

THE CHARTERED INSURANCE INSTITUTE

J08—FINANCIAL PLANNING PRACTICE

CASE-STUDIES – JULY 2010

CASE STUDY 1

James and Helen Smith, both aged 35, are married. They have two children, John and Sophie, aged seven and five respectively.

James is employed as an editor for a local newspaper and earns £54,000 per annum. He pays 15% of his salary into his employer-sponsored self-invested personal pension scheme (SIPP). It is invested in the UK recovery fund. He wishes to retire on a comfortable income when he reaches age 55. His current fund value is £27,000.

Helen is not in paid employment. She previously worked at the same employer as James, and has a paid up pension fund value of £3,000 which is invested in a UK equity fund. She is currently contributing £300 per month net of basic-rate tax into a stakeholder pension.

With two young children, James and Helen are anxious that they should have appropriate protection policies in place. Both James and Helen recognise that they have a limited budget.

James and Helen live in an area where the local schools are not performing well in published league tables and they have expressed a wish to see that their children are educated privately from the age of 13. They have asked you to draw up a plan to help them fund for private school fees from this age. Currently, the children are educated at home by Helen.

James and Helen believe that their current level of pension contributions will be sufficient to allow them to retire early. They are seeking a comprehensive review of their pension planning as they seek re-assurance in this area.

James and Helen have an interest only mortgage of £200,000 and they have no other debts. Their property is worth £225,000. They are keen that their mortgage is repaid as soon as is realistically affordable. They are paying £150 per month into a jointly-held stocks and shares ISA to fund the repayment of the mortgage. They have no other savings or investments other than a modest amount in their joint bank account.

James and Helen consider themselves to be low risk investors.

Their financial aims are to:

- fund for school fees;
- retire at age 55;
- receive advice on protection;
- repay their mortgage.

CASE STUDY 2

John and Philippa Hunt, aged 58 and 51 respectively, are married. They have two children, Harry, aged 24, and Sophie, aged 22. Both children are working and are financially independent.

John is a senior manager in a plc earning £64,000 per annum. He has a final salary pension provision but feels that they need to improve their investments and tax efficiency.

Philippa has not been in paid employment for many years. She has no earnings currently and only worked part-time when she was younger. Philippa has always relied upon John to maintain their standard of living and their investments have mainly been in John's name.

Whilst they have an investment portfolio, they have also run up a number of debts throughout the last 10 years.

John has a medium attitude to risk and Philippa has a low attitude to risk. Overall, they would be happy with an investment spread of 45% equities, 40% fixed interest and 15% in cash.

Their current investment portfolio is as follows:

Portfolio

Name	Asset	Gross Yield, per annum (%)	Current Value (£)
John	UK Equities Unit Trust	2	45,000
John	Corporate Bond Unit Trust	4	31,800
John	Global Unit Trust ISA	0	14,000
John	Bank Deposit Account	2.5	28,000
Philippa	Gilt Holding, Treasury 5.8% 2015	-	30,000
Philippa	Far East Equities Investment Trust	1	22,400
		Total	171,200

You are informed of the following information:

- they live in a house worth £350,000 with an interest only mortgage of £150,000. This mortgage is due to be repaid when John is aged 65;
- other than John's death-in-service of 4 x salary, they have no protection policies and do not wish to receive advice on protection;
- they have £19,000 in debts which are on various credit cards and unsecured loans;
- the gilt holdings have a nominal value of £100 and were acquired for a purchase price of £108.72. They have precisely five years left to run.

Their financial aims are as follows:

- to review their investment portfolio;
- to increase the tax efficiency of their investments;
- to ensure the investments remain appropriate for their future needs;
- to receive advice on repaying their debts.

