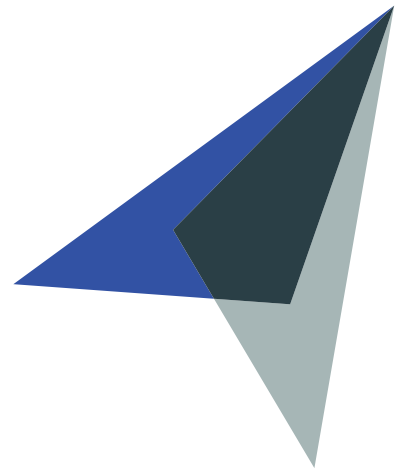


# IFA Fundamentals



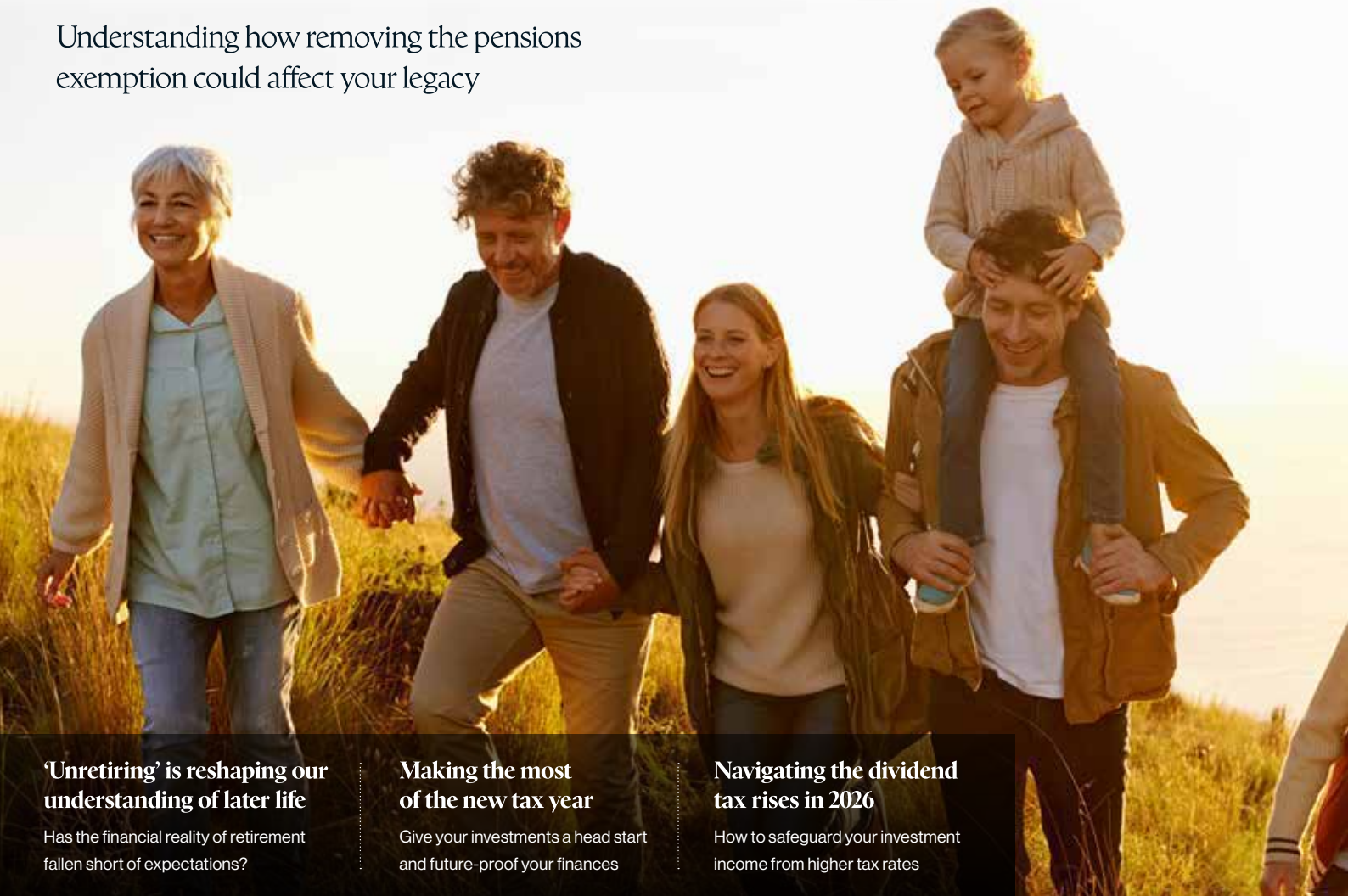
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MAY / JUNE 2026

## Pensions and Inheritance Tax: Big changes coming in 2027

Understanding how removing the pensions  
exemption could affect your legacy



### 'Unretiring' is reshaping our understanding of later life

Has the financial reality of retirement  
fallen short of expectations?

### Making the most of the new tax year

Give your investments a head start  
and future-proof your finances

### Navigating the dividend tax rises in 2026

How to safeguard your investment  
income from higher tax rates

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## Inside this issue

A major shift in pension taxation is set to reshape wealth-transfer planning in the UK. From 6 April 2027, unspent pension pots will no longer be exempt from Inheritance Tax (IHT) and may be taxed at 40% if your estate exceeds the IHT threshold. On page 08, we explain how this change challenges traditional strategies and why families should rethink how they draw down their retirement assets. Early preparation, including estate valuation and exploration of tax-efficient options such as gifting or trusts, will be essential to protect your legacy.

'Unretiring' is on the rise as financial pressures and inflation erode retirees' spending power. While some return for fulfilment, others cite loneliness or financial necessity. On page 04, we consider why retirement is becoming more flexible, with part-time roles and phased approaches gaining popularity. Proactive financial planning and exploring phased retirement options are essential to securing a comfortable and sustainable future.

The new tax year offers a fresh £20,000 ISA allowance, providing a valuable opportunity to shield your investments from capital gains and dividend taxes. Starting early maximises compounding benefits, giving your money more time to grow. Regular investing can help smooth out market volatility and maintain discipline during uncertain times. ISAs also offer flexibility, allowing gradual contributions throughout the year. Turn to page 10.

Dividend tax rates increased from 6 April 2026, making tax-efficient strategies more important than ever. The government raised dividend tax rates by 2 percentage points. The ordinary rate rose to 10.75%, and the upper rate to 35.75%, while the additional rate remains at 39.35%. However, you don't pay tax on dividend income within your personal allowance (£12,570 for 2026/27) or your annual dividend allowance of £500. On page 11, we explain planning options.

A complete list of the articles featured in this issue appears opposite on page 03. ♦

### Planning for tomorrow, today

Our personalised financial and wealth strategies will help you achieve your life ambitions while safeguarding your family's future. To discuss this further or to learn more, please get in touch with us.

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**Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change.**

**The value of investments may go down as well as up, and you may get back less than you invested.**

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# Long-term investing

Geopolitical concerns and the importance of staying the course



**Geopolitical events, such as those in the Middle East,** often introduce uncertainty into global markets, affecting energy prices, trade routes and investor sentiment. While these events can be unsettling, reacting impulsively may lead to missed opportunities and unnecessary losses.

**H**istory shows that markets are resilient in the face of geopolitical turmoil. Although short-term volatility is common, long-term investors who remain disciplined and diversified are better positioned to weather challenges and benefit from eventual recoveries.

## Compounding is the key to success

Investors often debate whether to keep their money in assets like stocks and property or move it into cash. Decades of market history reveal that holding investments over the long term consistently delivers reliable outcomes for wealth creation.

The power of compounding is a cornerstone of investment success. Compounding allows your returns to generate additional returns, creating a snowball effect that steadily grows your wealth over time.

## Maximising your growth potential

One of the strongest arguments for staying invested is the long-term growth potential of financial assets. Historically, equities and other investments have outpaced inflation, delivering substantial gains over extended periods.

Time is a critical factor in this process. The longer your money remains invested, the more opportunities it has to generate exponential growth. This underscores why staying invested is far more impactful than holding cash.

## Why market timing rarely works

Attempting to time the market by moving to cash during downturns and reinvesting during upswings is a risky strategy. Even seasoned professionals struggle to predict short-term market movements accurately.

Emotional decisions often lead to poor outcomes, such as selling during a dip and missing subsequent gains. Missing just a few of the strongest recovery days can significantly reduce overall returns, proving that time in the market beats timing the market.

## Minimising risk through diversification

Diversification is a practical way to manage risk. By spreading investments across asset classes, sectors and regions, you limit exposure to any single market segment.

A well-diversified portfolio typically experiences smoother performance, as gains in some areas offset losses in others. While it doesn't eliminate volatility, diversification builds resilience, helping you stay invested during tough economic periods.

## Silent danger of holding cash

While cash feels safe, it carries the hidden risk that inflation will erode its value. Even competitive savings rates often fail to keep pace with rising prices, reducing purchasing power over time.

Cash is essential for short-term needs, but long-term wealth is better protected by assets designed to outpace inflation.

## Psychological and tax benefits

Investing can feel emotionally taxing during market turbulence. A long-term approach reduces stress and prevents rash decisions driven by fear or greed.

Additionally, holding investments offers tax advantages. Deferring capital gains allows your returns to compound without frequent tax interruptions, enhancing long-term growth.

## Navigating market recoveries

Markets have a remarkable ability to recover from downturns. Recessions and corrections are often followed by robust recoveries and expansions.

Staying invested ensures you participate fully in these rebounds, avoiding the mistake of locking in losses. ♦

## Feeling uncertain about your financial future?

If you would like to discuss your portfolio, build a tailored financial plan or learn more about how long-term investing can help you achieve your goals, we're here to listen, address your concerns and guide you through your options with professional advice tailored to your needs.

This article is for informational purposes only and does not constitute tax, legal or financial advice. The value of your investments (and any income from them) can go up or down. You may get back less than you invest.



# ‘Unretiring’ is reshaping our understanding of later life

Has the financial reality of retirement fallen short of expectations?

**Amid rising living costs and market uncertainty**, ‘unretiring’ is a growing trend. Research shows that one in six retirees (16%) have either returned to work (8%) or are strongly considering doing so (8%)<sup>[1]</sup>. While some return for personal fulfilment, 24% cite loneliness or social disconnection as key reasons.

**F**inancial pressures remain a primary driver: 30% of retirees report a lower standard of living than before retirement, while only 22% say it has improved. Many feel underprepared, with 20% underestimating how much money they would need, 21% wishing they had planned better and 19% failing to anticipate the length of their retirement.

## Impact of inflation on spending power

Inflation has significantly eroded retirees’ spending power. For example, £100 in 2020 is now worth only £78.25 in real terms. Those without a defined-benefit pension or inflation protection face greater challenges in maintaining a comfortable income and often need meticulous planning or are willing to accept higher investment risk.

Societal expectations around retirement are also shifting. Retirement is no longer viewed as a fixed endpoint. Although the pandemic briefly accelerated retirements, the proportion of pensioners earning income has risen again since 2021. While the average person aspires to retire at 62, half expect to work beyond their State Pension age.

## Balancing benefits and barriers

Returning to work offers benefits such as staying active, maintaining social connections, boosting income and enjoying flexible hours. However,

challenges remain. While 78% of people feel confident about working at 60, this figure falls to 49% at 70. Barriers include declining health (39%), retraining concerns (26%) and age discrimination (24%).

Uncertainty about retirement lifestyles persists. More than a third (38%) expect their retirement to be worse than their current standard of living, with the figure rising to 49% among Generation X and 43% among women. As a result, retirement is becoming more flexible, with many adopting part-time roles or phased retirement strategies to balance work and personal needs.

## Taking control of your financial future

In an unpredictable world, proactive financial planning is essential. Regularly reviewing pension savings, withdrawal amounts and whether your funds will last are crucial steps. Checking your retirement dates and planning for potential income gaps can help you avoid surprises.

Exploring phased retirement options and considering the lifestyle you want early on can lead to better-informed decisions. By planning ahead, you can secure your finances and enjoy the retirement you deserve. ♦

## Time to review your retirement strategy?

If you'd like to discuss your retirement plans or need professional guidance, contact us for tailored support to ensure your savings last.

### Source data:

*[1] Research by Ipsos for Standard Life in June 2025 surveyed 6,000 UK participants aged 18-80, including working, unemployed and retired individuals. The sample was representative of the UK population by age, gender and region. Among those aged 55-80 who had retired, 8% had returned to work, 1% were actively seeking to return and 7% were considering it.*

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# Protect your life insurance payout from Inheritance Tax

An increasing number of estates are falling within the tax net every year

**An increasing number of estates are falling within the Inheritance Tax net each year**, largely due to rising property prices and frozen tax thresholds. The Office for Budget Responsibility forecasts that HM Revenue & Customs (HMRC) will collect £8.7 billion in Inheritance Tax for the 2025/26 tax year<sup>[1]</sup>.

**I**f you have a life insurance policy, it is important to ensure it falls outside your estate by writing it into an appropriate trust. This means it will not count towards the value of your estate when calculating how much Inheritance Tax (IHT) you may owe.

Here, we look at how life insurance is often used to cover potential IHT bills and how to protect any payout from being included in your estate for Inheritance Tax purposes.

## Securing financial peace of mind

Most people take out life insurance to ensure their loved ones are financially protected if they die. It provides valuable peace of mind that financial commitments, such as a mortgage, will be covered. It also helps manage other expenses that could otherwise go unpaid if you are no longer around.

Increasingly, people are using life insurance to provide their loved ones with a lump sum to cover any Inheritance Tax bill upon their death. Although this will not reduce the amount you have to pay, it means your family will not end up with a potentially large bill to pay directly from your estate.

## Importance of trust arrangements

If you do not write a life insurance policy into an appropriate trust, the proceeds on your death will simply increase the value of the money and property you leave behind. Life insurance can be a very effective estate-planning tool, but only when structured correctly to keep the payout separate from your taxable estate.

Using a trust can also save up to 40% in Inheritance Tax on the payout, and means you do not have to wait for probate. Probate can take many months, tying up essential funds. If not held in trust, the policy may be taxed for IHT and delayed, defeating its very purpose of providing quick liquidity to cover taxes and day-to-day bills.

## Taking practical steps to protect your wealth

Putting your life insurance policies into an appropriate trust is straightforward. You can do this either when you take out cover or later. We can assist you with this. If you have life insurance that is not currently in trust, please contact us and we'll explain what to do next.

Provided you are in good health when you place the policy in trust, there are normally no

Inheritance Tax implications, as the policy has no value. However, if you are seriously ill when you place the policy in trust and die within seven years, HMRC may consider the policy to have had value at the time of transfer and may seek to charge Inheritance Tax. If you are a couple, consult us to ensure you minimise the Inheritance Tax bill when the second person dies. ♦

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## Have you secured your wealth for your family's future?

If you are unsure whether this is the right option for you or need help navigating the complexities of trusts and Inheritance Tax, please contact us to safeguard your family's wealth.

### Source data:

[1] <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/inheritance-tax/>

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For guidance, seek professional advice. Inheritance tax, estate planning and trusts are not regulated by the Financial Conduct Authority.



# Taking charge of your retirement

Empowering your future with greater pension freedom

**Planning for retirement is a crucial step in securing your financial stability for the years ahead.** For those seeking greater involvement in how their pension savings are invested, a Self-Invested Personal Pension (SIPP) can offer a flexible and innovative option.





The primary appeal of a SIPP is its wide range of investment options. Investors can choose from individual stocks and shares, investment trusts, corporate bonds, and even commercial property. This flexibility enables you to build a highly diversified portfolio aligned with your market outlook.



**U**nlike standard personal pensions, where investment decisions are typically made by a third-party fund manager, a SIPP allows you to choose from a wide range of permitted investments offered by the provider. This flexibility can help you shape your pension portfolio to match your financial objectives and attitude to risk, but it also places greater responsibility on you to monitor and manage those investments.

### Taking control of your retirement funds

The primary appeal of a SIPP is its wide range of investment options. Investors can choose from individual stocks and shares, investment trusts, corporate bonds and even commercial property. This flexibility enables you to build a highly diversified portfolio aligned with your market outlook.

Alongside this freedom comes a generous framework of government tax incentives. When you pay into a SIPP, you receive tax relief on your contributions, which effectively boosts the size of your retirement pot without any extra effort on your part.

### Understanding the tax advantages

Basic rate taxpayers currently receive a 20% government top-up. This means that if you contribute £80, the government adds £20, bringing

the total investment to £100. Higher and additional rate taxpayers can claim back even more through their annual self-assessment tax returns, making it a highly tax-efficient way to save for the future.

Furthermore, the investments held within your SIPP grow entirely free of UK Capital Gains Tax and Income Tax. Once you reach the qualifying retirement age, you can usually take up to 25% of your total pension pot as a tax-free lump sum (within allowable limits), providing significant financial flexibility when you retire.

### Weighing up the responsibilities

While the benefits are clear, managing your own pension requires time, market knowledge and dedication. Because you make the underlying investment decisions, you also bear the risk. The value of investments can fall as well as rise, meaning you might get back less than you originally invested.

It is also vital to keep a close eye on the administrative costs of running a SIPP. We can provide professional advice to help you navigate these complexities and make informed decisions about your pension investments.

### Securing your financial future

If appropriate, a SIPP can be a very effective wealth-building tool for those willing to take an active role

in their retirement planning. However, because pension rules change and markets can be complex, a self-managed approach is not always the right choice for every investor. Seeking professional guidance helps you make the most of your annual allowances while protecting your hard-earned wealth. ♦

### Ready to plan your next step?

If you require further information on how a Self-Invested Personal Pension could suit your circumstances, please contact us. We can arrange a review and help you take the next step towards the retirement you deserve.

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# Pensions and Inheritance Tax: Big changes coming in 2027

Understanding how removing the pensions exemption could affect your legacy

**For decades, UK savers have relied on pensions not only for retirement income but also as a highly tax-efficient way to pass on wealth.** Under current rules, pension pots generally fall outside your estate for Inheritance Tax (IHT) purposes. However, a significant shift is on the horizon. From 6 April 2027, the government will remove this long-standing exemption, bringing unspent pension wealth within the scope of IHT.







For the 2026/27 tax year, the standard IHT threshold is £325,000, with an additional £175,000 allowance if you pass your main residence to direct descendants. Adding a substantial retirement pot to your estate could easily push many families over these thresholds, leading to unexpected tax bills for grieving loved ones.



**T**his policy change marks a **fundamental** overhaul of the wealth-transfer system. The government announced that it was introducing this measure to create a fairer tax framework and address wealth inequality. For many families, this means that the money accumulated over a lifetime of hard work may suddenly be subject to a substantial tax burden when passed on to beneficiaries.

#### How the forthcoming tax framework operates

Research indicates that 9 in 10 (89%) UK adults have little or no awareness of the change<sup>[1]</sup>. When the new rules take effect, your remaining pension funds will form part of your estate's total value on your death. If the combined value of your assets, including property, cash savings, investments and pensions, exceeds the standard nil rate band, the excess will typically be taxed at 40%.

For the 2026/27 tax year, the standard IHT threshold is £325,000, with an additional £175,000 allowance if you pass your main residence to direct descendants. Adding a substantial retirement pot to your estate could easily push many families over these thresholds, leading to unexpected tax bills for grieving loved ones.

#### Rethinking your long-term wealth strategy

Historically, most people have spent other taxable assets first, leaving their pension funds untouched as an effective wealth-transfer tool. Because pensions were shielded from IHT, they provided a safe harbour for inheritance, allowing funds to grow in a tax-advantaged environment.

The 2027 deadline forces a complete rethink of this conventional wisdom. You may need to

reassess the order in which you draw down your retirement assets. Using your pension to fund your lifestyle earlier in retirement, while preserving other assets that may benefit from different tax treatments, could soon become the standard approach for many households.

#### Practical steps to protect your legacy

Although the changes do not take effect until April 2027, early preparation will put you in a much stronger position. Initially, it's important to calculate the projected value of your entire estate, including your current pension balances, to give you a clear picture of your potential IHT exposure under the new regime.

You might also consider alternative ways to reduce the taxable value of your estate before the deadline. Making lifetime gifts to your family, utilising annual exemptions or exploring trust structures can help mitigate the impact of these changes. Each situation requires a tailored approach based on personal goals and family circumstances.

#### Securing your family's future

Pensions and tax legislation are inherently complex, and their intricacies often pose challenges for individuals and businesses alike. They are also frequently subject to subtle yet significant adjustments before reaching their final stage of implementation. Navigating these changes can be daunting, but staying informed is crucial to making sound financial decisions.

We are committed to keeping you up to date on the latest developments, including updates to official guidance, new consultations and proposed amendments. By providing timely,

accurate information, we aim to help you make well-informed decisions that protect and optimise your hard-earned wealth. With our support, you can approach these changes with confidence, knowing you have the insights to adapt and thrive in an ever-evolving tax landscape. ♦

#### Time to discuss how the new pension rules could affect your family's inheritance?



The upcoming changes require careful planning and a thorough understanding of estate planning and preservation. If you want to know exactly how the April 2027 pension rules could affect your family's inheritance, please contact us as soon as possible to arrange a comprehensive review of your retirement strategy.

#### Source data:

*[1] Standard Life research IHT research was conducted among 2,000 UK adults in February 2026. Findings are weighted to be nationally representative.*

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# Making the most of the new tax year

Give your investments a head start and future-proof your finances

**The new tax year brings a fresh £20,000 Individual Savings Account (ISA) allowance** for each individual, giving couples the potential to invest up to £40,000 between them, offering a valuable opportunity to shield your investments from capital gains and dividend taxes. With recent cuts to these tax allowances and increases to tax rates, the protection ISAs offer is more generous than ever.

**S**tarting early in the tax year gives your investments a head start. By contributing at the beginning, your money has an extra 12 months to benefit from compounding, in which returns generate additional returns over time. Even modest early contributions can outperform last-minute deposits, as unused ISA allowances cannot be carried forward to future tax years.

## Stay focused during uncertain markets

Economic news, market volatility and global events can create uncertainty, tempting investors to delay. However, markets rarely move in a straight line, and history shows they tend to recover over the long term. Staying focused on your personal goals is far more effective than reacting to short-term fluctuations.

If you're hesitant to invest a lump sum, regular investing offers a practical alternative. By drip-feeding money into the market each month, you

can smooth out volatility, maintain discipline and remove emotion from your financial decisions.

## Protect your wealth and maximise flexibility

ISAs are popular for their flexibility. You don't need to use the full £20,000 allowance immediately; you can build up to it gradually throughout the year, depending on what you can afford. As long as you contribute by 5 April, you'll use the full allowance.

If you hold investments outside an ISA, consider a 'Bed and ISA' strategy. This involves transferring investments from a general account into an ISA to keep them tax-protected.

## Progress comes from consistency, not perfection

Making the most of the new tax year isn't about perfectly timing the market or investing a large sum on day one. It's about taking small, manageable

steps tailored to your circumstances. Consistency, not perfection, drives long-term progress.

Whether you choose to contribute your maximum allowance early or drip-feed your cash over the year, the key is to establish a repeatable routine. Take time to review your strategy, set up regular contributions and give your money the best chance to grow.

By acting early and staying consistent, you can make the most of your ISA allowance and build a strong foundation for your financial future. ♦

## Want to make the most of the new tax year?

Please contact us to explore tailored strategies that could work for you and your family, and to structure your finances and secure your future.

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# Navigating the dividend tax rises in 2026

How to safeguard your investment income from higher tax rates

**From 6 April 2026, the government increased dividend tax rates by 2 percentage points.** The ordinary rate rose to 10.75%, and the upper rate to 35.75%, while the additional rate remains at 39.35%. However, you don't pay tax on dividend income within your personal allowance (£12,570 for 2026/27) or your annual dividend allowance of £500.

**T**o reduce dividend tax, maximising your ISA allowance is key. Dividends on investments held in an ISA are entirely tax-free. For the 2026/27 tax year, you can invest up to £20,000 in ISAs. This use-it-or-lose-it allowance cannot be carried forward, so systematically moving taxable investments into an ISA can shield a significant portion of your portfolio from tax increases.

## Exploring pension benefits and long-term saving

Dividends received by pension funds are also tax-free, making pensions another effective way to protect your wealth. Contributions to pensions receive tax relief at your marginal income tax rate, boosting your savings by 20% to 45% before any returns are generated.

When drawing income from your pension, withdrawals above the tax-free lump sum (usually 25% of your pot, up to £268,275) are taxed as regular income. Proper planning ensures this strategy aligns with your timeline and minimises tax liabilities, especially when large withdrawals could push you into a higher tax bracket.

## Sharing wealth and diversifying income streams

If you're married or in a registered civil partnership, you can reduce your dividend tax bill by holding income-generating investments in the name of the partner in a lower tax band. This approach ensures that both partners fully utilise their individual ISA and dividend allowances.

Diversifying income streams can also help. For example, payouts from bond funds are treated as interest and may fall within your personal savings allowance. Additionally, selling investments to realise a capital gain allows you to use your annual CGT exemption, further reducing your tax bill.

## Adopting a total return approach to investing

A total return approach, which combines dividend income and capital gains, can maximise tax allowances, enhance returns and reduce volatility. High dividend yields aren't always sustainable and may signal financial distress. A total return strategy builds resilience by selecting investments expected to deliver strong overall performance within your risk capacity.

While tax-efficient investing is crucial, tax rules shouldn't be the sole driver of your decisions. Professional advice will help you build a diversified portfolio tailored to your goals, ensuring you pay no more tax than necessary. ♦

## Looking to shield your wealth from rising dividend taxes?

We can discuss smart strategies to minimise your tax bill and maximise your investments, tailored to your financial goals. If you require further information or wish to discuss how these changes to dividend taxation could affect your personal portfolio, please contact us.

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# Your health could be the key to a larger pension

Maximise your pension by sharing your health story

**Many UK adults approaching retirement may be missing out on thousands of pounds due to misunderstandings about how their health affects their pension options.** Research shows that two in five adults over 50 are unaware that common medical conditions could significantly increase their retirement income<sup>[1]</sup>. Despite the potential for higher guaranteed income through enhanced annuities, 40% of those over 50 do not understand how health disclosures affect their final rate.

**T**his confusion often centres on **everyday health issues**. For example, over 40% of people in this age group are unsure whether conditions such as high blood pressure, type 2 diabetes or smoking habits affect their annuity income. Surprisingly, only 17% believe smoking could increase their income, and even fewer associate high blood pressure (13%) or type 2 diabetes (12%) with higher payouts.

## Closing the gap on enhanced annuities

Contrary to common assumptions, poor health or lifestyle choices can work in your favour when it comes to annuities. These financial products provide guaranteed lifetime income, and providers use your medical history to calculate payouts. If a health condition or lifestyle factor reduces your life expectancy, you may receive a higher annual income as compensation.

Being fully transparent about your medical history is the most effective way to maximise your retirement income. Omitting seemingly minor health details could cost you significantly over time. Although 57% of UK adults report being honest with professionals about their health, only 48% of annuities purchased in 2024/25 were enhanced, highlighting a gap between eligibility and uptake.

## Seeking the right support and guidance

Reluctance to discuss health in a financial context often prevents people from securing the most

competitive rates. Many feel uncomfortable sharing sensitive medical data by phone with advisers. To address this, some providers now offer online health declarations, which provide a private and straightforward way to ensure all details are accurately recorded.

Enhanced annuities are tailored to your circumstances, ensuring your retirement income aligns with your health and lifestyle. Total transparency ensures you receive the best financial arrangement for your situation.

## Take control of your retirement income

Understanding how your health affects your pension options is crucial. By being open about your medical history and seeking professional advice, you could secure a higher guaranteed income and make the most of your retirement. Don't let misunderstandings or discomfort hold you back; explore enhanced annuities to ensure your financial future meets your individual needs. ♦

**Want to discover whether you could increase the income you receive for the rest of your life?**

If you are approaching retirement and want to understand how your medical history could affect your guaranteed income, speak to us. We'll explore your options and help you secure the maximum retirement income you deserve.

### Source data:

*[1] Research conducted by Opinium with a nationally representative sample of 2,000 UK adults aged 50 and over, carried out between 27 August and 1 September 2025.*

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