THE CHARTERED INSURANCE INSTITUTE

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – JANUARY 2015

Case study 1

Dennis, aged 45 and Alice, aged 37, have been married for 11 years. They have two children, Paul, aged 10, and Sue, aged 7.

Dennis is employed as a department manager at a large retail store on a basic salary of £48,000 gross per annum. He is also eligible for a performance-related bonus. The company's sick pay scheme will pay 75% of basic salary for the first three months' sickness, reducing to 50% for the next three months. Dennis has been a member of his employer's defined benefit pension scheme for the 15 years that he has worked for the company. The scheme has a death-in-service benefit of two times basic salary and a retirement age of 65.

Alice was not employed until the children went to school but is now working part-time as a receptionist on a basic salary of £12,000 gross per annum. There are no employee benefits provided by her employer. Alice has made no pension provision but has savings of £170,000. This includes an inheritance she received from her late father in January 2013. This money is all held in a two year fixed-term building society deposit account, paying interest of 3% gross per annum, and matures shortly.

Dennis and Alice bought their house for £260,000 when they got married. It is now worth £490,000 and is owned on a tenants in common basis. They have a repayment mortgage with £190,000 outstanding and a term of 14 years remaining. Dennis and Alice have a mortgage protection policy to cover the outstanding mortgage and a joint life level term assurance policy for £100,000, with 18 years remaining. Both policies are payable in the event of first death.

Dennis and Alice have a joint current account with a current balance of £12,000. They do not receive any interest on this account. Dennis has a building society savings account with a current balance of £25,000, paying 1% gross per annum interest. Dennis also has a unit trust, invested in a UK equity growth fund that is currently worth £70,000.

Dennis and Alice are both cautious investors and would like to retain the majority of their money in cash deposits. They do not expect to receive any further inheritances and have not made Wills.

Their financial aims are to:

- provide financial security for the family in the event of serious illness and death;
- receive advice regarding Alice's maturing building society account;
- provide sufficient income for their retirement.

Case study 2

Martin, aged 54, and Julie, aged 60, have been married for 32 years, and have three adult children who are financially independent of them. Martin and Julie have two grandchildren, aged one and two.

Martin is employed as a factory line manager and has worked there since leaving school at the age of 17. His basic salary is currently £52,000 gross per annum. The company's sick pay scheme will pay him 50% of his salary for up to three months if he is unable to work. Martin is a member of his employer's group personal pension plan (GPP) to which he contributes 5% gross of his basic salary and his employer also contributes 5%. Martin's normal retirement age is 65 and the policy is invested in a cautious managed fund with a current value of £242,000. There are no other employee benefits provided by Martin's employer.

Julie works as an accounts administrator and her salary is £21,000 gross per annum. If she is unable to work due to illness, her employer will pay her full salary for one month and 50% for the next three months.

Julie has a personal pension plan invested in a fixed interest fund which has a current value of £62,500. She contributes £100 net per month to the plan and her normal retirement age is 65.

Their main assets are:

Asset	**Ownership**	**Current Value**
Cash NISA	Martin	£54,450
UK Equity unit trust	Martin	£85,150
Instant access building society account	Martin	£100,000
Cash NISA	Julie	£23,600
Premium bonds	Julie	£2,750
Bank current account	Joint	£3,000
Bank deposit account	Joint	£34,750

Martin and Julie's house, currently valued at £245,000, is owned in their joint names and there is eight years left to run on their capital and repayment mortgage. The outstanding balance is £20,000, and the monthly payment is £250. They have a mortgage protection policy that will pay off the outstanding mortgage if either of them dies.

Martin has recently inherited £100,000, following the death of his grandmother. This has been placed into the instant access building society account shown above. Martin and Julie both have cautious attitudes to risk. They have mirror Wills, leaving everything to each other on first death.

Their financial aims are to:

- provide financial security if Martin suffers a long-term illness;
- improve the tax efficiency of their investments;
- invest money for their grandchildren's future benefit.