

A guide to your mid-life MOT



PRISM
WEALTH MANAGEMENT

Introduction

Every year, you take your car to the garage for its MOT. A quick check-up to make sure everything is running smoothly.

A mechanic looks over more than 20 different parts to keep you on the road, reduce your chances of an unexpected breakdown and help your car last longer.

Your financial life deserves that same kind of attention.

Just like a car, your wealth works best when it's regularly checked and well-maintained. Taking the time to give yourself a "mid-life MOT" can help you understand where you are today, spot any issues early, and make sure you're heading confidently toward your long-term goals.

In this guide, we'll walk through five key areas of your financial world – simple but powerful checkpoints to help you stay on track and keep your money running smoothly for the road ahead.

- 1. Managing your money** – Including budgeting, saving, managing your mortgage and other debts.
- 2. Securing your wealth** – Looking at the importance of having an emergency fund and protection in place for if the unexpected happens.
- 3. Growing your wealth** – Exploring how you can save and invest to sustainably target growth over time.
- 4. Preparing for the future** – Covering how to set retirement goals, planning a tax-efficient income strategy, and later-life care.
- 5. Leaving a legacy** – Focusing on wills, Lasting Powers of Attorney, and Inheritance Tax planning.

Just as you trust a mechanic to comprehensively check your car, having an impartial expert assess your money can make all the difference.

So, if you'd like to discuss anything you read about in this guide, please get in touch with your financial adviser.

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1. Managing your money

The first step of a mid-life MOT is to take a look at both your day-to-day spending, and how you go about achieving your short and medium-term financial goals.

By looking over each of these areas, you'll get a much clearer picture of where you currently stand. And how well you're moving towards your goals.

Breaking down your budget

Regularly reviewing your day-to-day spending is a an effective place to start to ensure you stay on the road.

To review your budget:

- **Work out your monthly income** – Including your salaried income, any bonuses, and other income sources such as from investments.
- **Add up your typical monthly expenses** – Include essentials, such as bills and utilities, but also other non-essential regular spending, like leisure activities or restaurant trips.
- **Take your expenses away** – This will show you how much of your income you're spending each month, and what's left.

From here, you can see exactly where your money goes each month. It might help you identify how much you're able to save, or show you areas where you can cut back on your spending and stay on budget.

This can also be useful for assessing your ability to save for larger purchases, such as a new car or home renovations.

Dealing with debt

Debt can be a highly useful tool, provided that you borrow money sensibly. However, it can also become a drain on your finances if not carefully managed, as interest increases the amount owed. So take this opportunity to check that your debt is well-managed and suitable for your needs.

The average personal debt in the UK in 2025 is £34,811.¹

Source: UK Insolvency Services

Certain types of debt may have higher interest rates than others, such as credit card or store card borrowing. If you have these obligations, you may want to consider clearing them first.¹

Reviewing your mortgage

Mortgage borrowing is usually one of the biggest financial commitments a household takes on, so giving your mortgage a yearly check-up is a smart habit.

Over the past few years, interest rates have moved around a lot. After rising steeply from 2021 onwards, the Bank of England has now begun to bring rates back down.

So, if your current mortgage deal is coming to an end soon, it's worth having an early conversation with your lender or a mortgage adviser. They can walk you through the options – whether that's securing a new fixed rate, switching lender, or considering a tracker. They may have access to rates and products you wouldn't otherwise see. Getting the right deal could reduce your monthly repayments and free up money for other financial goals.

¹[UK personal debt 2025](#) UK Insolvency Services.

2. Securing your wealth

Even when you're managing your money carefully, staying on top of your day-to-day spending and focusing on your short-term goals – life can throw the unexpected your way. So building a safety net and preparing for life's curve balls is key. Here's how:

Creating an emergency fund

Once you've got a good idea of your budget, a great next step is to start building an emergency fund. Think of it as a financial safety net – money you can reach quickly if life throws something unexpected your way.

It's usually best to keep this pot in an easy-access savings account so you can use it straight away if you need to. A simple rule of thumb is to aim for enough to cover your essential outgoings for three to six months.

That way, whether it's an unexpected bill, a sudden repair, or a temporary drop in income, you'll have a comfortable cushion to fall back on.

Putting protection in place

Financial protection can make a huge difference when life doesn't go to plan. Even if you never need to use it, simply knowing you have a safety net in place can offer real peace of mind.

There are a few key moments in life when protection can be especially valuable. Here are three common situations where the right cover can step in and support you:

1. You're injured or too ill to work

Illness or injury can happen to anyone. Without warning. If you're injured or too ill to work – income protection can bridge

the gap. Income protection pays a regular amount – typically half to two-thirds of your pre-tax income – for a set time period or until you're able to return to work.

2. You're diagnosed with a critical illness

Critical illness cover may pay out a tax-free lump sum if you are diagnosed with a serious illness listed on the policy.

3. You or your spouse die unexpectedly

Life insurance can pay out a lump sum if the policy holder or anyone listed on it dies or is diagnosed with a terminal illness while the cover is active.

Three common protection myths busted

“Insurers never pay out on protection claims”

Insurers paid a record £8 billion in protection claims in 2024 – that's about £21.9 million every single day. Here's a breakdown:

- Life insurance: 96.5%
- Critical illness cover: 89.7%
- Income protection: 80%

Source: ABI²

“I'm too young to need to worry about falling ill”

Sadly, the average age for those claiming on critical illness cover may be lower than you think.

The average age for a critical illness claim in 2024 was 49 years old. And the youngest claimant was just 22.

Source: Legal and General³

“Life insurance wouldn't pay out enough to my family anyway”

The average life insurance payout was around £80,000 in 2024.

Crucially, you can tailor cover to your needs, choosing a policy that reflects how much you want to leave to your family, and how much you want to pay in monthly premiums.

Source: Forbes⁴

²Record £8bn paid out in vital protection claims during 2024 ABI.

³Our claims statistics 2024 Legal and General.

⁴UK life insurance statistics Forbes.

3. Growing your wealth

You've got a clear picture of your finances and a safety net in place. Now it's time to look at growing your wealth for the future.

Here's three options for doing exactly that.

Savings

Cash savings can be an effective way to grow your wealth. You'll generally receive interest on the money you save each month, and this interest will "compound" over time, meaning you'll receive interest on the interest you've previously been given.

Alongside your emergency fund, having a portion of your wealth as cash is important. With the interest you receive, you'll be able to grow your wealth in a low-risk environment.

That said, it's important not to hold too much money in cash, as it could lose value against the rising cost of living over time.

Goods and services increase in cost – this is what's known as "inflation" – meaning your money doesn't have the same spending power year-on-year.

If the interest rate you receive on your cash savings is lower than the rate of inflation, that means your money can't go as far as it did previously.

As a result, it's vital to not hold all your wealth in cash. Otherwise, it could lose value in real terms as inflation reduces its spending power.

Tax-efficient investments

Investing in the stock market can often beat cash in the long term.

History continues to show that holding money in the stock market over long periods has typically delivered much higher returns than leaving it in cash.

For example, if you had placed £10,000 in a Cash ISA in 1999, it would have grown to around £18,695 by 2024.

But investing that same amount in a globally diversified stock market fund would have grown to over £77,826. That's more than four times the return from cash.

While past performance is not necessarily indicative of future performance, this shows that investments do have the ability to outperform cash over longer periods.⁵

Source: This is money

⁵[Cash ISAs vs investing](#) This is Money.



If you want to grow your wealth while still having the option to access your money ahead of retirement, you may want to consider investing outside of your pension.

You can choose to invest in a range of different assets, including:

- Stocks and shares
- Funds – including exchange-traded funds (ETFs)
- Bonds
- Commodities
- Open-ended investment companies (OEICs)

When investing your money, it's sensible to do so as tax-efficiently as possible. For example, you could consider holding your investments in a Stocks and Shares ISA, as any interest or returns on assets in these accounts is entirely free from Income Tax and CGT.

In the 2026/27 tax year, you can save or invest up to £20,000 a year into ISAs.

From 6 April 2027, this will change for savers under the age of 65, who will see their Cash ISA allowance reduced to £12,000, with the remaining £8,000 available only through Stocks & Shares ISAs.

Pension contributions

Pensions are one of the most tax-efficient ways of creating a fund for later life.

You'll receive tax relief on contributions you make to your fund, depending on your rate of Income Tax. This means that a £100 pension contribution technically costs:

- £80 for basic-rate taxpayers
- £60 for higher-rate taxpayers
- £55 for additional-rate taxpayers

Typically, you can make tax-efficient pension contributions up to your Annual Allowance each tax year.

In 2026/27, this stands at £60,000. However, this may be reduced if you are a high earner.

Crucially, your pension funds will be invested in the stock market. That means your retirement savings will have the potential to grow throughout your working life.

Your returns will be entirely free from Income Tax and Capital Gains Tax (CGT) while within your pension too.

But remember, from April 2027 most unused pension funds will start being included in the value of your estate for Inheritance Tax purposes.

The main thing to consider when contributing to your pension is that you typically won't be able to access this money until the normal minimum pension age which is 55, but will rise to 57 in 2028.

Factor this into your decisions when choosing where to save and invest your money.

4. Planning for the future

Ultimately, the reason you organise, save, and invest your wealth is to support yourself in the future.

That's why it's sensible to review your plans for the future when carrying out your mid-life MOT.

Setting goals and working out your desired retirement lifestyle⁶

Setting retirement lifestyle goals can be hugely powerful in focusing how you manage your money. This will be entirely personal to you.

Choosing goals can inform how much you should save throughout your working life, because you'll be able to calculate how much you're going to need to live your desired lifestyle. This can help refine your saving and investment strategy.

It's also completely normal for your goals to shift as life changes. You might imagine spending retirement travelling the world, only to discover later on that what really matters is being close to family. Maybe by the time you stop working, you'll have grandchildren and find yourself wanting to spend more time with them than on long-haul adventures.

This is where carrying out your mid-life MOT can make a real difference – you can check that your wealth is still suitably organised to let you achieve your goals, even if they've changed over time.

Knowing how you'll draw your income in later life

It's important to know how you'll draw your income to achieve your goals.

Ideally, you'll have your savings, investments, and pensions to draw from, as well as the ability to claim the State Pension when you reach State Pension Age.

When designing this income strategy, you may want to think about aspects such as:

- **Investment performance** – For example, you may want to be able to draw from savings if stock markets dip in value and temporarily reduce the value of your pension or other investments.
- **Income Tax** – Your retirement income will still be subject to Income Tax, so you could design a strategy that ensures you're limiting the tax bill you'll face.

Having a clear financial plan can help you manage elements like these. Discussing your goals with an adviser can be helpful in designing a route that's right for you, and give you peace of mind that your strategy will help you achieve them.

Thinking about later-life care

One of the most pressing concerns for those approaching, or in retirement is that of later-life care.

With the average cost of care homes reaching around £1,300 a week or £67,000 a year, it's clearly important to consider how you could go about funding this cost if you ever needed to rely on later life care.⁶

If you have less than £14,250 in capital assets, you will typically only pay for what you can afford. Meanwhile, if you have more than £23,250, you will likely be entirely responsible for the cost of your care. You may be entitled to some help if you have assets between these two thresholds.

The thresholds can change depending on where in the UK you are resident, so ask your adviser for more information.

If you do exceed the upper threshold, you'll need to organise your wealth so that you're able to afford these costs. Some options you could consider for doing this are:

- Having dedicated savings to cover the cost of care
- "Earmarking" a portion of your pension that you'll leave untouched to fund care
- Setting money aside in a life interest trust

You may never need to rely on later life care. But even so, it can be sensible to prepare for the costs, just in case.

⁶Care home costs 2026: how much do you pay?

⁷Retirement bucket list Age UK Mobility.

10 of the most common retirement bucket list goals⁷

Going on a cruise

Seeing the Northern Lights

Spending more time with grandchildren

Living abroad

Buying a dog or adopting a pet

Traveling in a motor-home

Driving Route 66

Re-visiting your honeymoon destination

Taking your grandchildren to Disneyland

Renewing your wedding vows

5. Leaving a legacy

While you're planning for today and tomorrow, it's also worth thinking about the legacy you'll leave behind. It's a simple step that can make a lasting difference for your family.

It can be helpful to include this as part of your mid-life MOT. Here are a few areas to think about.

Creating a will

Your will is the cornerstone of legacy planning.

In your will, you can outline important information such as:

- Who will receive your wealth and possessions
- Who you would like to be the guardian of your children if they are under 18
- Instructions for your funeral
- Who you are naming as your executors – that is, the individuals responsible for administering your estate on your death

One in two UK adults don't have a will, despite how important they are.⁸

Source: Canada Life

Without a will, your estate will instead be divided by the intestacy laws. This may see your estate separated in a way you deem unfair, or your wealth given to individuals you may not have chosen yourself. This could sadly cause disagreements between your loved ones.

You can remove the potential for these issues by creating a clear, comprehensive will.

Putting a Lasting Power of Attorney in place

Having a Lasting Power of Attorney (LPA) in place can be immensely useful. Yet, figures show that 4 in 5 UK adults do not have one.⁹

An LPA allows you to appoint an attorney (or attorneys) to make decisions on your behalf should you lose capacity or develop a condition that affects your mental faculties such as dementia.

There are two types of LPA:

- **Property and financial affairs**
Allowing your attorney(s) to make decisions or assist you with financial matters involving money and property, including banking, tax, bills, and selling your home.
- **Health and welfare**
Allowing your attorney(s) to make decisions about elements of your general health and welfare, including your daily routine, medical care, moving you into a care home, and life-sustaining treatment.

You must separately apply for both kinds if you want your attorney(s) to be able to make decisions over both your finances, and your health and welfare.

This practical step can ensure that you have a trusted individual acting in your best interests if you ever become unable to make decisions for yourself.

Remember: you must put an LPA in place before you lose capacity. If you don't, this can be a more difficult, drawn-out and costly process for your loved ones.

⁸Half of UK adults don't have a will Canada Life.

⁹Four in five UK adults do not have a Lasting Power of Attorney Canada Life.



Planning for Inheritance Tax

Your beneficiaries may face Inheritance Tax (IHT) on your assets when you pass away. Charged at 40% as standard, this could put a severe dent into what you leave to your loved ones.

You do have a tax-free threshold that allows you to pass on a portion of your estate before IHT is due. This is called the “nil-rate band” and stands at £325,000 in 2026/27.

IHT receipts hit record highs in 2024/25 and are expected to climb to a staggering £9.7 billion by 2028/29.¹⁰

Source: Money Marketing

You may also be able to pass on an additional £175,000 if your direct descendants, such as your children or grandchildren, inherit your main residence.

And, as you can combine your nil-rate band with a spouse or partner, this means you can pass on up to £1 million without your beneficiaries facing a tax charge.

However, you may want to consider methods to reduce your IHT liability if you have assets exceeding these thresholds. This might include:

- Spending your wealth to move your estate below the nil-rate band
- Gifting assets during your lifetime
- Putting assets in trust
- Leaving some of your wealth to charity

IHT planning can be highly complex. So, if you want to mitigate a tax bill on your death, it's sensible to seek advice.

¹⁰[Inheritance tax receipts hit record high of £7.6bn](#) Money Marketing.

Please note:

A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Your pension income could also be affected by the interest rates at the time you take your benefits.

The Financial Conduct Authority does not regulate estate planning, tax planning or will writing.

Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured on it.

Note that life insurance plans typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse.

Approved by Best Practice IFA Group Limited on 16/03/2026.

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