Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

September 2021 Examination Guide

SPECIAL NOTICES

Candidates entered for the January 2022 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 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
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 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.*

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 examination session to another.

Read the Assessment information and Examination policies

Details of administrative arrangements and regulations are available online at https://www.cii.co.uk/learning/qualifications/assessment-information/. This is *essential reading* for all candidates. For further information please contact Customer Service.

Two weeks before the examination

The case studies
The case studies, containing client information which will form the basis of the examination questions, will be available on the CII website and in RevisionMate.

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 examination 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 examination day. The case studies will enable you to familiarise yourself with the clients' circumstances.

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 answers once the three hours have elapsed. The model answers 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 are available to focus on the client details and prepare yourself for the examination day.

On-screen written exam demonstration (Demo 1)

The familiarisation test allows you to experience using the assessment platform before your exam. You can try the familiarisation test at any time here https://uat-cii.psionline.com/phoenix/instant/launch?auth=EH6jtrqPu3J6znVp&username=ILDemo1&test=05a75b4f-1c90-4a74-a22d-ec4aa8d4ca48&autoopen=1&samewindow=1&theme=custom/alternative/CII

Please note, although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

The demonstration test is designed to allow you before the day to go through the end-to-end process from logging in to answering test questions. **We advise you try the demonstration test once you have received your login details and well in advance of the exam to help pre-empt any potential exam day technical issues.**

In the examination

The case studies
You will not be able to take your pre-released copy of the case studies into the examination with you. The case studies will be provided on screen in the examination. 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 number of marks given next to each question.** 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 examination 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 elapsed, go on to the next question and return to the incomplete question, 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 well 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*.

Order of answering questions
Answer 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.* You are able to flag questions and then go back to them.

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 may be necessary to duplicate some of the answer.

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.

Marks are not lost due to poor spelling or grammar.

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:

General performance across the paper was good and many candidates had taken time to consider the Case Studies in detail and had prepared well for the examination. These candidates were able to provide detailed answers to many of the questions and achieved good marks across both Case Studies.

Question 1

In part (a)(i) good performance overall was seen in this question asking candidates to state the benefits and drawbacks for John of becoming an employee of his current client. Benefits in particular were answered well by many candidates. Drawbacks proved a little more difficult for candidates to come up with valid responses.

In part (a)(ii) some candidates failed to recognise the new regulations on IR35. This was disappointing as this is a very important change to working conditions/status of self-employed contract workers and has been heavily publicised for the past two years. The Case Study gave sufficient detail to identify this as a clear issue for this particular client.

There was good performance in part (b)(i) although a number of weaker candidates thought that Karen could contribute up to £4,000 per annum and confusion with the Money Purchase Annual allowance (MPAA).

There was generally good performance in part (b)(ii). A small number of candidates did not understand the concept of the Marriage Allowance and were confused with interspousal exemptions for Capital Gains Tax (CGT) purposes. This is a specific tax exemption and should be standard knowledge for candidates at this level.

Part (c) saw mixed performance. Well-prepared candidates did very well and recognised the issues that related specifically to John. Others focused just on the method by which the pension scheme would enter the Pension Protection Fund (PPF), rather than how his benefit would be treated.

Part (d)(i) was answered well by many candidates.

Slightly limited performance was seen in part (d)(ii). Many candidates focused on one area only, rather than looking at the broader benefits of ongoing advice. Some omitted to say should improve returns and can invest in complex areas.

Good performance overall in part (e), benefits were answered much better than drawbacks.

Generally good performance in part (f) on the LISA. Some candidates failed to recognise the issue of the penalty for withdrawals but otherwise good.

Question 2

In part (a) there was generally good performance. Additional information section which is a core question on most sessions. Whilst overall answered well, there were some mixed responses and many candidates did not go over a wide range of issues that are required to achieve a higher standard.

Good performance overall in part (b) about risk profiling tool.

Mixed performance was seen in part (c)(i). Most candidates did well but some failed to grasp that the client could defer their State Pension for many years, rather than a limited period. Some also failed to identify the exact uplift.

Part (c)(ii) saw mixed performance. Some candidates did very well here but others focused on the transfer of the pension scheme, rather than a 'fund switch' as stated clearly in the question.

Part (d)(i) on Wills saw good performance overall.

Part (d)(ii) saw mixed performance as some candidates focused purely on gifting, rather than looking at a range of actions. Many candidates did not address the immediate reduction of reducing Inheritance Tax (IHT). Whole of Life and Potentially Except Transfers (PETS) were quite commonly seen but not valid.

Part (e) saw good performance overall.

Part (f), the standard review question saw good performance overall.

Unit R06 – Financial planning practice

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 2021/2022, 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.

If you are sitting via remote invigilation 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.**
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem, please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- 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.
- 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.
- **Different to Objective Testing exams, tax tables are provided at the right-hand side of the interface after the QP.**
- For each answer, please type in the full question number you are answering e.g. **1a**
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing a headset, earphones, smart watch please take them off. No watches are allowed.**
- Please familiarise yourself with **all** questions before starting the exam.

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

Attempt ALL questions for each case study

Time: 3 hours

Case Study 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study.

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

John, aged 38, and Karen, aged 36, are married. They have two young children, Sophie, aged six, and Jack, aged three. They are in the process of moving home and are hoping to complete the purchase of their new property in the next six weeks.

John is a self-employed computer contractor who has worked on a single contract for one client, which is a large UK bank, for the last two years. He has taxable net profits drawings of £40,000 per annum gross, after expenses. John's current client has offered him a full-time salaried position on a salary of £48,000 per annum gross, and the company will provide a range of employee benefits. John is currently considering the merits of accepting this offer.

Karen has not worked since their children were born but is considering returning to part-time work when Jack starts school in two years' time.

John and Karen are taking out a capital repayment mortgage on the new property for £150,000 which will replace their existing interest-only mortgage of £100,000. They have a joint-life first death level term assurance policy for £100,000 and are considering the suitability of this policy for their new property. The purchase price of their new property is £300,000.

John has a deferred benefit in his former employer's defined benefit occupational pension scheme, although this scheme is currently in deficit. John also has a personal pension which he set up when he became self-employed. This personal pension has a current value of £45,000 and is invested in a cautious lifestyle fund and has a normal retirement age of 65. John makes single contributions to his personal pension when his profits allow. Karen has a personal pension which she set up when she first started work. This personal pension has a value of £10,000 and is invested in a fixed-interest fund. Karen has not made any pension contributions for five years.

John and Karen are both in good health. They have an adventurous attitude to risk and are willing to invest in a wide range of investments. John and Karen do not have any ethical views in respect of their investments. They have set up mirror Wills with appropriate trust arrangements for the children in the event of their deaths before the children reach age 18.

John and Karen wish to maximise the tax-efficiency of their current income and assets and have asked for your recommendations on how this could be best achieved.

John and Karen have the following savings and investments:

Assets	Ownership	Value (£)
Current Account	Joint	8,000
Deposit Savings Account – Instant Access	Joint	15,000
Stocks & Shares ISA – Global Equity Tracker fund	John	19,000
Stocks & Shares ISA – UK Equity Tracker fund	Karen	15,000

John and Karen's financial aims are to:

- arrange for adequate protection to be in place for their new mortgage;
- ensure John's income is structured in an appropriate manner;
- ensure that they have sufficient assets to enable them to retire when John reaches age 60.

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

Questions

(a) **(i)** State **six** benefits and **six** drawbacks for John of becoming an employee of his current client. **(12)**

(ii) Explain briefly to John the reasons why deciding to remain self-employed may cause him problems from a tax perspective. **(4)**

(b) **(i)** State the reasons why Karen should consider making a regular pension contribution even though she has no earned income. **(8)**

(ii) Explain to John and Karen how the Marriage Allowance could be used to improve their current tax position. **(8)**

(c) Explain to John how his benefit in his former employer's defined benefit occupational pension scheme would be treated if the scheme enters the Pension Protection Fund. **(8)**

(d) **(i)** Identify the key reasons why John's current investment strategy for his personal pension may not be suitable for him over the long-term. **(7)**

(ii) Outline the benefits for John of using the services of a financial adviser on an ongoing basis to review his pension investment strategy. **(10)**

(e) State **five** benefits and **five** drawbacks of replacing John and Karen's existing level term assurance policy with a suitable decreasing term assurance policy. **(10)**

(f) Explain to John and Karen why they should consider using Lifetime ISAs for the purpose of long-term savings. **(8)**

Total marks available for this question: 75

Case Study 2

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study.

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

Steve and Trish, aged 65 and 62 respectively, are married. They have two children, Harry, aged 34, and Sophie, aged 30. Sophie is married and is financially independent. Harry has serious learning difficulties and lives with his parents.

Steve will semi-retire shortly and has two personal pension arrangements which are valued at £450,000 and £80,000. He would like to consolidate these pensions and whilst he feels that he does not need to take a pension commencement lump sum, he will need a tax-efficient income. Both of Steve's pension funds are invested in low to medium risk funds including a holding in a with-profits fund within the smaller personal pension.

Steve is a higher rate taxpayer and expects to remain so for the foreseeable future. He currently earns a salary of £85,000 gross per annum. Steve expects his salary to fall to £55,000 gross per annum when he semi-retires.

Trish works as a receptionist at a local engineering firm. Her earnings have been £16,000 per annum gross for the last five years. Trish is a member of her employer's qualifying workplace pension scheme. Her plan has a current value of £20,000 and it is invested in the default cash fund in her employer's scheme.

Steve and Trish live in a house worth £700,000 which is mortgage-free and owned as joint tenants. They have no debts. Steve and Trish do not expect to receive any inheritances in the future, and they wish to leave as much of their estate as possible to their children on second death.

Both Steve and Trish feel they have a medium attitude to risk. They have not made any Wills.

Their savings and investments are as follows:

Assets	**Ownership**	**Value (£)**
Current Account	Joint	55,000
Deposit Account	Joint	200,000
OEIC – UK Equity funds	Steve	225,000
Unit Trust – Emerging Markets fund	Steve	80,000
Cash ISA	Trish	46,000

Steve and Trish's financial objectives are to:

- ensure that their financial arrangements are tax-efficient;
- maximise the value of their estate for their beneficiaries;
- maintain their standard of living in retirement.

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

Questions

(a) State the additional information that a financial adviser would require to advise Steve and Trish on their savings and investments. **(15)**

(b) Identify **six** reasons why a financial adviser should not solely rely on a computer-based risk profiling tool to confirm Steve and Trish's attitude to risk. **(6)**

(c) **(i)** State **three** benefits and **three** drawbacks of Steve deferring his State Pension. **(6)**

(ii) State the key factors that a financial adviser should take into consideration before recommending a fund switch within Trish's holding as part of her employer's qualifying workplace pension scheme. **(10)**

(d) **(i)** Explain to Steve and Trish why they should both set up Wills. **(10)**

(ii) Recommend and justify the actions Steve and Trish could take to immediately reduce their Inheritance Tax liability. **(8)**

(e) State the key information that a financial adviser would need to obtain relating to Steve's existing pensions, before making a recommendation to consolidate them. **(12)**

(f) State **eight** factors that a financial adviser should take into account when reviewing Steve and Trish's investments at their next annual review. **(8)**

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) (i) Benefits:

- Paid annual leave/sick pay.
- Employer pension contributions/may offer salary sacrifice.
- Pound cost averaging/reduced charges on pension scheme.
- Employee benefits/Private Medical Insurance (PMI)/Private Health Insurance (PHI)/Critical illness cover (CIC).
- Security of income/monthly contractual pay/known earnings/higher earnings.
- Reduces need for personal tax return/reduced admin/reduced cost/removes IR35 issue.

Drawbacks:

- Lack of flexibility/lack of control/Line Manager/cannot work elsewhere.
- Cannot adjust earnings/remuneration for tax purposes.
- No longer able to control business development.
- Contractual working hours.
- Limited holiday entitlement.
- Cannot claim commuting costs to normal place of work.

(ii)

- New IR35 rules/only one contract/one company.
- Admin/tax return/accountancy costs.
- Investigation/can be challenged by HM Revenue & Customs as ‘disguised employee’.
- Could suffer taxation penalty/backdated/increased tax due/corrective action.

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

- Limited pension savings at present.
- Entitled to contribute £3,600/£2,880 each year.
- Receives 20% tax relief.
- Can benefit from pound cost averaging/savings discipline.
- Tax-free Pension commencement lump sum (PCLS).
- Low-cost pension plans available/affordable/they have surplus income.
- Can match attitude to risk (ATR).
- Potential for tax-free growth.
- Inheritance Tax (IHT)-efficient/death benefits.

(b) **(ii)**
- Karen is a non-taxpayer.
- They are married/only available to married couples or civil partnerships.
- She has unused Personal Allowance/£12,570.
- She can transfer some of her unused Personal Allowance to John.
- John is BRT at present/not available if he becomes higher rate taxpayer (HRT).
- She can transfer £1,260 of Personal Allowance (PA) this tax year/10%.
- Reduces John's tax bill by £252.
- Can backdate to 2017/4 years.

(c)
- Pension fund enters PPF after assessment period of 2 years.
- Transfer restriction.
- Pension benefits protected up to 90% at Normal retirement age (NRA)/100% after NRA (65).
- His benefits accrued increase in payment with inflation/capped at 2.5% per annum.
- Original scheme rules on escalation do not apply/Pension Protection fund (PPF) rules apply.
- Benefits accrued before April 2009 will be revalued at max 5% per annum compound.
- Service (after April 2009) will be revalued at max 2.5% per annum compound.
- Spouses pension is protected (under PPF rules).

(d) **(i)**
- John is planning to retire before set life styling date.
- Fund may not be invested suitably in later years.
- Possibility of poor performance/limited growth/no pound cost averaging.
- Life styling does not consider changes in personal circumstances.
- John is an adventurous investor/does not match ATR.
- Unsuitable for flexi-access drawdown (FAD)/phased retirement/geared to annuity purchase.
- Fund switches are automatic/do not consider market conditions.

(ii)
- Adviser expertise/professional management/research/regulated advice.
- Less admin for John.
- Wants to invest in more complex/high risk investments.
- Charges review.
- Can benchmark portfolio against appropriate indices/financial planning tools available to adviser.
- Likely to result in improved returns.
- Ongoing monitoring to ensure portfolio remains suitable/matches ATR/capacity for loss (CFL)/can advise on switching current fund.
- Diversification can be achieved/rebalanced on a regular basis.
- New funds/new investment opportunities/new products/change in legislation/use of allowances.
- Identify shortfalls/keep on target.

(e) Benefits

- May be cheaper premiums/greater affordability.
- Sum assured matches decrease in outstanding mortgage/current sum assured (SA) is insufficient.
- Current policy is not suitable.
- Simple underwriting/rider benefits.
- Term of new policy can match mortgage term.

Drawbacks

- Premiums may increase.
- No possibility of surplus cover.
- Need further underwriting/they are older.
- Additional advice costs/commission.
- Extra admin/paperwork.

(f) *Candidates would have gained full marks for any eight of the following:*

- Can each invest £4,000 per annum/can still use remaining ISA allowance/£16,000 each.
- Government bonus of £1,000 per annum/can be considered as tax relief/25%.
- Can use for retirement/top up pension at age 60.
- Karen has limited ability to invest in pension/£3,600 only.
- Karen can invest with no relevant earnings/not linked to earnings.
- Can invest up to age 50/they are eligible (as under 40).
- Tax-free growth.
- Wide choice of funds/providers/can match ATR.
- Access available pre-60 subject to penalty/25% penalty.

Case Study 2

(a)

- Any planned capital expenditure/income required in retirement.
- What are the costs for Harry?/Carers Allowance/care costs.
- Priorities/objectives.
- Timescales/retirement dates.
- Asset allocation/fund choices.
- Interest rate on savings accounts/Cash ISA/yield on open ended investment company (OEIC)/unit trust.
- Charges.
- Base cost/withdrawals for OEIC/unit trust (UT).
- Use of tax allowances/ISA/pension contributions/dividend allowance (DA).
- Willingness to transfer ownership of assets to each other.
- Any ethical preferences.
- Downsizing?
- BR19.
- Capacity for loss.
- Why are they holding £200,000 in cash?/Financial Services Compensation scheme (FSCS) limit.

(b)
- Results may give rise to further discussion.
- Different programmes produce different results.
- Does not allow client to express their views/closed questions/not client specific/excludes ethical and subjective views.
- Potential for client to misinterpret/may not understand the question.
- Capacity for loss.
- Different risk for different objectives/timescales.

(c) **(i)** **Benefits**
- Saves higher rate tax/does not need the income.
- Increases pension when taken.
- By 1% for every 9 weeks deferred/5.8% per annum.

Drawbacks
- No lump sum available.
- Loss of immediate income/long time to catch up.
- Limited payment to spouse on death.

(ii)
- Fund choices available.
- Actual return on cash fund.
- Ongoing charges/risk-based likely to be more expensive.
- Cost of fund switches.
- ATR/CFL.
- Current fund unlikely to keep pace with inflation/no potential for growth.
- Pound cost averaging.
- When does she wish to draw benefits/planned retirement date.
- Liquidity/current market conditions.
- Does she wish to purchase an annuity/guaranteed/flexible benefits.

(d) **(i)**
- Can state their wishes/no disputes.
- Peace of mind/reduced stress.
- Speed of settlement/no need to go through intestacy/less admin.
- Intestacy may leave Trish with insufficient funds/protects surviving spouse.
- Trish only receives £270,000 and 50% of rest of remainder.
- Enables Steve and Trish to nominate their executors.
- Enables Steve and Trish to identify trustees/guardians for Harry.
- Can set up a trust for Harry/provides protection for Harry.
- If no Will, Court of Protection decide Harry's future circumstances.
- Will enables IHT efficiency/protects residence nil rate band (RNRB).

(ii) *Candidates would have gained full marks for any eight of the following:*
- Use annual gift allowances/small gift exemption/regular gifts out of excess income.
- Charitable/political donations.
- Make payments to support Harry.
- Make pension contributions.
- Immediately outside estate.
- Discounted gift trust (DGT).
- Discount outside of estate.
- Make Wills
- to protect residence nil rate band (RNRB).

(e)
- Current/market value and transfer value.
- Asset allocation.
- Selected retirement date.
- Any life cover attached/waiver of premium (WOP).
- Does either current scheme accept transfers?
- Charges/cost of new plan/large fund discounts.
- Protected commencement lump sum/safeguarded benefits/guaranteed annuity rate (GAR).
- Any market value reduction? (MVR)
- Any guaranteed investment returns (with profits (WP))/terminal bonus.
- Financial strength.
- Switching options/fund choices/liquidity/any restrictions.
- Retirement income options/is FAD available?

(f)
- Change in circumstances/objectives/health.
- Income requirement/expenditure change/tax status/inheritance.
- Investment performance/asset allocation/rebalance.
- Changes to attitude to risk/capacity for loss.
- Charges.
- Use of tax allowances.
- Changes in economy/markets.
- Legislation/tax change/new products on market.

September 2021 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 January, April & July 2022 papers will be based on English law and practice applicable in the tax year 2021/2022, unless stated otherwise and should be answered accordingly.

INCOME TAX

RATES OF TAX	2020/2021	2021/2022
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	£37,700
Threshold of taxable income above which additional rate applies	£150,000	£150,000

Child benefit charge:
1% of benefit per £100 of adjusted net income between £50,000 – £60,000

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

Dividend Allowance	£2,000	£2,000
Dividend tax rates		
Basic rate	7.5%	7.5%
Higher rate	32.5%	32.5%
Additional rate	38.1%	38.1%
Trusts		
Standard rate band	£1,000	£1,000
Rate applicable to trusts		
- dividends	38.1%	38.1%
- other income	45%	45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,500	£12,570
Married/civil partners (minimum) at 10% †	£3,510	£3,530
Married/civil partners at 10% †	£9,075	£9,125
Marriage Allowance	£1,250	£1,260
Income limit for Married Couple's Allowance†	£30,200	£30,400
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,500	£2,520
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

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*** Investment above £1,000,000 must be in knowledge-intensive companies.*

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,830	£2,845
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,385	£16,480

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£120
Primary threshold	£184
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 184.00*****	Nil
184.00 – 967.00	12%
Above 967.00	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 £184 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 170.00**	Nil
170.00 – 967.00	13.8%
Excess over 967.00	N/A

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.05 where profits exceed £6,515 per annum.
Class 3 (voluntary)	Flat rate per week £15.40.
Class 4 (self-employed)	9% on profits between £9,568 - £50,270. 2% on profits above £50,270.

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 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 & 2021/2022	£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 – 2021/2022	£40,000*

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

**reducing 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	2020/2021	2021/2022
	£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	2020/2021	2021/2022
Individuals, estates etc	£12,300	£12,300
Trusts generally	£6,150	£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%
Business Asset Disposal Relief* – Gains taxed at:	10%	10%
Lifetime limit	£1,000,000	£1,000,000

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2020/2021	2021/2022
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

	2020/2021	2021/2022
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*	£175,000	£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.*

	2020/2021	2021/2022
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

	2020/2021 Rates	2021/2022 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
Motorcycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2020/2021	2021/2022
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 1 April 2016 (Corporation Tax) or 6 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

		2020/2021	2021/2022
		£	£
Child Benefit	First child	21.05	21.15
	Subsequent children	13.95	14.00
	Guardian's allowance	17.90	18.00
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 58.90	Up to £59.20
	Aged 25 or over	Up to 74.35	Up to £74.70
	Main Phase		
	Work Related Activity Group	Up to 74.35	Up to 104.40
	Support Group	Up to 113.55	Up to 114.10
Attendance Allowance	Lower rate	59.70	60.00
	Higher rate	89.15	89.60
Basic State Pension	Single	134.25	137.60
	Married	268.50	275.20
New State Pension	Single	175.20	179.60
Pension Credit	Single person standard minimum guarantee	173.75	177.10
	Married couple standard minimum guarantee	265.20	270.30
	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	58.90	59.20
	Age 25 or over	74.35	74.70
Statutory Maternity, Paternity and Adoption Pay		151.20	151.97

CORPORATION TAX

	2020/2021	2021/2022
Standard rate	19%	19%

VALUE ADDED TAX

	2020/2021	2021/2022
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 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Important note regarding Stamp Duty Land Tax (SDLT) and residential property purchases:

- **For purchases between 1 July 2021 and 30 September 2021, SDLT does not apply up to £250,000.**
- **For purchases above £250,000, the band rates above apply as normal.**
- **For purchases from 1 October 2021, 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%