Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

March 2021 Examination Guide

SPECIAL NOTICES

Candidates entered for the June 2021 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.

AF5 – Financial planning process

Contents

Important guidance for candidates **3**
Examiner comments **9**
Fact-Find **12**
Question paper **24**
Model answers **27**
Tax tables **35**

Published April 2021

Telephone: 020 8989 8464
Email: customer.serv@cii.co.uk

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 Qualifications Brochure
Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current CII Qualifications Brochure and important notes for candidates, which is *essential reading* for all candidates. It is available online at www.cii.co.uk.

Study the syllabus carefully
It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk. 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
If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook 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. It is vital that your knowledge is widened beyond the scope of one book. 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 examination preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the tax tables printed at the back of 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 use your own tax tables in the examination.*

Note the assumed knowledge
For this Advanced Diploma in Financial Planning, candidates are assumed to have already the knowledge gained from studying the relevant units of the Advanced Diploma, Diploma and Certificate in Financial Planning or the equivalent.

Understand the nature of assessment
Assessment is by means of a three-hour paper. 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.

Familiarise yourself with the fact-find
The examination has been specially written by practitioners with relevant technical knowledge and experience. It is then put through a rigorous editing procedure by a panel of active practitioners to ensure that the fact-find is both technically and structurally correct. At least one qualified practitioner then acts as a scrutineer by sitting the paper in advance and writing a report on it. The scrutineer's comments are taken into account in producing the final examination paper.

Appreciate the standard of the examination
Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

Test yourself under timed conditions
You should test your report writing skills under timed conditions. A good way to do this and to assess your technical knowledge at the same time is to set yourself a mock examination using the Examination Guide. To gain the most benefit from this exercise you should:

- Study the fact-find detail 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 holistic and if your 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 fact-find details arrive to focus on the client details and prepare yourself for the examination day.

Understand the skills the exam seeks to test

The examination is based on a fact-find for imaginary clients whose details you will have received two weeks prior to the exam date. The fact-find will contain all the client details available. The actual financial objectives of the client will be supplied in the actual examination.

Tasks in the exam will not require candidates to produce a full financial plan. They will instead be focussed on the various elements in the syllabus which are based on the following steps in the financial planning process:

- The relationship between adviser and client.
- Evaluation of the client's objectives.
- Understanding the client's financial status.
- Putting forward appropriate recommendations.
- Reviewing the financial plan.

They may also be focused on other aspects of the syllabus which we believe are key to the customer receiving an effective financial planning service. These include an explanation of technical terms, selection of appropriate remuneration terms etc.

In this way, we are able to test key aspects of the financial planning process. If all aspects of the process are carried out thoroughly, an effective financial plan will be produced.

It is anticipated that at each exam session, a significant proportion of the total marks will be allocated to putting forward recommendations supported by relevant evidence. In this exercise, candidates will always be rewarded for thinking logically about the various objectives and potential solutions to the client.

Two weeks before the examination

What will I receive?
A fact-find will be available to candidates two weeks before the examination and it can be viewed at https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/supporting-exam-documents It will contain client information which will form the basis of the report you will be required to prepare in the examination.

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 familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

How should I use the fact-find to help me prepare?

- Study the client details to find areas of need identified by the clients and look for other potential areas of need.
- Look for technical areas you may wish to revise, e.g. trusts, partnerships.
- Practise some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.
- Do not attempt to 'learn' the answers to such calculations but make sure you are confident with the method and know what to include in your workings. You should be able to see from the fact-find whether the clients are higher-rate taxpayers or close to the threshold. You will be able to ascertain the financial position on death and whether there is likely to be an income shortfall which needs addressing.
- If the client has an investment portfolio, ensure that you are familiar with all the investments held within the portfolio. For example, you should understand the risk profile, tax treatment, accessibility and yield of each investment.

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 etc.

AF5 Examination Technique Exam Guide
To help you prepare for the AF5 examination a FREE AF5 Examination Technique Exam Guide is available to download on the following link https://www.cii.co.uk/learning/qualifications/unit-financial-planning-process-af5/.

In the examination

What will I receive?

The fact-find
You will not be able to take your pre-released copy of the fact-find into the examination with you. An identical copy will be available on the online system. There will not be any new or different information contained within the fact-find.

Supplementary information
A summary of the client's key financial objectives will be supplied as part of the examination. You should spend some time studying this information before you commence your financial plan.

The tasks
The instructions are focused on the main steps required to write a financial plan. Mark allocations will be shown and you should use these to guide you on how long to spend on each section of your report. The task that gains most marks is invariably that requesting candidates to outline their key recommendations, supported by relevant evidence.

Answer format
You should provide sufficient technical details to enable you, in the role of financial adviser, to analyse your clients' needs and to demonstrate that the recommendations you make are appropriate and holistic. Merely reproducing quantities of technical detail which is not directly relevant or would be provided through stock paragraphs or appendices in a finished report will not achieve high marks.

Marks will be awarded for demonstrating the holistic consequences of your analysis and recommendations, i.e. how one part of the financial planning process affects all the other parts: how they all interrelate and interact.

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.

Marks are not lost due to poor spelling or grammar.

You are able to flag questions and then go back to them.

Calculators
The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.

EXAMINERS' COMMENTS

Candidates overall performance:

Overall performance was good and it was pleasing to note that the majority of candidates had paid close attention to the Fact Find that was provided in advance of the meeting. This degree of preparation enabled candidates to perform well in the more technical areas of the paper and recognise the key issues that were likely to be of concern for the clients.

Some areas of weakness were noted in respect of taxation and candidates should ensure that they consider in detail all potential tax issues when analysing the client Fact Find in advance of the examination.

The model answers provided in the exam guides can be particularly helpful for candidates as these will set out the steps the examiners are looking for and provide a template for answering these types of questions.

Question 1 (a)

This was a standard Fact-Finding question which required candidates to identify any additional information that would be needed to advise the clients on the suitability of their current savings, pensions and investment holdings. Many candidates performed well but it was disappointing to note that some candidates were unable to identify basic points such as the fact that Harry and Pauline were holding excess funds in cash or any issues relating to their pension arrangements.

Question 1 (b)

This question required candidates to outline the key factors that should be taken into consideration when establishing if Harry and Pauline have sufficient funds to meet their long-term income requirements. Performance was mixed as many candidates gave a range of generic answers, rather than focusing on Harry and Pauline's specific circumstances. The Fact Find identified various issues that would be key factors such as Harry's health, the excess withdrawals from the SIPP arrangement along with their high level of guaranteed income. Only a small number of candidates were able to identify all of these key factors.

Question 2 (a)

This question required candidates to explain in detail to Harry why he should carry out a review of his existing self-invested personal pension (SIPP) before he reaches age 75. This was a technical question which required candidates to recognise the issue of the Benefit Crystallisation Event (BCE) which occurs on Harry's 75th birthday. Many candidates seemed unaware of this key date and focused their answer purely on issues relating to Inheritance Tax and the change in his attitude to risk following his illness. Although these points are more general and were rewarded, it was disappointing to note that many candidates did not provide any indication that they were aware of the BCE at age 75.

Question 2 (b)

Candidates were asked to explain to Harry why purchasing a lifetime annuity may not be suitable in their current circumstances. Performance was generally good but it was disappointing to note that a number of candidates did not understand the taxation of a lifetime annuity and gave incorrect information on the tax benefits of the annuity.

Question 3 (a)

Candidates were asked to explain in detail to Harry why his portfolio of individual shares may no longer be suitable for him. Performance was generally good and most candidates were able to explain most of the key issues.

Question 3 (b)

This question required candidates to identify the key reasons why a range of collective investment funds might be more suitable for Harry and Pauline. Overall performance was pleasing and most candidates achieved high marks.

Question 4 (a)

Candidates were asked to explain to Harry and Pauline the criteria that would have to be met for gifts out of income to be effective for IHT purposes and the benefits of this strategy for them. Most candidates were able to explain this strategy in sufficient detail to achieve good marks but unfortunately a number of candidates failed to recognise that this strategy was not linked to the annual gifting exemptions of £3,000 and believed that any regular gifts out of income would be part of the annual gifting exemption. This indicated a weaker level of technical knowledge on the part of a small number of candidates.

Question 4 (b)

This question required candidates to identify the steps that must be taken to wind up Harry and Pauline’s estate and to explain how their assets will be treated for Inheritance Tax purposes on second death. Although a number of candidates performed well, it was disappointing to note that a number of candidates gave only limited answers and ignored many of the basic steps in the process such as the need to value the estate and applying for Probate.

Question 5 (a)

This question required candidates to recommend and justify why Harry should consider reducing the current income withdrawals from his self-invested personal pension (SIPP). This was a key issue that was identified in the Fact Find and it was pleasing to note that many candidates performed well and were able to provide a clear recommendation and justification for this course of action.

Question 5 (b)

This question required candidates to recommend and justify the actions that Harry and Pauline could take to protect Emily's inheritance as she is considering a divorce. This 'family' issue was identified in the Fact Find. Performance was disappointing and it was concerning to note that many candidates were unaware of the lack of suitability of an Absolute Trust or Bare Trust in respect of this particular set of circumstances. A lack of knowledge of basic Trust arrangements was shown by a large number of candidates.

Question 6 (a)

Candidates were asked to identify the key benefits for Harry and Pauline of investing some of their current cash holdings into a jointly held Onshore Investment Bond. Most candidates performed well but it was of concern to note that some candidates remain unaware that Investment Bonds are subject to Income Tax, not Capital Gains Tax. This was disappointing and candidates should ensure that they have a good working understanding of the taxation regime for a wide range of mainstream investments before attempting this examination.

Question 6 (b)

Candidates were asked to state the key factors that Harry and Pauline should consider when deciding whether to renew their Whole of Life policy in May 2021. Most candidates performed very well and did not have any difficulties with this question.

Question 7 (a)

This question required candidates to recommend and justify the actions that Harry and Pauline could take to manage and dispose of Harry's individual shareholdings in a tax-efficient manner over the next few years. Most candidates performed well although some failed to achieve high marks as they did not identify the exact tax savings but gave generic answers only.

Question 7 (b)

Candidates were asked to identify the key factors that an adviser should consider before recommending the sale of Harry's Investment Trust. Many candidates were able to perform well but some failed to provide sufficient detail in relation to the Investment Trust such as identifying the actual premium to Net Asset Value or the Capital Gains Tax (CGT) rate that would be applicable in respect of a sale.

Question 8 (a)

This was a standard review question. Overall performance was good.

Question 8 (b)

This question required candidates to explain to Harry and Pauline why they should review their Wills and pension nominations on a regular basis. Some good performance was in evidence although only a small number of candidates were able to identify the importance of checking that any Trustees or Executors are in place and able to act or to recognise that an up-to-date Will can reduce the risk of future family conflicts.

FACT-FIND

You are a financial adviser authorised under the Financial Services and Markets (FSMA) Act 2000. You completed the following fact-find when you met Harry and Pauline Williams recently.

PART 1: BASIC DETAILS		
	Client 1	**Client 2**
Surname	Williams	Williams
First name(s)	Harry	Pauline
Address	Warwick	Warwick
Date of birth	14.10.1946	01.07.1947
Domicile	UK	UK
Residence	UK	UK
Place of birth	London	Cardiff
Marital status	Married	Married
State of health	Poor	Good
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Sport, walking	Swimming, walking

Notes:

Harry and Pauline retired when Harry reached his 65th birthday and have always managed their finances themselves.

Harry suffered a heart attack recently but is expected to make a good recovery. Harry wishes to review their finances to ensure that they are making best use of their assets. Harry and Pauline have appointed you to look at their financial affairs and provide advice on how they might improve their current financial position.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	Health	Occupation	Financially dependent?
Andrew	Son	48	Good	Researcher	No
Emily	Daughter	45	Good	Dentist	No

Notes:

Andrew and Emily are both married with three children each. Emily is currently separated from her husband and is considering a divorce within the next year.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Retired Engineer	Retired Training Manager
Job title		
Business name		
Business address		
Year business started		
Remuneration		
Salary		
State Pensions	£11,300	£9,400
Overtime		
Benefits		
Benefits-in-kind		
Pension Scheme		
Life cover		
Private Medical Insurance		
Income Protection Insurance		
Self-Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		
Notes:		
Harry and Pauline retired when Harry reached his 65th birthday.		

Previous Employment	Client 1	Client 2
Previous employer		
Job title		
Length of service		
Pension benefits	See Part 11	See Part 11
Notes:		

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	**Client 2**
Accountant	Fawsley & Co	Fawsley & Co
Bank	Access Bank	Access Bank
Doctor	Dr Knowles	Dr Knowles
Financial Adviser		
Solicitor	Henson Davies LLP	Henson Davies LLP
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		**Client 2**		**Joint**	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions		11,300		9,400		
Pensions/Annuities	4,315		600			
Salary (gross)						
Benefits-in-kind						
Savings income (interest)		730		4,090		
Rental (gross)						
Dividends		12,200				

In addition to their State Pension income, Harry receives monthly income from his self-invested personal pension (SIPP) and his defined benefit pension. Pauline also receives income from her annuity.

Pauline's savings interest is derived from her cash accounts as well as from the income from her UK Corporate Bond fund ISA.

Harry's dividend income is derived from both his ISA and Non-ISA holdings.

	Client 1	**Client 2**
Income Tax	**£**	**£**
Personal allowances		
Taxable income		
Tax		
National Insurance		
Net Income		
Notes:		

Expenditure

	Monthly £			Annually £		
Household Expenditure	**Client 1**	**Client 2**	**Joint**	**Client 1**	**Client 2**	**Joint**
Mortgage/Rent						
Council tax			325			
Buildings and contents insurance						360
Gas, water and electricity			185			
Telephone			60			
TV licence and satellite			85			
Property maintenance						2,000
Regular Outgoings						
Life assurance (see Part 8)			170			
Health insurance (see Part 9)						
Savings Plans (see Part 10)						
Car tax, insurance and maintenance				1,400	950	
Petrol and fares	200	120				
Loans						
School fees						
Childcare						
Further education						
Subscriptions						
Food, drink, general housekeeping			800			
Pension contributions (see Part 11)						
Other Expenditure						
Magazines and newspapers	40					
Entertainment			300			
Clubs and sport				600	600	
Spending money	400	400				
Clothes				1,000	1,000	
Other (Holidays)						2,000
Total Monthly Expenditure	640	520	1,925			
Total Annual Expenditure	7,680	6,240	23,100	3,000	2,550	4,360
Total Outgoings						**46,930**

Do you foresee any major/lump sum expenditure in the next two years?

Notes:
Harry and Pauline do not envisage any lump sum expenditure until Harry is fully recovered from his recent heart attack.

PART 6: ASSETS

	Assets	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence			700,000	
2.	Contents/car			65,000	
3.	Current account			15,200	
4.	Fixed-Term Deposit Savings Account	16,000	16,000		320
5.	Cash ISA – Instant Access	95,000			570
6.	Cash ISA – Fixed Term		40,000		480
7.	National Savings and Investments Premium Bonds	50,000	50,000		
8.	Individual Shareholdings – UK shares (various)	240,000			6,000
9.	Investment Trust – Global Equity	120,000			2,400
10.	Stocks and shares ISAs – UK Corporate Bond fund		115,000		3,450
11.	Stocks and shares ISAs – UK & Global Tracker funds	190,000			3,800

Notes:

Harry and Pauline's home is mortgage-free and owned as joint tenants.

Harry and Pauline have used their ISA allowance for the current Tax Year.

Harry has built up a portfolio of individual equities over a number of years. Some of these equities are showing large capital gains. These are all held in certificated form and following his recent heart attack, Harry is now finding these difficult to manage from an administrative point of view. He has asked you to advise him on the ongoing suitability of these shareholdings and how they can be managed more efficiently. The equities are invested in a large number of both UK blue chip, mid cap and smaller companies. The dividend income is paid out to Harry from these shareholdings.

Harry also holds an Investment Trust which was originally purchased in 2001. This had an original purchase cost of £40,000. Harry has noticed that this Investment Trust is currently trading at a premium to Net Asset Value.

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			
Type of mortgage			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Life policies (see Part 8)			

Notes:
Harry and Pauline do not have a mortgage.

Other Loans	Client 1	Client 2	Joint
Lender			
Type of loan			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Payment protection			

Notes:
Harry and Pauline do not have any loans.

Other Liabilities (e.g. tax)

Notes:
Harry settles his tax bill via self-assessment each year.

PART 8: LIFE ASSURANCE POLICIES

Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust?	Surrender Values £
Joint	Joint	200,000	170 per month	WOL	14.05.11	Yes	1,400

Notes:

Harry and Pauline have a Joint Life Last Survivor Whole of Life policy on a reviewable basis that was set up in 2011. This is due for a premium review in May 2021 and they are aware that the premium is likely to increase significantly at this point.

They have asked you to advise them on the continuing suitability of this policy for their needs.

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured £	Start Date	Term/ Review	Deferred Period	Premium £

Notes:

Harry and Pauline do not have any Health Insurance policies.

PART 10: REGULAR SAVINGS

Type	Company	Ownership	Fund	Amount Saved £	Sum Assured	Maturity Date	Current Value £

Notes:

Harry and Pauline do not make any regular savings.

PART 11: PENSION DETAILS

Occupational pension scheme

	Client 1	Client 2
Member of employer's scheme		
Type of scheme	Defined Benefit Scheme	
Date joined	1973	
Retirement age	65	
Pension benefits	£15,780 per annum (gross)	
Death benefits	None	
Dependant's benefits	Two-thirds spouse's pension	
Contracted-in/out	Contracted-in	
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		

Notes:
Harry has an occupational pension from a former employer. This has been in payment since his 65th birthday and increases each year with RPI inflation. On Harry's death, Pauline would receive a spouse's pension of two-thirds of Harry's pension on the date of his death.

Additional Voluntary Contributions (including free standing additional voluntary contributions).

	Client 1	Client 2
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		

Notes:
Harry and Pauline do not have any Additional Voluntary Contribution schemes.

Personal Pensions

	Client 1	Client 2
Type	Self-invested personal pension (SIPP)	
Company	Assure Life	
Fund	Global Equity/UK Equity/Fixed-Interest	
Contributions		
Retirement date		
Current value	£630,000	
Date started		

Notes:

Harry has a SIPP from which he draws a regular income of £3,000 (gross) per month via Flexi-Access Drawdown to supplement his and Pauline's retirement income needs. Harry is concerned about the long-term sustainability of the SIPP as the growth on the plan has been poor over the past few years. Harry would like to review his income options in respect of his SIPP.

Harry has completed a nomination of beneficiary for the SIPP in favour of Pauline.

Previous pension arrangements

	Client 1	Client 2
Employer		
Type of scheme		Annuity
Date joined scheme		
Date left		
Current Value		N/A

Notes:

Pauline has a lifetime annuity which was set up on her retirement from her former employer's Group Personal Pension plan. This pays a monthly income of £600 (gross) and is on a level basis. This does not provide any spouse's benefit for Harry on Pauline's death.

State Pension

	Client 1	Client 2
State Pension	£11,300	£9,400

Notes

Harry and Pauline have been receiving their State Pension for many years.

PART 12: INHERITANCES

Wills	Client 1	Client 2
Do you have a current Will?	Yes	Yes
Notes:		
Harry and Pauline have Wills. These are mirror Wills leaving all assets to each other on first death and then to the children in equal shares on second death.		
Trusts	**Client 1**	**Client 2**
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	No	No
If yes, give details		
Notes:		
Gifts	**Client 1**	**Client 2**
Give details of gifts made and received	None	None

Notes:		
Inheritances	**Client 1**	**Client 2**
Give details of any inheritances expected	None	None
Notes:		

PART 13: ATTITUDE TO RISK

What level of risk are you prepared to take to achieve your financial objectives?

Notes:

Harry and Pauline have completed a full risk-profiling assessment. They have both been identified as medium-risk investors. Harry previously considered himself to be an adventurous investor, but he is no longer comfortable with very high levels of risk following his recent health problems.

Based on their assets and their guaranteed sources of income, Harry and Pauline have a high capacity for loss.

Harry and Pauline have advised you that they are not concerned about ethical investing.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	28.01.21	
Client agreement issued	28.01.21	
Data Protection Act	28.01.21	
Money laundering	28.01.21	
Consultations		
Dates of meetings	28.01.21	
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

Unit AF5 – Financial planning process

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2020/2021, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

- **Please write down the following number +44 (0)80 8273 9244 this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.**
- **Three hours** are allowed for this paper which carries a total of 160 marks.
- You are strongly advised to attempt **all** tasks to gain maximum possible marks. The number of marks allocated to each task is given next to the task and you should spend your time in accordance with that allocation.
- **In this examination you should use the fact-find on the system. You are not allowed to bring into the examination the pre-released copy of the fact-find.**
- **Client objectives are also provided and you should read them carefully before attempting the tasks.**
- Read carefully all tasks and information provided before starting to answer. Your answer will be marked strictly in accordance with the task set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- The fact-find and the tax tables are provided on the right-hand side of the interface.
- **Please note each answer must be typed in the correct corresponding answer box.**
- **If you are wearing headset, earphones, smart watch please take them off.**
- Have you shown your ID during the ID check? If not, show it to the camera now please.
- Did you show the edge of your screen with a mirror during the room scan? If not, use a mirror to show it now please.
- If you have blank paper for notes, did you show both sides to the camera? If not, show both sides to the camera now please.

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

CLIENTS' FINANCIAL OBJECTIVES

You have now been able to determine from the information in the fact-find that your clients have the following financial objectives:

Immediate objectives

- To review Harry and Pauline's current pension arrangements.
- To consider any financial implications resulting from Harry's recent heart attack.
- To review the suitability and tax-efficiency of their current financial arrangements.

Longer-term objectives

- To ensure Harry and Pauline can continue to generate sufficient income to meet their long-term needs.
- To mitigate their potential Inheritance Tax liability and ensure that their assets are passed as tax-efficiently as possible to their children.
- To protect Emily's inheritance in the event that she gets divorced.

Attempt ALL tasks

Time: 3 hours

1. **(a)** Identify the additional information that you would require in order to advise Harry and Pauline on the suitability of their current savings, pensions and investment holdings. **(13)**

(b) Outline the key factors that should be taken into consideration when establishing if Harry and Pauline have sufficient funds to meet their long-term income requirements. **(13)**

2. **(a)** Explain, in detail, to Harry why he should carry out a review of his existing self-invested personal pension (SIPP) before he reaches age 75. **(10)**

(b) Explain to Harry why purchasing a lifetime annuity may not be suitable in their current circumstances. **(10)**

3. **(a)** Explain, in detail, to Harry why his portfolio of individual shares may no longer be suitable for him. **(8)**

(b) Identify the key reasons why a range of collective investment funds might be more suitable for Harry and Pauline. **(11)**

4. Harry and Pauline are keen to ensure that they mitigate any future Inheritance Tax (IHT) liability whilst ensuring that they have sufficient funds for their own lifetimes.

(a) Explain to Harry and Pauline the criteria that would have to be met for gifts out of income to be effective for IHT purposes, and the benefits of this strategy for them. **(9)**

(b) Identify the steps that must be taken to wind up Harry and Pauline's estate, and explain how their assets will be treated for Inheritance Tax purposes on second death. *No calculations are required.* **(14)**

5. **(a)** Recommend and justify why Harry should consider reducing the current income withdrawals from his self-invested personal pension (SIPP). **(11)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

(b) Recommend and justify the actions that Harry and Pauline could take to protect Emily's inheritance as she is considering a divorce. **(8)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

6. **(a)** Identify the key benefits for Harry and Pauline of investing some of their current cash holdings into a jointly held Onshore Investment Bond. **(11)**

(b) State the key factors that Harry and Pauline should consider when deciding whether to renew their Whole of Life policy in May 2021. **(7)**

7. Harry and Pauline are considering a range of different investment strategies for their investment portfolio.

(a) Recommend and justify the actions that Harry and Pauline could take to manage and dispose of Harry's individual shareholdings in a tax-efficient manner over the next few years. **(12)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

(b) Identify the key factors that an adviser should consider before recommending the sale of Harry's Investment Trust. **(9)**

8. **(a)** Identify **six** events that would trigger an **immediate** review of Harry and Pauline's financial arrangements. **(6)**

(b) Explain to Harry and Pauline why they should review their Wills and pension nominations on a regular basis. **(8)**

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) *Candidates would have scored full marks for any thirteen of the following:*

- Emergency Fund requirements/they have excess cash.
- Term of Fixed Deposit/loss of interest if they cash in early/penalty.
- Base costs of individual shares.
- Any dividends reinvested?
- Have they used Capital Gains Tax (CGT) exemptions?/any losses carried forward?
- Willingness to change ownership of assets for tax efficiency.
- Amount of Premium to Net Asset Value (NAV) on Investment Trust?/gearing.
- Percentage of SIPP crystallised/any remaining PCLS?
- Percentage of Lifetime Allowance (LTA) used to date.
- Yield/growth on funds/SIPP capital erosion/performance.
- Asset allocation/fund choice/switching options.
- SIPP Costs/drawdown costs/charges.
- Any Protections in place/Fixed Protection/Individual Protection/Defined Benefit Scheme funding position.
- IHT planning/trusts/gifts/pension contributions.

(b)

- Emergency fund required/Income required/help for Emily/planned expenditure
- Cost of future care/planned gifting.
- Harry's health now/is this likely to deteriorate?/longevity.
- High level of guaranteed income/State Pension/Defined Benefit/annuity.
- Higher rate taxpayer (HRT) on excess SIPP withdrawals.
- Inflation assumptions/no inflation protection on annuity/Defined Benefit and State Pensions are indexed.
- Growth expectations based on current asset allocation/projections/poor returns from cash at present.
- Safe withdrawal rate from SIPP/current annuity rates/willing to erode capital.
- Downsize property/equity release.
- Enhanced annuity based on Harry's health.
- Market conditions/current dividend yields/outlook for future dividends.
- They have no liabilities/no mortgage/they have a high capacity for loss/they have a medium attitude to risk.
- Use other assets for tax-efficiency/willing to transfer assets to Pauline.

Model answer for Question 2

(a)

- Benefit Crystallisation Event (BCE5) at age 75/LTA test at age 75.
- Growth in self-invested personal pension (SIPP)/uncrystallised SIPP may have LTA charge.
- May wish to take additional income/reduce growth.
- Calculate remaining LTA/tested against remaining LTA.
- Pension taxable on beneficiary on death after age 75/tax free before 75.
- Could take remaining pension commencement lump sum (PCLS) otherwise taxable on beneficiaries on death (after age 75).
- Could avoid LTA charge/25%/55%.
- Update nominations to include children/improve their benefit options on his death.
- His attitude to risk has changed/capital erosion/high level of withdrawals/reducing IHT efficiency.
- Can make £3,600 (gross)/£2,880 (net) contribution.

(b)

- Enhancement may be limited due to joint life/Harry is recovering.
- Pauline is in good health.
- Not flexible/cannot adjust income/no Income Tax planning opportunities.
- Reduces death benefits/purchase of annuity uses IHT-efficient pension fund.
- Annuity rates are low/annuity rates may improve/poor value.
- Income taxed at Harry's marginal rate/subject to higher rate tax.
- Annuity does not match attitude to risk.
- No potential for investment growth.
- Guarantees/index linking etc. are expensive.
- Additional income is not needed/other assets available.

Model answer for Question 3

(a)

- Medium risk/his attitude to risk has changed/does not match attitude to risk.
- Adequate capital so no need to take high risk.
- Regular monitoring/ongoing administration/need for simplification/need for tax reporting/certificated/harder to sell.
- Recent reduction in dividend payments (UK economy)/current economic conditions/dividends are not guaranteed.
- Lack of asset diversification/single companies/equities.
- All UK based/lack of geographic diversification.
- Exceeds Dividend Allowance/taxable at 32.5%.
- Cost of selling/liquidity of small company shares.

(b)

- Diversification.
- Reduces risk/volatility.
- Professional management/expertise.
- No CGT on internal fund changes (within OEIC).
- Cost effective.
- Funds can match attitude to risk.
- Wide choice of funds/passives/active/Discretionary Fund Management/multi-asset.
- More predictable income stream – can choose monthly/quarterly withdrawals.
- Simple tax reporting/can calculate gains/use CGT exemption.
- Less administration/can be held on platform/easier to sell/fund switch/rebalancing/easier to reinvest dividends.
- Easier to use ISA/Bed & ISA.

Model answer for Question 4

(a)
- Gifts must be from excess income.
- Cannot be funded from capital.
- Immediately IHT exempt/no 7-year rule.
- In addition to annual gifting exemptions.
- Must show regular pattern of gifting.
- Must not impact standard of living/can vary each year.
- Accurate records must be kept.
- Can be challenged by HM Revenue & Customs post death/not guaranteed.
- Gift must be outright/no retained value/covers whole of life premiums/can see family enjoy the gifts.

(b) *Candidates would have scored full marks for any fourteen of the following:*
- Estate would be valued (on second death).
- Two Nil-Rate bands (NRB) available
- Assets passed to spouse under Will/no IHT on first death.
- Value all debts/liabilities/tax bill/identify all gifts in last 7 years.
- Send death certificate/notify all relevant parties/banks etc.
- Apply for probate/use transferable Nil Rate Band/Residential Nil Rate Band/IHT forms.
- RNRB applies as home passes to children.
- IHT at 40%.
- IHT must be paid before estate can be distributed.
- Net estate passes to beneficiaries.
- Whole of Life policy is in Trust so not part of estate/can be used to pay IHT due on estate.
- SIPP passes to nominated beneficiaries.
- Pensions are not subject to IHT.
- Identify any AIM shares/may not be subject to IHT
- All other savings and investments liable to IHT/in estate.
- State Pension/Defined Benefit pension/annuity ceases on death/no value.

Model answer for Question 5

(a) *Candidates would have scored full marks for any eleven of the following:*

- Harry does not need additional income.
- If SIPP is not fully crystallised can take remaining Pension Commencement Lump Sum.
- Currently paying Higher Rate Tax (HRT)/40% tax.
- Could become Basic Rate Taxpayer/10% CGT/7.5% dividend tax/PSA £1,000.
- IHT-free asset.
- Other tax-efficient income sources available/cash available.
- Recent SIPP performance has been poor.
- Pound cost ravaging/sequencing risk/exceeds Safe Withdrawal Rate (SWR).
- Flexible death benefits/No need for Probate.
- Protected in event of Emily's divorce/controlled by Trustees.
- Tax-free growth in SIPP/excess income in estate/taxable.
- SIPP offers flexible income in future/can stop/start.

(b) *Candidates would have scored full marks for any eight of the following:*

- Review Will/current Will is not suitable.
- Set up Discretionary Trust;
- so Emily has no absolute right to monies/so protected from divorce.
- Emily's share of estate to pass into Trust.
- Nominate Trustees who understand their wishes/Emily can be a Trustee.
- No gifting to Emily until divorce is complete.
- Include Emily's children in Will.
- Emily's husband can currently claim share of inheritance.
- Pension nomination for Emily's children.

Model answer for Question 6

(a) *Candidates would have scored full marks for any eight of the following:*

- They have excess cash holdings.
- Tax-deferred income available of up to 5% per annum of original capital.
- Cumulative withdrawals.
- Equivalent of Basic Rate Tax deducted within Bond/top slicing/no tax due until chargeable event occurs.
- Tax-efficient income for Harry as he is Higher Rate taxpayer.
- Can assign to Pauline as she is a Basic Rate taxpayer/no further tax liability for Pauline.
- Wide choice of investments/diversification/fund switches.
- Growth potential/inflation protection.
- Matches attitude to risk/cash does not match attitude to risk.
- Jointly-held so Bond continues on first death/no tax on first death.
- Can assign segments/can set up in Trust.
- Not considered in long-term care assessments.

(b)

- Revised premium level/Is it affordable?
- Options to amend sum assured (SA)/reduce SA to retain existing premium.
- Estimate of IHT/SA is too low/Policy is in Trust so outside estate.
- Any plans for gifting/spending to reduce estate/premium is treated as a gift out of normal expenditure.
- State of health/no underwriting/guaranteed insurability.
- Frequency of future reviews/is SA indexed?
- Rebroke/more competitive premiums elsewhere/is alternative cover possible?

Model answer for Question 7

(a)

- Transfer to platform or nominee to simplify administration.
- Transfer shares from Harry to Pauline.
- Interspousal transfer/no Capital Gains Tax (CGT) implications/Pauline inherits his base cost.
- Pauline has unused Dividend Allowance (DA)/use both DAs.
- Dividend Tax is 7.5% (Basic Rate Tax) and 32.5% (Higher Rate Tax)/saves 25%
- Reduce Harry's taxable income from SIPP to become Basic rate taxpayer;
- to reduce Harry's CGT/Dividend Tax/increases Personal Savings Allowance (PSA).
- Use CGT exemption of £12,300.
- Monitor gains on regular basis/values change daily.
- Register CGT losses with HM Revenue & Customs.
- Harry pays 20% CGT/Pauline pays 10% CGT.
- Bed & ISA/reinvest in ISA for tax efficiency.

(b) *Candidates would have scored full marks for any eight of the following:*

- Capital Gain chargeable at 20% CGT.
- Availability of CGT exemption.
- Any losses to carry forward/losses to offset.
- Transfer to Pauline to use her allowances.
- What is current Premium to Net Asset Value (NAV)?/Gearing/any warrants?
- Does this indicate good growth prospects?/past performance/it has performed well to date/Why is it trading at a premium?
- Does it match his attitude to risk?
- Provides additional income/Dividend Yield.
- Provides diversification.

Model answer for Question 8

(a)
- Death/marriage/divorce/loss of mental capacity/change in health.
- Need for income/capital/windfall.
- Either of them going into long-term care.
- Severe market turmoil/good market conditions/take profits.
- Change in tax regulations/pension legislation/emergency budget/change in nominations required.
- Age 75 pension review/Benefit Crystallisation Event (BCE).

(b)
- Harry is recovering from illness/any health issues?/both have mental capacity.
- Ensures Trustees/executors are in place and able to act.
- IHT efficiency/IHT planning/change in legislation.
- Considers family circumstances/divorce/can change beneficiaries/new grandchildren/ensures wishes are reflected.
- Ensures Residential Nil Rate Band (RNRB) can be used if left to direct descendants.
- Can afford to leave more to children on first death/financial position may have changed.
- Nominate children or grandchildren to improve SIPP benefit options.
- Reduce risk of family conflict/dispute.

All questions in the June 2021 paper will be based on English law and practice applicable in the tax year 2020/2021, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the March and June 2021 examinations.

INCOME TAX

RATES OF TAX	2019/2020	2020/2021
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	£37,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000

*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance

Dividend Allowance	£2,000
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	2019/2020	2020/2021
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,500	£12,500
Married/civil partners (minimum) at 10% †	£3,450	£3,510
Married/civil partners at 10% †	£8,915	£9,075
Marriage Allowance	£1,250	£1,250
Income limit for Married Couple's Allowance†	£29,600	£30,200
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,450	£2,500
Enterprise Investment Scheme relief limit on £2,000,000 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.
*** Investment above £1,000,000 must be in knowledge-intensive companies.*

	2019/2020	2020/2021
Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,780	£2,830
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,105	£16,385

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£120
Primary threshold	£183
Upper Earnings Limit (UEL)	£962

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 183.00*	Nil
183.00 – 962.00	12%
Above 962.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £120 per week. This £120 to £183 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 169.00**	Nil
169.00 – 962.00	13.8%
Excess over 962.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.05 where profits exceed £6,475 per annum.
Class 3 (voluntary)	Flat rate per week £15.30.
Class 4 (self-employed)	9% on profits between £9,500 - £50,000. 2% on profits above £50,000.

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
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021	£1,073,100

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.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*
2018/2019	£40,000*
2019/2020	£40,000*
2020/2021	£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 by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2019/2020	2020/2021
	£4,000	£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	2019/2020	2020/2021
Individuals, estates etc	£12,000	£12,300
Trusts generally	£6,000	£6,150
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%
	10%	10%
Business Asset Disposal Relief* – Gains taxed at:		
Lifetime limit	£10,000,000	£1,000,000

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2019/2020	2020/2021
Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers		
- 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*	£150,000	£175,000
- 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%

PRIVATE VEHICLES USED FOR WORK

	2019/2020 Rates	2020/2021 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

	2019/2020	2020/2021
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£1,000,000	£1,000,000
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	6%	6%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Electric charging points	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:	50 or less*	51-110	111 or more
Capital allowance:	100% first year	18% reducing balance	6% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2019/2020	2020/2021
		£	£
Child Benefit	First child	20.70	21.05
	Subsequent children	13.70	13.95
	Guardian's allowance	17.20	17.90
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 57.90	Up to £58.90
	Aged 25 or over	Up to 73.10	Up to £74.35
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 74.35
	Support Group	Up to 111.65	Up to 113.55
Attendance Allowance	Lower rate	58.70	59.70
	Higher rate	87.65	89.15
Basic State Pension	Single	129.20	134.25
	Married	201.45	268.50
Single Tier State Pension	Single	168.60	175.20
Pension Credit	Single person standard minimum guarantee	167.25	173.75
	Married couple standard minimum guarantee	255.25	265.20
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	57.90	58.90
	Age 25 or over	73.10	74.35
Statutory Maternity, Paternity and Adoption Pay		148.68	151.20

CORPORATION TAX

	2019/2020	2020/2021
Standard rate	19%	19%

VALUE ADDED TAX

	2019/2020	2020/2021
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£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%

Important note: For residential properties purchased between 8th July 2020 and 31st March 2021, Stamp Duty Land Tax does not apply up to £500,000. For purchases above £500,000, the band rates above apply as normal. Additional SDLT rules still apply as below.

Stamp Duty Land Tax (SDLT) is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.

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

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

First-time buyers benefit from SDLT relief on purchases up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,000 and £500,000, a flat rate of 5% is charged on the balance above £300,000.

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