THE CHARTERED INSURANCE INSTITUTE

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – APRIL 2015

Case study 1

Laurie, aged 37, is married to Danielle, aged 38. They have two children, Fiona, aged eight, and Oliver, aged four.

Laurie is a self-employed plumber with taxable net profits of £70,000 per annum. His drawings are £50,000.

Danielle is employed and works part-time at a local company. She earns £7,500 gross per annum. She plans to recommence full-time working at the same company, when Oliver is seven. She currently has a death-in-service benefit of two times her gross salary but has no further employee benefits.

Laurie and Danielle have a joint repayment mortgage on their home with a current balance of £160,000 and a remaining term of 24 years. They effected this mortgage last year with a fixed annual interest rate of 5.5% for five years. They have a joint life, first death mortgage protection policy covering the mortgage debt. They also have a joint life second death whole of life policy for £150,000 for which they pay £43 per month. This is a reviewable unit linked plan. They have no other protection policies.

Laurie has a credit card which has an outstanding balance of £12,000, with an APR of 26.9%. Additionally, Laurie has a store card with an outstanding balance of £8,500, with an APR of 18.5%.

Laurie and Danielle have limited personal savings. They have a joint bank account with a balance of £10,000 and cash NISAs of £3,000 each. Danielle has a stocks and shares NISA with a value of £2,000. Laurie and Danielle wish to help with the university costs for Fiona and Oliver. Danielle's parents set up a bare trust in 2013 to help with this.

The investments held within the bare trust are currently valued at £20,000.

Laurie and Danielle are both in good health and have a cautious attitude to risk. They have recently made Wills leaving their estates to the surviving spouse and then to the children. They have never received financial advice in the past.

Their financial aims are to:

- provide financial security in the event of death or illness;
- repay or improve their current debts;
- make financial provision for their children's future university education;
- ensure that their financial arrangements are as tax efficient as possible.

Case study 2

Horace, aged 64, is married to Sarah, aged 60. They have two sons, Simon, aged 38, and Alex, aged 34. Neither of the children is financially dependent on their parents.

Horace has recently retired and has a capped drawdown pension arrangement. His pension fund is valued at £600,000 and is invested in a mixture of equities. Horace has taken his pension commencement lump sum and he draws an income from the fund of £30,000 per annum gross. Horace expects to receive his State Pension of £175 per week gross in a few months' time. Sarah's income from all sources is £5,000 per annum gross.

Sarah's mother, Emily, aged 83, is rapidly becoming frail and will soon need help in the home. Emily has little savings but lives in a house valued at £475,000 and has no mortgage. Emily's income from all sources is £12,000 per annum gross. Sarah is considering addressing Emily's long term care needs for the future.

Horace and Sarah live in a house worth £750,000 which has no mortgage and they have no debts. They are keen to help their children get on to the property ladder.

Their total other assets are as follows:

Ownership	Type	Amount (£)
Horace	Current account	200,000
Horace	Deposit account	30,000
Horace	NISA (stocks and shares)	60,000
Horace	Shares (single company)	45,000
Sarah	Deposit account	50,000
Sarah	NISA (stocks and shares)	40,000
Joint	Chattels	70,000

Horace has a medium attitude to risk, whilst Sarah is cautious. They made mirror Wills some time ago, leaving everything to each other, and then equally to their children.

Their financial aims are to:

- ensure that their financial arrangements are as tax-efficient as possible;
- restructure their investments in line with their attitude to risk;
- assist Simon with a deposit for house purchase in the near future;
- ensure that Emily has sufficient income to meet her expenditure.