Chartered Insurance Institute

J09
Paraplanning

Coursework Exemplars and Guidance

J09 – Paraplanning

Contents

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Introduction

This guide has been developed to provide candidates with practical guidance on how to tackle assignments when completing unit J09 (Paraplanning). It follows feedback from coursework assessors, with the specific intention of helping candidates write successful assignments.

Important note: We strongly recommend that you read the additional J09 enrolment guidance available through RevisionMate in conjunction with this coursework guide.

Learning outcomes and assessment criteria

The J09 syllabus found at the back of this document sets out the learning outcomes for this unit; these define what you should know by the end of your course of study. The syllabus contains a set of assessment criteria which specify what you will need to demonstrate through your assignments in order to satisfy these learning outcomes.

Marking grid

The coursework assessor will assess the three items of coursework on the basis of;

Knowledge and understanding of the topic (30%),

Application and analysis of the topic (45%),

The structure in terms of logic and coherence (20%) and

The use of relevant work and industry examples and/or examples gained from further reading (5%).

This marking scheme gives candidates the opportunity to demonstrate their attainment of the learning outcomes in many different ways.

The table below contains a detailed breakdown of the assessment methodology used to mark assignments.

Knowledge and understanding (includes accuracy and completeness of facts) Marks weighting 30% of the 100 available marks			
Almost all points of content identified and clearly explained	Most points of content identified and described in some depth	Some points of content identified	Few points of content identified
24–30 marks	18–23 marks	8–17 marks	7 marks or fewer
Application and analysis Mark weighting 45% of the 100 available marks			
Deep understanding shown of the underlying concepts and their application	Essential understanding shown of underlying concepts and their application	Restricted understanding shown of the underlying concepts and their application	Little understanding shown of the underlying concepts of their application
36–45 marks	29–35 marks	12–28 marks	11 marks or fewer

Coherent structure Mark weighting 20% of the 100 available marks			
Answer is coherently structured	Answer is mostly coherently structured	Answer is limited in coherent structure	Answer is insufficiently coherent in structure
16–20 marks	11–15 marks	5–10 marks	4 marks or fewer
Evidence of the use of relevant examples and/or further reading to support answers Mark weighting 5% of the 100 available marks			
Considerable evidence demonstrated of the use of relevant examples and further reading to support the answer	Evidence demonstrated of the use of relevant examples and further reading to support the answer	Little evidence demonstrated of the use of relevant examples and further reading to support the answer	Very little evidence demonstrated of the use of relevant examples and further reading to support the answer
5 marks	4 marks	3 marks	2 marks or fewer

Note: Feedback based on the marking grid will be given to all candidates.

Sample questions with suggested approaches to answers

Here we have given one example of a short answer question, and two examples of essay-style questions. For each we have highlighted relevant syllabus areas and included brief descriptions of how a candidate may approach each question to ensure the marking criteria is met.

Question 1

Margaret has contacted her adviser as she has received correspondence from XYZ company about an investment bond in her late husband's name which is not noted on the fact find. She was unaware of this investment.

Outline the additional information and documentation you will need to obtain to enable the adviser to make compliant recommendations about this policy.

(700 words)

This question has been written according to the following Syllabus Criteria:

1.1 Describe the regulatory framework within which paraplanning operates.

1.2 Explain the legal implications of obtaining and using customer information.

Section of marking grid	Suggested approach to answer
Knowledge and understanding of the topic (30%) – this are the factual foundation of the assignment. The essential facts should be accurate and broad enough in their scope to allow further application.	*Here is an opportunity to demonstrate your knowledge and understanding of investment bonds in relation to the position on death, how the investment will be taxed (and any other relevant issues) and how they relate to the client's circumstances given in the fact find.* *Here is also an opportunity for candidates to display their knowledge of good practice requirements in constructing new client files.*
Application and analysis of the topic (45%) – this is the way in which you analyse/examine the factual information and how you interpret this information to add value to your answer (this could be in the form of conclusions, solutions, recommendations, etc.). It is also important to remember that the assessor must logically be able to follow the information in assignment submissions.	*Application and analysis can be demonstrated here by identifying how the potential, additional information obtained may impact on any potential compliant recommendations regarding the investment bond.* *Answers will also be improved by providing a reasoned justification for the requirement of each piece of information.*
The structure in terms of logic and coherence (20%) – submissions should have a clear start and a clear end. Information within submissions should also be logical and well grouped.	*Candidates should write their answers in a clear, logical manner. Communicating essentials is a key skill of paraplanning.*
The use of relevant work examples and/or examples gained from further reading (5%) – suggestions for further reading are contained within the study text and shown on the unit syllabus. These reading lists are not exhaustive, and candidates are encouraged to read further.	*Here candidates can demonstrate their broader industry awareness. This can be done by reference to either relevant work experience and/or gained from further reading. With regards to this question, candidates may include reference to the specific taxation consequences for the client inheriting the investment bond they are aware of from further reading.*

Question 2

Prepare a document suitable for presentation to the financial adviser setting out possible options to fund potential home care costs of £30,000 per annum (in today's terms) for ten years from age 75, taking into account OBJECTIVE 3 (*Margaret is concerned that, if her health deteriorates, she does not want to be a burden on her family and wants to consider ways to help meet the potential costs of long-term care*)

(1,500 words)

This question has been written according to the following Assessment Criteria:

2.1 Assess fact find information, including the risk profile and client specific objectives.

2.2 Apply and evaluate the use of financial planning tools as appropriate:
- Cash flow analysis;
- Net worth statements.

3.1 Provide a document suitable for presentation to the financial advisers:
- Assessing the appropriateness of current financial solutions;
- Outlining the options available with relevant analysis.

Section of marking grid	Suggested approach to answer
Knowledge and understanding of the topic (30%) – this is the factual foundation of the assignment. The essential facts should be accurate and broad enough in their scope to allow further application.	*Here is an opportunity to evidence knowledge and understanding of the fact find information and the ability to identify any other information you may need to obtain in order to prepare a document suitable for presentation to the financial adviser.* *Here is also an opportunity for candidates to display their knowledge and understanding of long-term care planning issues and how they relate to the client's circumstances given in the fact find.*
Application and analysis of the topic (45%) – this is the way in which you analyse/examine the factual information and how you interpret this information to add value to your answer (this could be in the form of conclusions, solutions, recommendations, etc.). It is also important to remember that the assessor must logically be able to follow the information in assignment submissions.	*Here is an opportunity to analyse the appropriateness of the client's current financial solution and identify solutions to meet her long-term care objective.* *This question requires the application of cash flow analysis in order to access the appropriateness of the client's current financial solution to meet the objective (syllabus point 2.2).*

	Candidates may score well by outlining both the benefits and limitations of the options available to meet her potential care costs, and by recognising the holistic nature of financial planning in their answers.
The structure in terms of logic and coherence (20%) – submissions should have a clear start and a clear end. Information within submissions should also be logical and well grouped.	*Here we prepare a draft, technical report suitable for presentation to the financial adviser. Candidates should write their answers in a clear, logical manner, as communicating essentials to the financial adviser is a key skill of paraplanning.*
	Attention to coherent structure will be necessary with appropriate signposting of essential points for the adviser, and this makes up 20% of the available marks for this assignment.
The use of relevant work examples and/or examples gained from further reading (5%) – suggestions for further reading are contained within the study text and shown on the unit syllabus. These reading lists are not exhaustive, and candidates are encouraged to read further.	*Here we encourage candidates to give examples from either relevant work experience, and / or gained from further reading.* *For this question, candidates may refer to broader contextual material to strengthen their report relating to long term care legislation and planning issues.*

Question 3

Review Margaret's investments taking into account;

- **her agreed risk level,**
- **her requirement for increased income,**
- **tax efficiency.**

Prepare a suitability report outlining your recommendations for restructuring the portfolio in line with her stated OBJECTIVE 1 (*Review investments as these have not been reviewed since the death of her husband).*

(2,500 words)

This question has been written according to the following Syllabus Criteria:

2.1 Assess fact find information, including the risk profile and client specific objectives.

2.2 Apply and evaluate the use of financial planning tools as appropriate:

- Cash flow analysis.
- Net worth statement.

2.3 Assess the client's tax position, including performing relevant tax calculations.

3.2 Provide a compliant document in the form of a suitability report appropriate for presentation to the client:

- Summarising the current position.
- Analysing the benefits and drawbacks of these options.
- Making recommendations with justifications. This should include specific justifications.
- Disclosing costs and charges.

3.3 Explain the importance of ongoing monitoring and review.

Section of marking grid	Suggested approach to answer
Knowledge and understanding of the topic (30%) this is the factual foundation of the assignment. The essential facts should be accurate and broad enough in their scope to allow further application.	*Here is an opportunity to evidence knowledge and understanding of the client's existing financial position, her risk profile, her objectives and priorities based on the fact find information. The ability to identify any additional information you may need to obtain in order to prepare a full report for the client should also be demonstrated.* *Here is also an opportunity to demonstrate your knowledge and understanding of Capital Gains Tax, Income Tax, Inheritance Tax and any other relevant tax issues, and how they relate to the client's circumstances given in the fact find.*
Application and analysis of the topic (45%) this is the way in which you analyse/examine the factual information and how you interpret this information to add value to your answer (this could be in the form of conclusions, solutions, recommendations, etc.). It is also important to remember that the assessor must logically be able to follow the information in assignment submissions.	*The answer must include analysis of the appropriateness of the client's current financial solutions, and whether they meet her objectives. On this basis it should identify and recommend alternative solutions. Answers should also include a strategy for using tax wrappers to improve tax efficiency for the client.* *Candidates may score well by outlining both the benefits and limitations of options, and by recognising the holistic nature of financial planning in their answers.*

The structure in terms of logic and coherence (20%) submissions should have a clear start and a clear end. Information within submissions should also be logical and well grouped.	*The answer should be prepared in the form of a suitability report that the client can understand.* *Candidates should write their answers in a clear, logical manner, as communicating essentials to the client is a key skill of paraplanning.*
The use of relevant work examples and/or examples gained from further reading (5%) suggestions for further reading are contained within the study text and shown on the unit syllabus. These reading lists are not exhaustive, and candidates are encouraged to read further.	*This criterion is to encourage candidates to give examples from either relevant work experience, and/or gained from further reading. For example, reference could be made to the broader tax environment in your answer based on further reading.*

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FACT-FIND 5A

PART 1: BASIC DETAILS		
	Client 1	**Client 2**
Surname	Randall	
First name(s)	Margaret	
Address	CM5	
Date of birth	5 July, age 65	
Planned retirement age	Retired	
Domicile	UK	
Residence	UK	
Place of birth	Birmingham	
Marital status	Widowed	
State of health	Average	
Family health	No issues	
Smoker	No	
Hobbies/Interests	Walking, spending time with grandchildren, gardening and travelling.	

Notes:

Margaret's husband, Geoff, died unexpectedly on 3 March last year, aged 67. He left his entire estate to Margaret in his Will.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	D.O.B.	Health	Financially dependent?
Sarah Thomas	Daughter	37	1 June	Good	No
Stephen Randall	Son	35	15 Sep	Good	No
Callum Thomas	Grandson	8	19 May	Good	No
James Thomas	Grandson	8	19 May	Good	No
Alex Randall	Grandson	4	10 Dec	Good	No
Georgina Randall	Granddaughter	2	15 June	Good	No

Notes:

Margaret saves £50 per month into Junior ISAs for each of her grandchildren. This is just to build a sum for them in the future with no particular purpose in mind. The savings were started when her husband was alive and their joint income was higher.

PART 3: EMPLOYMENT DETAILS		
	Client 1	**Client 2**
Employment		
Occupation	Retired Nurse	
Job title		
Business name		
Business address		
Year business started		
Remuneration		
Basic Salary		
Bonus		
Overtime		
Benefits		
Benefits-in-kind		
Pension Scheme (see Part 11)		
Life cover		
Private medical insurance		
Sick pay		
Self Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		

Notes:

Margaret worked part-time for the NHS as a nurse for 20 years and retired at age 60.

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	**Client 2**
Accountant		
Bank	Anybank	
Building Society	Redherring Society	
Doctor	Dr Mackenzie	
Estate Agent		
Financial Adviser		
Insurance Agent		
Solicitor	Chancellor and Jennings	
Stockbroker		
Other		

Notes:

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		Client 2		Joint	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions	490.10					
Occupational Pension		8,470				
Spouse's Pension		6,890				
Salary						
Interest		180				
Rental						
OEICs and Unit Trusts		950				
Other						

Notes:

All pension income is paid gross. The spouse's pension is paid from Geoff's employer and is 50% of the pension he received from his Teachers Pension Scheme.

Expenditure

	Monthly			Annually		
Household Expenditure	**Client 1 £**	**Client 2 £**	**Joint £**	**Client 1 £**	**Client 2 £**	**Joint £**
Mortgage/Rent						
Council tax	145					
Buildings and contents insurance	38					
Gas, water and electricity	107					
Telephone	35					
TV licence and satellite	35					
Property maintenance				1,000		
Total	**360**					
Regular Outgoings						
Life assurance (see Part 8)						
Health insurance (see Part 9)						
Savings Plans (see Part 10)	200					
Car tax, insurance and maintenance	175					
Petrol and fares	150					
Loans						
Hire purchase						
School fees						
Childcare						
Further education						
Subscriptions	20					
Food, drink, general housekeeping	300					
Pension contributions (see Part 11)						
Total	**845**					
Other Expenditure						
Magazines and newspapers	20					
Entertainment	50					
Clubs and sport						
Spending money						
Clothes	50					
Maintenance						
Other (Holidays)				1,000		
Total Other Expenditure	**120**					

Total Monthly Expenditure	£1,325
Total Annual Expenditure	£2,000
Total Annual Outgoings	**£17,900**

Notes:

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

Replace car, anticipated spend £15,000.

PART 6: ASSETS

Asset	Client 1 £	Client 2 £	Joint £
Main residence	400,000		
Contents	50,000		
Car	15,000		
Current account	10,000		
Easy Access Savings Account	90,000		
Collective investment portfolio (unit trusts and OEIC)	87,000		
Stocks & Shares ISA	15,000		
Premium Bonds	30,000		
Cash ISA	47,000		
Investment bond	123,000		
TOTAL	**867,000**		

Notes:

Investment bond – original investment of £100,000 made in 2009. There have been no withdrawals to date.

Easy Access savings account 0.2% interest.

Stocks & Shares ISA income reinvested.

Cash ISA 2% interest, reinvested.

The investment bond was originally held in joint names and invested at a risk level 4 (see part 13).

Margaret inherited the collective investment portfolio (unit trusts and OEIC) from her late husband. The valuation is currently standing at a modest loss.

Name	Value (£)	Other	UK Equity	Global Equity	Property	Fixed Int	Cash	TER
Margaret's Collective Investment Portfolio								
Saturn Equity Income	30,000		75%	25%				1.8%
Perch Fund Manager Smaller Companies	31,000		85%			10%	5%	2.7%
Trout Fund Manager Commercial Property	26,000				80%		20%	1.5%

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			
Type of mortgage			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			

Notes:
No 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:
No other borrowing or liabilities.

Other Liabilities (e.g. tax)

Notes:

PART 8: LIFE ASSURANCE POLICIES

	Life/Lives assured	Ownership	Sum assured £	Annual Premium £	Term	Start date	In trust?	Surrender Values £
1.								
2.								
3.								

Notes:

None.

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured £	Start Date	Term/ Review	Deferred Period	Premium £

Notes:

None.

PART 10: REGULAR SAVINGS

Type	Company	Ownership	Fund	Amount Saved £	Sum Assured	Maturity Date	Current Value £
JISAs	NS&I	Grandchildren	Cash	£50 x 4	N/A	Age 18	2 x £4,000 1 x £2,000 1 x £1,000

Notes:

Margaret is not sure if this is the best option for these long-term savings and would like to discuss other options. Margaret plans to gift lump sums to each grandchild when they reach their 18th birthday.

PART 11: PENSION DETAILS

Client 1

	Scheme 1	Scheme 2
Employer's scheme		
Type of scheme		
Date joined/started		
Retirement age		
Left Service/Last Contribution Paid		
Death benefits		
Dependant's benefits		
Contracted-in/out		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		

Notes:

	Scheme 3	Scheme 4
Employer's scheme		
Type of scheme		
Date joined/started		
Retirement age		
Left Service/Last Contribution Paid		
Death benefits		
Dependant's benefits		
Contracted-in/out		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		

Notes:

PART 12: INHERITANCES

Wills	Client 1	Client 2
Recently written	Beneficiaries – Grandchildren £10,000 each. Balance to be divided equally between two children.	

Notes:
No lasting powers of attorney but considering putting this in place.

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

Notes:

Gifts	Client 1	Client 2
£100,000 in total	£50,000 each to Stephen and Sarah, made in October last year.	

Notes:

Inheritances	Client 1	Client 2
Give details of any inheritances received or expected.	None expected.	

Notes:

PART 13: ATTITUDE TO RISK

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

Risk level	Cash and fixed interest	Property	Equity	Description
1	100%	0%	0%	Extremely risk averse
2	70%	0%	30%	Very risk averse
3	50%	2%	48%	Slightly less risk averse than the average
4	30%	4%	66%	Typical levels of risk aversion/tolerance
5	10%	6%	84%	More risk tolerant than the average
6	3%	8%	89%	Very risk tolerant
7	0%	10%	90%	Extremely risk tolerant

Notes:

Agreed attitude to risk is level 2, for Margaret's own investments. Savings for grandchildren is level 4 due to the long-term nature of the investment. The registered contacts for the Junior ISAs are her son and daughter who are happy to consult with Margaret over the ongoing investment strategy of the funds.

PART 14: OBJECTIVES

1. Review investments as these have not been reviewed since the death of her husband.
2. Following the death of her husband Margaret is concerned about the amount of IHT that would be payable on her death.
3. Margaret is concerned that, if her health deteriorates, she does not want to be a burden on her family and wants to consider ways to help meet the potential costs of long-term care.
4. Following the death of her husband, her annual income fell by approximately £14,000 (gross). Margaret is looking to supplement pension income from investments to provide additional income of £750 a month net, for discretionary spending purposes.
5. To leave £10,000 to each of her grandchildren and at least her main residence to her children on her death.

PART 15: OTHER INFORMATION

Margaret's husband managed their finances and since his death there have been very few changes to the arrangements as Margaret has not felt emotionally able to make decisions. Margaret now feels able to start considering her wealth and is looking to make changes to start to meet her objectives as detailed above.

Note: Geoff's attitude to risk was level 5 and the portfolio has not yet been restructured to take into account Margaret's lower attitude to risk. This is a priority for Margaret.

Sample questions and answers

Below are three sample assignment questions. Marks for the candidate's assignment are given, plus broad commentary on how the assignment fares against the four component parts of the assessment.

In this way, we can demonstrate how candidates can miss opportunities to achieve marks and also improve their assignments prior to submission.

Question 1

Margaret has contacted her adviser as she has received correspondence from XYZ company about an investment bond in her late husband's name which is not noted on the fact find. She was unaware of this investment.

Outline the additional information and documentation you will need to obtain to enable the adviser to make compliant recommendations about this policy.

(700 words)

This question has been written according to the following Syllabus Criteria:

1.1 Describe the regulatory framework within which paraplanning operates.

1.2 Explain the legal implications of obtaining and using customer information.

Example candidate answer

There are several key pieces of information required in order to make compliant recommendations regarding the investment bond. These are to do with the taxation of the bond, how the underlying funds match Margaret's risk profile, the fund performance and competitiveness of the charges. These are laid out in the table below along with justification:

The documentation and information required.	Justification
Copy of the client's Will along with the grant of probate	This will be required by the provider so they can confirm Margaret's ownership of the investment and release the required information.
Copy of the death certificate	So that a date of death valuation can be obtained for tax purposes (if Geoff's death was a chargeable event) and to transfer ownership to Margaret.
Letter of Authority	To enable the investment bond provider to release the required information.
Anti-money laundering documentation	The provider would require proof of Margaret's identify. This is likely to be through an up-to-date driving licence or passport.

Capital redemption or standard with lives assured	If the investment bond is a capital redemption bond it can remain in force and does not have to be encashed on Geoff's death.
The owner(s) and life(s) assured on the policy	There can be a distinction between policy owner (Geoff) and life assured on the policy which may not be the same. This affects the continuation of the investment bond following Geoff's death and the taxation position. If Geoff was the single life assured, then the investment bond will pay out a death claim which is a chargeable event. If Margaret is also a life assured on the investment bond (and it is set up to pay out on second death) then the investment bond can continue in force until her death. [1]
Geoff's taxation position on death	Depending on how the investment bond was set up, Geoff's death could be a chargeable event. Therefore, information on his taxation position (just prior to his death) is required in order to calculate any tax charge that may be due.
Held in trust?	If the bond was written into trust, then the trustees will remain the legal owners of the investment bond on Geoff's death. This would impact on the taxation treatment of the investment bond. A copy of the trust deed to identify the type of trust along with the settlor, trustees and beneficiaries.
Onshore/Offshore	All gains and income earned within an onshore investment bond are taxed at 20% and paid directly out of the investment bond. For offshore bonds there is no internal tax charge and the gross interest rolls up.[2] A basic rate tax-payer would have no further tax liability on the surrender of an onshore bond (assuming that top slicing did not take the gain into the higher rate tax bracket); however, there would be a 20% tax charge for a basic rate tax-payer on the surrender of an offshore investment bond.

Qualifying/Non-Qualifying	If the investment bond is qualifying (and fulfils the prescribed criteria) then the surrender of the investment bond will not incur a tax charge.
Current value and the surrender value	This will indicate if there are any transfer/exist penalties on the investment bond and enable an assessment of the chargeable gain on the investment since inception.
The original investment and other payments in, along with the number of segments within the investment bond	This will enable an assessment of the chargeable gain on the investment since inception. The fact find confirms that £100,000 was originally paid in, but it would need to be checked if there were any further investments.
Withdrawals	Any previous withdrawals made within 5% of the value of the original investment will be added to the gain on surrender. Withdrawals from individual segments must also be considered here.
Date of investment/term held	This is to help assess the performance of the investment, but the information is also required to complete the top slicing calculations when assessing the current tax liability on the surrender of the investment bond. It will also enable the remaining amount of tax deferred income available from the investment bond to be calculated.
Details of the underlying funds including the risk profile	To establish the performance of the existing funds and how they match the client's risk profile.
The charges	To establish if the investment bond charges are competitive.

[1] UK Investment Bonds: Taxation Facts | M&G Wealth Adviser (mandg.com) 01/07/2024

[2] Taxation of bonds (abrdn.com) 01/07/2024

Examiner Comments

The assignment covers the additional information and documentation required to enable the adviser to make compliant recommendations about an investment bond the client has inherited from her late husband. This assignment also covers the regulatory framework in relation to this.

The mark given to the assignment is 65 which meets the pass standard.

Areas where the assignment scored highly include the following:

- The specific question asked in the case study has been answered. The candidate has identified that further information is required and what the possibilities are for the missing information.
- Justification is provided for the requirement to obtain the items of missing information.
- Consideration have been given to the tax implications that may arise when the missing information is obtained.
- The technical information applied is broadly correct with only minor errors.
- The information required and the justification for needing this is laid out in a table, so utilises the correct format.

Areas for further improvement include the following:

- More detailed descriptions and justifications could have been included. For instance, a further explanation could have been given as to the difference between a capital redemption bond and a standard investment bond with life(s) assured. It mentions that the investment being held in trust would impact on the taxation treatment of the investment bond but provides no further details here.
- Further details could have been given regarding the taxation of investment bonds and how this relates to Margaret's current position and that of her late husband. For instance, it states that if Geoff was the only life assured on the investment bond, then his death would be a chargeable event, but no further details are provided. The impact that segmentation can have on a chargeable event could also be covered in further detail.
- Further information could have been provided regarding monitoring the performance of the underlying funds against certain known parameters.
- The evidence of further reading is limited here. More marks would have been awarded for demonstrating wider reading and/or links to broader industry knowledge. An example of a missed opportunity can be seen in the details of the documentation required to obtain the required information. Wider reading could have demonstrated the legislation that accompanies the requirement for this documentation.

Question 2

Prepare a document suitable for presentation to the financial adviser setting out possible options to fund potential home care costs of £30,000 per annum (in today's terms) for ten years from age 75, taking into account OBJECTIVE 3 (*Margaret is concerned that, if her health deteriorates, she does not want to be a burden on her family and wants to consider ways to help meet the potential costs of long-term care*.)

(1,500 words)

This question has been written according to the following Assessment Criteria:

2.1 Assess fact find information, including the risk profile and client specific objectives.

2.2 Apply and evaluate the use of financial planning tools as appropriate:
- Cash flow analysis;
- Net worth statements.

3.1 Provide a document suitable for presentation to the financial advisers:
- Assessing the appropriateness of current financial solutions;
- Outlining the options available with relevant analysis.

Example student answer

Margaret is concerned that, if her health deteriorates, she does not want to be a burden on her family and wants to consider ways to help meet the potential costs of long-term care.

A **means test** is a financial assessment where the local council calculates how much the client may Need to pay towards the cost of your care *"If your capital is above £23,250 you're likely to have to pay your care fees in full. If your capital is under £23,250 you might get some help from the local council, but you may still need to pay a contribution to the fees".*[1]

Margaret's assets currently exceed the threshold to receive local authority help, so she will need to fund her own care costs.

Current position

The client's property is currently valued at £400,000, with contents valued at £50,000 and a car worth £15,000. Her cash assets and investments are valued at £402,000.

In order to establish whether she is likely to be-able to fund potential home care costs of £30,000 per annum (in today's terms) for ten years from age 75 we will consider her current and future income and calculate any potential short-fall.

The client currently has pension income from the State Pension of £490.10 per month, annual income of £8,470 from her occupational pension and £6,890 in a spouse's pension. This is a total of £21,241.20 per annum gross.

The current personal allowance for the 2024/2025 tax year is £12,570[2]. Her net pension income equates to £19,506.96 per annum. Her current outgoings are £17,900 per annum. These figures do not include the £950 of dividend income per annum she receives and the £180 per annum of interest.

If she were to enter a care-home her remaining expenditure needs will be minimal and are assumed to drop to £3,000 per annum to cover the cost of toiletries, newspapers etc whilst she is in the care home. Including the £30,000 care fees this would be £33,000 - £19,506.96 = £13,493.04; however, this does not account for the likely rise in the cost of long-term care over the next ten years and the rise in the level of her pension income.

I have assumed that the likely rise in the cost of residential long-term care will be 4% per annum, so the cost of care in ten years' time is assumed to be £44,407 per annum. The other £3,000 of expenses is assumed to rise in line with 2% per annum to £3,657. Assuming the client's State Pension, occupational pension and spouse's pension rise by 2.5% per annum over the next ten years, they will equate to £25,040.92 net per annum. This leaves a potential shortfall of £23,023.08 per annum. The client's assets are assumed to grow in line with 2% per annum due to the client's very risk averse profile.

Age	**Net Cash inflows**	**Cash outflow (Expenses)**	**Cash outflow 2 (Long term care costs)**	**Surplus**	**Balance of realisable capital at the end of the year**
65	£19,506.96	£17,900.00	£0.00	£1,606.96	£403,606.96
66	£20,000.26	£18,258.00	£0.00	£1,742.26	£413,456.20
67	£20,506.04	£18,623.16	£0.00	£1,882.88	£423,645.86
68	£21,024.60	£18,995.62	£0.00	£2,028.98	£434.188.34
69	£21,556.28	£19,375.54	£0.00	£2,180.74	£445,096.18
70	£22,101.41	£19,763.05	£0.00	£2,338.36	£456,383.23
71	£22,660.32	£20,158.31	£0.00	£2,502.01	£468,062.95
72	£23,233.36	£20,561.47	£0.00	£2,671.89	£480,149.53
73	£23,820.90	£20,972.70	£0.00	£2,848.20	£492,657.69
74	£24,423.29	£21,392.16	£0.00	£3,031.13	£505,602.59
75	£25,040.92	£3,657.00	£44,407.00	-£23,023.08	£492,231.10

76	£25,674.17	£3,730.14	£46,183.28	-£24,239.25	£477,351.69
77	£26,323.43	£3,804.74	£48,030.61	-£25,511.92	£460,876.56
78	£26,989.10	£3,880.84	£49,951.84	-£26,843.58	£442,713.64
79	£27,671.62	£3,958.45	£51,949.91	-£28,246.74	£422,756.24
80	£28,371.39	£4,037.62	£54,027.91	-£26,694.14	£403,938.34
81	£29,088.86	£4,118.38	£56,189.02	-£31,218.54	£380,220.09
82	£29,824.47	£4,200.74	£58,436.58	-£32,812.85	£354,355.39
83	£30,578.69	£4,284.76	£60,774.05	-£34,480.12	£326,272.78
84	£31,351.97	£4,370.45	£63,205.01	-£36,223.49	£295,850.27
85	£32,144.82	£4,457.86	£65,733.21	-£38,046.25	£262,960.10

The above cash flow analysis demonstrates that the anticipated care costs shortfall can be met from her liquid assets, but they will be eroded over this ten-year period and could be exhausted if she survives significantly over the age of 85. The actual care costs are also likely to be higher than the anticipated care costs of £30,000, which could also lead to her funds being exhausted.

Income from investments

The client is currently receiving £950 per annum of dividend income and £180 per annum of interest. The interest falls under her personal savings allowance. The £950 of dividends exceeds the £500 dividend allowance for the 2024/2025 tax year, so £450 will be taxable at the basic rate of 8.75%.

The original investment into the investment bond was £100,000. Tax deferred income of 5% per annum equating to £5,000 per annum for a maximum of 20 years (over the life of the investment) is available from the investment bond. The tax deferred income currently available equates to £80,000 in 2024, which would increase to £100,000 if not utilised in the next ten years. This income could be used to help meet part of the care costs in ten years' time, which would not constitute a chargeable event.

However, when the local authority carries out a means test to calculate how much Margaret will need to pay towards her care, the funds in the investment bond may be excluded from this calculation as it will be treated as a life assurance policy. Therefore, it may be advantageous to use other liquid assets before utilising the investment bond income.[3]

Margret could use her savings accounts, cash ISA and premium bonds in order to help fund the long-term care costs. The client has a very risk averse attitude to risk and keeping these funds over the next ten years would ensure they are available to cover some of the costs; however, they are unlikely to generate the level of growth required to fund and maintain the rising level of the care fees without eroding the capital. In addition, the funds removed from the cash ISA would reduce the funds held in a tax-free wrapper.

The collective investment and stocks and shares ISA could be used to help funds these costs; however, if they are rebalanced in line with Margaret's very risk averse profile the level of growth may not keep up with increase in the cost of long-term care up to age 75 and thereafter. In addition, any funds taken out of the ISA will be removed from a tax-free wrapper. As there is a potential need to fund these long-term care costs, consideration could be given to taking a higher level of risk in order to achieve the level of growth required, but this would need to be weighed up against her lack of willingness to take greater risk.

Use of property

If Margaret were to enter a care-home her property could be sold to help meet these costs; however, This would need to be weighed up against her objective to leave at least her main residence to her children. She could also consider renting this property out when she entered the care home and using the generated income towards these costs.

Immediate needs annuity

Margaret could agree with an insurance company to given them a lump sum in return for a monthly payment for the rest of their life. This income is tax-free if made directly to a care provider. An immediate care annuity is suitable for a client who is already in, or just about to go into a care home. An immediate need annuity that would provide £10,000 per annum for a client aged 75 would cost on average £100,000. The individual costs are indicative though and are based on several factors, including her state of health.[4]

On this basis she could consider using the proceeds of the property sale or her other savings and investments to purchase an immediate care plan. An immediate care annuity would provide a guaranteed income for life to cover at least part of her fees, which is broadly in line with her very risk averse profile. The option for it to rise in line with a prescribed level of inflation is also available. An immediate needs annuity is based on an enhanced annuity, so the level of income available may be higher to account for the health issues that will lead to Margaret having to go into a care home.

Attendance Allowance

Attendance Allowance may be available should Margaret need to fund long term care in ten years. This can be paid if Margaret requires residential care in ten-years regardless of her income, savings or National Insurance contribution record. This is a tax-free benefit and for 2024/2025 the higher rate is £108.55, and the lower rate is £72.65.[5]

NHS funding options

NHS Funded Nursing Care is a benefit paid to those who do not qualify for free NHS continuing health care but are deemed to need nursing care as opposed to just residential care. It is intended to cover the extra cost of the nursing care that a resident receives in a nursing home providing

Margaret is formally assessed as needing nursing care. It is not paid if she moves into a nursing home without any formal assessment. It is however paid regardless of whether she is deemed to have to pay for your own care or are being funded by the Local Authority.[6]

[1] Do I Have to Sell my Home to Pay For Care? | Age UK 01/07/2024
[2] Income Tax rates and Personal Allowances : Current rates and allowances - GOV.UK (www.gov.uk) 01/07/2024
[3] Long term care (abrdn.com) 01/07/2024
[4] A GUIDE TO AN IMMEDIATE NEEDS ANNUITY In June 2024 (ukcareguide.co.uk)01/07/2024
[5] How much Attendance Allowance you can get - Citizens Advice 01/07/2024
[6] NHS-funded nursing care practice guidance - GOV.UK (www.gov.uk) 01/07/2024

Examiner Comments

The assignment is looking for a technical document suitable for presentation to the financial adviser setting out possible options to fund potential home care costs of £30,000 per annum (in today's terms) for ten years from age 75.

This assignment requires the candidate to calculate the future, anticipated care (and other) costs. It is also focussed on an assessment of the client's current financial arrangements and how her assets can be projected forward and restructured to meet this objective. Long term planning products should be taken into consideration as potential solutions and any state benefits that may also be available.

The mark given to the assignment is 67.

Areas where the assignment scored highly include the following:

- The specific question asked in the case study has been answered.

- There is a clear and concise consideration of the client's current income sources and investments. These have been projected forward to provide a basic cash flow demonstrating the client's future position regarding Margaret's long-term care planning objectives.

- The anticipated care costs and other expenses are also projected forward. Reasonable assumptions are used in the cash flow analysis.

- Some options for funding her future care costs are detailed with an appropriate analysis, such as an immediate care annuity. The technical information applied is broadly correct with only minor errors.

- The assignment is written as a technical document to the adviser so utilises the correct format.

Areas for further improvement include the following:

- A more comprehensive cash flow analysis could be included demonstrating Margaret's future, financial position based on a range of different assumptions. Further details could have been given as to how the client's assets could be used to meet the costs.

- More detailed descriptions and justification could have been given regarding long term care products such as including more indicative costs for the immediate care annuity.

- Further information could have been provided regarding state help and local authority means testing in relation to how this relates to the circumstances of the client.

- The evidence of further reading is limited here and could have been expanded.

Question 3

Review Margaret's investments taking into account:

- **her agreed risk level;**
- **her requirement for increased income;**
- **tax efficiency.**

Prepare a suitability report outlining your recommendations for restructuring the portfolio in line with her stated OBJECTIVE 1 (*Review investments as these have not been reviewed since the death of her husband)*

(2,500 words)

This question has been written according to the following Syllabus Criteria:

2.1 Assess fact find information, including the risk profile and client specific objectives.

2.2 Apply and evaluate the use of financial planning tools as appropriate:

- Cash flow analysis;
- Net worth statement.

2.3 Assess the client's tax position, including performing relevant tax calculations.

3.2 Provide a compliant document in the form of a suitability report appropriate for presentation to the client:

- Summarising the current position;
- Analysing the benefits and drawbacks of these options;
- Making recommendations with justifications. This should include specific justifications;
- Disclosing costs and charges.

3.3 Explain the importance of ongoing monitoring and review.

Example candidate answer

Background

We met recently to discuss your investments, which have not been reviewed since your husband passed away.

Your husband managed your finances and since his death there have been very few changes as you have not emotionally felt able to make decisions. We discussed this at great length, and you now feel able to make changes to meet your financial objectives. You declined the offer of your son or daughter attending the meeting as you did not think this was necessary.

Objectives

We agreed that your current financial planning objectives are as follows:

1. To review your current investments as these have not been reviewed since the death of your husband.
2. Following the death of your husband last year you are concerned about the amount of IHT that would be payable on your death.
3. You are concerned that, if your health deteriorates, you do not want to be a burden on your family and want to consider way to help meet the potential costs of long-term care.
4. Following the death of your husband, your annual income has fallen by approximately £14,000 (gross). You are looking to supplement your pension income from your investments to provide additional income of £750 a month net, for discretionary spending purposes.
5. You wish to leave £10,000 to each to your grandchildren and at least your main residence to your children on your death.

Scope of advice

We agreed that the advice in this report would be limited to your investments. I have written to you separately regarding my IHT and long-term care recommendations (including appointing a power of attorney).

Existing personal information

- You are aged 65 and are retired. You describe your state of health as average.
- You have two grown up children and four grandchildren.
- You have an up-to-date Will, but no Lasting Power of Attorney in place currently.

Income and expenditure

- You currently have income from the state pension of £490.10 per month. You also have annual income of £8,470 from your occupational pension, £6,890 in a spouse's pension, £180 in gross interest from your bank accounts and £950 from your unit trusts.

- You have total annual outgoings of £17,900 per annum, which is covered comfortably by your net income.

Assets

Your property is currently valued at £400,000 and you have contents worth £50,000 and a car worth £15,000 with no current liabilities:

Investment	Amount
Current Account	£10,000
Easy Access Savings Account	£90,000
Collective investments	£87,000
Stocks and Shares ISA	£15,000
Premium Bonds	£30,000
Cash ISA	£47,000
Investment Bond	£123,000
	£402,000

In addition, you save £50 per month into NS&I JISAs for each grandchild.

Attitude to Investment Risk

Your **willingness to take risk** is described as "very risk averse" (2/7) (where 1 is "extremely risk averse" and 7 is "extremely risk tolerant").

"A risk-averse investor dislikes risk and, therefore, stays away from high-risk stocks or investments and is prepared to forego higher rates of return. Investors who are looking for safer investments typically invest in savings accounts, bonds, dividend growth stocks and certificates of deposit"[1] The risk profile for the savings for your grandchildren is described as "typical levels of risk aversion/tolerance" (4/7) due to the long-term nature of this investment.

Your Knowledge & Experience of financial products

Your husband managed your finances prior to your death, so your investment experience is relatively low. We require further information regarding the nature, volume and frequency of your previous investment transactions and if you have felt comfortable with the previous fluctuations in the value of your investments.

Emergency fund

We would usually recommend that you have at least three months outgoings available in an instant access savings account.[2] As you have total annual outgoings of £17,900 per annum, this will equate to an emergency fund of approximately £4,475.

We also agreed that you would hold £15,000 on cash deposit for your new car purchase.

Review of investments

Your collective investments are broadly invested in line with risk profile 5. This means that the equity exposure is too high, and the cash and fixed interest exposure are too low in relation to your 2- very risk averse profile. Regarding the asset allocation of the investment bond (inherited from your late husband) it is also the case that the cash and fixed interest exposure are too low, and the equity content is too high in relation to your 2- very risk averse profile.

Diversification

Diversifying investments ensures you are invested in the asset class that is performing best, but also ensures you are not 100% invested in the asset class that is doing worst. Instead, you are invested over a series of asset classes and as a result, your investment returns should be "smoothed" out as the performance of each asset classes compensates for each another as time goes by. Equities are widely acknowledged to have provided the best long-term performance of the four main asset classes.

Asset Allocation

The process of deciding how much to invest in each asset class is known as asset allocation. For example, equities have traditionally offered higher returns over the long term but at the price of increased risk while, at the other end of the scale, cash has offered both security of capital and stability but with a fluctuating income and no chance of capital growth.

Portfolio Performance

When we construct a portfolio for our clients it is important to continue to monitor the performance of the portfolio against certain known parameters. For that reason, we measure all our clients' portfolios against some key indices which will behave differently in different economic climates.

Individual Fund Performance

We would normally consider the performance of the individual funds however we do not have this data at the present time.

Recommendations

Cash

Cash assets usually include bank accounts and marketable securities, such as government bonds.

Recommendation: You should retain a minimum of £4,475 of emergency funds and £15,000 for your new car purchase. This leaves £80,525 of cash assets.

We would recommend paying £20,000 of the funds into your Stocks and Shares ISA to utilise your full ISA allowance for the current tax year. You should also look to pay another £20,000 into your stocks and shares ISA in the next tax year from your savings account.

This would leave you £40,525 in excess of your emergency funds and the funds required for your new car purchase. Therefore, we would also recommend that you cease taking the £950 net per annum of income you are currently taking from your collective investments and alternatively take this income from your savings account. The £950 of dividends exceeds the £500 dividend allowance for the 2024/2025 tax year, so £450 will be taxable at the basic rate of 8.75%. This equates to a tax charge of £39.38. The units under your collective investments could be changed to accumulation units once the income is ceased.

You are looking to supplement your pension income from your investments to provide additional income of £750 a month net, for discretionary spending purposes. We also recommend you take £333.33 per month (£3,999.96 per annum) of this income requirements from your cash assets over the short to medium term.

The net interest on your savings account will be tax-free as it falls within your £1,000 savings allowance. The amount you hold in cash is in excess of the amount of emergency fund you will require and your short-term lump sum requirements. In addition, saving interest rates are currently low and the funds can also be withdrawn without incurring a tax liability.

The annual interest payable on your cash accounts is low so you should look to transfer the remaining funds in your accounts to products that offer a better rate. This strategy should be kept under review going forward as your cash funds could be eroded over time.

The payments into your Stocks and Shares ISA will ensure that no more than £85,000 is retained in each individual banking institution in line with the FSCS limits in the event of insolency.[3]

Unit Trusts

A collective investment is subject to tax on the income it generates but is free of CGT until there is a realised gain, usually as a result of internal fund switches or encashment. At that point no CGT may be payable because of the annual exempt amount. "For any gain that exceeds the CGT allowance the rate of CGT is 10% or 20% depending on whether the individual is a basic or higher rate taxpayer".[4]

Recommendation: We recommend that you retain the current investment but undertake fund switches to rebalance the underlying asset allocation in line with 70% cash and fixed interest and 30% in equity. This equates to your risk profile. As the investment has made a modest loss there will be no capital gains tax implications. Any realised future gain on the funds may fall within your capital gains tax allowance (£3,000 for the 2024/2025 tax year). We have recommended that you utilise this year and next year's ISA allowances through payment from your savings account; however, you could utilise this allowance in future years through your collective investment to move the funds gradually into a tax-free wrapper.

We recommend that you cease taking the £950 net per annum of income from your collective investments and reinvest the funds in accumulation units to provide the potential for higher growth. The Total Expense Ratios of your current funds range from 1.5% to 2.7% which are relatively high so we will attempt to lower your overall charges when undertaking the fund switches.

Stocks and Shares ISA

"You do not pay interest or cash within an ISA and income or capital gains from investments in an ISA. If you complete a tax return, you do not need to declare any ISA interest, income or capital gains from it".[5]

Recommendation: We would recommend you retain the ISA wrapper to keep benefitting from tax free growth. We also require further information on the underlying asset allocation in order to ensure it is invested in line with your risk profile which should incorporate an underlying asset allocation of 70% cash and fixed interest and 30% in property. This asset allocation should also apply to the £20,000 ISA we recommend is paid in for this tax year and the next tax year.

Cash ISA

Recommendation: You currently hold cash in excess of your emergency and short-term spending requirements. There is also enough cash to cover your additional income requirements over the short to medium term. Therefore, I recommend that you transfer your Cash ISA to your stocks and shares ISA and invest the underlying funds in line with your risk profile of 2/7. This will potentially increase the growth on this investment over the long term, as the cash ISA is currently only paying interest of 1% per annum. This will also maintain the tax-free wrapper for the investment providing the potential for tax-free growth that could exceed inflation.

Premium Bonds

"Premium bonds do not earn interest. Instead, the interest funds a monthly prize draw for tax-free prizes".[6]

Recommendation: We recommend you retain your premium bonds at the current time due to their tax-free status.

Investment Bond

Tax deferred, cumulative withdrawals of up to 5% of the original investment are allowed up to 20 years. The additional tax due on this income will be payable at the time when the bond is cashed in the gains and income earned within an onshore investment bond is taxed internally at 20%, but for offshore bonds there is no internal tax charge. In this case the gross interest rolls up. I am unaware if this is an onshore or offshore investment bond. Top slicing divides the profit over the lifetime of the bond (including withdrawals) by the years the bond has been held. The investment is currently showing a £23,000 gain and has been held since 2009. You are a basic rate taxpayer, and the top sliced gain of £1,533.33 is unlikely to fall into the higher rate tax bracket in the current tax-year. If the investment bond is onshore there will be no additional tax charge. If it is an offshore bond there could be a tax charge of 20%, which equates to £4,600.

Recommendation: The investment bond is currently invested in line with risk profile 4/7, so should be retained and rebalanced in line with a 2/7 risk profile. This will avoid a potential tax charge as this internal fund switch will not be a chargeable event.

The original investment was £100,000. Tax deferred income of 5% per annum equating to £5,000 per annum for a maximum of 20 years (over the life of the investment) is available from the investment bond. The tax deferred income currently available equates to £80,000 for the new policy year in 2024.

You could utilise the tax deferred income to provide £416.67 of your £750 per month additional income requirement. There will be no immediate tax liability to take the income, and this will not constitute a chargeable event; however, additional tax may need to be paid on the eventual surrender of the investment bond due to this, so as an alternative we recommend that the £416.67 per month is taken from your Stocks and Shares ISA as the income will be tax-free.

Final position

The below table summarises my investment recommendations and confirms how the required £750 of income will be generated.

Investment	Amount	Monthly Income	Annual Income
Current Account	£19,475*	£0	
Easy Access Savings Account	£40,525	£333.33	£0
Collective investments	£87,000	£0	
Stocks and Shares ISA	£102,000**	£416.67	
Premium Bonds	£30,000	£0	
Investment Bond	£123,000	£0	
	£402,000	**£750**	**£0**

*This includes a £4,475 emergency fund and £15,000 for the car purchase.
**This includes a full ISA contribution for this tax year and the next tax year.

Reviews

It is important to review your investments on a regular basis. We will of course review your assets at every meeting.

Our costs

We agreed that a fixed fee of £1,000 would be paid to review your investments. Please refer to the enclosed brochure for further details of our costs and services.

Next steps

If you have any questions regarding these recommendations or if any of the personal and financial information within the report is in-correct, please do not hesitate to contact me.

Further reading

1 Risk Averse: What It Means, Investment Choices and Strategies (investopedia.com) 01/07/2024
2 How much to save for an emergency | MoneyHelper 01/07/2024
3 Deposit protection Q&As - banks & building societies | FSCS 01/07/2024
4 J09 study text (2023/2024 version)
5 Individual Savings Accounts (ISAs): How ISAs work - GOV.UK (www.gov.uk)01/07/2024
6 Premium Bonds | Our savings Accounts | NS&I (nsandi.com) 01/08/2024

Examiner Comments

The assignment covers a review of the client's investments (in the form of a suitability report) which considers Margaret's agreed risk profile, requirement for increased income and tax efficiency.

This assignment is also focussed on an assessment of the client's current arrangements to provide recommendations of how to restructure her investments in line with her objectives.

The mark given to the assignment is 56 which is below the pass standard of 65.

Areas where the assignment scored highly include the following:

- The specific question asked in the case study has been answered.
- There is a clear and concise review of the client's current financial position and her existing investments.
- Any missing information from the fact find has not been ignored nor inappropriate assumptions made. The candidate has identified that further information is required and what the possibilities are for the missing information.
- Justification has been provided for the recommendations.
- Consideration have been given to using the tax allowances available.
- The technical information applied is broadly correct with only minor errors.
- The assignment is written as a suitability report, so utilises the correct format. The suitability report was written in a way that the client would understand.

Areas for further improvement include the following:

- A more in-depth analysis of the client's investments with more detailed justifications could have been included. For instance, the recommendation regarding the client's premium bonds is very brief and could be potentially unsuitable. This could be linked to whether there needs to be further consideration regarding how much she is recommended to retain in cash assets.
- Page 14 of the fact find confirms the current asset breakdown of Margaret's collective investment and page 19 provides an example of a suitable asset allocation in line with her risk profile; however, the assignment only includes a brief paragraph analysing the collective investments asset allocation against risk profile. A more detailed analysis is required here (using the information provided) to demonstrate the difference between the client's risk profile and asset allocation of the existing collective investment.
- Further information could have been provided regarding portfolio construction and the importance of monitoring the performance of the portfolio against certain known

parameters.

- The suitability report includes a section on the client's willingness to take risk; however, there is no narrative on the client's need to take risk or assessment of her capacity for loss. All three components of a client's risk profile should be included in a suitability report containing investment recommendations.

- The client has a £750 per month additional income requirement. The suitability report identifies that £333.33 per month of the client's income requirement could come from the client's cash assets. It also states that the client could utilise the tax deferred income from the investment bond to provide the remaining £416.67; however, it then recommends this additional £416.67 should come from the client's stocks and shares ISA as it would be "tax free". The funds will be removed from a tax efficient wrapper, so this is potentially an unsuitable recommendation. The income could be provided in a more tax efficient manner from the client's other investments. Some narrative is included regarding the most tax efficient way to take the income, but ultimately this does not lead to a suitable recommendation.

- Further consideration could have been given to tax-efficiency and interaction with the tax allowances available. For example, the CGT and ISA allowances are considered, but (due to the recommendations) the client's dividend allowance is now unused.

- Attention could have been given to Margaret's wider objectives and the interaction of these objectives. For example, there was no review of the savings she has made into NS&I bond for her grandchildren.

- In addition to reviewing the current investments and generating additional income, the client also wishes to reduce the IHT that would be payable on her death. Therefore, a more holistic approach could be taken through the recommendation which could combine her need for ongoing income but also for capital to leave her estate for IHT planning purposes.

- A cash flow illustration could have been included to consider her overall financial position and to demonstrate how sustainable taking the additional £750 a month net of income she requires from her cash assets and investments. This should have taken into consideration appropriate assumptions for inflation and her likely longevity.

- Structure could have been enhanced through the further use of tables and visual representations, i.e. graphs, pie charts.

- More marks would have been awarded for demonstrating wider reading and/or links to broader industry knowledge. An example of a missed opportunity can be seen in the section headed 'Diversification'. The statement 'equities are widely acknowledged to have provided the best long-term performance of the four main asset classes' should have been referenced to add credibility to the overall analysis and demonstrate unequivocally that wider reading had informed the writing of the assignment.

Final recommendation to candidates

We trust that candidates will find the above information useful when writing their assignments. The essential issues to bear in mind are whether the assignments are addressing the questions fully and how well the answer performs against the marking grid.

Candidates should also bear in mind that there is no set format for assignments or for adviser or client reports. We have been pleased to receive assignments in a variety of different formats, all of which have the potential to score well against the criteria.

If you would like further guidance on this, please refer to the J09 study text that contains examples of both reports and checklists that candidates will find helpful. Also have a look at the FAQs at the end of this document.

Below is an example of a PRRM that is provided for question 3.

The Chartered Insurance Institute

Unit:	**J09**	**Year:**	**2024**

Pin Number:	
Assignment Number	

The submission detailed above has been reviewed and the original result is unchanged.
Please see below for feedback on the assignment.

PART I – Case Study

Knowledge and Understanding - 30%

- The client's willingness to take risk is included within the suitability report. Please consider any other components that must be considered when considering the client's overall risk profile in a suitability report.
- Some comment is provided regarding the asset allocation of the collective investment portfolio, but please consider the amount of analysis provided when comparing this to the client's risk profile.
- The use of the client's ISA allowance for the current tax year has been considered in the assignment. Has the use of the client's other tax allowances and exemptions (and how they interact) been fully covered in the assignment?
- Please consider if all the client's cash assets and investments have been reviewed in the suitability report. Not considering all the client's liquid assets could result in the retention of unsuitable products with inappropriate underlying assets. For example, there was no review of the savings the client has made into NS&I JISAs for her grandchildren.
- In relation to this, further attention could have been given to the client's objectives and the interaction of these objectives.

Application and Analysis – 45%

- Please reconsider if the suitability of all of the client's cash-based assets have been considered in enough detail. Is this an appropriate amount to remain in cash assets for the client?
- The client has an objective to supplement her pension income to provide additional income of £750 a month net. The suitability report recommends taking some of this income from the client's stocks and shares ISA.
- Please consider if enough detail has been provided regarding what way the income will be provided by the investments and the taxation position. Please also consider if the additional income has been provided from the most appropriate place regarding tax efficiency.
- In addition to generating additional income, the client also wishes to reduce the IHT

that would be payable on her death. Therefore, an approach could be considered which would combine her need for ongoing income but also for capital to leave her estate for IHT planning purposes. Please further consider this area.

Coherent Structure 20%

- A suitability report is required for this assignment. The FCA sets out a minimum standard for this in their Conduct of Business rules. The report should be relevant to the objectives provided by the client and each section follow logically from the previous one so she can easily follow the analysis being presented and understand the reasons for the recommendations.

Evidence of the use of Relevant Examples and / or Further Reading to Support Answers 5%

- Further marks can be obtained for demonstrating wider reading and/or links to broader industry knowledge.

Comments and suggestions for development:

- The report needs to focus on key areas outlined above and then explain these much more clearly in order to be diploma level.
- Please refer to the fact find to ensure all recommendations are in line with the client's circumstances.
- The answer must make clear recommendations and explain why these are the most suitable options to meet the client's objectives.

I hope these comments are helpful and wish you every success with a re-submission of this assignment. Please note that we are not able to engage in further correspondence regarding this assignment and the decision of the senior examiner is final in relation to the marks allocated.

Frequently Asked Questions (FAQ's)

1. How should I interpret the Syllabus Criteria when completing assignments?

The syllabus criteria cover the areas that are being tested, so please refer to this when completing assignments. The syllabus criteria is not designed to provide answers to the questions, but to broadly indicate the relevant learning outcomes. The criteria are also not intended to be a guide to the study book. At this level the expectation is that candidates are able to interpret the questions and have the ability to identify the additional reading and research required.

Questions will not necessarily encompass all facets of the syllabus criteria equally, so please use your judgement to focus on the relevant aspects of the syllabus and be guided by what the question is asking for.

2. Can I refer back to previous assignments I have completed to re-iterate the current assignment?

The three assignments are marked in isolation, so you cannot (for example) refer back to assignment 1 whilst doing assignment 2. You may have a degree of cross over in relation to what is contained in each of the three assignments, although you should ensure you are answering the distinct question; however, each will be marked separately, so you should not assume that the examiner will refer to your other assignments when making.

3. Can I use Excel or a software tool for cash flow analysis?

You may use any software you wish but please note this must be clearly referenced in your assignment. It is important to point out that you cannot rely on the use of cashflow software in isolation. Your assignments must demonstrate your own analysis and evaluation, but you may use the output from software models to assist you in your work if you wish to do so.

We are happy for you to use cashflow modelling software, as long as you disclose all of the information you use, and assumptions made. There is a lot to be considered when utilising cash flow analysis for a client and we would expect your approach to be justified. We expect the client information provided to be incorporated into the cash flow analysis along with the assumptions you will use.

If you do not have access to cashflow software we would recommend completing this manually, for example with excel spread sheets.

4. What approach is expected in relation to risk profiling and formulating portfolios?

Part 13 of the fact find contains a generic risk scale based on 1 to 7. This ties in with the agreed attitude to risk that is applied to the client. We would recommend that this risk scale is referred to and applied when formulating options/recommendations for the client whilst completing your assignments.

5. How are marks awarded for the use of relevant work examples and/or examples gained from further reading?

We expect the content of the assignments to be supported by wider reading, but do not specify a minimum or maximum number of references as we expect judgement to be exercised by the candidate in this area. We also expect you to think about the quality of the wider reading that is being undertaken.

6. Is knowledge of R04 Pensions and R05 Financial Protection required amongst other core areas?

Although candidates are not specifically assumed to have the knowledge and applications and skills obtained through sitting R04 and R05 (to complete J09) we would consider pension planning and protection planning to be broadly included under the following J09 learning outcomes:

- Evaluate the client's personal and financial circumstances.
- Analyse the financial planning requirements of the client and provide potential solutions.

In order to effectively evaluate a client's personal and financial circumstances and to analyse their financial planning requirements (and provide potential solutions) certain topics must be considered that are central and will come up on a day-to-day basis when undertaking the paraplanner role. This includes protection planning and pension planning, amongst other areas that will periodically arise, such as tax planning, investment planning, IHT planning, later life planning etc. We cannot assess an individual's ability to be an effective paraplanner without considering some of these core financial planning issues, even though they are not explicitly stated in the syllabus. Learning outcomes 2 and 3 cannot be effectively demonstrated without the inclusion of some of these areas in the J09 assignments.

Please refer to the study material where you will find broad coverage of these topics and we expect you to supplement this with further reading. It would not be possible for you to demonstrate how you can evaluate a client's personal and financial circumstances and to analyse their financial planning requirements, without the inclusion of key areas of financial planning amongst the assignment questions. How, for instance, can a suitability report be demonstrated if the candidate is not expected to have at least some knowledge of key financial planning areas (such as pension planning, protection planning, tax planning, investment planning, IHT planning, later life planning etc) that should be supplemented by further research. Marks are awarded for the further research you undertake in these areas.

In particular, most individuals have a requirement to plan for and manage their eventual retirement. Therefore retirement/pension planning is a key aspect of the financial planning process and part of the role of the paraplanner. Some specific details are provided within chapter 5 and 6 of the study book, although this is an area, we would expect candidates to undertake further reading.

Please also keep in mind that the level of this qualification. Paraplanners work in conjunction with advisers and need to have knowledge of advisory issues. The qualification is designed to focus on the role of the paraplanner (not the administrator) so the paraplanner must demonstrate at least some knowledge of these key areas to undertake their role.

7. What should I include within the assignments?

Only one document can be submitted, and candidates should make sure to include any cashcalc/cash flows within the assignment. Examiners will only mark what is presented to them, and candidates will not be asked to provide follow up documents. Please note that the examiners are not permitted to download any PDF files attached to your assignment. The main body of the assignment must contain all relevant information with any supporting information in an Appendix, if required. If you are unable to include the full cashflow in the main body of the assignment, this can be held in an Appendix but the key information, with clearly reference to assumptions should be fully explained and justified in the main assignment.

8. Which tax year/allowances should I use?

We appreciate that candidates are able to start work on their assignments at various points during the tax year. You may use the current tax rates and should assume that the fact find was completed on the day that you started work on your assignments. This is taken into consideration by the examiners to provide full flexibility to candidates regardless of the date on which they commence work on this unit.

9. What shall I include in a technical report?

In question two you are asked to prepare a document for presentation to the financial adviser setting out possible options to fund potential home care costs. This requires you to focus on her current position, analysing their assets, income etc, drawing detailed fact-finding conclusions. You then need to evaluate ways to meet the client's objective through providing high level, technical options to the adviser.

Primarily you need to think about the person reading the report. A suitability report has a specific structure and is expected to be client friendly and understandable with clear justifications. A technical report for an adviser is different. The adviser reading it is likely to have the same level of technical skill that you do, so more technical language could be used with less need for clarification. On the other hand details may be included that you would not necessarily include in a suitability report. The report needs to be clear and readable by the financial adviser, but it should be more of a research document. Suitable, advisory options may be included, but not recommendations as such.

10. What is a suitability report?

In question three you are asked to prepare a suitability report outlining your recommendations for restructuring the portfolio in line with the client's objective 1. We would expect the structure of your assignment to be specifically different from a technical report.

Again you need to think about the person reading the report, in this case the client who may have a lower level of technical skill then you do in relation to the information that is included. A suitability report has a specific structure that you should be familiar with and the client should be addressed directly. It is expected to be client friendly and understandable with clear justifications. It should also be concise and provide the client with all the information required for her to make relevant decisions. Some technical information may be required, but an attempt should be made to explain this in a client friendly manner. Specific recommendations should be given that are suitable for the client, along with justifications.

We would strongly recommend that you refer to question two in the exemplar in relation to how you should structure your suitability report.

As you can see, the assignments are designed to guide you through the elements of the financial planning process the paraplanner will be involved in, with the final assignment requiring a detailed recommendation that builds on the conclusions that you have made in each of the earlier assignments.

Please note that each assignment must be written as a standalone piece of work with no specific reference to earlier assignments as the examiners do not have access to your earlier work.

11. Links for 4D walkthroughs:

1 - https://revisionmate.ciigroup.org/mod/scorm/view.php?id=30847

2 - https://revisionmate.ciigroup.org/mod/scorm/view.php?id=30848

3- https://revisionmate.ciigroup.org/mod/scorm/view.php?id=30849