THE CHARTERED INSURANCE INSTITUTE

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – JULY 2017

Case study 1

Simon, aged 63, left his job as an engineer in October 2016 to care for his wife, Sally, who died aged 64, in January 2017. Their two adult children, Daniel and Sarah, are both married with two children each. Daniel and Sarah are both financially independent. Simon is in good health although he is still recovering from the shock of losing his wife.

Sally left her entire estate to Simon and probate has recently been granted to Simon as her sole executor. Simon has been drawing on his cash deposits since Sally was taken ill. Simon's cash deposits have reduced to £15,000 and he now wishes to review his financial arrangements to ensure that he can generate sufficient income to meet his current and future needs. Simon has heard about cashflow modelling and is interested in finding out how this could help him.

Simon has a defined contribution pension plan through his former employer with a current value of £270,000, which is invested in a UK fixed-interest fund. Simon is the nominated beneficiary on Sally's personal pension plan which has a current value of £115,000. This is invested in a range of UK and global equity income funds. The trustees have been notified of Sally's death, and Simon wishes to review this pension plan as soon as possible, to establish how this can be managed for the future benefit of both himself and his two children. Sally was in receipt of her State Pension and had been drawing this for a couple of years prior to her death.

Sally had a portfolio of stocks & shares ISA's invested in a range of AIM holdings with a total value of £85,000. Simon is keen to ensure that he does not lose the tax-efficient ISA wrappers and would like guidance on how this can be achieved. Simon has his own ISA portfolio with a current value of £120,000 and this is invested in a range of UK fixed-interest funds. Both Sally and Simon purchased their ISA holdings on an ad-hoc basis and these are held with individual fund managers.

Simon still has a small mortgage on his home of £40,000. The property is valued at £300,000. Simon has no other debts or liabilities.

Simon believes he has a cautious to moderate attitude to investment risk. He is keen to learn more about investing in higher risk assets with a view to generating additional returns over the longer-term.

Simon's financial aims are to:

- generate sufficient income for his immediate and future needs;
- establish a suitable method to draw benefits from both his and Sally's pension plans;
- protect the tax-efficiency of Sally's ISA portfolio.

Case study 2

Russell, aged 59, and Laura, aged 57, are married and have two adult sons, Dylan and William. Dylan is married and financially independent. William still lives with his parents as he is trying to save a deposit to help him to purchase a property. Russell and Laura are both in good health.

Russell has retired as a teacher and receives a teacher's pension of £18,000 gross per annum. Laura plans to retire in three months' time.

Laura is employed as an IT programmer on a salary of £120,000 gross per annum. Her employer runs a contracted-in money purchase scheme (CIMP) of which Laura ceased to be a member on 5 April 2016. Laura's fund value is currently £250,000 but was valued at £210,000 on 5 April 2016.

Laura also has a self-invested personal pension scheme (SIPP) which is currently valued at £745,000. This was set up in December 2016 as a result of a transfer from a defined benefit pension scheme. As of 6 April 2016, her deferred pension was valued at £27,000 per annum plus a pension commencement lump sum entitlement of £50,000.

Russell and Laura own their home as joint tenants. This is mortgage-free and valued at £450,000. They plan to leave as much of their estate as possible to their two children and have both made mirror Wills, which leave their assets to each other and thereafter to their children in equal shares.

Both Russell and Laura have a low to medium attitude to investment risk.

They have the following assets:

Investments	**Ownership**	**Amount (£)**
Stocks and shares ISA – Corporate Bond fund	Russell	80,000
OEIC – UK Equity tracker	Russell	80,000
Stocks and shares ISA – Managed fund	Laura	110,000
Bank deposit account	Laura	140,000
OEIC – UK Equity Income fund	Laura	230,000
OEIC – UK Growth fund	Laura	160,000

Russell and Laura's financial aims are to:

- protect Laura's accrued pension benefits from being subject to a lifetime allowance tax charge;
- maximise their estate for the benefit of their children;
- ensure that their investments are tax-efficient;
- assist William to fund a deposit for his house purchase.