THE CHARTERED INSURANCE INSTITUTE

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – OCTOBER 2014

Case study 1

Jon, aged 62, is married to Sue, aged 62. They own their own home outright and are both in good health. They have two adult children who are financially independent.

Jon is a semi-retired senior manager and is in receipt of his final salary pension of £48,000 gross per annum which commenced in 2013. He runs a private management consultancy and this business has an annual turnover of £50,000. Jon has a self-invested personal pension (SIPP) into which he continues to make annual contributions, depending on his earnings from the management consultancy. His SIPP has a current value of £150,000 and Jon has not yet drawn any benefits from this plan. Jon is planning to retire by March 2015.

Sue has not been employed for a number of years and has no pension plans. She is due to receive her State Pension in 2015.

Jon and Sue have an investment portfolio, which includes a jointly-owned onshore investment bond with a current value of £100,000 which they have held for ten years, along with a range of jointly-owned collective investment funds held in fixed-interest securities and UK equity funds. These are valued at approximately £800,000 in total. They also hold a number of NISAs held in collective investment funds and they estimate that these have a current value of £300,000 in total. Jon and Sue hold £30,000 in cash in an instant access account for emergencies and they also hold £100,000 in a five year fixed-rate account in Sue's name.

Jon is a higher-rate taxpayer and Sue is a basic-rate taxpayer. Jon is keen to learn more about investments and considers himself to be a medium-risk investor. Sue considers herself to be a low to medium-risk investor. Jon has read an article about Venture Capital Trusts and would like to know more about this type of investment.

Both have mirror Wills leaving everything to each other on first death and then to the children on second death. These have been updated recently. They have no protection policies and no outstanding debts or liabilities.

Jon and Sue's financial aims are to:

- ensure that they have adequate income in retirement;
- improve the tax-efficiency of their current investment portfolios;
- mitigate any future higher-rate Income Tax liability;
- purchase a new car for Sue in the next few months.

Case study 2

Tom, aged 44, is married to Lucy, aged 41. Both are in good health. Tom is a marketing manager for a large telecoms provider and Lucy is employed as a copywriter. They have two children, David aged nine and Caroline aged seven.

Tom's mother died recently and Tom is expecting an inheritance of £100,000 in the next few months. No further inheritances are expected for either Tom or Lucy.

Tom earns a salary and bonuses totalling £60,000 gross per annum and Lucy earns £25,000 gross per annum.

Tom is a member of his employer's defined benefit pension scheme and the scheme also provides Tom with four times his salary as a lump sum death-in-service benefit. Tom also has three paid-up personal pensions from previous employments. Lucy is a member of her employer's group personal pension scheme and has no previous pensions. She has no additional benefits from her current employer.

Tom and Lucy have an interest-only mortgage of £200,000, which is due to be repaid in 10 years' time. To repay the mortgage, Tom and Lucy have invested in a range of collective investment funds, some of which are held within NISAs. These investments have a current value of £50,000 and have never been reviewed. Most of the funds are invested in UK smaller companies and high-yield fixed-interest securities. They hold £10,000 in an instant access savings account in joint names.

Tom and Lucy have made mirror Wills leaving everything to each other on the first death and then to the children on the second death. Tom is a medium-risk investor and Lucy is a low to medium-risk investor. Tom and Lucy have no personal protection policies.

Tom and Lucy's financial aims are to:

- ensure sufficient funding is in place to repay the mortgage in 10 years' time;
- ensure adequate protection is in place whilst the children are in full-time education and university;
- maximise the benefits of their existing personal pension plans for retirement;
- review the suitability of their existing investment portfolio;
- maximise their entitlement to Child Benefit.