THE CHARTERED INSURANCE INSTITUTE

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – APRIL 2016

Case study 1

Paul, aged 32, is married to Giselle, aged 31. They have a five year old son, Charlie.

Paul and Giselle currently live in rented accommodation. They intend to purchase a house as their main residence within the next six months and are considering their options.

Paul is employed and works part-time. He earns £13,000 per annum gross. Giselle is currently self-employed as a marketing consultant. Her taxable net annual profits, after allowable expenses, amount to £60,000 and she takes this amount as drawings. Giselle is considering incorporating her business.

Paul is eligible to join his employer's death-in-service scheme in two months' time. This will provide him with life cover of four times basic salary when he joins the scheme. Giselle has an existing critical illness policy, taken out three years ago. They have no further protection cover.

Paul and Giselle have the following savings and investments:

Assets	Ownership	Amount (£)
Cash ISA	Paul	15,000
Cash ISA	Giselle	22,000
UK Smaller Companies – OEIC	Giselle	38,000
Bank current account	Joint	14,000

They have made no ISA contribution in the tax year 2015/2016.

Paul and Giselle are disappointed with the returns on their existing savings and investments. They have a low attitude to risk, but this has not been reviewed for some time.

Paul will join his employer's workplace pension scheme, under auto-enrolment, in May 2016. Giselle contributes £5,000 gross per annum to a self-invested personal pension (SIPP). The current fund is invested in UK blue chip stocks and is valued at £40,000.

They both enjoy good health and are not expecting any inheritances from their parents or other family members.

Giselle is interested in setting up a savings plan in her own name to build a future capital sum for the family. She plans to contribute £125 per month.

Their financial aims are to:

- provide financial security for the family in the event of death or serious illness;
- ensure their investments are tax-efficient;
- ensure they have sufficient income in retirement;
- effect a suitable savings plan for Giselle.

Case study 2

Ryan, aged 65, is married to Mylene, aged 64. They have two adult children who are both financially independent.

Ryan continues to work in his accountancy practice and has drawn an income of £50,000 per annum gross for some time. He employs 15 people and his business's staging date for auto-enrolment purposes is in three months' time. Ryan would like to find out what his obligations are as an employer in respect of this.

Ryan's self-invested personal pension (SIPP) has a current value of £650,000 and is invested in a number of equity funds. He wants to start taking benefits from this pension and gradually reduce his working hours. Ryan has deferred his State Pension.

Mylene has retired fully. Her only income is a State Pension of £5,200 per annum gross. Mylene is concerned that her mother, Rita, may lose mental capacity in the future.

Ryan and Mylene have accumulated savings and investments over their working life. They have a house valued at around £750,000, and have repaid their mortgage. Ryan has a medium attitude to risk and Mylene has a cautious attitude to risk.

They have the following assets:

Assets	**Ownership**	**Amount (£)**
Home	Joint Tenancy	750,000
Savings account	Joint	70,000
Onshore Investment Bond – managed fund	Joint	150,000
Cash ISA	Ryan	30,000
Unit Trust – UK equity fund	Ryan	75,000
Cash ISA	Mylene	40,000
Stocks & shares ISA – UK equity fund	Mylene	55,000

Ryan and Mylene have not contributed to their ISAs in the tax year 2015/2016.

Their financial aims are to:

- ensure they have sufficient income in retirement;
- maximise the tax-efficiency of their savings and investments;
- ensure Rita's financial affairs are catered for;
- retain as much of their estate as possible to pass on to their children.