Investment planning

AF4: 2024–25 edition

Web update 1: 23 October 2024

Please note the following update to your copy of the **AF4** case study workbook:

Case study 4, model answer, page 4/7

Please note the following amendments in **bold** to this model answer:

(b) (i) Recommend a portfolio of investments that does not involve any equities or equity-based products and would achieve Claire's target income using the remaining £125,000 of capital.

Investment	Capital £	Gross yield %	Gross income £
Instant-access bank account	10,000	4.25	425
Sterling corporate bond funds	20,000	3.90	780
Sterling high-yield ISA	**20,000**	7.00	**1,400**
Global bond funds	**15,000**	4.60	**690**
Two-year fixed-rate bond	25,000	4.90	1,225
Three-year fixed-rate bond	20,000	4.60	920
Five-year fixed-rate bond	15,000	4.30	645
Totals	**125,000**		**6,085**

- Claire is a higher-rate taxpayer and so, all of the interest will be liable at 40%, although she will have the personal savings allowance of £500.
- Her tax liability will be:

	£
Gross income	**6,085**
Less tax-free savings	–1,750
Less higher-rate personal savings allowance	–500
Total taxable interest	**3,835**
Tax due at 40%	**1,534**

- Therefore, Claire's net income would be: **£6,085 – £1,534 = £4,551**.