Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

January 2024 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2024 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.

R06 – Financial planning practice

Contents

This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is a free extension that is available from **https://speechify.com/**. If for accessibility reasons you require this document in an alternative format, please contact us at **online.exams@cii.co.uk** to discuss your needs.

Published March 2024

Telephone: **020 8989 8464**
Email: **customer.serv@cii.co.uk**

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

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
It is vital that your knowledge is widened beyond the scope of one book. *It is quite unrealistic to expect that the study of a single coursebook 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. 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 use your own tax tables in the examination, these are provided in the portal as you sit the exam* *(see page 6).*

Know the structure of the examination

- The paper is made up of two written case studies.
- The paper will carry a total of 150 marks.
- Each question clearly shows the maximum marks which can be earned.

Two weeks before the examination

The case studies
The case studies, containing client information which will form the basis of the examination questions, will be available on the CII website and in RevisionMate.

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 case studies.

How should I use the case studies to help me prepare?

- Study the client circumstances presented in the case study.
- Consider the financial objectives of the clients and look for other possible areas of need.
- Look for technical areas that you may wish to revise, e.g. investment portfolios, pensions.

Practice some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.

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, Directgov website, National Savings and Investments liaison office.

For each of the possible solutions, consider how appropriate it might be to the client.

Understand the skills the examination seeks to test
The examination is based on two case studies for fictional clients whose details you will have received two weeks prior to the examination day. The case studies will enable you to familiarise yourself with the clients' circumstances.

Test yourself under timed conditions

To gain most benefit from this exercise you should:

- Study the details in the case studies 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 answers once the three hours have elapsed. The model answers will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently detailed and if the 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 case studies are available to focus on the client details and prepare yourself for the examination day.

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/

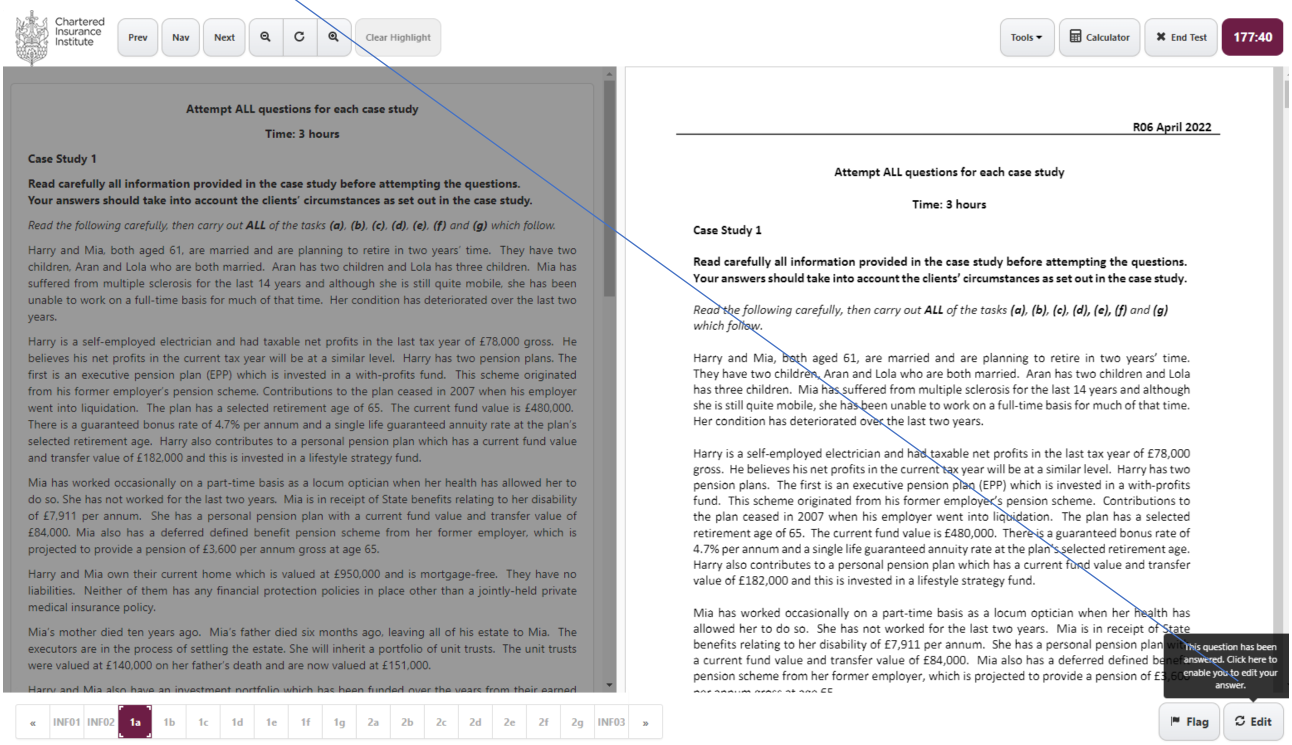
Although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

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.**

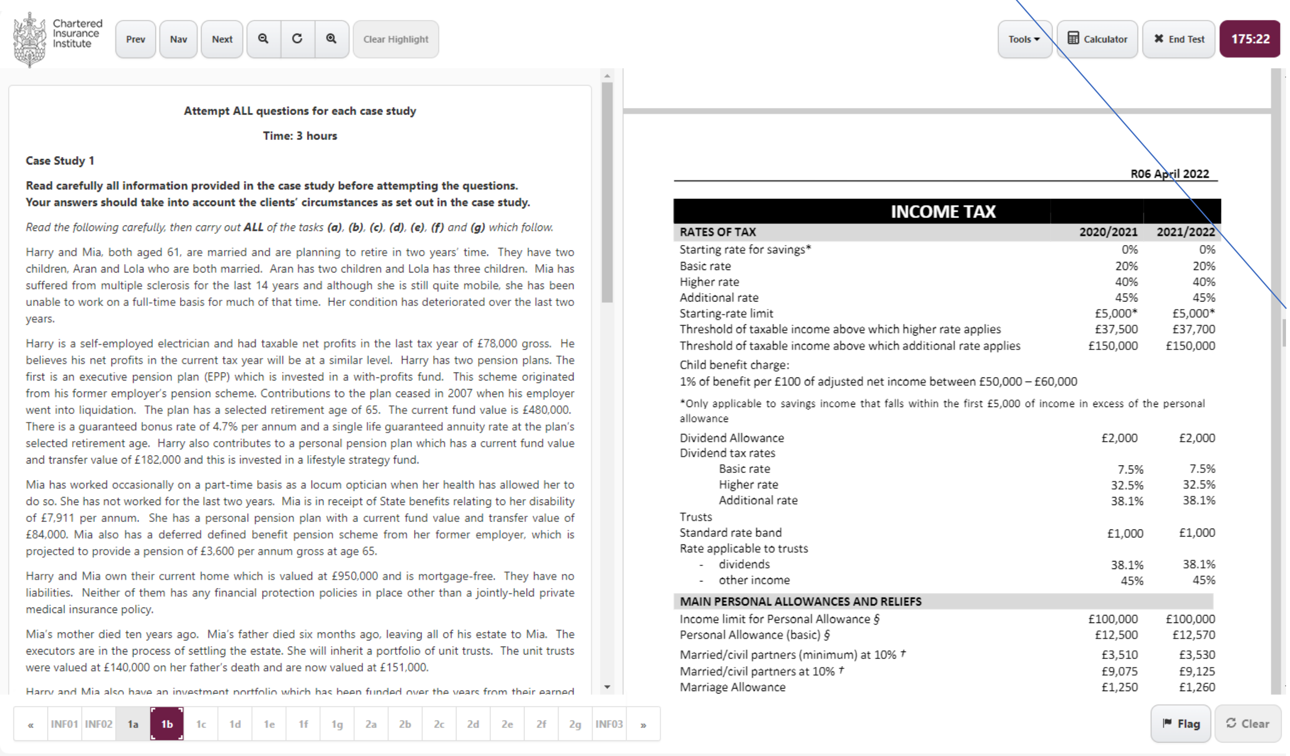
Please note you are strongly advised not to use a laptop provided by your employer.

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.

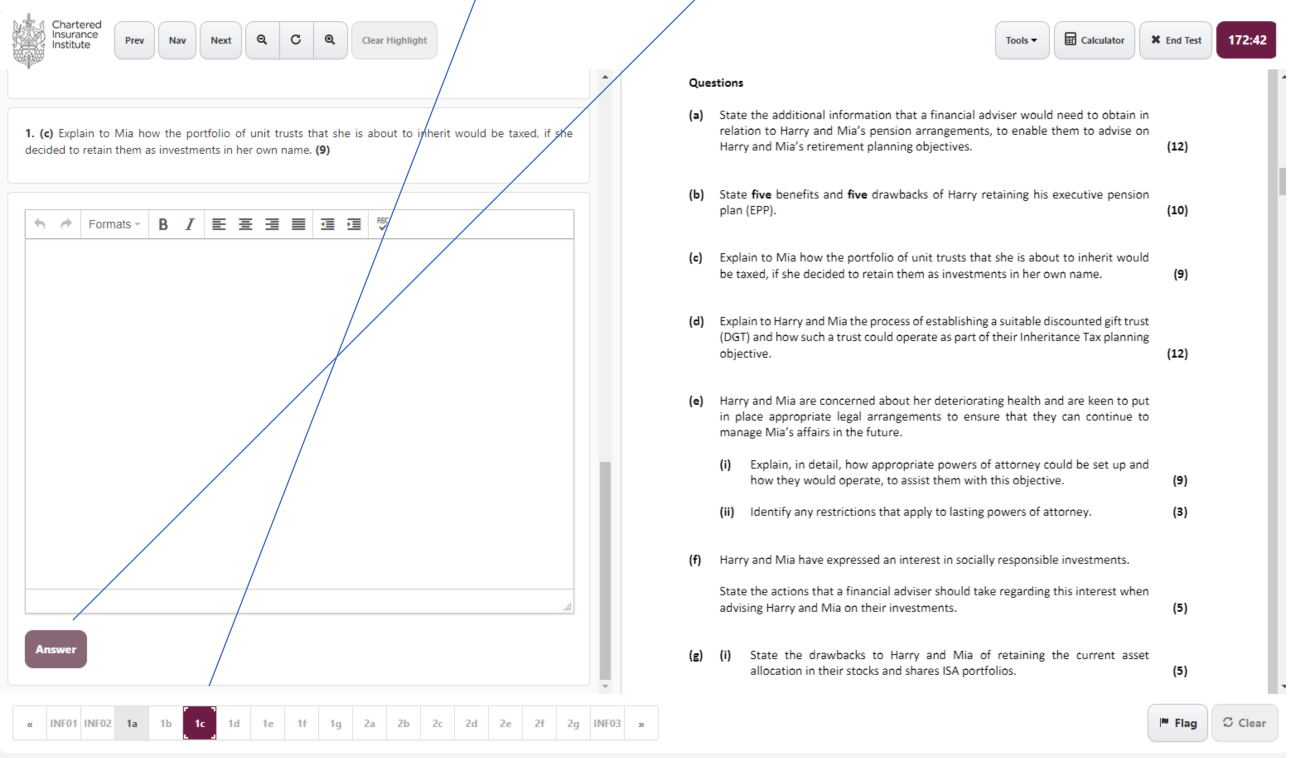
1. From the familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them. To return to edit any answer you have already typed, you must press 'Answer' for the question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



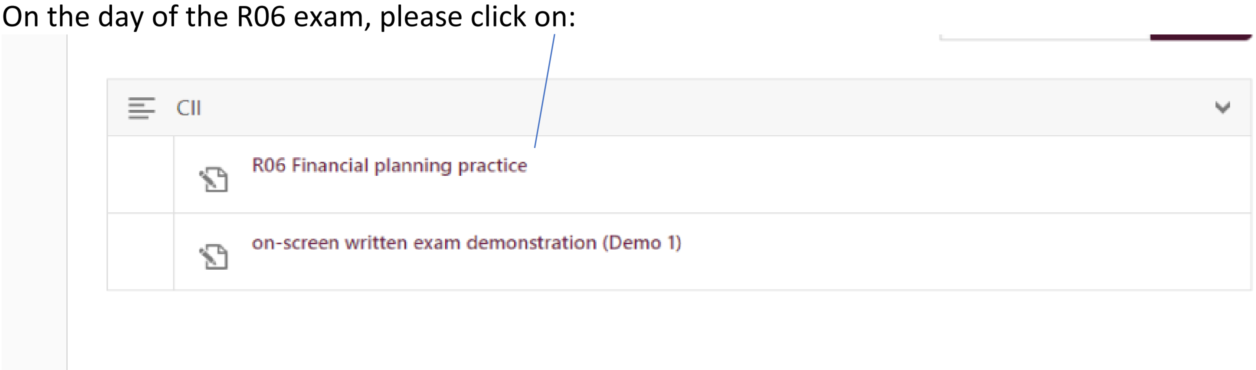
2. Tax tables and the Case Studies are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CIIs multiple choice exams. Please do not bring your own copies into the exam. Scroll up and down using the navigation bar.



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.



4. On the day of the R06 exam, please click on:



5. The above screenshot shows the point before the exam has started; you may wish to take a moment at this screen to 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: **R06 Financial planning practice**.

In the examination

The case studies

You will not be able to take your pre-released copy of the case studies into the examination with you. The case studies will be provided on screen in the examination. There will not be any new or different information contained within the case studies. The instructions are focused on the client objectives identified from the case studies.

Assuming you have prepared adequately, you will only do justice to yourself in the examination if you follow two crucial common-sense rules:

1. **Spend your time in accordance with the number of marks given next to each question.** The number of marks allocated is the best indication of how much time you should spend on each question. If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking, so a long answer is a waste of time. Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the examination is not completed, your chances of passing will be reduced considerably. Do not spend excessive time on any one question; if the time allocation for that question has elapsed, go on to the next question and return to the incomplete question, if you have time.

2. **Take great care to answer the precise question set.**
   The model answers provided in this Examination Guide are quite focused and precise; alternative answers will only be acceptable if they still answer the question. *However well a candidate writes on a particular topic, if it does not provide a satisfactory answer to the precise question as set, the candidate will not achieve the marks allocated*.

Order of answering questions

Answer the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which are felt to be challenging until the more familiar questions have been attempted but *remember not to spend excessive time on the questions you are most confident about.* You are able to flag questions and then go back to them.

Answering different question parts

Always read all parts of a question before starting to answer it otherwise, you may find that after answering part (a), the answer you have given is more appropriate to part (b) and it may be necessary to duplicate some of the answer.

Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, you should use 'bullet points' or short paragraphs. The model answers indicate what is acceptable for the different types of question.

Marks are not lost due to poor spelling or grammar.

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:
General performance across the paper was good and it was pleasing to note that the majority of candidates had carried out detailed preparation in advance of the examination.

Some candidates struggled with application of financial planning techniques and processes. This was particularly the case where candidates were asked to examine the clients' specific circumstances and identify any potential issues that might arise with their financial planning arrangements. Some candidates gave generic responses, rather than applying their knowledge of the client circumstances as set out in the Case Studies.

Case Study 1

1 (a) Candidates were asked to state the additional information that a financial adviser would require in order to advise Daniel and Sophia on the suitability of their financial arrangements to meet their stated objectives. Many candidates performed well here and were able to provide detailed answers that covered a range of issues. It was pleasing to note that candidates recognised the importance of obtaining information on Daniel's Defined Benefit pension scheme which plays a key role in their current and future financial arrangements.

1 (b) This question required candidates to explain to Daniel and Sophia the benefits of making additional pension contributions to their qualifying workplace pension schemes in advance of retirement. Overall performance was good, although only a limited number of candidates recognised the ability to generate tax-efficient income during retirement from their potentially larger pension pots.

1 (c) This question required candidates to explain in detail to Daniel and Sophia the options available to them to draw benefits from their pension funds when they retire and identify the key benefits of each option. General performance here was good with most candidates able to identify the options available. Candidates would benefit from a careful review of the conditions that trigger the Money Purchase Annual Allowance (MPAA) as it was noted that a large number of candidates did not understand how the MPAA would be triggered.

1 (d) This question required candidates to outline the key reasons why Daniel and Sophia should review the suitability of their current pension funds. Overall performance was good, but unfortunately many candidates gave generic responses that did not consider Daniel and Sophia's actual pension funds.

1 (e) Candidates were required to explain in detail to Daniel and Sophia the relevant financial considerations that they should take into account when downsizing their current home. Most candidates performed very well here. It was pleasing to note that the majority of candidates understood the downsizing relief in respect of the Residence Nil Rate Band (RNRB).

1 (f) Candidates were asked to recommend and justify a range of actions that Daniel and Sophia could take to improve the tax-efficiency of their current financial arrangements in advance of their retirement. Well prepared candidates had no issues with this question and provided a wide range of actions.

Case Study 2

2 (a) Candidates were asked to explain to Sanjeev and Maya why a risk profiling tool might be useful in assessing their attitude to risk. Mixed performance here as some candidates gave only brief, generic answers, rather than considering why this type of tool might be useful for Sanjeev and Maya.

2 (b) This question required candidates to explain to Sanjeev and Maya the importance of holding an adequate emergency fund and outline how they could identify a suitable level of emergency fund. Some mixed performance here as many candidates provided generic answers only and failed to identify key considerations for Sanjeev and Maya, such as their current lack of protection and limited entitlement to State Benefits.

2 (c) This question asked candidates to recommend and justify how Sanjeev and Maya could each use a Lifetime ISA to help to meet their stated objectives. Very good performance here from the majority of candidates.

2 (d) Candidates were asked to explain to Maya why she should opt into her employer workplace pension scheme. Overall performance was good here and did not cause any problems for the majority of candidates.

2 (e) This question asked candidates to outline the key factors that Sanjeev and Maya will need to take into account when establishing their current protection needs. Performance here was mixed with a number of candidates providing generic responses which did not specifically focus on Sanjeev and Maya, although it is important to note that well-prepared candidates did not have any difficulties with this question.

2 (f) This question asked candidates to state the key reasons why Sanjeev may wish to take out an individual income protection insurance policy rather than a critical illness policy to meet their current protection needs. Many candidates performed well here, but some failed to recognise the fact that wider cover would be available under the income protection policy, making it more appropriate for their current circumstances.

2 (g) Candidates were asked to explain to Sanjeev why he may wish to consider the use of a global equity tracker fund in addition to his current UK equity tracker fund within his pension plan. Some good performance here although only a very limited number of candidates were able to identify the issue of correlation in respect of global markets which can move in different directions.

2 (h) This was a standard review question which asked candidates to state eight key issues that a financial adviser should discuss with Sanjeev and Maya at the next annual review. Performance here was generally very good with most candidates able to provide a range of issues for discussion.

Unit R06 – Financial planning practice

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

- This paper consists of **two** case studies and carries a total of 150 marks.
- You are advised to spend approximately 90 minutes on the questions for each case study. You are strongly advised to attempt **all** parts of each question in order to gain maximum possible marks for each question. 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 in your answer, 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**.
- For each answer, please type in the full question number you are answering e.g. **1a**
- **Please note each answer must be typed in the correct corresponding answer box.**
- If you are wearing a headset, earphones, smart watch please take them off. No watches are allowed.
- Please familiarise yourself with **all** questions before starting the exam.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

Attempt ALL questions for each case study

Time: 3 hours

Case Study 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study.

*Read the following carefully, then carry out **ALL** of the tasks **(a), (b), (c), (d), (e)** and **(f)** which follow.*

Daniel and Sophia, both aged 63, are planning to retire in the next two years. They are married and have one daughter and three grandchildren. They are both in good health.

Daniel and Sophia are both employed and work full time. Daniel is an engineer and receives a gross salary of £42,000 per annum. He is a member of his employer's workplace pension scheme. Both Daniel and his employer contribute 6% of his gross salary to the scheme. Daniel's pension fund has a current value of £250,000 and is invested in a UK growth fund. Daniel's employer does not offer any other employee benefits.

Sophia is a senior manager and receives a gross salary of £58,000 per annum. She is a member of her employer's workplace pension scheme and contributes 5% of her gross salary to the scheme. Her employer contributes 3% of her gross salary to the scheme. Sophia's pension fund has a current value of £300,000 and is invested in a UK treasury and fixed-interest fund. Sophia is also a member of her employer's death-in-service scheme which will pay out three times her basic salary on death whilst in service. She also receives protection under the company's comprehensive Private Medical Insurance scheme, which also covers Daniel as her spouse.

Just over a year ago, Daniel began drawing a pension income from a former employer's defined benefit pension scheme. This pays him a gross annual income of £10,000.

Daniel and Sophia own their home which is now mortgage-free. This has a current value of £480,000. They are considering selling the property soon after retirement with a view to moving to live nearer their daughter. This would release capital of approximately £200,000 as they plan to purchase a cheaper property. They have no debts or liabilities.

Daniel and Sophia have a range of stocks & shares ISA holdings which are invested in UK equity and bond funds. They have not yet used their ISA allowances for the current tax year as they are considering their affordability in this area, and how best to use their current cash holdings to maximise tax-efficiency.

Daniel and Sophia have up-to-date Wills which leave all assets to the survivor on first death and then to their daughter on second death.

Daniel and Sophia have a medium attitude to risk and neither of them has any interest in Environmental, Social and Governance (ESG) investments.

Daniel and Sophia have the following assets:

Assets	Ownership	Value (£)
Home	Joint	480,000
Current account	Joint	45,000
Deposit Savings account	Joint	65,000
NS&I Premium Bonds	Daniel	50,000
NS&I Premium Bonds	Sophia	50,000
Stocks & Shares ISA – UK Equity funds	Daniel	86,000
Stocks & Shares ISA – UK Mixed Bond funds	Sophia	78,000

Their financial aims are to:

- ensure they can generate a sustainable income throughout retirement;
- consider the issues relating to downsizing their property in retirement;
- improve the tax-efficiency of their current financial arrangements.

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

(a) State the additional information that a financial adviser would require in order to advise Daniel and Sophia on the suitability of their financial arrangements to meet their stated objectives. **(14)**

(b) Explain to Daniel and Sophia the benefits of making additional pension contributions to their qualifying workplace pension schemes in advance of retirement. **(13)**

(c) Explain in detail to Daniel and Sophia the options available to them to draw benefits from their pension funds when they retire and identify the key benefits of each option. **(16)**

(d) Outline the key reasons why Daniel and Sophia should review the suitability of their current pension funds. **(7)**

(e) Explain to Daniel and Sophia the relevant financial considerations that they should take into account when downsizing their current home. **(10)**

(f) Recommend and justify a range of actions that Daniel and Sophia could take to improve the tax-efficiency of their financial arrangements in advance of their retirement. **(14)**

Total marks available for this question: 74

Case Study 2

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study.

Read the following carefully, and then carry out ***ALL*** *of the tasks* ***(a), (b), (c), (d), (e), (f), (g)*** *and* ***(h)*** *which follow.*

Sanjeev and Maya, both aged 28, have recently married. They have no children and are not planning to have any children for the foreseeable future.

Sanjeev is employed as a trainee architect and receives a gross salary of £36,000 per annum. When he is fully qualified, his employer will increase his salary to £50,000 per annum gross. He is a member of his employer's workplace pension scheme and contributes 5% of his gross salary to the scheme. His employer contributes 4% of his gross salary to the scheme. Sanjeev's pension fund has a current value of £18,000 and is invested in a UK equity tracker fund. Sanjeev is also a member of his employer's death-in-service scheme which will pay out two times basic salary on death whilst in service.

Maya is employed as a purchasing manager for a retail company and receives a gross salary of £42,000 per annum. She opted out of her employer's workplace pension scheme as she believes it to be unaffordable, based on their current financial position. Her employer offers employer matching for pension contributions of up to 6% of gross salary. Maya receives no other employer benefits.

Sanjeev and Maya live in a rented property which is costing £1,200 per month. They are currently saving on a monthly basis to build up a deposit to help them buy their first home. They will require a deposit of at least £50,000 and have a current savings balance for this goal of £20,000 which is held in a joint deposit savings account, paying interest of 3% gross per annum. They each save £500 per month into the account from their salaries and aim to be in a position to purchase their first property within the next three years.

Sanjeev and Maya each have cash ISAs, which have a fixed rate of 5% for a one-year term, which ends in March 2024.

Sanjeev and Maya have no protection arrangements, other than Sanjeev's death-in-service from his employer. They wish to ensure they have adequate protection going forwards but are not certain of their actual needs at present.

Sanjeev and Maya believe they have a high attitude to risk and neither of them has any strong interest in Environmental, Social and Governance (ESG) investments.

Sanjeev and Maya have set up mirror Wills which leave all assets to the survivor on first death and to Sanjeev's nephew who is currently 5 years old, on second death.

Sanjeev and Maya have the following assets:

Assets	Ownership	Value (£)
Current account	Joint	6,000
Deposit savings account	Joint	20,000
Cash ISA	Maya	10,000
Cash ISA	Sanjeev	8,000

Their financial aims are to:

- continue to build up a deposit to purchase their first property;
- review their affordability of making pension contributions for Maya;
- meet their protection needs.

Questions

(a) Explain to Sanjeev and Maya why a risk profiling tool might be useful in assessing their attitude to risk. **(8)**

(b) Explain to Sanjeev and Maya the importance of holding an adequate emergency fund and outline how they could identify a suitable level of emergency fund. **(10)**

(c) Recommend and justify how Sanjeev and Maya could each use a Lifetime ISA to help to meet their stated objectives. **(12)**

(d) Explain to Maya why she should opt into her employer workplace pension scheme. **(10)**

(e) Outline the key factors that Sanjeev and Maya will need to take into account, when establishing their current protection needs. **(10)**

(f) State the key reasons why Sanjeev may wish to take out an individual income protection insurance policy rather than a critical illness policy to meet their current protection needs. **(10)**

(g) Explain to Sanjeev why he may wish to consider the use of a global equity tracker fund in addition to his current UK equity tracker fund within his pension plan. **(8)**

(h) Identify **eight** key issues that a financial adviser should discuss with Sanjeev and Maya at the next annual review. **(8)**

Total marks available for this question: 76

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 gained full marks for any fourteen of the following:*

- Emergency fund/budget/affordability/expenditure/Plans to continue PMI
- Desired level of income in retirement.
- Longevity/family health.
- BR19.
- Escalation on Defined Benefit (DB) scheme.
- Level of spouse's benefit on DB scheme.
- Funding status of DB scheme.
- Yield on ISAs/interest rate on deposit account.
- Pension contribution history.
- Future inheritances.
- Plans for capital released from downsize (gifting or retain?)
- Nominations completed on pensions/Death-in-Service (DIS).
- Priority of objectives/flexible or guaranteed income in retirement.
- Fund choice available on pensions/asset allocation/charges.
- Capacity for Loss (CFL).

(b) *Candidates would have gained full marks for any thirteen of the following:*

- Potential for tax free growth.
- Higher levels of contribution available (£42k/£58k).
- Limited timeframe to contribute.
- 20% tax relief for Daniel/40% tax relief for Sophia.
- Pension contributions extend Basic Rate band/could regain £1K Personal Savings Allowance (PSA).
- Salary sacrifice/employer matching.
- Reduced National Insurance (NI)/employer may share NI saving.
- Pension is IHT free.
- Flexible death benefits/can make nomination for each other (or daughter).
- Tax free benefits on death before 75.
- Flexible retirement benefits (Flexi-Access Drawdown/UFPLS/annuity).
- Can use pension to provide tax-efficient income/can use tax allowances/ higher level of Pension Commencement Lump Sum (PCLS).
- Wide range of funds/can add further diversification/ can match Attitude to Risk (ATR).
- Simple admin/deducted via salary/no need for tax reclaim for Sophia/low cost.

Candidates would have gained full marks for any sixteen of the following:

(c)

- Flexi Access Drawdown (FAD).
- Income is flexible/can change in line with needs.
- Can use tax free cash only.
- Uncrystallised Funds Pension Lump Sum (UFPLS).
- Income element is taxed at 20% at source.
- Lump sum is 25% PCLS/75% taxable.
- Fund remains invested.
- Potential for growth.
- Can use Personal Allowance/tax planning.
- Retains tax free wrapper (i.e. CGT/Income Tax).
- IHT-efficient/fund remains in IHT-free wrapper.

- Annuity purchase.
- Provides guaranteed income for life/no investment risk.
- Can include spouse's pension/escalation/capital protection.
- Can stagger purchase of annuity to benefit from better rates in future (due to age/health).
- No admin/no ongoing adviser charges/simple/peace of mind.

(d) *Candidates would have gained full marks for any seven of the following:*

- Retirement in 2 years/short timeframe.
- Do they need guaranteed income in retirement? /plans to purchase annuity?
- Lack of diversification (All UK equity and Bond)/check diversification.
- Funds do not match Attitude to Risk (ATR).
- Limited potential for growth in Sophia's fund/Daniel's fund is likely to be volatile
- Fund charges.
- Identify any poor performance/benchmark/check available fund range/new funds?
- Could contribute more/higher employer matching/greater tax relief.

(e)

- Sale cost/solicitor/estate agent/Purchase costs of new property/removals /surveys.
- Stamp Duty.
- Possible reduction in Residence Nil Rate Band (RNRB)/downsizing relief.
- Must retain assets to value of capital released (£200K) to retain full RNRB.
- Any reduction in utility bills/ property costs for smaller property.
- Any reduction in Council Tax.
- Invested funds may be taxable/home is Income Tax and CGT-free.
- Risk of capital loss on proceeds/inflation risk on cash/FSCS protection on cash.
- Capital growth may not match growth on property value.
- Charges on new investments/Adviser costs.

(f)

- Maximise/increase pension contributions for both.
- 40% tax relief for Sophia/20% tax relief for Daniel.
- Pension contribution extends Basic Rate band.
- Pension is IHT-free.
- Use ISA.
- Tax free growth (for both Pensions and ISA).
- Use unit trust/OEIC/General Investment Account (GIA)/Collective Investment Account (CIA).
- Use dividend allowance/CGT exemption.
- Transfer cash to Daniel/reduce cash balances.
- Saves 40% tax for Sophia on savings interest/£1K Personal Savings Allowance (PSA)/she has £500 PSA.
- Nominations on pensions (for survivor and daughter).
- Ensures survivor can retain tax-free wrapper on first death.
- Consider Annual Gifting Allowances/£3,000 gifting/£250 small gifts/gifts out of income.
- IHT efficiency.

Case Study 2

(a)

- Could help identify different Attitude to Risk (ATR) for different objectives (house vs. protection).
- Simple tool/easy to understand.
- Standardised questions/repeatable process.
- Should give consistent results.
- May have different ATRs (Sanjeev & Maya).
- Current assets do not meet stated ATR.
- Provides starting point for discussion.
- Could provide better understanding of risk/may help them to better understand 'high risk' issues/helps to consider risk vs reward.

Candidates would have gained full marks for any ten of the following:

(b)

- In an emergency they can continue to meet their needs (pay rent/support lifestyle).
- Can meet unexpected expenditure.
- Protects in event of sickness/redundancy/what is their job security?
- Avoids need to borrow money/reduces likelihood of getting into debt/protects credit score.
- Identify current expenditure/planned expenditure/any surplus income?
- Minimum 3-6 months expenditure.
- Employer sick pay? /State benefit entitlement.
- Lack of protection (e.g. Income Protection).
- Any debts? /Student loan repayments?
- Any inheritances due? /Financial support from family members?
- Potential for promotion/when will Sanjeev's salary increase?

Candidates would have gained full marks for any twelve of the following:

(c)
- Both under 40.
- Maximum payment £4,000 p.a.
- Affordable from existing monthly savings.
- Tax-free wrapper/no need to use Personal Savings Allowance (PSA) on savings.
- Can contribute to age 50/bonus paid to age 50.
- 25% bonus each year/maximum £1,000 per year.
- First home only.
- Withdrawals subject to 25% penalty (if not used for house purchase).
- Contributions count towards annual ISA limit/can still use £16k.
- £450,000 limit for house purchase.
- Must have a mortgage for house purchase.
- Cash/wide range of funds/can match ATR/switching.
- Must wait 12 months before use as deposit from start date/suits timeframe (3 years).

Candidates would have gained full marks for any ten of the following:

(d)
- She has no pension benefits.
- 20% tax relief.
- Potential for tax-free growth.
- Employer matching on contributions (loss of 'free' extra salary).
- No admin/deducted from salary.
- Low cost/employer sponsored scheme.
- Can be inherited by Sanjeev (tax-free if death before 75).
- Pound cost averaging/benefit from volatility.
- Long time frame for investment.
- Can match ATR/wide range of funds available.
- May be offered linked Death-in-Service (DIS).

Candidates would have gained full marks for any ten of the following:

(e)
- Income/expenditure needs?
- Any outstanding debt/loans?
- Limited capital/assets.
- Sanjeev has Death-in-Service (DIS)/Maya has no DIS.
- No employer benefits/any employer sick pay/Does Sanjeev have employer benefits?
- They have limited protection/No Income Protection/Critical Illness cover/Private Medical cover.
- No protection for income for future house purchase/they are planning to buy a house.
- Any help from family/future inheritances.
- Limited affordability for new protection products.
- Low cost (young/in good health/low risk occupations).
- Limited State Benefits available.

(f)
- Income Protection insurance provides tax free income.
- Critical Illness cover provides lump sum.
- Can protect his income/property purchase/mortgage payments.
- Wider range of cover (inability to work rather than specific illness).
- Can claim more than once.
- Automatic Waiver of Premium (WOP).
- Benefit level can be adjusted due to income change/job change.
- Deferred period to match employer sick pay/affordability.
- Rehabilitation benefit/proportionate benefit.
- Claim could provide income to retirement.

(g)
- Global diversification/limited diversification (all UK).
- Can benefit from currency movements.
- Non-correlation of different global markets/Global markets move in different directions.
- Potential for increased growth.
- Low charges (tracker fund).
- Pound cost averaging.
- Reduces volatility in global markets.
- Matches ATR/suits his timeframe.

(h)
- Change in personal circumstances/health/any children.
- Change in income/expenditure/tax status/salary increases for either.
- Attitude to Risk/Capacity for Loss.
- Rebalance/asset allocation/performance.
- Any protection policies in place? /Protection needs?/Plans for property purchase.
- Use of allowances/Lifetime ISA/ISA/Pension.
- Charges.
- Change in legislation/taxation/new products/economic conditions/interest rates.

Glossary of terms

Some abbreviations candidates can you use in financial planning online exams:

- ATR – Attitude to risk
- APS – Additional Permitted Subscription
- BRT – Basic rate taxpayer
- BIK – Benefit in kind
- CETV – Cash equivalent transfer value
- CLT – Chargeable Lifetime Transfer
- CFL – Capacity for loss
- CGT – Capital Gains Tax
- DOV – Deed of variation
- DIS – Death-in-Service
- DFM – Discretionary Fund Manager
- EIS – Enterprise Investment Scheme
- ESG – Environmental, Social and Governance
- EPT – Excluded Property Trust
- EPA – Enduring Power of Attorney
- ERC – Early repayment charges
- EPP - Executive pension plan
- FAD – Flexi access drawdown
- FSCS – Financial Services Compensation Scheme
- FOS – Financial Ombudsman Service
- GAR – Guaranteed annuity rate
- HRT – Higher rate taxpayer
- IHT – Inheritance Tax
- IVA – Individual Voluntary Arrangement
- LPOA – Lasting Power of Attorney
- LTA – Lifetime allowance
- MVR – Market value reduction
- MPAA – Money purchase annual allowance
- NICs – National Insurance contributions
- NPA – Normal pension age
- NRA – Normal retirement age
- NRB – Nil rate band
- OPG – Office of the Public Guardian
- OEIC – Open ended investment company
- PAYE – Pay As you Earn
- PPP – Personal pension plan
- PCLS – Pension commencement lump sum
- PA – Personal Allowance
- PSA – Personal Savings Allowance
- RAC – Retirement annuity contract
- RNRB – Residence nil rate band
- SIPP – Self-invested personal pension plan
- SEIS – Seed Enterprise Investment Scheme
- TPD – Total Permanent Disability
- UFPLS – Uncrystallised funds pension lump sum
- VCT – Venture Capital Trust

January 2024 Examination - R06 Financial Planning Practice	
Question No.	**Syllabus learning outcomes being examined**
1.	1. Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process. 2. Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions. 3. Analyse a client's situation and the advantages and disadvantages of the appropriate options. 4. Formulate suitable financial plans for action and explain and justify recommendations. 5. Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.
2.	1. Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process. 2. Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions. 3. Analyse a client's situation and the advantages and disadvantages of the appropriate options. 4. Formulate suitable financial plans for action and explain and justify recommendations. 5. Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.

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

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

**Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.*

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%

§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).
† where at least one spouse/civil partner was born before 6 April 1935.
*** Investment above £1,000,000 must be in knowledge-intensive companies.*

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

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.*

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	Up to 107.60	Up to 84.80*
	Support Group	Up to 117.60	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 minimumguarantee - 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 mainresidence. 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. Therates 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%