Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

October 2017 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2018 examination should study this examination guide carefully in order to prepare themselves for the examination.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

R06 – Financial planning practice

Contents

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the examination it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under examination conditions.

Before the examination

Read the Diploma in Regulated Financial Planning information for candidates and important notes for candidates

Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current Advanced Diploma in Financial Planning Information for Candidates and important notes for candidates, which is *essential reading* for all candidates. It is available online at www.cii.co.uk or from Customer Service.

Study the syllabus carefully

It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk or from Customer Service. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

Read widely

It is vital that your knowledge is widened beyond the scope of one book. *It is quite unrealistic to expect that the study of a single coursebook will be sufficient to meet all your requirements.* While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide

This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your exam preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can purchase copies of the most recent Examination Guides online at www.cii.co.uk. CII members can download free copies of older Examination Guides online at www.cii.co.uk/knowledge.

Know the layout of the tax tables

Familiarise yourself with the tax tables printed at the back of each examination paper and the Examination Guide. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to take your own tax tables into the examination.*

Know the structure of the examination

- The paper is made up of two written case studies.
- The paper will carry a total of 150 marks.
- Each question clearly shows the maximum marks which can be earned.
- The allocation of marks between the two case studies may vary slightly from one session to another.

Read the Assessment information and Exam policies for candidates

The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at www.cii.co.uk/qualifications/assessment-information/introduction/. This is *essential reading* for all candidates. For further information contact Customer Service.

Two weeks before the examination

What will I receive?
Case studies will be sent to candidates two weeks before the examination. They will contain client information, which will form the basis of the exam questions.

How should I use my time over the two week period?
It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarizing yourself with the client details from the case studies.

How should I use the case studies to help me prepare?
- Study the client circumstances presented in the case study.
- Consider the financial objectives of the clients and look for other possible areas of need.
- Look for technical areas that you may wish to revise, e.g. investment portfolios, pensions.

Practice some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.

Preparing the groundwork – considering possible solutions
Once you have identified the clients' likely needs you should start to consider possible solutions to meet those needs and how the financial planning process would be properly applied to the client(s). You may need to research some details of the solutions you are considering. You may want to go back to your revision notes.

You may need to read about particular products; try product providers for technical information, tax offices, Directgov website, National Savings and Investments liaison office.

For each of the possible solutions, consider how appropriate it might be to the client.

Understand the skills the exam seeks to test
The examination is based on two case studies for imaginary clients whose details you will have received two weeks prior to the exam date. The case studies will enable you to familiarise yourself with the clients circumstances. The questions will only be supplied in the actual examination.

Test yourself under timed conditions

To gain most benefit from this exercise you should:

- Study the details in the case studies over the two week period as you would for the real examination.
- Set yourself three clear hours to complete the question paper taking into account the financial objectives provided.
- Compare your answers against the model answer once the three hours are up. The model answer will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently detailed and if the technical knowledge was correct.
- Go back and revise further any technical weaknesses revealed in your responses.

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the case studies arrive to focus on the client details and prepare yourself for the examination day.

In the examination

What will I receive?

The case studies
You will not be able to take your pre-released copy of the case studies into the examination with you. You will be issued with an identical fresh copy. There will not be any new or different information contained within the case studies. The instructions are focused on the client objectives identified from the case studies.

Assuming you have prepared adequately, you will only do justice to yourself in the examination if you follow two crucial common sense rules:

1. **Spend your time in accordance with the allocation of marks as indicated on the paper.** The maximum marks allocated to each question and its constituent parts are given on the paper. The number of marks allocated is the best indication of how much time you should spend on each question. If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking, so a long answer is a waste of time. Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably. Do not spend excessive time on any one question; if the time allocation for that question has been used up, leave some space, go on to the next question and only return to the incomplete question after you have completed the rest of the paper, if you have time.

2. **Take great care to answer the precise question set.**
The model answers provided in this Examination Guide are quite focused and precise; alternative answers will only be acceptable if they still answer the question. *However brilliantly a candidate writes on a particular topic, if it does not provide a satisfactory answer to the precise question as set, the candidate will not achieve the marks allocated.* Many candidates leave the examination room confident that they have written a 'good' paper, only to be mystified when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before putting pen to paper.

Order of tackling questions
Tackle the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which are felt to be very challenging until the more familiar questions have been attempted, but *remember not to spend excessive time on the questions you are most confident about.*

Answering different question parts
Always read all parts of a question before starting to answer it, otherwise, you may find that after answering part (a), the answer you have given is really more appropriate to part (b) and it would be necessary to duplicate much of what has already been written. The examiners will normally only give credit for an answer if it is contained within its correct question part.

Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, you should use 'bullet points' or short paragraphs. The model answers indicate what is acceptable for the different types of question.

Where you are asked to perform a calculation it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Provided handwriting is legible, candidates will **not** lose marks if it is 'untidy'. Similarly, marks are not lost due to poor spelling or grammar.

Calculators

If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, **non-programmable** calculator. The use of electronic equipment capable of being programmed to hold alphabetical or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements. The majority of the marks will be allocated for demonstrating the correct method of calculation.

EXAMINERS' COMMENTS

Candidates' overall performance:

The overall performance of candidates in this session was in line with recent sessions. Some occasional examples of high scores were seen and also some lower scores.

It is important that the case study is reviewed in advance of the examination. It would also greatly help candidates to review past papers and the method in which questions are answered. There are some fundamental financial planning principles which are tested at most sittings.

There were examples of gaps in knowledge such as parts 2(d) and 2(e).

Question 1

In part (a) many candidates struggled with this question, which is a standard fact-find question, these questions are always tested, and candidates should review past papers to familiarise themselves with this kind of question and answers.

Part (b) was clearly signposted in the fact-find and so many scored highly using a text book approach. This was a useful new style question and many candidates prepared well.

Part (c) was a protection question and was answered very well by many candidates.

Part (d)(i) was a struggle for some candidates as was part (d)(ii). Part (d)(iii) was also a useful test in a new area. This question was relevant and yet showed gaps in knowledge.

Part (e) was answered well by most candidates. It was also one area well signposted in the case study and used before and many candidates scored well with some achieving maximum marks.

Part (f) was well answered by the majority of candidates.

Question 2

In part (a) most candidates achieved high marks in this question. This was again signposted in the case study and many candidates revised well. Some of the less obvious marks were missed by high numbers of candidates.

Part (b) was not answered well, even by better prepared candidates. This showed that some candidates do not perceive the benefits and drawbacks of flexi-access drawdown.

Part (c)(i) was interesting as this type of question has been asked before and yet not may candidates scored highly. Part (c)(ii) has been a feature in most sittings. As a result, it was answered very well by the majority of candidates. However, it is still surprising that some candidates fail to add the required detail to their answers to obtain high marks. Close study of exam guides would help candidates to be better prepared.

Part (d) was less well answered by many candidates. Private Residence Relief (PRR) was often confused with main residence nil-rate band.

Part (e) was less well answered by most candidates.

Part (f) was a state benefit question with a challenge on part two of the benefits and many candidates did not score well.

Part (g) has been tested previously but numerous candidates struggled with this area.

Part (h) a standard review question and was less well answered by many candidates.

THE CHARTERED INSURANCE INSTITUTE

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

October 2017 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2017/2018, unless stated otherwise and should be answered accordingly.

It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit R06 – Financial planning practice

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper.
- This paper consists of **two** case studies and carries a total of 150 marks.
- You are advised to spend approximately 90 minutes on the questions for each case study. You are strongly advised to attempt **all** parts of each question in order to gain maximum possible marks for each question. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show all steps in a calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Tax tables are provided at the back of this question paper.
- Answer each question on a new page and leave six lines blank after each question part.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences on separate lines wherever possible.

Attempt ALL questions for each case study

Time: 3 hours

Case study 1

*Read the following carefully, then carry out ALL of the tasks **(a), (b), (c), (d), (e)** and **(f)** which follow.*

Matthew, aged 43, is married to Linda, aged 38. They have two children, Ben, aged 8, and Gary, aged 2.

Matthew is employed as a business analyst for a pharmaceutical company and his remuneration comprises solely of a salary of £110,000 gross per annum. He is a member of his employer's defined benefit pension scheme and contributes 8% of his gross salary.

Matthew is a member of his employer's death in service benefit scheme which provides four times his basic salary in the event of his death. Two years ago, Matthew's employer established a Group Personal Pension (GPP) scheme for employees who wish to make additional pension contributions, as they are no longer permitted to purchase additional pension benefits under the defined benefit scheme. Contributions can be made to the GPP via salary sacrifice. The default fund offered under this scheme is a target date fund that adopts a lifestyling approach prior to retirement.

Linda is employed and works part time as an administrator at a local company. She receives a basic salary of £7,500 gross per annum. She plans to recommence full-time working at the same company in two years' time. She is not entitled to any employee benefits.

Matthew and Linda have a joint interest-only mortgage on their home with a current balance of £220,000 and a remaining term of 22 years. They arranged this mortgage five years ago, when they committed to a fixed interest rate of 2.5% for ten years. They currently have no repayment vehicle in place for their mortgage and have enquired about the possibility of contributing to a Stocks and Shares ISA for this purpose.

Matthew and Linda have limited personal savings. They have a joint bank account with a balance of £10,000, and cash ISAs of £3,000 each. Linda also holds a Stocks and Shares ISA which has a current value of £4,000, invested solely in a corporate bond fund. Matthew and Linda wish to make financial provision to help with potential future university costs for both Ben and Gary.

Matthew and Linda are both in good health and consider themselves to have a medium attitude to risk. They have both recently made Wills, leaving their estates to the surviving spouse and then to their children. They have not received any form of financial advice before.

Their financial aims are to:

- ensure that they have sufficient income in retirement;
- provide financial security for their family in the event of death or illness;
- ensure that their mortgage is repaid before they retire;
- make financial provision for their children's future university education.

Questions

(a) State the additional information that you would require, in order to advise Matthew and Linda, on their financial aim of ensuring they have adequate income in retirement. **(12)**

(b) Explain to Matthew and Linda the potential benefits of receiving and acting upon advice from a financial adviser. **(10)**

(c) Recommend and justify one suitable protection product that meets the family's protection needs to cover the death or serious illness of Matthew or Linda. **(12)**

(d) **(i)** Explain how Matthew's **maximum** tax-relievable pension contribution for the 2017/2018 tax year is determined. *No calculations are required.* **(7)**

(ii) State the benefits of Matthew using salary sacrifice to make additional contributions into his employer's group personal pension (GPP) scheme. **(7)**

(iii) Explain how a target date fund, using a lifestyling strategy, operates and the benefits to Matthew of using this fund. **(7)**

(e) State the main features of a Junior ISA and explain how such a product could be used by Matthew and Linda to make provision for their children's future university costs. **(10)**

(f) State **five** benefits and **five** drawbacks of Matthew and Linda contributing to Stocks and Shares ISAs as mortgage repayment vehicles. **(10)**

Total marks available for this question: 75

Case study 2

*Read the following carefully, and then carry out **ALL** of the tasks **(a), (b), (c), (d), (e)**, **(f), (g)** and **(h)** which follow.*

Nigel, aged 60, is married to Mona, aged 57. Both Nigel and Mona are in good health. Nigel has two children from his first marriage, Cara, aged 30, and Tim, aged 32. Both Cara and Tim are married and financially independent. Nigel's first wife died ten years ago, leaving all of her estate to Nigel. Mona has never been married before and has no children.

Nigel is employed as the Managing Director of a printing firm. He receives a gross basic salary of £175,000 per annum. He is a member of his employer's defined benefit pension scheme and has a projected pension at the scheme's normal retirement age of £43,750 per annum. Nigel's employer also offers a Save as You Earn (SAYE) Sharesave scheme which he joined a few years ago. Nigel intends to retire in March 2018.

Mona is employed as a nursery school assistant and receives a gross basic salary of £17,000 per annum. Mona has a personal pension plan with a fund value of £145,000 and she pays £100 per month net into the plan. She has recently opted out of her employer's auto-enrolment pension scheme.

Nigel's mother died two years ago leaving her estate to Nigel, which totalled £250,000. Nigel's aunt died six months ago and he is expecting to receive £200,000 as an inheritance.

Mona is considering early retirement later this year, to spend more time with her mother, Agnes, who has recently moved into a private nursing home, following a lengthy stay in hospital. They are currently investigating potential state benefits that may be available to Agnes.

Nigel and Mona jointly bought a holiday cottage in Wales for £250,000, using the legacy from Nigel's late mother's estate. This has been let commercially as a holiday home since it was purchased. They will eventually move permanently to the cottage, and then let out their current home, which is mortgage free and owned in Nigel's name only. This property is valued at £1,000,000.

Both Nigel and Mona have a medium attitude to risk. Nigel and Mona's savings and investments are:

Investments	**Ownership**	**Amount (£)**
Bank deposit account	Joint	250,000
Onshore investment bond - traditional with profits	Joint	100,000
Stocks and Shares ISA - high yield bond fund	Mona	56,000
Unit trust - global equity fund	Mona	3,000
Stocks and Shares ISA - investment grade bond fund	Nigel	40,000
Ordinary shares in a UK bank	Nigel	45,000

Their financial aims are to:

- minimise any potential liability to Inheritance Tax;
- maximise tax efficiency;
- make financial provision for Agnes's care arrangements;
- ensure that they have adequate income in retirement.

Questions

*To gain maximum marks for calculations you **must** show **all** your workings and express your answers to **two** decimal places.*

(a) Explain briefly to Nigel the benefits of being a member of his employer's (SAYE) Sharesave scheme. **(5)**

(b) Explain to Mona **five** advantages and **five** disadvantages of using a flexi-access drawdown arrangement rather than a lifetime annuity when she retires later this year. **(10)**

(c) **(i)** Nigel is interested in executing a deed of variation in respect of the legacy from his aunt.

Describe how a deed of variation may be established. **(8)**

(ii) Recommend the actions that Nigel and Mona could take to reduce the potential Inheritance Tax liability that would arise on their deaths. **(12)**

(d) Nigel and Mona plan to move permanently to their holiday home, and let out their current home, in 5 years' time.

State the factors that Nigel and Mona should be aware of, in respect of private residence relief. **(5)**

(e) Nigel and Mona are disappointed with the performance of their with-profits bond.

State the information a financial adviser would require, to advise Nigel and Mona on whether to surrender or retain this bond. **(10)**

(f) Nigel and Mona are considering Agnes's long-term care costs.

Explain briefly, the potential State benefits that may be available to assist with these costs. **(6)**

(g) Recommend and justify the actions that Nigel and Mona could take to improve the tax efficiency of their savings and investments. **(12)**

(h) Identify **seven** issues that a financial adviser should discuss with Nigel and Mona at their next annual review meeting. **(7)**

Total marks available for this question: 75

NOTE ON MODEL ANSWERS
The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

(a)

- Income/capital needed in retirement.
- Intended retirement date/scheme normal retirement date.
- Group personal pension scheme (GPP) – employer matching/will company NI saving be paid into pension.
- BR19/State Pension forecast.
- Pension projections/statement/accrual.
- Widow’s pension.
- Financial strength of Matthew’s employer/scheme solvency.
- Further inheritances expected/use of other assets/savings/downsize.
- Capacity for loss.
- Affordability/budget.
- Ethical/religious preferences.
- Any other pension plans/has Mathew joined the GPP.

(b) *Candidates would have gained full marks for any ten of the following:*

- Identify goals/shortfalls/problems/objectives.
- Assess attitude to risk/capacity for loss.
- Budgeting/affordability/cash flow.
- Analyse suitability of existing arrangements/analyse client circumstances.
- Tax planning/use of tax allowances/tax efficiency.
- Benefit from research.
- Receive recommendations/implement a financial plan.
- Ongoing service/ongoing reviews.
- Professional/expert knowledge.
- Clarity of explanation/aids customer understanding/peace of mind.
- Consumer protection/regulated advice.

(c) *Candidates would have gained full marks for any twelve of the following:*

- Term assurance/family income benefit policy/whole of life.
- Critical Illness Cover (CIC).
- Joint life first death/2 single lives.
- Minimum term 22 years/to retirement/to match mortgage.
- Sum assured at least £220,000.
- To repay mortgage/to replace income/maintain standard of living.
- Indexation.
- Keep real terms values/keep pace with inflation.
- Guaranteed premiums.
- Known cost/affordability.
- Written in trust/split trust.
- Speedy payment/outside of estate/CIC paid to policy holder.
- Waiver of Premium.
- To ensure premiums paid in the event of accident or sickness.

(d) (i) *Candidates would have gained full marks for any seven of the following:*

- Take current annual allowance/£40,000.
- Determine pension input amounts for current tax year;
- for employer and employee.
- Deduct pension input amount (from annual allowance).
- This gives remaining allowance for current tax year.
- Determine pension input amounts for previous three tax years.
- Calculate any unused carry forward allowance.
- Must use current year's allowance first.
- Total contribution cannot exceed earned income in current tax year/£110,000.

(d)(ii)

- Income Tax saving/tax relief.
- Saves employee National Insurance (NI).
- Saves employer NI.
- Employer may pay NI saving to Matthew's pension.
- Usually no reduction to net salary.
- Reinstate his personal allowance.
- Increased pension benefits/potential growth.

(d)(iii)

- Invests in equities initially.
- Reduces risk (as approaching retirement date).
- Professional fund management/active management.
- No cost for investment advice.
- Potential for growth.
- Balanced to suit medium risk/matches his attitude to risk.
- Diversification.

(e) *Candidates would have gained full marks for any ten of the following:*

- Max contribution £4,128 per annum.
- Not taxable on parents.
- Tax free benefits.
- Potential for growth.
- Anyone can contribute.
- Runs to age 18/child has access at 18/used to pay fees at age 18.
- Child can make investment choices at 16/control at age 16.
- Can roll over to Adult ISA at 18.
- Cash and stocks and shares.
- Wide Fund choice/choice of providers/switching/can match attitude to risk.
- Child can also have cash ISA at 16.

(f) Benefits

- Tax free benefits.
- Growth potential.
- Can contribute £40,000 per annum in total.
- May produce a surplus for them.
- Could repay early.
- Could cash in and spend.

Drawbacks

Candidates would have gained full marks for any five of the following:

- Shortfall risk.
- Uses ISA annual allowance that could be used for other purposes.
- Charges/advice costs.
- Longer term/increased interest costs.
- Require regular reviews/need ongoing advice.
- Liquidity.

Case study 2

(a) Benefits:

- Tax free interest on savings account.
- Buy shares at possible discounted price.
- No tax on difference in share price and price paid.
- Possible to transfer shares into pension/ISA.
- No obligation to purchase shares (at the end of the term).

(b) Advantages:

- Flexible income.
- Tax efficient income.
- Potential for growth.
- Better death benefits/more flexible death benefits/IHT efficient.
- Can annuitise later/annuity rates may improve.

Disadvantages:
- Investment risk.
- More complex/requires ongoing advice.
- Greater costs.
- Money purchase annual allowance (MPAA) maybe triggered/£4k/£10k.
- Income not guaranteed/funds may be frittered.

(c)(i) *Candidates would have gained full marks for any eight of the following:*
- Must be in writing/legal document/signed.
- Deed must state what is being varied in Will/intestacy.
- Must state who is benefitting from variation.
- All affected beneficiaries must agree.
- All beneficiaries must be 18/sound mind/have legal capacity.
- Treated as taking place on donor’s death.
- Must be executed within two years of death.
- The deed should not be for consideration or money or money’s worth.
- Should state that variation has effect for Capital Gains Tax/Inheritance Tax.
- Should contain an exemption certificate for variations of stocks, shares and securities.

(c)(ii)
- £3,000 annual allowance/small gifts/gifts out of normal expenditure.
- Gifts to charity/political party.
- Execute a deed of variation.
- Make use of tenancy in common/transfer home to joint names/make use of MRNRB.
- Nigel to make use of (or arrange to make use of) late wife’s NRB.
- Potentially exempt transfers (PET)/Chargeable Lifetime Transfer (CLT).
- Whole of Life Joint Life Last Survivor in trust.
- Place bond in trust.
- Nominations on pension/pension contribution.
- Enterprise Investment Scheme (EIS)/ Business Property Relief (BPR) qualifying assets/other schemes
- Discounted Gift Trust/gift and loan trust.
- Wills.

(d) *Candidates would have gained full marks for any five of the following:*
- Must make an election of main residence within two years of moving.
- Make election jointly.
- If don’t make election – Her Majesty’s Revenue & Customs (HMRC) makes election.
- Capital Gains Tax not payable on main residence;
- for 18 months after moving out.
- Property must be suitable for PRR/less than 0.5 hectares /5000sqm/no business use.
- To qualify, must reside/have resided in property.

(e)

- Amount of investment/top up investment.
- Date of investment.
- Withdrawals made.
- Underlying investments of fund/asset allocation.
- Reversionary bonuses/underlying performance.
- Terminal bonus.
- Market Value Reduction (MVR)/penalties/surrender value.
- Charges.
- Financial strength.
- Guaranteed bonuses.

(f)

- Attendance allowance.
- If in need of care night/or night and day.
- Higher rate may be available dependant on care needs.
- Registered Nursing Care contribution.
- Paid for nursing direct to home.
- Registered Nursing Care contribution/attendance allowance - tax free/not means tested.

(g) *Candidates would have gained full marks for any twelve of the following:*

- Nigel is ART and Mona basic rate tax payer.
- Transfer bank savings to Mona.
- Saves tax on interest.
- Maximise ISAs.
- Tax efficient.
- Utilise premium bonds.
- Make pension contributions/Venture Capital Trust (VCT)/Enterprise Investment Scheme (EIS).
- Tax relief/pension commencement lump sum (PCLS).
- Assign bond to Mona.
- Saves tax of 25% on encashment.
- Transfer shares to Mona/interspousal transfer.
- Leaving sufficient for Nigel to use Dividend allowance/CGT allowance.
- Saves dividend tax of 30.6%/CGT of 10%.
- Use CGT allowance.

(h)

- Personal circumstances.
- Fund valuations/Performance.
- Rebalance/Attitude to risk.
- Income change/affordability/tax status/New funds to invest.
- New products/legislation/taxation.
- Use of tax allowances/gifting for Inheritance Tax
- Change in economic circumstances/market/political.

October 2017 Examination - R06 Financial Planning Practice		
Question No.	**Syllabus learning outcomes being examined**	
1.	1.	Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process.
	2.	Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions.
	3.	Analyse a client's situation and the advantages and disadvantages of the appropriate options.
	4.	Formulate suitable financial plans for action and explain and justify recommendations.
	5.	Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.
2.	1.	Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process.
	2.	Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions.
	3.	Analyse a client's situation and the advantages and disadvantages of the appropriate options.
	4.	Formulate suitable financial plans for action and explain and justify recommendations.
	5.	Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.

All questions in the April 2018 paper will be based on English law and practice applicable in the tax year 2017/2018, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the April 2018 and July 2018 examinations.

INCOME TAX

RATES OF TAX	2016/2017	2017/2018
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£32,000	£33,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge from 7 January 2013:		
1% of benefit for every £100 of income over	£50,000	£50,000

**not applicable if taxable non-savings income exceeds the starting rate band.*

Dividend Allowance		£5,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance *§*	£100,000	£100,000
Personal Allowance (basic)	£11,000	£11,500
Married/civil partners (minimum) at 10% *†*	£3,220	£3,260
Married/civil partners at 10% *†*	£8,355	£8,445
Transferable tax allowance for married couples/civil partners	£1,100	£1,150
Income limit for age-related allowances*†*	£27,700	£28,000
Rent a Room relief	£4,250	£7,500
Blind Person's Allowance	£2,290	£2,320
Enterprise Investment Scheme relief limit on £1,000,000 max	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).
† where at least one spouse/civil partner was born before 6 April 1935.

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,780	£2,780
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,105	£16,105

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£113
Primary threshold	£157
Upper Earnings Limit (UEL)	£866

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 157.00*	Nil
157.01 – 866.00	12%
Above 866.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £113 per week. This £113 to £157 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below 157.00**	Nil
157.01 – 866.00	13.8%
Excess over 866.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.85 where profits exceed £6,025 per annum.
Class 3 (voluntary)	Flat rate per week £14.25.
Class 4 (self-employed)	9% on profits between £8,164 - £45,000. 2% on profits above £45,000.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013	£1,500,000
2013/2014	£1,500,000
2014/2015	£1,250,000
2015/2016	£1,250,000
2016/2017	£1,000,000
2017/2018	£1,000,000

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.
25% of excess over lifetime allowance if taken in the form of income, which is subsequently taxed under PAYE.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2011/2012	£50,000
2012/2013	£50,000
2013/2014	£50,000
2014/2015	£40,000
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*

~ increased to £80,000 for pension input between April - 8 July 2015. If not used, can be carried forward to pension input period of 9 July 2015 - 6 April 2016, subject to a maximum of £40,000.

**tapered at a rate of £1 for every £2 of adjusted income in excess of £150,000 where threshold income exceeds £110,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2016/2017	2017/2018
	£10,000	£4,000

ANNUAL ALLOWANCE CHARGE

20% - 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.

CAPITAL GAINS TAX

EXEMPTIONS	2016/2017	2017/2018
Individuals, estates etc	£11,100	£11,300
Trusts generally	£5,550	£5,650
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
Entrepreneurs' Relief* – Gains taxed at:	10%	10%
Lifetime limit	£10,000,000	£10,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) held for at least one year.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2016/2017	2017/2018
Transfers made on death after 5 April 2015		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers made after 5 April 2015		
- Lifetime transfers to and from certain trusts	20%	20%

A lower rate of 36% applies where at least 10% of deceased's net estate is left to a registered charity.

MAIN EXEMPTIONS

Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£100,000	£100,000
- UK-registered charities	No limit	No limit

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished*

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Small gifts exemption	£250	£250
Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:					
- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:					
- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

CAR BENEFIT FOR EMPLOYEES

The charge for company car benefits is based on the carbon dioxide (CO_2) emissions. There is no reduction for high business mileage users.

For 2017/2018:

- The percentage charge is 9% of the car's list price for CO_2 emissions of 50g/km or less.
- For cars with CO_2 emissions of 51g/km to 75g/km the percentage is 13%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 17%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 18% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 200g/km and above).

There is an additional 3% supplement for diesel cars not meeting Euro IV emission standards. However, the maximum charge remains 37% of the car's list price.

Car fuel The benefit is calculated as the CO_2 emissions % relevant to the car and that % applied to a set figure (£22,600 for 2017/2018) e.g. car emission 100g/km = 17% on car benefit scale. 17% of £22,600 = £3,842.

1. **Accessories** are, in most cases, included in the list price on which the benefit is calculated.
2. **List price** is reduced for capital contributions made by the employee up to £5,000.
3. **Car benefit** is reduced by the amount of employee's contributions towards running costs.
4. **Fuel scale** is reduced only if the employee makes good **all** the fuel used for private journeys.
5. **All car and fuel benefits** are subject to employers National Insurance contribution's (Class 1A) of 13.8%.

PRIVATE VEHICLES USED FOR WORK

	2016/2017 Rates	2017/2018 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2016/2017	2017/2018
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000	£200,000
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	8%	8%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

Motor cars: Expenditure on or after 01 April 2016 (Corporation Tax) or 06 April 2016 (Income Tax)

CO_2 emissions of g/km:	75 or less*	76-130	131 or more
Capital allowance:	100% first year	18% reducing balance	8% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2016/2017	2017/2018
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian’s allowance	16.55	16.70
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 109.30	Up to 109.65
Attendance Allowance	Lower rate	55.10	55.65
	Higher rate	82.30	83.10
basic State Pension	Single	119.30	122.30
	Married	190.80	195.60
new State Pension	Single	155.65	159.55
Pension Credit	Single person standard minimum guarantee	155.60	159.35
	Married couple standard minimum guarantee	237.55	243.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment Support Payment*		2,000.00	2,000.00
Higher rate - lump sum		N/A	3,500.00
Higher rate - monthly payment		N/A	350.00
Standard rate – lump sum		N/A	2,500.00
Standard rate – monthly payment		N/A	100.00
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		139.58	140.98

*Only applicable where spouse or civil partner died on or after 6 April 2007**

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CORPORATION TAX

	2016/2017	2017/2018
Standard rate	20%	19%

VALUE ADDED TAX

	2016/2017	2017/2018
Standard rate	20%	20%
Annual registration threshold	£83,000	£85,000
Deregistration threshold	£81,000	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 and £925,000	5%
£925,001 and £1,500,000	10%
£1,500,001 and over	12%

Stamp Duty Land Tax (SDLT) is payable in England, Wales and Northern Ireland only. Land and Buildings Transaction Tax (LBTT) is payable in Scotland at different rates to the above.

Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.

SDLT is charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%