THE CHARTERED INSURANCE INSTITUTE

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – OCTOBER 2017

Case study 1

Matthew, aged 43, is married to Linda, aged 38. They have two children, Ben, aged 8, and Gary, aged 2.

Matthew is employed as a business analyst for a pharmaceutical company and his remuneration comprises solely of a salary of £110,000 gross per annum. He is a member of his employer's defined benefit pension scheme and contributes 8% of his gross salary.

Matthew is a member of his employer's death in service benefit scheme which provides four times his basic salary in the event of his death. Two years ago, Matthew's employer established a Group Personal Pension (GPP) scheme for employees who wish to make additional pension contributions, as they are no longer permitted to purchase additional pension benefits under the defined benefit scheme. Contributions can be made to the GPP via salary sacrifice. The default fund offered under this scheme is a target date fund that adopts a lifestyling approach prior to retirement.

Linda is employed and works part time as an administrator at a local company. She receives a basic salary of £7,500 gross per annum. She plans to recommence full-time working at the same company in two years' time. She is not entitled to any employee benefits.

Matthew and Linda have a joint interest-only mortgage on their home with a current balance of £220,000 and a remaining term of 22 years. They arranged this mortgage five years ago, when they committed to a fixed interest rate of 2.5% for ten years. They currently have no repayment vehicle in place for their mortgage and have enquired about the possibility of contributing to a Stocks and Shares ISA for this purpose.

Matthew and Linda have limited personal savings. They have a joint bank account with a balance of £10,000, and cash ISAs of £3,000 each. Linda also holds a Stocks and Shares ISA which has a current value of £4,000, invested solely in a corporate bond fund. Matthew and Linda wish to make financial provision to help with potential future university costs for both Ben and Gary.

Matthew and Linda are both in good health and consider themselves to have a medium attitude to risk. They have both recently made Wills, leaving their estates to the surviving spouse and then to their children. They have not received any form of financial advice before.

Their financial aims are to:

- ensure that they have sufficient income in retirement;
- provide financial security for their family in the event of death or illness;
- ensure that their mortgage is repaid before they retire;
- make financial provision for their children's future university education.

Case study 2

Nigel, aged 60, is married to Mona, aged 57. Both Nigel and Mona are in good health. Nigel has two children from his first marriage, Cara, aged 30, and Tim, aged 32. Both Cara and Tim are married and financially independent. Nigel's first wife died ten years ago, leaving all of her estate to Nigel. Mona has never been married before and has no children.

Nigel is employed as the Managing Director of a printing firm. He receives a gross basic salary of £175,000 per annum. He is a member of his employer's defined benefit pension scheme and has a projected pension at the scheme's normal retirement age of £43,750 per annum. Nigel's employer also offers a Save as You Earn (SAYE) Sharesave scheme which he joined a few years ago. Nigel intends to retire in March 2018.

Mona is employed as a nursery school assistant and receives a gross basic salary of £17,000 per annum. Mona has a personal pension plan with a fund value of £145,000 and she pays £100 per month net into the plan. She has recently opted out of her employer's auto-enrolment pension scheme.

Nigel's mother died two years ago leaving her estate to Nigel, which totalled £250,000. Nigel's aunt died six months ago and he is expecting to receive £200,000 as an inheritance.

Mona is considering early retirement later this year, to spend more time with her mother, Agnes, who has recently moved into a private nursing home, following a lengthy stay in hospital. They are currently investigating potential state benefits that may be available to Agnes.

Nigel and Mona jointly bought a holiday cottage in Wales for £250,000, using the legacy from Nigel's late mother's estate. This has been let commercially as a holiday home since it was purchased. They will eventually move permanently to the cottage, and then let out their current home, which is mortgage free and owned in Nigel's name only. This property is valued at £1,000,000.

Both Nigel and Mona have a medium attitude to risk. Nigel and Mona's savings and investments are:

Investments	Ownership	Amount (£)
Bank deposit account	Joint	250,000
Onshore investment bond - traditional with profits	Joint	100,000
Stocks and Shares ISA - high yield bond fund	Mona	56,000
Unit trust - global equity fund	Mona	3,000
Stocks and Shares ISA - investment grade bond fund	Nigel	40,000
Ordinary shares in a UK bank	Nigel	45,000

Their financial aims are to:

- minimise any potential liability to Inheritance Tax;
- maximise tax efficiency;
- make financial provision for Agnes's care arrangements;
- ensure that they have adequate income in retirement.