

**THE CHARTERED INSURANCE INSTITUTE**

**R06 — FINANCIAL PLANNING PRACTICE**

**CASE STUDIES – JANUARY 2017**



**Case study 1**

Paul, aged 67, is married to Ann, aged 64. Paul and Ann are currently in reasonable health but both have a family history of heart disease and are concerned that they may need to consider long-term care costs if either of them falls ill. Paul and Ann have two children, David, aged 32, who is single and about to purchase his first home and Carol, aged 36, who is married with three children. Paul and Ann own their own home valued at £270,000. This is mortgage-free and they have no other debts or liabilities.

Both Paul and Ann retired at age 60. Ann is in receipt of pension income from a defined benefit scheme and State Pension totalling £40,000 per annum gross. Paul has a self-invested personal pension (SIPP) which is currently in a capped drawdown arrangement with a fund value of £425,000. Paul currently receives £18,000 per annum gross from his SIPP and is in receipt of his Basic State Pension. Paul and Ann feel that their need for income has increased recently and they would like to draw additional monies from Paul's SIPP.

They have the following assets:

<b>Type</b>	<b>Ownership</b>	<b>Amount</b>
Bank current account	Joint	£12,000
Bank deposit account	Joint	£65,000
Onshore Investment Bond	Joint	£175,000
Stocks & Shares ISA – Emerging Markets funds	Paul	£62,000
Stocks & Shares ISA – UK Growth Equity funds	Ann	£39,000
Cash ISAs	Ann	£60,000
OEIC – UK Corporate Bond fund	Ann	£125,000

Paul and Ann are unsure whether their current portfolio is still suitable now that they are retired. They are also concerned that they are earning only 0.25% per annum gross on their bank deposit account. Both Paul and Ann consider themselves to be medium risk investors.

Their son, David, is having difficulties obtaining a mortgage on his first home as he has a low income and has had debt problems in the past. Paul and Ann are considering the possibility of either making a loan to David to assist him or gifting him a lump sum. They would like to use their investment portfolio to provide this lump sum and are keen to ensure that this is done as tax-efficiently as possible.

Paul and Ann's financial aims are to:

- ensure they have sufficient ongoing income in retirement;
- assess the suitability of their current savings and investments;
- provide a tax-efficient lump sum from their investments to assist David with his house purchase.

## Case study 2

Dan, aged 35, is married to Sarah, aged 34. They have two children, Theo, aged six and Isla, aged five.

Dan and Sarah purchased their home in 2010, as joint tenants, using an interest only mortgage. They have an outstanding mortgage of £275,000, and the property is valued at £400,000. The interest rate is fixed for two more years at 2.5% and is arranged on an offset basis, with a linked savings account. They do not have a mortgage repayment vehicle in place and would like to ensure that the mortgage is repaid before they retire in 30 years' time. They are also concerned about how they would meet their mortgage payments, should either of them be unable to work and are keen to learn if any State benefits might be available to assist them.

Dan is a self-employed orthodontist. His taxable net profits, after allowable expenses, are £169,000 per annum and he takes this amount in drawings. Sarah is employed as a chartered surveyor, and receives a salary of £50,000 per annum gross.

Sarah is a member of her employer's auto-enrolment pension scheme. Both Sarah and her employer contribute at the minimum level, based on qualifying earnings. She has chosen the default investment fund in her pension scheme, which is a balanced lifestyle fund. Sarah is considering the possibility of joining her employer's private medical insurance scheme.

Dan has a personal pension plan, with a fund value of £95,000. This is currently invested in a managed fund. He contributes £300 per month net.

Dan has an income protection insurance policy which he arranged when he started his self-employed business five years ago.

Dan and Sarah have a savings account with a balance of £30,000, and £2,000 in their offset mortgage linked savings account, which are both jointly held.

Dan and Sarah both enjoy good health. Dan had a back injury around seven years ago, following a car accident but he is now fully recovered. They are interested in saving for their children, and would like to consider funding for possible future university costs.

Their financial aims are to:

- ensure that their mortgage is repaid before retirement;
- provide financial security for their family in the event of death or serious illness;
- ensure that they have sufficient income in retirement;
- effect suitable savings arrangements to plan for future university costs.