tax-efficiently

Selling your business should be a reward, not a huge tax surprise. Without careful planning, you risk hefty Capital Gains Tax (CGT) bills and increased IHT liabilities. Utilising reliefs like Business Asset Disposal Relief (BADR) and Business Relief (BR), however, you can significantly reduce your tax exposure for the better. ▶ **Page 4**

You've inherited a lump sum – what now?

It's an emotional and potentially life-changing moment. But without a clear plan, the risk of not optimising your inheritance is significant.



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Receiving a lump sum inheritance can be life-changing, but it often comes during a time of profound emotional upheaval following the loss of a loved one. It's not uncommon to feel overwhelmed and uncertain during this period, especially when faced with major financial decisions that could impact your family's future for generations. With an increasing number of UK estates subject to Inheritance Tax (IHT), protecting family wealth has never been more important. Here's how you should approach it.

► Pause before you act

The first step is to give yourself time to grieve and process events before making any major financial choices. Acting too quickly without a strategy can lead to decisions you may later regret.

To avoid hasty spending or your money losing its purchasing power to inflation (see table below), consider placing the funds in a secure, high-interest account whilst you assess your options. This allows you to zoom out and think long-term about what you want the inheritance to achieve for you and your family. Gathering trusted and expert advice at this stage will guide your next steps with confidence.

► Understand tax implications

Have you inherited cash? Property? Investments? And are there any implications

attached? The reality is some inheritances can be a minefield to navigate. In the UK, IHT is typically charged at 40% on estates above the nil-rate band of £325,000 per person, so large portions of family wealth can be lost without planning.

Additionally, each estate may benefit from a residence nil-rate band of £175,000 when passing property to direct descendants. However, this can be reduced if the estate exceeds £2 million. It's crucial to minimise these liabilities and protect more of your inheritance, as you will not receive a penny until the IHT has been paid and probate granted.

► Turn goals into plans

Once you have clarity on what you've inherited and its tax position, think about your own financial goals and whether they're short, medium, or long-term. Do you want to clear debts, build savings, invest for future growth, or increase your pension contributions? These are critical questions and working with an independent financial adviser can help you create a balanced plan that aligns with your goals, time horizon and risk tolerance. A careful plan ensures your choices reflect your current needs and future goals.

► Give or spend thoughtfully

It's only natural to want to share your inheritance, but

gifting or spending without a plan can lead to problems later on. If you'd like to gift money to family, consider using HMRC's £3,000 annual exemption or making regular gifts from surplus income to avoid the burden of IHT. Remember, larger gifts may be taxed if you die within seven years.

Tip: Be mindful of sudden lifestyle inflation as spending increases can quickly erode your inheritance and could be better placed in an investment or pension fund to support your long-term wealth and retirement goals.

► Manage cash-flow

At Lumin Wealth, we incorporate cash-flow modelling into our clients' financial plans to ensure their goals and aspirations remain achievable, providing clarity and confidence for the years ahead. This also helps identify any potential shortfalls and plan proactively to address them. Doing so, we limit any future financial hiccups for our clients.

i Have you received a lump sum and don't know where to start with your financial plan? Call 03300 564 446 for more details on how to proceed. ●

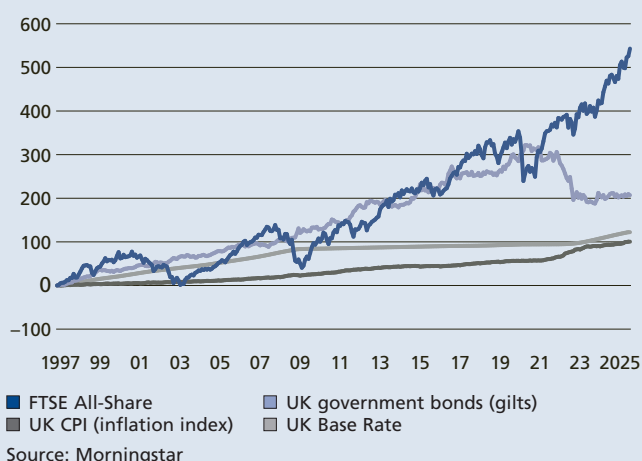
MINI-GUIDE

5 things to consider: Receiving a financial windfall

Request this mini-guide via enclosed response card,
info@luminwealth.co.uk
or call 03300 564 446

Cash savings lack real growth (after inflation)

Assumptions: Total return (incl. reinvested income/dividends) in GBP; base rate used as a proxy for interest on cash savings



Don't miss out on pension tax-free cash after age 75

If tax-free cash is delayed beyond age 75 and the person dies before taking it, the tax-free portion is lost.



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Many retirees don't realise that after age 75, pension rules change dramatically – and not in your family's favour. Without the right planning, a significant chunk of your hard-earned pension funds can be eaten up by tax, particularly with pensions being subject to Inheritance Tax (IHT) from April 2027. Taking your 25% tax-free lump sum in time can help reduce the tax burden and add flexibility when planning your legacy.

► 75: The tax tipping point

If a pension holder dies before age 75, unused pension funds can typically be passed

on free of income tax. After 75, any pension money passed to beneficiaries would then be taxed at their income tax rate. In the latter case, income tax is due on all unused pension funds, including any portion that could have been taken as tax-free cash during the lifetime of the pension member.

► Securing the tax-free benefit

You don't lose access to tax-free cash on your pensions after 75, but taking your lump sum before that milestone age ensures you don't risk incurring unnecessary tax bills for your beneficiaries. Let's say you have a £400,000 pension and £100,000 available tax-free. In the event of a death after 75, and without the tax-free cash being taken, the entire £400,000 would be subject to income tax, resulting in a net pension value of £240,000 for beneficiaries with a 40% income tax rate. If the tax-free portion had

been taken, £40,000 income tax could be saved and the net value boosted to £280,000 (see graph bottom left).

► Maximum tax-free cash

You can usually take up to 25% of the amount accrued in any pension as a tax-free lump sum. The most you can take is £268,275 (the lump sum allowance). In special cases, if you hold past protections, you may be entitled to higher tax-free lump sums.

You don't have to start taking taxable income from your pensions to get the tax-free cash. It's enough to move the pension funds into a drawdown account and choose to take no income.

► What to do with tax-free cash

Tax-free cash taken can be drip fed into an ISA, or any other tax-efficient investment, to flourish tax-free. With the upcoming changes to IHT looming, pensions are due to form part of the estate from April 2027. Taking your tax-free cash opens up options for mitigating this through gifting and/or specialist investments.

i A financial adviser can help you assess your income needs and plan for retirement. Call 03300 564 446 to speak to a Lumin expert, or scan the QR code on the back page.

LUMIN NEWS



MARTIN COTTER
Managing Director of
Lumin VZ Group

At Lumin Wealth our mission is to help people be well-equipped for retirement and make better financial planning and investment decisions. A good starting point is having the right information to engage with important financial topics.

lumin news covers topics including pensions, investments, retirement planning, mortgages and personal or business protection. We use visual illustrations to help break down complex topics, and clearly show ways in which you can make more of your money.

There is no charge for receiving lumin news – it's a free publication, and there are three issues per year. Whether you read it from cover to cover, dip in and out, or just read one page, we hope our insights and tips can help you fine-tune your finances.

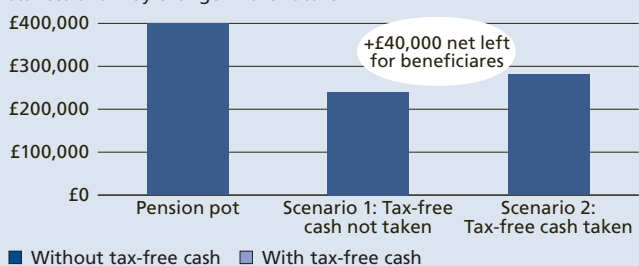
And if you do need some assistance with your ongoing financial planning and investments strategy, then our team of experts will be happy to help.

You can ensure you always get your free, posted copy by signing up to our mailing list. Scan the QR code (right), or visit luminwealth.co.uk/lumin-news



Impact of taking tax-free cash for beneficiaries

Assumptions: Total pension funds of £400,000 incl. 25% tax-free cash, beneficiaries net value after 40% income tax, excl. IHT (applies from April 2027). Disclaimer: Tax treatment depends on individual circumstances and may change in the future



Source: Lumin Wealth

Selling a small business? How to exit smoothly and tax-efficiently

After years of hard work and dedication, selling your business should be a reward, not an unexpected tax burden. The key is thoughtful, strategic and early planning.



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You've built your business from the ground up and now you're ready to sell. But how much of that hard-earned value will go to HMRC? A poorly planned exit could cost you dearly. But thankfully, there's good news. With the right strategy in place, you could significantly reduce both your own tax bill and your beneficiaries' future Inheritance Tax (IHT) liability. In this guide, we explain how.

► The stakes and common pitfalls

The sale of a business is usually the culmination of years of hard work and something

to be celebrated. However, many business owners unknowingly fall into common tax traps that lead to unexpected liabilities, costly mistakes, or missed reliefs. This means that their exit from the business might not be as smooth as they had hoped. Key considerations such as Business Asset Disposal Relief (BADR), Business Relief (BR), use of allowances and exemptions, and timing can play a key role in making or breaking a successful business sale.

► Business Asset Disposal Relief (BADR)

The use of BADR is a crucial consideration when selling on a business. Rather than being taxed at the higher Capital Gains Tax (CGT) rate of 24%, qualifying gains of up to £1 million can be taxed at a reduced rate of 14%. However, note that this percentage will rise to 18% from 6 April 2026.

To qualify, you generally need to have owned the business or shares for at least two years, and if selling shares, must own 5% or more of both the voting rights and share capital, with entitlement to profits and assets on sale or wind-up. If your business has already ceased trading, assets must be sold within three years to remain eligible.

► Deferral options: Holdover Relief and EIS

Even after making use of BADR and your £3,000 annual CGT allowance, it's likely a substantial tax bill will remain. There are strategies to manage this liability. For instance, gains can be deferred through holdover relief when gifting assets. Meanwhile specialist investment vehicles, like Enterprise Investment Schemes (EIS), offer not only the potential to defer gains but also a range of other tax benefits.

► Inheritance Tax (IHT) planning: Preserving Business Relief

IHT planning is another vital consideration. Business assets that qualify for Business Relief can attract up to 100% relief from IHT, depending on the value and type of asset. To qualify, the business must be unlisted and have been owned for at least two years before death. However,

PODCAST

Scan the QR code to listen to our podcast on selling a business, hosted by Chartered Financial Planner James Corcoran.



once a business is sold, the proceeds no longer benefit from any IHT relief. This can result in a significantly increased IHT liability.

► Post-sale strategies: Reinvesting for IHT efficiency

To help mitigate this liability, the sale proceeds can be reinvested into other Business Relief (BR)-qualifying investments. A range of solutions are available, including unquoted investment products and Enterprise Investment Scheme (EIS) opportunities, which may preserve IHT relief while also offering potential for capital growth.

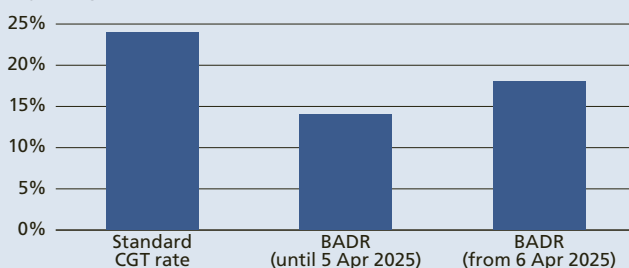
► The importance of coordinated planning

Ultimately, knowing when to sell, how to structure the sale, and what to do with the proceeds requires careful forward planning. These complex areas demand coordination between financial planners, accountants, and solicitors.

i At Lumin, we can help facilitate a joined-up, tailored approach that supports your goals and maximises the value of your business exit. Find out more by calling 03300 564 446. ●

Benefiting from lower Capital Gains Tax (CGT) rates on business sales

Disclaimer: Tax treatment depends on individual circumstances and may change in the future



CGT = Capital gains tax, BADR = Business Asset Disposal Relief

Source: www.gov.uk

Pension rules keep shifting – but cash-flow modelling could be your secret weapon

Deliberate pension withdrawals can leave your beneficiaries better off.

With pensions set to form part of the estate for Inheritance Tax (IHT) purposes from April 2027, the role they play is shifting. Once considered a last-to-touch asset, pensions now warrant earlier and more deliberate withdrawals as a tax-efficient strategy. In this changing

landscape, cash-flow modelling is an essential tool that can help.

► Rethinking withdrawal strategy

When planning retirement income, people face the choice of when to draw from which tax wrapper, namely

pension vs. ISA vs. other accounts. Since April 2024, the maximum tax-free cash that can be taken from a pension is normally capped at £268,275. Pension withdrawals beyond that are subject to income tax. With IHT soon applying to unspent pensions, it may no longer make sense to preserve these pots. Cashflow modelling helps you decide: ► Whether to withdraw and gift some of your tax-free cash now vs. leave it exposed to future IHT.

► The impact of drawing down more from your pensions and less from your other sources of capital, while meeting lifestyle goals.

► If you can afford to gift early and hold the capacity

for gifting without jeopardising your retirement.

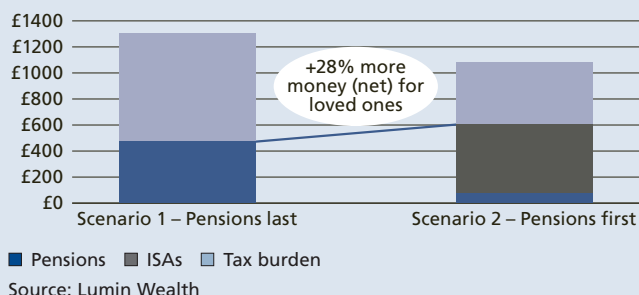
► Leaving beneficiaries better off

Pensions will soon fall into your IHT estate, potentially attracting effective tax rates over 60% when combined with the potential income tax chargeable to beneficiaries. As the chart (left) highlights, the tax burden on beneficiaries may be reduced by using up pension pots first rather than last, ultimately boosting the amount that loved ones receive.

i Make informed decisions with expert cash-flow modelling so that you can control your financial future. To learn more, call 03300 564 446. ●

More money & less tax for beneficiaries by using up pensions

Assumption: 40% IHT and 40% income tax on beneficiaries' pension withdrawals



Is it time to consolidate your pension?

Managing multiple pensions can be a complex and costly exercise, and consolidating them into one plan may be the solution. However, weighing up the advantages and risks is essential.

► Reasons to consolidate

Bringing pensions together can simplify your finances – one provider and one statement make them easier to manage. Newer plans often have lower charges, boosting long-term growth. With everything in one place, it's easier to monitor perfor-

mance and make informed decisions, giving you more visibility and control over your retirement savings.

► When caution is needed

Older schemes may include valuable guarantees, such as a guaranteed annuity rate, that you could lose by transferring. Some providers also charge exit fees, reducing the value of your pot. Tax rules and implications can also vary, especially as you approach retirement, so the timing of a transfer matters.

► Can combining pensions save money?

Yes, lower fees can boost long-term savings. For example, moving a £100,000 pension from a provider charging 0.75% to one charging 0.25% could save you around £10,000 over 20 years. Even small fee differences compound over time.

► Is now the right time?

Your decision depends on your age, retirement goals, market conditions and how close you are to drawing your pension. Life events – like a

FACTSHEET

Unite your old pensions

Request this free factsheet via enclosed response card, info@luminwealth.co.uk or call the Lumin team on 03300 564 446

job change or nearing retirement – are good times to review your pension setup.

i Consolidating your pension pots can help you stay in control and make your retirement savings work even harder. To learn more, call 03300 564 446. ●

Turn your interest-only mortgage into a wealth-building machine

An interest-only mortgage isn't just risk – it's an opportunity. But without a long-term strategy, you could miss its potential and face an avoidable financial setback.

forced asset sales or refinancing under pressure later on.



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Why just pay off a loan when you can build real wealth? An interest-only mortgage frees up capital and allows you to put your money to work with the right strategy. Let's dive into how to plan effectively and make the most of this opportunity.

► Put freed up cash to work

Those on interest-only mortgages often use the extra cash to build investment portfolios, up pension contributions, or invest in buy-to-let properties. Stocks and Shares ISAs also offer tax-efficient growth. For higher earners, maximising pen-

sion allowances can deliver powerful long-term returns, with the added benefit of tax relief. You may, however, prefer to invest in tangible assets like property, either to sell later down the line or to generate rental income.

► Consider income and lifestyle

If your income is steady, or expected to rise, you may be able to take on higher payments or set aside larger sums for the future. Others prefer to accumulate investments in parallel, building a repayment fund over time.

You may also be planning a liquidity event – a business sale, pension lump sum, or downsizing your home. Your interest-only mortgage should be structured around your timeline. It's about ensuring a strong financial position when the capital is due, not getting caught short when the repayment deadline approaches.

► Overpay with flexibility

Overpaying on your terms can be an effective middle ground, allowing you to reduce the outstanding mortgage balance gradually, without locking yourself into higher monthly repayments.

If your mortgage product allows fee-free overpayments, you can pay down the capital as and when your finances allow – such as after a bonus, inheritance or a profitable business year. As the balance reduces, so too will your interest payments, creating further savings that can be reinvested. However, this approach requires discipline and regular reviews to ensure you stay on course.

► Invest with purpose

If your plan is to repay the mortgage using any growth accrued through investing, the stakes are higher as you approach retirement. Your investment strategy needs to be goal-specific and risk-aware so that you're in a strong position to make those repayments.

Marry your portfolio up with your mortgage timeline and shift gears to lower-risk assets as the term end approaches. Consider using ISAs or investment bonds for tax efficiency. Most importantly, ringfence this portfolio. Remember: it's not for holidays or home upgrades – losing focus could mean

► Plan for rising rates and life changes

Interest-only mortgages are more vulnerable to rising interest rates. A modest increase can significantly raise your monthly payment. It's vital to build in financial buffers and avoid overextending yourself elsewhere.

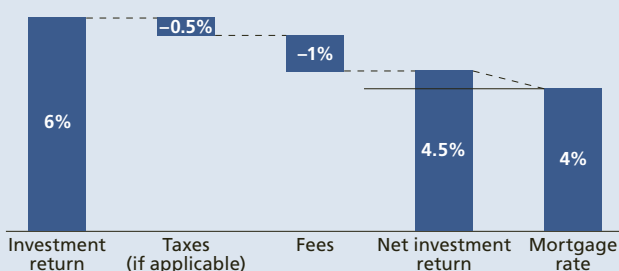
It's important to remember that as retirement approaches, priorities shift from growth to stability. That makes it even more important to plan conservatively and review your mortgage and investment strategy regularly. Life changes, such as career shifts and health issues, can affect your repayment plan.

Tip: Many High Street lenders focus solely on downsizing as the repayment method for interest-only mortgages, often requiring specific loan-to-value and equity criteria. Alternative strategies may be considered, if clearly planned and viable.

i To learn more about interest-only mortgages, call 03300 564 446, or scan the QR code on the back page.

You can gain financially if net investment returns are higher than mortgage costs

Assumptions: Illustrative mortgage costs and investment returns before and after fees/taxes



Source: Lumin Wealth

FACTSHEET

Top tips on remortgaging

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Trump, market volatility and the value of being diversified

In volatile markets, it's tempting to chase short-term gains or flee risk altogether. But history is clear: those who stay diversified and invested are the ones most likely to succeed over time.



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markets and it's why diversification is king when it comes to your portfolio.

► Diversification as a winning strategy

No single asset class consistently delivers the best returns – today's winner can be tomorrow's loser (see chart below). That being said, while investment risk cannot be eliminated per se, it can thankfully be managed. Diversification is the winning solution since it focusses on spreading risk by combining assets that behave differently in various market conditions. In an unpredictable world of political shocks, economic shifts, and global events, diversification acts as an effective buffer. By investing across asset classes, sectors, regions, and currencies, you can reduce the risk of being too exposed to any single area that might experience

a sudden drawdown during uncertain times.

► Understanding market volatility

Market volatility refers to the rate and magnitude at which the price of an asset, index, or market fluctuates over time. It's a measure of how unpredictable or unstable prices are – the more prices swing (up or down), the higher the volatility. Increased volatility often happens during periods of economic stress, like a recession. It can be caused by economic or policy factors, including interest rate changes and inflation. Volatility, for many, can often act as a catalyst for fear-driven selling and financial losses.

► Shield against volatility

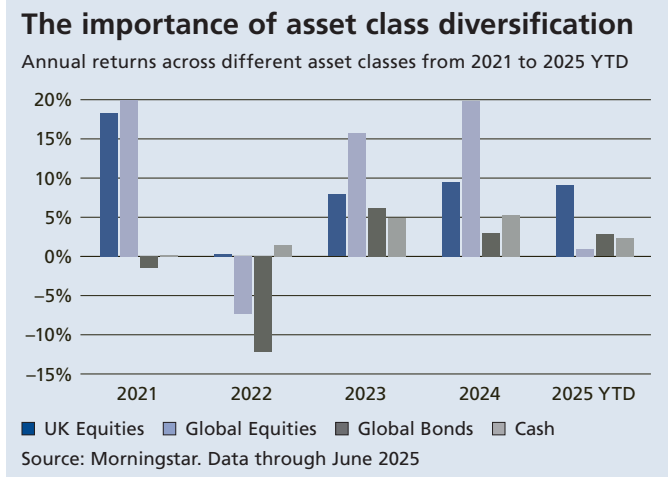
By holding a variety of the right investments, however, you reduce the likelihood that a poor performance in one area will derail your entire portfolio. A properly diversified portfolio is comprised of investments whose returns do not move perfectly in the same direction or magnitude. The idea behind this approach is to smooth out returns, presenting powerful opportunities for long-term growth. For example, while global equities plunged in early 2020 due to the Covid-19 crisis, high-quality government bonds and gold

rose sharply – helping to cushion balanced portfolios. UK investors with a traditional 60/40 (equity/bond) portfolio would have seen smaller drawdowns compared to those heavily weighted in equities. Remember, the key to successful diversification is not merely the number of investments you hold, but how those investments work together to achieve your financial goals.

► Don't act on emotions

During volatile times, sharp declines often spark fear and panic selling, while sudden rallies trigger greed and rushed buying. This behaviour – driven by instinct rather than strategy – is a major drag on long-term returns. By spreading risk across assets, diversification helps reduce the urge to react emotionally. This in turn equips investors with more confidence to stay the course and avoid costly decisions that derail long-term plans.

i Volatility can spark stress, but your financial plan should be built to withstand it. Want to find out more? Call 03300 564 446 or scan the QR code on the back page.



FACTSHEET

Common investment mistakes

Request this free factsheet via enclosed response card, info@luminwealth.co.uk or call the Lumin team on 03300 564 446

Portfolio Check: Analysis and tips from our experts

Income-focused investing can shield savers from market risks in retirement, while generating a consistent cash flow to live off.



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Age 60, Mark plans to retire in the next few years. Over time, he’s accumulated several investment accounts – a SIPP, two ISAs, and a GIA – spread across four different platforms. His total investable assets sit just over £700,000. Mark considers himself a balanced investor but hasn’t dived into the full picture in quite some time.

► Lack of oversight

One obvious challenge is complexity. With accounts across multiple platforms and investments, Mark has no consolidated view of his overall strategy. One platform (the SIPP) uses a model portfolio, the ISAs hold various self-directed funds, and the GIA contains a legacy selection of funds he hasn’t reviewed in years. The result is an unintentionally

high equity allocation and a mix of holdings that lacks strategy.

Tip: Viewing your investment portfolio as one consolidated account can help provide an overview of your risk, fund fees and strategy.

► Hidden overlaps and micro-holdings

Whilst Mark holds over 45 individual positions, more than 20 of them make up less than 1% of his total portfolio. These “micro-positions” do little to improve diversification and often increase trading and monitoring costs. With several of his funds holding these stocks as top positions, he is unnecessarily doubling up on holdings.

Tip: True diversification means allocating to a mix of assets across geographies, sectors, and asset classes.

► Higher risk than expected

Mark described himself as a “balanced risk” investor. However, with 85% of his portfolio in equities (most of which are global growth

funds), his portfolio aligns more with a higher-risk profile. There is minimal allocation to bonds or income-producing assets.

Tip: If left unchecked, even well-constructed portfolios can drift over time as markets move. Rebalancing can realign the portfolio with your risk tolerance and objectives – especially important as retirement approaches.

► Paying high fees

Across his accounts, Mark held several active funds with high fees – yet some consistently underperformed their benchmarks. By blending low-cost passive funds with some well-managed active options, he could reduce fund charges without sacrificing quality.

Tip: High fund charges don’t always mean high returns. Passive investing can offer a cost-effective foundation, with active strategies used more selectively for inefficient asset classes.

► Simple changes, big results

With a few simple changes – consolidation and simplification – Mark’s portfolio becomes more coherent. This can reduce costs, improve diversification, and bring his risk level back in line with his goals. Importantly, it enables renewed confidence ahead of his re-

PORTFOLIO CHECK

Like Mark, investors often have multiple holdings (e.g. SIPPs, ISAs and other accounts) with different investment mixes, making it difficult to establish a clear bird’s-eye view.

A comprehensive Portfolio Check helps to spotlight your current investment choices and pin-point significant overlaps in positions, over/under-use of diversification, how funds have performed, and how costs and charges compare. See traffic light example below. As markets continuously shift, there’s often room for improvement to ensure optimal returns. A professional opinion can help you feel confident about your next moves.

► Exclusive offer

Until 15 October, you can get a Portfolio Check for £100, rather than the standard £495. VAT applies.

To book your Portfolio

Check call 3300 564 446, or scan the QR code.



irement. He’s no longer weighed down by second-guessing his decisions. Instead, he can focus on what truly matters: making the most of the years ahead.

i This commentary should not be regarded as advice, or a recommendation to take action. It is general information based on a snapshot of this investor’s circumstances. Past performance is not a guide to future returns. The value of investments may fall as well as rise, and you may get back less than you invested. ●

Points to be reviewed	Assessment
Risk-return structure	●
Investment structure	●
Efficiency/concentration	●
Product cost/selection	●
Fees	●

● No action required ● Actions may be considered ● Actions required

ETF study: An investor's guide to a booming market

Every year, so many ETFs are released that it becomes increasingly complex for investors to select the right ones. A new Lumin study provides clarity on the ETF market.



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ETFs (Exchange Traded Funds) continue to grow in popularity, driving rapid expansion in the market. In the UK alone, 196 new ETFs were launched in the first six months of 2025, bringing the total number listed on the London Stock Exchange to around 3,000. However, with an ever-growing range of ETFs available, it's increasingly difficult to identify the most suitable options.

What's more, ETFs are no longer always simple, low-cost, and transparent. Many newer offerings are becoming

much more expensive and complex, as highlighted in a recent study by Lumin Wealth. Here, we break down some of the study's key findings.

► Passive vs. Active

Traditional passive ETFs are designed to replicate their underlying index on a 1:1 basis, delivering returns that closely track overall market performance. In contrast, many of the newer ETFs are actively managed, with fund managers aiming to outperform the market. Despite these ambitions, many fall short. In 2025, for instance, a large number of active ETFs benchmarked to the MSCI World Index ended up underperforming it.

► Cheap vs. expensive

ETF fees currently average around 0.3%, but there's

considerable variation across the market. Nearly a third of providers charge significantly more – sometimes as much as 1.25%. Those marketed as “actively managed” tend to be the most expensive – a cost that may be very difficult to justify if they fail to deliver consistent outperformance relative to their benchmarks.

Even among ETFs tracking the same benchmark index, fee levels can differ widely. In the case of the MSCI World Index, the highest cost product is over eight times more expensive than the lowest cost product.

► Classic vs. Thematic

Thematic ETFs focusing on trending topics like AI and robotics have seen a surge in popularity, creating a sizeable market segment. However, these investments often come with higher risks and increased costs – returns that, in most cases, are not justified. Over a three-year period, more than 80% of thematic ETFs underperformed their respective benchmark indices, and no thematic category managed to outperform the MSCI World (see chart to left).

Tip: Low-cost passive ETFs that offer broad diversification remain an attractive option for long-term investment success. However, investors should regularly review the ETFs in their

STUDY

NEW

ETF market study 2025

Trends, fees, and returns – an analysis of the ETF product range in the UK.

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portfolio to ensure they still align with their objectives. Some holdings may now be overpriced or failing to effectively track their target markets, potentially undermining overall performance.

► Top vs. bottom performers

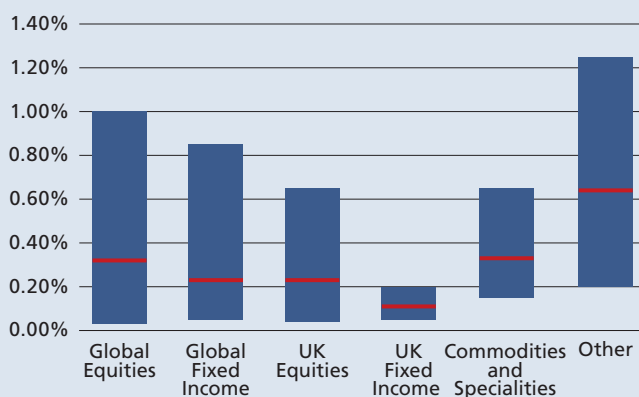
With an exceptionally broad universe of ETFs available on the market, performance dispersion can be considerable. In 2025, some ETFs achieved gains of up to 50%, driven by sectors such as gold mining, defence, and European banks. In contrast, however, the weakest performers recorded losses of up to 31%, most significantly in short leveraged products, oil services, biotechnology, and equities from Thailand and Turkey.

Note: Past performance is not a reliable indicator of future results. Investments can rise or fall in value, and you may receive less than you originally invested.

i Each type of investment has its pros and cons, so choosing the right ETF is a key part of building a strong portfolio – and that's where Lumin can help. Call 03300 564 446 to find out how.

Not all ETFs are low cost

In the last three years, thematic ETFs did not generate a return in excess of ETFs on the MSCI World in any category



Source: Lumin Wealth ETF study

Ask our Expert

Your financial planning questions answered

Financial expert Joe Hogg tackles your biggest money questions – from offshore investment bonds and personal injury trusts, to whether impaired life annuities could boost your retirement income.



JOE HOGG
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What are the options for offshore investment bonds after maximising other tax allowances?

Once you have used all your main UK tax allowances – like ISAs, pensions, and Capital Gains Tax (CGT) exemptions – offshore investment bonds can be a useful next step to follow. These are available in well-regulated places like the Isle of Man, Ireland, or Luxembourg, and allow your money to grow without paying UK income tax or CGT while it stays in the bond.

You can invest in a wide range of funds and portfolios. You're allowed to withdraw up to 5% of your original investment each year without paying immediate tax, and unused allowances can be carried forward. When you take out more than this or cash in the bond, any profit is taxed as income. If the bond runs for many years, "top-slicing

relief" may help reduce the tax bill that you would eventually be subject to.

You can split the bond into segments for easier withdrawals or to pass to family members in a tax-efficient way. Bonds can also be set up through trusts to help with inheritance planning. They don't qualify for UK savings or dividend tax allowances, and fees can be higher, so identifying the right provider matters greatly. ●

FACTSHEET

Tax-efficient solutions for wealthy individuals

Request a factsheet via the response card, info@luminwealth.co.uk or call the Lumin team on 03300 564 446

Are impaired life annuities a valuable option for certain retirees?

Impaired life annuities offer higher guaranteed income for individuals with reduced life expectancy due to health conditions or lifestyle factors. By disclosing issues like heart disease, diabetes, or smoking, retirees can access enhanced rates.

These annuities suit those with serious health conditions who want stable, reliable, risk-free income and also have no strong desire to leave an inheritance. The main benefit is increased lifetime income compared to standard annuities. However, they are irreversible and may offer poor value if the retiree lives longer than expected. Without added features, there may be no payout on death.

Tip: These are ideal for retirees in poor health who want to prioritise certainty over flexibility. Professional financial advice is essential.

It's essential to shop around, as different providers offer different rates based on health disclosures. It is worth asking an experienced professional if you have any doubts surrounding your own circumstances. ●

FACTSHEET

Your options for your pensions

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How can trusts manage compensation and injury settlements in business?

Trusts can be an effective tool in this type of business context, offering protection, control, and potential tax benefits. By placing settlement funds in a trust, businesses can ring-fence the money to ensure it's used solely for its intended purpose, helping to limit future liability and protect both the beneficiary and the business.

For example, an employer might use a trust to manage compensation for an injured employee, ensuring proper oversight – especially if the beneficiary lacks financial experience or capacity. Appointing independent trustees adds a layer of governance, helping ensure funds are used responsibly and in line with their purpose.

Trusts also offer long-term control over how and when funds are accessed. From a tax planning perspective, they can assist with Inheritance Tax (IHT) mitigation and enable structured, intergenerational transfers – especially useful when large sums are involved, such as compensation awarded to business owners or directors.

In some cases, commercial trusts may be used to manage structured settlements, spreading payments over time to ease cash-flow and meet obligations gradually. ●

FACTSHEET

Life insurance checklist

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ENGAGEMENT

Lumin backs 3,500 mile Atlantic row

Discover the story behind the challenge across the Atlantic and what it truly means to look beyond the horizon, both on the ocean and in life.



The team of four (Adam, Jack, David and Sam) set off from New York on 16 June, before embarking on a 3,500 mile journey back to the UK.

From New York to Portsmouth, rowing 3,500 miles across the North Atlantic is one of the toughest endurance feats on Earth – a test of strength, resilience, and purpose. For this team of veterans who spent 56 days at sea, it was more than a physical challenge: it was a mission to support Head Up – a charity focused on mental health in the UK Armed Forces.

Proudly backed by Lumin, the row reflected shared values – preparation, long-term vision, and the courage to face uncertainty. In this Q&A, the team reflect on what inspired them to take on the Atlantic, how they prepared, and what “looking beyond the horizon” means – on the open sea and when navigating the future.

What inspired each of you to take on the challenge of rowing across the North Atlantic?

ADAM: The thought of being able to tell this epic tale to my kids and grandkids one day is all the motivation I needed. I was filled with dread at the prospect of guaranteed pain and even potential death from taking on this project. However, I knew the very best version of myself had no excuse for turning this incredible opportunity down.

How did you prepare physically and mentally for such an extreme endurance feat?

JACK: Physical preparedness started five months before. Four rowing sessions a week, (each being an hour or more), followed by two strength and conditioning sessions. As far as mental preparation goes, I’ve tested my mental fortitude throughout my life: completing the commando course within the army, my first World Record ocean row from Portugal to Miami, and a 250 km ultra marathon in the desert. I used those as evidence and that’s what helped me reduce overwhelm when preparing for our New York to UK row.

What does “looking beyond the horizon” mean to you, both on the ocean and in life?

DAVID: Looking beyond the horizon means anticipating events before they are tangible, and reducing the unknowns. I’d consider preparing for multiple eventualities and future proofing key for resilience. Ocean rowing isn’t like ordinary life – in some ways, it’s simpler. In others, far more complex. You can’t count your nautical miles before they’re behind you, and you won’t know what it takes to complete each one until you’re in the thick of it.

Why is supporting Head Up Charity and mental health for UK Armed Forces personnel so important to your team?

SAM: Choosing a tri-service charity that focuses on retreats and preventative measures is a fantastic way to support our current and former servicemen and women. Head Up also places valuable attention on those serving in the reserves, which I think is a particularly commendable aspect of the charity.

What do you hope people take away from your journey?

ADAM: You are stronger than you think. All four of us are just very regular people that have chosen a life of continuous improvement and goal setting. No matter your starting point, you always have the capacity for so much more. Even if progress seems slow and pointless (we only rowed 0.5% of our distance from the USA to UK some days), keep plugging away at your goals and you will always be rewarded.

i Lumin is always looking to connect with purpose-driven organisations, charities, and initiatives making a difference. To learn more and discuss how we can support your cause, call 03300 564 446. ●

IHT, retirement and investing: Lumin experts in the media

Our financial consultants regularly appear in publications including **The Telegraph**, **MoneyWeek** and **Investors' Chronicle**. Below, we summarise the latest coverage.

How to retire part-time
Investors' Chronicle, 29.5.25
Financial Consultant, Harvey Armstrong, offers advice to those easing themselves into retirement, urging that it be planned in a tax-efficient manner. That starts with “ensur[ing] that you always consider all income sources before deciding how much income to draw from your pension” he states. For those still working part-time with a regular and steady income, “consider delaying your final salary or state pension beyond the normal retirement age”, Harvey suggests. Furthermore, taking a tax-free lump sum is a smart move, and “allows for strategic withdrawals if your income varies.”


Upcoming pension changes
The Law Society, 15.7.25
James Corcoran, Chartered Financial Planner, outlines what solicitors should be doing ahead of the Inheritance Tax (IHT) changes taking effect from April 2027. “Clients have traditionally been advised to leave pensions untouched for as long as possible. That may no longer be optimal.” James highlights that some of the most effective strategies, such as lifetime gifting and restructuring drawdown, “take years to bear fruit” and that “for many clients, pensions have long been the tax-efficient ‘safety net’ of the estate. From 2027, that net could turn into a trap.”

I’m losing my pension allowance – how do I save for retirement?
Investors' Chronicle, 15.7.25
Investment Manager, Elliott Frost offers an Investors' Chronicle reader seeking professional advice on their portfolio. The couple are concerned their investments are over-concentrated in the US. Elliott suggests they “consider reducing the high-yield debt and adding to UK investment-grade bonds” as a way to offset exposure. The couple also have the goal to build a £2mn investment pot over 11 years, and are advised to contribute £60,000-£80,000 a year across pensions, ISAs and GIA. Doing so, they “should be on track to reach [their] target.” ●

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