



Chartered
Insurance
Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

September 2023 Examination Guide

SPECIAL NOTICES

Candidates entered for the February 2023 examination should study this examination guide carefully in order to prepare themselves for the examination.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

AF5 – Financial planning process

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the examination it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under examination conditions.

Before the examination

Read the Qualifications Brochure

Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current CII Qualifications Brochure and important notes for candidates, which is *essential reading* for all candidates. It is available online at www.cii.co.uk.

Study the syllabus carefully

It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone*, so it is vital that you are familiar with it.

Read widely

If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook will be sufficient to meet all your requirements*. While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic or an alternative viewpoint is sought. It is vital that your knowledge is widened beyond the scope of one book. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide

This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks*. For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your examination preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the tax tables printed at the back of the Examination Guide. The tax tables enable you to concentrate on answering the questions without having to worry about remembering

all the information. *Please note that you are not allowed to take your own tax tables into the examination, these are provided in the portal as you sit the exam (see page 6).*

Note the assumed knowledge

For this Advanced Diploma in Financial Planning, candidates are assumed to have already the knowledge gained from studying the relevant units of the Advanced Diploma, Diploma and Certificate in Financial Planning or the equivalent.

Understand the nature of assessment

Assessment is by means of a three-hour paper. This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

Familiarise yourself with the fact-find

The examination has been specially written by practitioners with relevant technical knowledge and experience. It is then put through a rigorous editing procedure by a panel of active practitioners to ensure that the fact-find is both technically and structurally correct. At least one qualified practitioner then acts as a scrutineer by sitting the paper in advance and writing a report on it. The scrutineer's comments are taken into account in producing the final examination paper.

Appreciate the standard of the examination

Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

Test yourself under timed conditions

You should test your report writing skills under timed conditions. A good way to do this and to assess your technical knowledge at the same time is to set yourself a mock examination using the Examination Guide. To gain the most benefit from this exercise you should:

- Study the fact-find detail over the two-week period as you would for the real examination.
- Set yourself three clear hours to complete the question paper taking into account the financial objectives provided.
- Compare your answers against the model answer once the three hours are up. The model answer will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently holistic and if your technical knowledge was correct.
- Go back and revise further any technical weaknesses revealed in your responses.

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the fact-find details arrive to focus on the client details and prepare yourself for the examination day.

Understand the skills the exam seeks to test

The examination is based on a fact-find for imaginary clients whose details you will have received two weeks prior to the exam date. The fact-find will contain all the client details available. The actual financial objectives of the client will be supplied in the actual examination.

Tasks in the exam will not require candidates to produce a full financial plan. They will instead be focussed on the various elements in the syllabus which are based on the following steps in the financial planning process:

- The relationship between adviser and client.
- Evaluation of the client's objectives.
- Understanding the client's financial status.
- Putting forward appropriate recommendations.
- Reviewing the financial plan.

They may also be focused on other aspects of the syllabus which we believe are key to the customer receiving an effective financial planning service. These include an explanation of technical terms, selection of appropriate remuneration terms etc.

In this way, we are able to test key aspects of the financial planning process. If all aspects of the process are carried out thoroughly, an effective financial plan will be produced.

It is anticipated that at each exam session, a significant proportion of the total marks will be allocated to putting forward recommendations supported by relevant evidence. In this exercise, candidates will always be rewarded for thinking logically about the various objectives and potential solutions to the client.

On-screen written exam familiarisation (Demo 1)

The familiarisation test allows you to experience using the assessment platform before your exam. Please note that while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only. You can also access past exam papers here:

<https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/exam-papers-and-test-specifications/>

You can access the familiarisation test at any time.

<https://www.cii.co.uk/learning/qualifications/assessment-information/on-screen-written-exams-by-remote-invigilation/exam-familiarisation/>

Although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

The familiarisation test is designed to allow you to go through the end-to-end process from logging in to answering test questions, before the day of your exam. **We strongly advise that you try the familiarisation test once you have received your login details and well in advance of the actual exam day to help pre-empt any potential exam day technical issues.**

Please note you are strongly advised not to use a laptop provided by your employer.

Laptops and IT equipment provided by your employer typically include security protocols that conflict with any remote invigilation software. You should also avoid using a corporate Wi-Fi or any other internet connection that may include firewalls that you cannot personally control.

- From the familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them. To return to edit any answer you have already typed, you must press 'Answer' for the question you are already in otherwise it will not let you select a previous question you have answered to edit.

Chartered Insurance Institute | Prev | Nav | Next | Clear Highlight | Tools | Calculator | End Test | 174:27

AF1 October 2019

SECTION A
This question is compulsory and carries 80 marks

Question 1
Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the client's circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d) and (e) which follow.

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10. Andrew's mother, Peggy, a widow, died on 1 March 2019 leaving her entire estate to Andrew. Peggy inherited her Aunt's estate of £400,000 in February 2016 following the payment of £30,000 Inheritance Tax (IHT) that was due following the administration of her estate. Peggy's estate was comprised of the following on her death:

House	£700,000
Deposit accounts	£323,000
Cash ISAs	£55,000
FTSE listed shares	£150,000
Collective investment portfolio	£101,000
Personal Pension nominated to a discretionary trust	£326,000

Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee.

Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs.

Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

1. (a) Calculate, showing all your workings, the IHT due as a result of Peggy's death on the 1 March 2019. (13)

Navigation: < Inf01 Inf02 Inf03 **1a** 1b 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c Inf06 >

Buttons: Flag Edit

- Tax tables are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CIIs multiple choice exams. Please do not bring your own copies into the exam. Scroll up and down using the navigation bar.

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AF1 October 2019

INCOME TAX

RATES OF TAX	2018/2019	2019/2020
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000

*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.

Dividend Allowance		£2,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance †	£100,000	£100,000
Personal Allowance (basic)	£11,850	£12,500
Married/civil partners (minimum) at 10% †	£3,360	£3,450
Married/civil partners at 10% †	£8,695	£8,915
Marriage Allowance	£1,190	£1,250
Income limit for Married Couple's Allowance †	£28,900	£29,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500

With regard to the discretionary trust established by Frank:

1. (b)(i) Explain to Andrew why IHT was payable when assets were placed into the trust and how it was calculated. No calculation is required. (6)

Navigation: < Inf01 Inf02 Inf03 **1a** **1b** 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c Inf06 >

Buttons: Flag Clear

3. Once you have typed in your answer ensure you click the red 'Answer' box, this will save your answer and move you onto the next question. Unless you press 'Answer', you will not be permitted to move onto other questions. Furthermore, please do not type all of your answers for every question into the answer space for Q1a. You should familiarise yourself with all questions prior to starting the exam.

The screenshot shows the AF5 exam interface. On the left, there is a question area with a text input field and an 'Answer' button. The question text is partially visible: "(ii) Describe to Andrew why IHT was payable when his father died and how it was calculated. No calculation is required. (6)" and "(iii) State Andrew's duties as a trustee under the Trustee Act 2000. (12)". On the right, there is a table titled 'INCOME TAX' for 'AF1 October 2019'. The table is divided into 'RATES OF TAX' and 'MAIN PERSONAL ALLOWANCES AND RELIEFS'.

AF1 October 2019		
INCOME TAX		
RATES OF TAX	2018/2019	2019/2020
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000
<i>*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.</i>		
Dividend Allowance		£2,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%
MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,850	£12,500
Married/civil partners (minimum) at 10% †	£3,360	£3,450
Married/civil partners at 10% †	£8,695	£8,915
Marriage Allowance	£1,190	£1,250
Income limit for Married Couple's Allowance*	£28,900	£29,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500

4. On the day of the exam, please click on AF5 Financial planning process

The screenshot shows a sidebar on the left of the exam interface. A button labeled 'on-screen written exam demonstration (Demo 1)' is visible in the sidebar.

5. The above screenshot is also a space where you can jot down any notes on paper that may assist you during the exam. Please note, the exam timer will not start until you click the exam titled: AF5 Financial planning process

Two weeks before the examination

What will I receive?

A fact-find will be available to candidates two weeks before the examination and it can be viewed at <https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/supporting-exam-documents> It will contain client information which will form the basis of the report you will be required to prepare in the examination.

How should I use my time over the two-week period?

It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

How should I use the fact-find to help me prepare?

- Study the client details to find areas of need identified by the clients and look for other potential areas of need.
- Look for technical areas you may wish to revise, e.g. trusts, partnerships.
- Practise some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.
- Do not attempt to 'learn' the answers to such calculations but make sure you are confident with the method and know what to include in your workings. You should be able to see from the fact-find whether the clients are higher-rate taxpayers or close to the threshold. You will be able to ascertain the financial position on death and whether there is likely to be an income shortfall which needs addressing.
- If the client has an investment portfolio, ensure that you are familiar with all the investments held within the portfolio. For example, you should understand the risk profile, tax treatment, accessibility and yield of each investment.

Preparing the groundwork – considering possible solutions

Once you have identified the clients' likely needs you should start to consider possible solutions to meet those needs and how the financial planning process would be properly applied to the client(s). You may need to research some details of the solutions you are considering. You may want to go back to your revision notes.

You may need to read about particular products; try product providers for technical information, tax offices etc.

AF5 Examination Technique Exam Guide

To help you prepare for the AF5 examination a FREE AF5 Examination Technique Exam Guide is available to download on the following link <https://www.cii.co.uk/learning/qualifications/unit-financial-planning-process-af5/>.

In the examination

What will I receive?

The fact-find

You will not be able to take your pre-released copy of the fact-find into the examination with you. An identical copy will be available on the online system. There will not be any new or different information contained within the fact-find.

Supplementary information

A summary of the client's key financial objectives will be supplied as part of the examination. You should spend some time studying this information before you commence your financial plan.

The tasks

The instructions are focused on the main steps required to write a financial plan. Mark allocations will be shown and you should use these to guide you on how long to spend on each section of your report. The task that gains most marks is invariably that requesting candidates to outline their key recommendations, supported by relevant evidence.

Answer format

You should provide sufficient technical details to enable you, in the role of financial adviser, to analyse your clients' needs and to demonstrate that the recommendations you make are appropriate and holistic. Merely reproducing quantities of technical detail which is not directly relevant or would be provided through stock paragraphs or appendices in a finished report will not achieve high marks.

Marks will be awarded for demonstrating the holistic consequences of your analysis and recommendations, i.e. how one part of the financial planning process affects all the other parts: how they all interrelate and interact.

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Marks are not lost due to poor spelling or grammar.

You are able to flag questions and then go back to them.

Calculators

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator. You are permitted to use your own calculator.

EXAMINERS' COMMENTS

Candidates overall performance:

Overall candidate performance was very good. As with previous sittings, a few areas of the paper demonstrated a slight weakness in application of financial principles to the client specific circumstances. It was very pleasing to note that the majority of candidates recognised the issues surrounding the vulnerability of this particular client, having suffered the recent and unexpected loss of his wife.

Question 1 (a)

This was a standard Fact-Finding question. Good performance overall but some candidates focused on generic points, rather than client specific points. Alex's circumstances and current vulnerable status require some specific additional information but a number of candidates failed to recognise this and omitted issues such as whether Alex had already contacted the providers of Tanya's pension and investment holdings and whether assistance might be available from family and friends.

Question 1 (b)

This question required candidates to outline the key requirements that a financial adviser must meet when working with Alex, due to his current vulnerable status. Overall very good performance and most candidates were able to achieve good marks.

Question 2 (a)

This question required candidates to identify the key reasons why Alex's affordability and capacity for loss have changed following Tanya's death. Good performance overall. Candidates recognised the fact that Alex has now inherited all of Tanya's assets which will increase his available capital to meet the family needs as well as identifying issues such as the repayment of the mortgage which will reduce his ongoing costs.

Question 2 (b)

This question asked candidates to state why Alex can claim Bereavement Support Payment following Tanya's death and outline the potential level of benefits which may be available to him. Overall performance was very good and most candidates understood the benefits that Alex would be able to claim and the timeframes that must be met for a full claim.

Question 3 (a)

Candidates were asked to describe in detail the process that Alex should follow and the conditions that must be met to maintain the tax-efficiency of Tanya's Stocks & Shares ISA. General performance was very good with most candidates achieving high marks.

Question 3 (b)

Candidates were asked to recommend and justify how Alex can improve the tax-efficiency of his current financial position following Tanya's death. Although general performance was good, it was noted that a number of candidates failed to recognise some relatively simple actions that Alex could take to improve the tax position such as increasing his pension contributions to enable him to claim Child Benefit and potentially regain the higher Personal Savings Allowance as well as reducing the Dividend Tax on his inherited Unit Trust. Given Alex's level of inherited assets, this would be an affordable option that would offer him significant tax benefits. Some candidates gave limited answers which lacked sufficient depth to achieve high marks.

Question 4 (a)

This question asked candidates to explain in detail the options available to Alex in respect of Tanya's workplace pension scheme following her death. Most candidates did very well and had no difficulties in providing a detailed answer.

Question 4 (b)

This question required candidates to explain the actions that Alex should take in respect of his existing Will, nominations and Powers of Attorney. Very good performance although it is important to note that a number of candidates did not understand that Alex's Will remains valid, despite the death of his wife.

Question 5 (a)

This question asked candidates to recommend and justify a suitable and tax-efficient trust arrangement that Alex could set up in his Will to protect the children in the event of his death before they reach age 18. Some mixed performance as many candidates provided answers that assumed Alex would set up a Trust during his lifetime which he would oversee as Trustee. This question clearly states that the Trust will be set up via his Will in the event of his death. Overall performance was mixed with some very good performance but also some disappointing performance from candidates who suggested the use of a Discretionary Trust which Alex would set up now, rather than a Bereaved Minors Trust which would be an appropriate Trust to set up via his Will.

Question 5 (b)

This question required candidates to explain to Alex why he may wish to set up a Critical Illness policy and how this could provide suitable protection for himself and the children in the event of a serious illness. Good performance from the majority of candidates.

Question 6 (a)

Candidates were asked to identify the key financial issues that Alex should consider when deciding if he will reduce his future working hours. Overall performance here was good.

Question 6 (b)

Candidates were asked to outline the financial planning considerations that Alex should consider in setting up an appropriate investment strategy for Tanya's Death-in-Service payment. Mixed performance with some candidates giving generic answers and failing to recognise issues such as Alex's level of investment experience and the fact that, at the moment, he is vulnerable and unsure of his future income and capital needs.

Question 7 (a)

This question asked candidates to explain why the existing range of pension and investment funds may not be suitable for his current financial needs. Good overall performance.

Question 7 (b)

This question asked candidates to explain in detail how Tanya's pension and investment holdings will be transferred to Alex and how they will be treated for tax purposes following her death. General performance was good although many candidates failed to recognise that this process was based on the fact that nominations and a Will were in place. Only a limited number of candidates appreciated that Probate might be required in respect of the investment holdings.

Question 8 (a)

This question asked candidates to state the reasons why Alex should review his protection arrangements as a matter of urgency following Tanya's death. Overall performance was very good.

Question 8 (b)

This question required candidates to identify six key issues that should be discussed with Alex regarding the transfer of Tanya's assets at the next meeting. General performance was good although it was disappointing to note that a number of candidates gave generic answers, rather than focusing on the transfer of Tanya's assets to Alex.

FACT-FIND

You are a financial adviser authorised under the Financial Services and Markets Act 2000 (FSMA). You completed the following fact-find when you met Alex Sims recently.

PART 1: BASIC DETAILS					
	Client 1			Client 2	
Surname	Sims			Sims (Deceased)	
First name(s)	Alexander (Alex)			Tanya	
Address	Brighton				
Date of birth	01.05.1983			12.08.84	
Domicile	UK			UK	
Residence	UK				
Place of birth	Cardiff			Bristol	
Marital status	Widower				
State of health	Good				
Family health	Good				
Smoker	No				
Hobbies/Interests	Photography, Theatre				
Notes:					
<p>Alex has contacted you for assistance in reviewing his financial affairs after the sudden death of his wife, Tanya two months' ago following a short illness.</p> <p>Tanya's Will left her entire estate to Alex. This is currently being executed by their family solicitor and Alex is expecting this process to be completed in the next few months.</p>					
PART 2: FAMILY DETAILS					
Children and other dependants					
Name	Relationship	Age	Health	Occupation	Financially dependent?
Thea	Daughter	13	Good	N/A	Yes
Cameron	Son	9	Good	N/A	Yes
Notes:					
<p>Alex has two children who are both at school.</p>					

PART 3: EMPLOYMENT DETAILS		
Employment	Client 1	Client 2
Occupation	Engineer	Consultant
Job title	Senior Project Engineer	Technology Consultant
Business name		
Business address		
Year business started		
Salary (gross per annum)	£90,000	£65,000
State Pensions		
Overtime (gross per annum)		
Benefits-in-kind		
Pension Scheme	See Part 11	See Part 11
Life cover	See Part 8	See Part 8
Private Medical Insurance		
Income Protection Insurance	See Part 9	
Self-Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		
Notes:		
<p>Alex has been employed at the same company for 15 years.</p> <p>Tanya worked full-time for her employer and had a range of employer-sponsored benefits including Death-in-Service and a Qualifying Workplace Pension Plan. (See Part 8 and Part 11).</p>		
Previous Employment		
Previous employer		
Job title		
Length of service		
Pension benefits		
Notes:		
<p>There are no benefits from former employers for either Alex or Tanya.</p>		

PART 4: OTHER PROFESSIONAL ADVISERS

	Client 1	Client 2
Accountant		
Bank	Accent Bank	Accent Bank
Doctor		
Financial Adviser		
Solicitor	Hendry Davies LLP	Hendry Davies LLP
Stockbroker		
Other		

Notes:**PART 5: INCOME AND EXPENDITURE****Income**

	Client 1		Client 2		Joint	
	Monthly £	Annually £	Monthly £	Annually £	Monthly £	Annually £
State Pensions						
Pensions/Annuities						
Salary (gross)		90,000				
Overtime (gross)						
Benefits-in-kind						
Savings income (interest)		3,165				
Dividends				2,450*		

Notes:

Alex now receives the full interest from the Bank current and deposit accounts which have been transferred into his sole name following Tanya's death.

*The dividend income from Tanya's unit trust forms part of her estate as the holding has not yet been transferred to Alex.

	Client 1	Client 2
Income Tax	£	£
Personal allowances		
Taxable income		
Tax		
National Insurance		
Net Income		

Notes:

Expenditure

Household Expenditure	Monthly £			Annually £		
	Client 1	Client 2	Joint	Client 1	Client 2	Joint
Mortgage/Rent						
Council tax	183					
Buildings and contents insurance				380		
Gas, water and electricity				3,200		
Telephone/Mobile	40					
TV licence and satellite	80					
Property maintenance				2,000		
Regular Outgoings						
Life assurance (see Part 8)	30					
Savings Plans						
Car tax, insurance and maintenance				1,200		
Petrol and fares	180					
Loans						
School fees						
Childcare (current)	400					
Further education						
Subscriptions						
Food, drink, general housekeeping	600					
Pension contributions (see Part 11)	300					
Other Expenditure						
Magazines and newspapers						
Entertainment	200					
Clubs and sport				1,500		
Spending money	400					
Clothes						
Other (Holidays)				3,500		
Total Monthly Expenditure	2,413					
Total Annual Expenditure	28,956			11,780		
Total Outgoings						40,736

Do you foresee any major/lump sum expenditure in the next two years?

Notes:

Alex is expecting a significant rise in his expenditure due to additional childcare costs. He is currently on compassionate leave from his employer on full pay. His employer has offered him the option of reducing his working hours with an amended salary of £70,000 p.a. gross.

PART 6: ASSETS

	Assets	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence	400,000			
2.	Contents/car	45,000			
3.	Current account	25,000			125
4.	Deposit Savings Account – Fixed-Rate	76,000			3,040
5.	Stocks & Shares ISAs – UK Equity funds (accumulation units)	65,000			
6.	Stocks & Shares ISAs – Global Equity funds (accumulation units)		87,000		
7.	Unit Trust fund – UK Tracker fund (accumulation units)		70,000		2,450

Notes:

The family home and bank accounts were jointly held so these have now been transferred to Alex.

Tanya's Stocks & Shares ISA holdings are still held in her name.

Tanya held a Unit Trust invested in a UK Tracker fund which was funded by a gift of £40,000 from her parents. This is still held in her name.

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			
Type of mortgage			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Life policies (see Part 8)			

Notes:

Alex and Tanya had an interest-only mortgage of £200,000 on their property which was owned as joint tenants. This was fully covered by a joint life first death policy which has now been used to settle the outstanding mortgage.

Other Loans	Client 1	Client 2	Joint
Lender			
Type of loan			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Payment protection			

Notes:

There are no other loans.

Other Liabilities (e.g. tax)**Notes:**

There are no immediate liabilities, but Alex has not yet established if there are any potential tax liabilities on Tanya's death.

PART 8: LIFE ASSURANCE POLICIES

Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust?	Surrender Values £
Alex	Employer	360,000	N/A			Yes	N/A
Tanya	Employer	260,000	N/A			Yes	N/A
Alex	Alex	150,000	£30 p.m.	20 years	2014	Yes	N/A

Notes:

Alex is due to receive the payment from Tanya's Death-in-Service benefit within the next few weeks.

Alex has an employer-sponsored Death-in-Service benefit which is currently nominated for Tanya.

Alex and Tanya held a joint life first death level mortgage protection policy with a sum assured of £200,000. This has been paid to the mortgage provider to redeem the mortgage in full following Tanya's death. (See Part 7).

Alex has a single life level term policy for the sum of £150,000 which he set up to provide a lump sum for Tanya and the children in the event of his death. This is held in Discretionary Trust for Tanya and the children.

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured	Start Date	Term/Review	Deferred Period	Premium £
Income Protection	Alex	65% of basic salary		Term of employment	6 months	N/A

Notes:

Alex has an employer-sponsored Income Protection policy with benefits linked to RPI. The policy will provide cover to normal retirement age. He will receive full pay for six months from his employer in the event of illness or incapacity.

PART 10: REGULAR SAVINGS

Type	Company	Ownership	Fund	Amount Saved £	Sum Assured	Maturity Date	Current Value £

Notes:

There are no regular savings plans.

PART 11: PENSION DETAILS**Occupational pension scheme**

	Client 1	Client 2
Member of employer's scheme		
Type of scheme		
Date joined		
Retirement age		
Pension benefits		
Death benefits		
Dependant's benefits		
Contracted-in/out		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		

Notes:

There are no occupational pension schemes.

Additional Voluntary Contributions (including free standing additional voluntary contributions).

	Client 1	Client 2
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		

Notes:

There are no Additional Voluntary Contribution pension schemes.

Personal Pensions

	Client 1	Client 2
Type	Qualifying Workplace pension scheme	Qualifying Workplace pension scheme
Company	Monarch Life	Accent Life
Fund	UK Equity funds	UK and Global Equity Tracker funds
Contributions	5% employer/5% employee	
Retirement date	65	N/A
Current value	£138,000	£115,000
Date started		

Notes:

Tanya was a member of her employer's workplace pension scheme, and this plan was nominated for Alex.

Alex has nominated his pension benefits for Tanya.

Previous/other pension arrangements

	Client 1	Client 2
Employer		
Type of scheme		
Date joined scheme		
Date left scheme		
Current value		

Notes:

There are no previous pension arrangements.

State Pension

	Client 1	Client 2
State Pension		

Notes

Alex has never reviewed his State Pension benefit.

PART 12: INHERITANCES

Wills	Client 1	Client 2
Do you have a current Will?	Yes	Yes

Notes:

Alex and Tanya had mirror Wills leaving all of their assets to the survivor and then to the two children in equal shares. Alex wishes to ensure that the children are protected financially in the event of his death and wishes to review his Will in this respect.

They had put in place Lasting Powers of Attorney a few years ago which named each other as Attorneys. No replacement Attorneys were named in these documents.

Trusts	Client 1	Client 2
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	No	No
If yes, give details		

Notes:

Gifts	Client 1	Client 2
Give details of gifts made and received	None	£40,000 from parents

Notes:

Tanya received a cash gift of £40,000 from her parents in 2015 which she invested into the Unit Trust holding (See Part 6).

Inheritances	Client 1	Client 2
Give details of any inheritances expected	See notes below	N/A

Notes:

Alex will inherit all of Tanya's assets under the terms of her Will. Alex is not expecting any further inheritances.

PART 13: ATTITUDE TO RISK/CAPACITY FOR LOSS

What level of risk are you prepared to take to achieve your financial objectives?

Notes:
Alex has been assessed as a medium-risk investor.
Alex wishes to assess his financial position following Tanya’s death.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	01.09.23	
Client agreement issued	01.09.23	
Data Protection Act	01.09.23	
Money laundering	01.09.23	
Dates of meetings		
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

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Unit AF5 – Financial planning process

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2023/2024, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

If you are sitting via remote invigilation please

- Write down the following number +44 (0)80 8273 9244 this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **Three hours** are allowed for this paper which carries a total of 160 marks.
- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper, this is different to the multiple choice exams.**
- The fact-find and the tax tables are provided on the right-hand side of the interface.
- **Client objectives are also provided and you should read them carefully before attempting the tasks.**
- **In this examination you should use the fact-find on the system. You are not allowed to bring into the examination the pre-released copy of the fact-find.**
- For each answer, please type in the full question number you are answering e.g. 1
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off. No watches are permitted.**
- Please familiarise yourself with **all** questions before starting the exam.

CLIENTS' FINANCIAL OBJECTIVES

You have now been able to determine from the information in the fact-find that your client has the following financial objectives:

Immediate objectives

- To arrange the transfer of Tanya's financial arrangements to Alex.
- To consider the affordability of Alex reducing his working hours.
- To claim any available State Benefits to assist Alex following Tanya's death.

Longer-term objectives

- To arrange a suitable investment strategy for Alex's financial assets, including the inherited funds.
- To put in place suitable arrangements to protect his children in the event of Alex's death or serious illness.
- To improve the overall tax-efficiency of Alex's financial arrangements.

Attempt ALL tasks**Time: 3 hours****PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX**

1.
 - (a) Identify the additional information that you would require in order to advise Alex on the suitability of his financial arrangements following the loss of his wife. (14)
 - (b) Outline the key requirements that a financial adviser must meet when working with Alex, due to his current vulnerable status. (8)

2.
 - (a) Identify the key reasons why Alex's affordability and capacity for loss may have changed following Tanya's death. (10)
 - (b) State why Alex can claim Bereavement Support Payment following Tanya's death and outline the potential level of benefits which may be available to him. (8)

3.
 - (a) Describe in detail the process that Alex should follow and the conditions that must be met to maintain the tax-efficiency of Tanya's Stocks & Shares ISA. (10)
 - (b) Recommend and justify how Alex can improve the tax-efficiency of his current financial position, following Tanya's death. (14)

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

4.
 - (a) Explain in detail the options available to Alex in respect of Tanya's workplace pension scheme following her death. (12)
 - (b) Explain the actions that Alex should take in respect of his existing Will, nominations and Powers of Attorney. (10)

5. (a) Recommend and justify a suitable and tax-efficient trust arrangement that Alex could set up in his Will to protect his children in the event of his death before they reach age 18. (12)

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

- (b) Explain to Alex why he may wish to set up a Critical Illness policy and how this could provide suitable protection for himself and the children in the event of a serious illness. (10)

6. (a) Identify the key financial issues that Alex should consider when deciding if he will reduce his future working hours. (8)

- (b) Outline the financial planning considerations that Alex should consider in setting up an appropriate investment strategy for Tanya's Death-in-Service payment. (12)

7. (a) Explain to Alex why the existing range of pension and investment funds may not be suitable for his current financial needs. (8)

- (b) Explain in detail how Tanya's pension and investment holdings will be transferred to Alex and how they will be treated for tax purposes following her death. (12)

Candidates should assume that all pension and investment assets will be inherited by Alex.

8. (a) State the reasons why Alex should review his protection arrangements as a matter of urgency following Tanya's death. (6)

- (b) Identify **six** key issues that you would discuss with Alex regarding the transfer of Tanya's assets at the next meeting. (6)

Total marks: 160

NOTE ON MODEL ANSWERS

The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

(a) *Candidates would have scored full marks for any fourteen of the following:*

- Vulnerability.
- Date of Tanya's death.
- Probate applied for?/providers/Trustees informed/Additional Permitted Subscription (APS).
- Does he plan to work part-time?/how long will employer offer full pay?
- Expenditure/budget/affordability/income requirements.
- Emergency fund requirement/Term on Fixed Rate deposit.
- Use of ISA allowance.
- Pension contribution history/carry forward available.
- Value of open ended investment company (OEIC) on Tanya's death (new base cost).
- Any additional employer protection benefits/reduction in benefits.
- Any financial/practical assistance from family/friends.
- Estimated cost of childcare/tax relief on childcare.
- State Benefits available?/Bereavement support/Council Tax reduction.
- Has he updated nominations on pensions?/Death-in-Service (DIS).
- Capacity for Loss (CFL)/Environmental, Social and Governance (ESG)/charges/performance.

(b) *Candidates would have scored full marks for any eight of the following:*

- Family member/trusted friend to attend meetings.
- Clarity of explanation/check his understanding.
- Provide written explanations for Alex.
- Additional meetings/extra time in meetings if required.
- No immediate action (due to vulnerable status)/capital and income needs are unclear.
- Flexible outcomes/changing circumstances/no fixed term investments.
- No 'undue influence'/no pressure/duty of care.
- Alex's file should clearly indicate that he must be treated as a vulnerable client/all relevant staff members informed.
- Detailed records kept of all contact with Alex.

Model answer for Question 2

- (a)**
- Loss of Tanya's salary/sole breadwinner.
 - Payment due of Tanya's Death-in-Service (DIS) (£260,000).
 - Tax-free access to Tanya's pension fund (£115,000).
 - APS on ISA/Inherits Tanya's Unit trust.
 - Increased cost of childcare/changes in expenditure.
 - Reduced salary for Alex (if he works part-time).
 - Inadequate protection in place.
 - Reduced employer benefits for Alex (pension/DIS/Private Health insurance (PHI)).
 - Mortgage paid off/no monthly mortgage payment/no premiums for mortgage life cover/policy paid out.
 - Bereavement Support payment available.
- (b)**
- Alex is below State Pension age.
 - Alex is resident in UK.
 - Tanya worked full-time so will have sufficient National Insurance (NI) record (25 weeks NI paid in 1 tax year).
 - They were married.
 - Tax free payment/not means-tested.
 - £2,500/£3,500 lump sum/£100/£350 per month for 18 months.
 - Must claim within 12 months to get lump sum.
 - Must claim within 3 months to receive full income payments.

Model answer for Question 3

(a) *Candidates would have scored full marks for any ten of the following:*

- Continuing account/Additional Permitted Subscription (APS).
- APS protects the ISA wrapper/remains tax free.
- Must notify provider of death/provide death certificate.
- Obtain value of ISA at date of death/Probate value/date of transfer.
- Must claim the APS (not automatic)/provider confirms APS.
- APS available as married to Tanya.
- They were living together on date of death.
- APS can be used up to 3 years from date of death/to date of estate wind-up/date of closure of continuing account.
- He can transfer existing holdings *in specie*/retain existing investments/can switch to cash ISA.
- He can transfer personal cash to the ISA.
- Can transfer to new provider/does not need to remain with existing provider.

(b) *Candidates would have scored full marks for any fourteen of the following:*

- Register APS/continuing ISA.
- Maximise ISA allowance.
- Tax-free income and growth.
- Increase pension contributions/salary sacrifice/claim tax relief on childcare.
- May be able to claim Child Benefit (CB)/NI saving.
- Regain £1,000 Personal Savings Allowance (PSA)/£500 PSA now/reduce Dividend tax to 8.75%.
- 40% tax relief on pension contributions
- Retain Tanya's Pension fund/Nominee Beneficiary Flexi-access drawdown (FAD).
- Update nominations on pensions/DIS.
- Pension can pass IHT-free to children/outside Will.
- Use £6,000 CGT exemption against Tanya's Unit trust.
- Unit Trust base cost is set at date of her death/no Capital Gains Tax (CGT) on death.
- Can use his £1,000 Dividend Allowance.
- Reduce cash balance/purchase Premium Bonds.
- He is paying 40% tax on excess interest over PSA.

Model answer for Question 4

- (a)**
- Alex is nominated beneficiary.
 - Tanya died before age 75.
 - Pension available Income-Tax free to Alex.
 - Can use existing provider/can transfer to new provider.
 - Beneficiary Flexi-Access Drawdown (FAD).
 - Draw income and capital when he wishes/retain fund for growth/invest to match his attitude to risk (ATR).
 - Take full pot as a lump sum (loss of tax wrapper).
 - Purchase annuity (unlikely to be cost-effective).
 - Provides guaranteed income/can provide indexation.
 - Update nominations in favour of children.
 - Allows children to use pot in future to meet their needs.
 - Retains tax free pension wrapper (Inheritance Tax (IHT)/CGT/Income Tax (IT)).
- (b)**
- Write new Will/Will remains valid.
 - Family circumstances have changed/minor children.
 - He needs a Bereaved Minors Trust.
 - Protect children up to 18/control of assets up to 18.
 - Can name suitable Trustees/Executors.
 - Can name guardians for children (no surviving parent).
 - Needs new LPA/advise Office of Public Guardian (OPG) of Tanya's death/Lasting Power of Attorney (LPA) now invalid.
 - Update Pension/DIS nominations for workplace benefits.
 - Update nominations for Tanya's/beneficiary pension plan.
 - Updated nominations allow full options/maintain pension wrapper.

Model answer for Question 5

(a) *Candidates would have scored full marks for any twelve of the following:*

- Bereaved Minors Trust.
- All assets pass into the Trust on his death.
- Children are named beneficiaries/cannot be disinherited.
- Simple/clear process/reduced admin/reduced cost.
- Can use residence nil rate band (RNRB) if property is in Trust/IHT efficient.
- Children inherit automatically at age 18.
- Can use for education/maintenance (up to age 18).
- Trustees of choice can be appointed by Alex.
- Letter of wishes in Will.
- Assets must be managed for benefit of children.
- Not taxed at trustee rates/can use children's own tax allowances.
- No periodic/exit charges.
- Trustees can amend Trust at 18/transfer to new Trust (18 - 25)/Trustees can use discretion.

(b) *Candidates would have scored full marks for any ten of the following:*

- Employer PHI may not pay out/No lump sum benefit available/no Critical Illness cover (CIC)/sole breadwinner.
- Tax free lump sum.
- Sum assured to pay for care/adjustments to home.
- Protects children's inheritance/protects assets.
- Simple underwriting/good health.
- Must meet survival period (e.g. 14 - 30 days).
- Cover needed for 10 years minimum/cover until children are independent.
- Children's cover can be included.
- Indexation can be added to maintain sum assured.
- Guaranteed premiums for known cost.
- Limited State Benefits.

Model answer for Question 6

- (a)
- Reduced salary/sole breadwinner.
 - Affordability issues/can he cover his expenditure?
 - What are his childcare costs?/will any costs reduce?/could he regain Child Benefit?
 - Other assets available (Tanya's DIS/APS/Pension).
 - Reduction in DIS/PHI benefit/Insufficient protection (overall).
 - Reduced employer pension contributions/reduced carry forward allowance/ may impact retirement objective.
 - Reduced ability to borrow in future.
 - Tax considerations/tax relief on pension contributions.
- (b) *Candidates would have scored full marks for any twelve of the following:*
- Vulnerability/Should he invest?
 - Current lump sum needs/capital needs/possible childcare costs/school fees/University costs/emergency fund.
 - How much does he want to invest?/future objectives/downsizing/willing to invest lump sum/phasing.
 - FSCS protection (temporary higher limit for DIS).
 - Available tax allowances (ISAs/pensions).
 - Timeframe for investment/planned retirement age.
 - Liquidity/income units/does he need income?
 - Diversification/asset classes/asset allocation/use of Discretionary Fund Manager (DFM)/tracker funds/platform/active funds.
 - Costs/charges.
 - Growth assumptions/Inflation assumptions.
 - Investment experience/willingness to monitor/he has limited time.
 - ATR/CFL following Tanya's death/any ESG concerns/change of views following Tanya's death.
 - Use of Trusts.

Model answer for Question 7

(a) *Candidates would have scored full marks for any eight of the following:*

- All equity based/no asset class diversification.
- Correlation (on equities).
- Large exposure to UK equities.
- Not income-producing/accumulation units.
- He may need additional income if he goes part-time.
- Currency risk.
- Dividend Tax for Alex (Unit Trust not in ISA).
- May not match ATR/CFL.
- Higher charges on active funds/trackers cannot beat market.

(b) *Candidates would have scored full marks for twelve of the following:*

- Will and nominations in place.
- Joint assets pass directly to Alex.
- No IHT on any assets as they were married.
- ISA remains Income Tax and CGT-free.
- ISA transfers to Alex via APS/continuing ISA.
- Unit Trust is transferred to Alex by Executors/on production of Will/Probate to provider.
- Base Cost is set at value on date of Tanya's death.
- No CGT on death (on Unit Trust).
- Pension transfers to Alex under nomination.
- Pension can provide tax-efficient growth (CGT/IT).
- Pension benefits are Income Tax free as Tanya died before age 75.
- Final tax return/liability for Tanya may be due/Executor's pay tax due during administration of estate.

Model answer for Question 8

- (a)
- He is sole breadwinner/young dependent children.
 - No cover for childcare costs.
 - Insufficient life cover/possible reduction in employer benefits.
 - No CIC/PMI.
 - Unsuitable Will/nominations must be updated.
 - No Lasting Powers of Attorney.

(b) *Candidates would have scored full marks for six of the following:*

- Probate applied for?/granted?
- DIS received?/FSCS protection limits.
- Pension plan transferred to his name?/nominations updated?
- Has APS been received?/Registered?
- Current value of inherited assets?/asset allocation?/use of tax allowances/plans for inherited assets.
- Capital Gains on Unit Trust from date of death.
- Tax return completed for Tanya?/tax due?/tax rebate?

Glossary of terms

Some abbreviations candidates can use in financial planning online exams:

1. ATR – Attitude to risk
2. APS – Additional Permitted Subscription
3. BRT – Basic rate taxpayer
4. BIK – Benefit in kind
5. BADR – Business Asset Disposal Relief
6. CLT – Chargeable Lifetime Transfer
7. CFL – Capacity for loss
8. CGT – Capital Gains Tax
9. DOV – Deed of variation
10. DIS – Death-in-Service
11. DFM – Discretionary Fund Manager
12. EIS – Enterprise Investment Scheme
13. ESG – Environmental, Social and Governance
14. EPT – Excluded Property Trust
15. EPA – Enduring Power of Attorney
16. ERC – Early repayment charges
17. FAD – Flexi access drawdown
18. FSCS – Financial Services Compensation Scheme
19. FOS – Financial Ombudsman Service
20. GAR – Guaranteed annuity rate
21. HRT – Higher rate taxpayer
22. IHT – Inheritance Tax
23. IT – Income Tax
24. IVA – Individual Voluntary Arrangement
25. LPA – Lasting Power of Attorney
26. LTA – Lifetime allowance
27. MVR – Market value reduction
28. MPAA – Money purchase annual allowance
29. NICs – National Insurance contributions
30. NPA – Normal pension age
31. NRA – Normal retirement age
32. NRB – Nil rate band
33. OPG – Office of the Public Guardian
34. OEIC – Open ended investment company
35. PAYE – Pay As you Earn
36. PPP – Personal pension plan
37. PCLS – Pension commencement lump sum
38. PA – Personal Allowance
39. PSA – Personal Savings Allowance
40. PMI – Private Medical Insurance
41. RAC – Retirement annuity contract
42. RNRB – Residence nil rate band
43. SIPP – Self-invested personal pension plan
44. SEIS – Seed Enterprise Investment Scheme
45. SWR – Safe withdrawal rate
46. SP – State Pension
47. UFPLS – Uncrystallised fund pension lump sum
48. VCT – Venture Capital Trust

All questions in the February 2024 paper will be based on English law and practice applicable in the tax year 2023/2024, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the September 2023 and February 2024 examinations.

INCOME TAX

RATES OF TAX	2022/2023	2023/2024
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£150,000	£125,140
High income child benefit charge:	1% of benefit per £100 of adjusted net income between £50,000 – £60,000	
<i>*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.</i>		
Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend Allowance	£2,000	£1,000
Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Trusts		
Standard rate band	£1,000	£1,000
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%
MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£3,640	£4,010
Married/civil partners at 10% †	£9,415	£10,375
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£31,400	£34,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,600	£2,870
Enterprise Investment Scheme relief limit on £2,000,000 max**	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%
<i>§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).</i>		
<i>† where at least one spouse/civil partner was born before 6 April 1935.</i>		
<i>** Investment above £1,000,000 must be in knowledge-intensive companies.</i>		
Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,935	£3,235
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£17,005	£18,725

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 242.00*	Nil
242.00 – 967.00	12%
Above 967.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below 175.00**	Nil
Over £175.00	13.8%

*** Secondary threshold.*

CLASS 2 (self-employed)	
Flat rate per week	£3.45
Small profits threshold per year	£6,725
Lower profits limit per year	£12,570

Class 3 (voluntary)	Flat rate per week £17.45.
Class 4 (self-employed)	9% on profits between £12,570 and up to £50,270. 2% on profits above £50,270.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2023/2024*	£1,073,100

**Lifetime allowance charge removed after 5 April 2023. Any excess over the lifetime allowance that would have been subject to a lifetime allowance charge of 55% prior to 2023/2024 will be taxable as the member's pension income via PAYE.*

Maximum tax-free pension commencement lump sum in 2023/2024 is £268,275 unless a higher amount is protected.

ANNUAL ALLOWANCE	
TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**

**From 6 April 2016 the annual allowance is reduced for those with income above a certain level. Between 2020/21 and 2022/23 the annual allowance will be reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

***Reducing by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.*

ANNUAL ALLOWANCE CHARGE	
20% – 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.	

MONEY PURCHASE ANNUAL ALLOWANCE	2022/2023	2023/2024
	£4,000	£10,000

CAPITAL GAINS TAX

ANNUAL EXEMPTIONS	2022/2023	2023/2024
Individuals, estates etc	£12,300	£6,000
Trusts generally	£6,150	£3,000
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives:		
Residential property	28%	28%
Other chargeable assets	20%	20%
Business Asset Disposal Relief*	10%	10%
Lifetime limit	£1,000,000	£1,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) if held for at least two years.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS		2022/2023	2023/2024		
Transfers made on death					
- Up to £325,000		Nil	Nil		
- Excess over £325,000		40%	40%		
- Reduced rate (where appropriate charitable contributions are made)		36%	36%		
Transfers					
- Lifetime transfers to and from certain trusts		20%	20%		
MAIN EXEMPTION					
Transfers to					
- UK-domiciled spouse/civil partner		No limit	No limit		
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)		£325,000	£325,000		
- main residence nil rate band*		£175,000	£175,000		
- UK-registered charities		No limit	No limit		
<i>*Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.</i>					
Lifetime transfers					
- Annual exemption per donor		£3,000	£3,000		
- Annual small gifts exemption per donor		£250	£250		
Wedding/civil partnership gifts by					
- parent		£5,000	£5,000		
- grandparent/bride and/or groom		£2,500	£2,500		
- other person		£1,000	£1,000		
100% relief: businesses, unlisted/AIM companies, certain farmland/building					
50% relief: certain other business assets					
Reduced tax charge on gifts within 7 years of death:					
- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%
Quick succession relief:					
- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

MAIN SOCIAL SECURITY BENEFITS

		2022/2023	2023/2024
		£	£
Child Benefit	First child	21.80	24.00
	Subsequent children	14.45	15.90
	Guardian's allowance	18.55	20.40
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 61.05	Up to 67.20
	Aged 25 or over	Up to 77.00	Up to 84.80
	Main Phase		
	Work Related Activity Group Support Group	Up to 107.60 Up to 117.60	Up to 84.80* Up to 129.50
Attendance Allowance	Lower rate	61.85	68.10
	Higher rate	92.40	101.75
Basic State Pension	Category A full rate	141.85	156.20
	Category B full rate	85.00	93.60
New State Pension	Full rate	185.15	203.85
Pension Credit	Standard minimum guarantee - single	182.60	201.05
	Standard minimum guarantee - couple	278.70	306.85
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	61.05	67.20
	Age 25 or over	77.00	84.80
Statutory Maternity, Paternity and Adoption Pay		156.66	172.48

**If a claim has begun before 3rd April 2017 the individual will also be awarded the Work Related Activity Component payment which in 2023/2024 is £33.70, so total awarded for these individuals may be up to £118.50.*

CORPORATION TAX

	2022/2023	2023/2024
Small profit rate - for taxable profits below £50,000	N/A	19%
Marginal rate – for taxable profits between £50,001 - £250,000	N/A	26.5%
Standard rate - for taxable profits above £250,000	19%	25%

VALUE ADDED TAX

	2022/2023	2023/2024
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £250,000	0%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Additional Stamp Duty Land Tax (SDLT) rules apply as follows:

- *First-time buyers benefit from SDLT relief on first £425,000 for properties up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%