

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – JULY 2015

Case study 1

Martin, aged 55, is married to Gina, aged 50. Both of them are in good health. Martin has an adult son from a previous marriage, who is financially independent.

Martin and Gina own a limited company in equal shares. Martin draws a salary of £45,000 per annum and Gina draws a salary of £15,000 per annum from the business. They are planning to sell the business when Martin is aged 60.

The business operates from premises owned by the company. Martin and Gina understand that some businesses operate from premises owned by the directors' pension schemes and are interested in this idea.

Martin and Gina have built up limited funds in personal pensions. Additionally, they have the following investments:

Asset	Ownership	Current Value
Share portfolio	Martin	£250,000
Open-ended investment company (OEIC) funds	Martin	£150,000
Bank current account	Martin	£50,000
Cash NISA	Gina	£10,000

Martin inherited the share portfolio and OEIC funds from his parents. The OEIC's are mainly invested in overseas equities. Both Martin and Gina have a cautious attitude to investment risk.

The couple live in a property they own in their joint names which is currently worth £750,000. There is an outstanding mortgage of £150,000 which is covered by an appropriate life policy.

Martin and Gina both have private medical insurance and income protection insurance which is paid for by the business.

Due to their plans to sell the business, they feel they should take financial advice.

Their accountant has told them previously that their business would qualify for entrepreneurs' relief.

Their financial aims are to:

- increase their pension savings prior to the sale of the business;
- plan for the sale of the business;
- ensure their existing investment portfolio is suitable;
- ensure they currently have adequate protection in place.

Case study 2

Phil, aged 63, is married to Sally, aged 59. Both of them are in good health. They have two adult children, Tim and Amy, who are both married and financially independent, and a grandson, aged eight.

Phil is retired and receives a pension of £47,000 per annum gross from a defined benefit scheme. Phil also has an uncrystallised self-invested personal pension scheme (SIPP) with a fund value of £255,000. The death benefit is written under trust for Tim and Amy. The fund is invested in equity-backed collectives.

Sally works as a National Health Service (NHS) nurse, and is due to retire in five months' time. Sally will receive a pension of £13,000 per annum gross from the NHS. Sally will also receive a pension commencement lump sum of £39,000. Her current salary is £30,000 per annum gross.

They have the following investments:

Investment type	Ownership	Value (£)
Bank current account	Joint	30,000
Onshore investment bond	Joint	80,000
30 days' notice bank account	Phil	60,000
UK Equity NISAs	Phil	75,000
Equity unit trusts/OEICs	Phil	430,000
Cash NISA	Sally	40,000

Phil and Sally have not made any contributions to NISAs or to Phil's SIPP in the tax year 2014/2015.

Phil and Sally own their home as joint tenants. It is currently worth £300,000 and is mortgage free.

Phil and Sally have not made Wills and are not expecting to receive any inheritances. They are planning to make lifetime gifts of £50,000 to each of their children, from Phil's investments.

Phil has a medium to high attitude to risk and Sally has a cautious attitude to risk.

Their financial aims are to:

- leave their estate to each other on death and then to their children on second death;
- minimise their liability to Inheritance Tax;
- improve the tax efficiency of their investments;
- provide financial assistance for their grandson's university education.