Chartered Insurance Institute

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – JULY 2018

Case study 1

Mike, aged 40, and Shuwan, aged 39, are married with twin daughters, Taliyah and Stella, who are 7-years-old. Mike and Shuwan own their home as joint tenants, which is valued at £350,000 and they have an outstanding repayment mortgage of £175,000. The term remaining on the mortgage is 20 years. They have a joint life first death mortgage protection policy with a sum assured of £150,000. This policy provides life cover only.

Shuwan has recently taken an employed position as an engineer with Automation Engineering Ltd. Her salary is £55,000 gross per annum and she is a member of her employer's group personal pension scheme. She receives a 5% employer contribution based on her basic gross salary and makes a personal contribution of 2% of her basic gross salary.

Shuwan also has a group personal pension with her previous employer JTT Engineering Ltd, which has a current value of £115,000. It is invested in a UK Fixed Interest fund.

Shuwan's employer's pension scheme provides a death in service benefit of three times her basic salary. Death benefit nominations have been completed on both of Shuwan's pension arrangements in favour of Mike.

Shuwan's current employer offers a group private medical insurance (PMI) scheme which she is considering joining.

Mike and Shuwan are concerned about their financial security in the event of death or serious illness. Both Mike and Shuwan have made a Will leaving everything to each other on first death and thereafter to their children.

Mike was previously self-employed but closed down his business when the twins were born to become a full-time house person. He has no previous pension benefits.

Neither Mike or Shuwan have checked their entitlement to State pensions.

Mike and Shuwan have a medium attitude to risk. They have the following assets:

Type	Ownership	Current Value (£)
Current account	Joint	5,000
Deposit account	Joint	15,000
House	Joint Tenants	350,000
Cash ISA	Mike	22,000
OEIC – UK managed funds	Mike	50,000
Stocks and shares ISA (technology fund)	Shuwan	20,000

Mike and Shuwan's financial aims are to:

- put in place suitable financial protection in the event of death or serious illness;
- ensure that their savings and investments are suitable for their needs;
- ensure they have adequate income in retirement.

Case study 2

Stefan, aged 69, is married to Sabine, aged 65. Both of them were previously married. Stefan is divorced from his previous wife and Sabine was widowed in 2011. Stefan has one adult daughter, Emilia, who is married with three children. Sabine has four children, all of whom are married and she has five grandchildren. All of their adult children are financially independent. Both Stefan and Sabine are in good health.

Stefan and Sabine own their home which is mortgage-free and valued at £650,000. They have no other debts or liabilities. Stefan has a self-invested personal pension with a value of £700,000 from which he draws a gross pension income of £38,000 per annum. Sabine receives the widow's pension from her late husband's defined benefit pension scheme of £15,000 gross per annum. Both Stefan and Sabine are in receipt of their full State pension.

Stefan receives an income of £9,000 per annum gross from a portfolio of individual shares that he inherited from his parents. Stefan is keen to review the suitability and tax-efficiency of this portfolio.

Stefan and Sabine have the following assets:

Assets	Ownership	Amount (£)
Main residence	Joint Tenants	650,000
Current account	Joint	15,000
National Savings and Investments Premium Bonds	Sabine	50,000
Cash ISA	Sabine	35,000
Savings account	Stefan	90,000
Unit trust – UK Corporate Bond Fund	Stefan	70,000
Individual shares – UK Blue Chip shares	Stefan	300,000
Stocks and Shares ISA – UK Equity Tracker Fund	Stefan	85,000

Stefan and Sabine have a moderate attitude to investment risk and both of them are keen to preserve as much of their capital as possible for their children and grandchildren. Stefan and Sabine are considering the use of a loan trust to mitigate some of their future Inheritance Tax liability.

Stefan and Sabine have mirror Wills which leave all of their assets to each other and then to their respective children on second death.

Stefan and Sabine's financial aims are to:

- generate a sustainable income throughout their retirement;
- maximise their estate for their intended beneficiaries;
- improve the tax-efficiency of their current savings and investments.