THE CHARTERED INSURANCE INSTITUTE

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – APRIL 2014

Case study 1

Tim, aged 32 and Emma, aged 31, are married. They have two children, Charlotte aged two and Harry aged six months.

Tim is employed in the legal department of a major public limited company and receives a gross salary of £60,000 per annum. He is a member of his employer's comprehensive private medical insurance scheme, which also covers his family. If Tim is unable to work through accident or sickness, his employer will pay his full salary for one year and then 75% of his salary until he reaches the age of 65.

Tim is a member of his employer's defined contribution pension scheme. He pays 5% per annum gross of his salary and his employer pays 10% of his gross salary into the scheme. Tim's fund value is currently £205,000. He is also a member of his employer's death-in-service scheme which provides a lump sum of four times annual salary.

Emma has been a self-employed website designer since 2006 and her taxable net profits are £20,000 per annum. She expects her business to be more profitable once Harry starts school and estimates that her taxable net profits will then be approximately £35,000 per annum. Emma has a personal pension plan valued at £85,000 but has not made contributions to the plan since 2012.

Tim and Emma live in a property as joint tenants, valued at £300,000. They have a repayment mortgage of £200,000 with an outstanding term of 25 years. Their interest rate is fixed at 3.8% for the next 10 years. They have a 25 year joint life, first death mortgage protection policy for £200,000. They have no other protection policies.

Emma has recently inherited a portfolio of shares valued at £210,000, following her grandfather's death. She has been informed that the shares have a standard deviation of 4%.

Tim and Emma's only savings are in the form of cash ISAs, with Tim's valued at £19,250 and Emma's valued at £17,450, and a jointly-held bank savings account of £22,000.

Tim and Emma have a low to medium attitude to risk. They have never used a financial adviser as they have always felt that they are capable of making their own financial decisions.

Their financial aims are to:
- ensure they are financially secure in the event of death or illness;
- make the best use of the shares inherited by Emma;
- ensure they have sufficient income in retirement.

Case study 2

George, aged 66, is married to Ann, aged 65. They have two children who are both financially independent and three grandchildren.

George is employed by a small engineering firm. He receives a gross salary of £65,000 per annum, and receives no benefits-in-kind. He is a member of his employer's group personal pension scheme. George makes a contribution of 3% of basic salary via salary sacrifice and his employer contributes 3% of basic salary to the scheme.

George's pension is invested in a managed fund and valued at £900,000. He is considering taking the scheme benefits and working part-time. He has deferred his State Pension.

Ann has been helping to raise the grandchildren for the past ten years and has not been in paid employment during that time. She currently receives a State Pension of £5,200 gross per annum. This is her only source of income.

George has a medium to high attitude to risk and Ann has a cautious attitude to risk. They have mirror Wills leaving everything to each other. Neither George nor Ann has made any previous gifts.

They have the following assets:

Owner	**Asset**	**Amount (£)**
Joint Tenancy	Family Home	750,000
Joint	Bank savings account	90,000
Ann	Stocks and Shares ISAs	125,000
George	Cash ISAs	40,000
George	Stocks and Shares ISAs	70,000
Joint	Onshore Investment Bond	120,000
George	UK Equity Unit Trusts	150,000

The total value of any other assets they have, including chattels and cars, is £110,000. They have no mortgage or other debts.

There financial aims are to:

- ensure they have sufficient income in retirement;
- maximise tax efficiency;
- pass as much of their estate to their children as possible.