



Chartered  
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# R05

## Diploma in Regulated Financial Planning

### Unit 5 – Financial protection

**Based on the 2023/2024 syllabus  
examined from 1 September 2023 until 31 August 2024**

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The CII Qualifications accessibility and special circumstances policy and guidance document can be viewed on the CII Rules and Policies page [www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/rules-and-policies/](http://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/rules-and-policies/)

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## Unit 5 – Financial protection

**Based on the 2023/2024 syllabus examined from 1 September 2023 until 31 August 2024**

### Introduction

This examination guide has been produced by the Qualifications and Assessment Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the R05 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of an R05 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the R05 reading list, which is located on the syllabus in this examination guide and on the CII website at **[www.cii.co.uk](http://www.cii.co.uk)**.

### Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit **[www.cii.co.uk/learning/qualifications/unit-financial-protection-r05/](http://www.cii.co.uk/learning/qualifications/unit-financial-protection-r05/)**
- 2) Select 'exam guide update' on the right hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

## Syllabus

The R05 syllabus is published on the CII website at **[www.cii.co.uk](http://www.cii.co.uk)**. **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

## Skill Specification

The examination syllabus categorises R05 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand and evaluate the subject matter. Each learning outcome begins with one of these cognitive skills:

**Understanding** - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an understand learning outcome can test either knowledge or understanding or both.

**Evaluation** - To answer questions requiring evaluation or critical evaluation, the candidate must be able to assess and judge information presented and reach a conclusion. Typically questions will relate to a given set of circumstances and behaviours and require the selection of the correct or best evaluation.

## Examination Information

The method of assessment for the R05 examination is 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.

The R05 syllabus provided in this examination guide will be examined from 1 September 2023 until 31 August 2024.

Candidates will be examined on the basis of English law and practice in the tax year 2023/2024 unless otherwise stated. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

The general rule is that the new tax year and changes arising from the Finance Act will be examined from 1 September each year. Other changes, not related to the Finance Act, will not be examined earlier than 3 months after they come into effect.

R05 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

Extracts from tax tables will be provided at each examination, an example of which can be found in this examination guide. Candidates may find it beneficial to familiarise themselves with this information in advance of the examination. Candidates may **not** take their own tax tables into the examination.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct or best response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

Candidates are permitted to make rough notes. Candidates are not permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

## Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

## Before the Examination

Before sitting the examination, please visit the preparation page on the CII website to familiarise yourself with the different requirements for sittings via remote invigilation and at an exam centre [www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/](http://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/)

## After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

# Financial protection

## Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of and ability to analyse:

- the purpose and scope of financial protection products and how they interact with State benefits;
- the main features and functions of the different types of contracts and how they are arranged in order to meet the individual client's protection needs;
- the main protection needs of businesses.

| Summary of learning outcomes |  | Number of questions in the examination* |
|------------------------------|--|---|
| 1.                           | Understand the consumer and retail market factors and trends relevant to financial protection.                                   | 3                                       |
| 2.                           | Understand the areas of need for protection planning and the main sources of financial protection.                               | 3                                       |
| 3.                           | Understand the role and limitations of State benefits and state/local authority funded solutions for financial protection.       | 3                                       |
| 4.                           | Understand the range, structure and application of life assurance and pension based policies to meet financial protection needs. | 8                                       |
| 5.                           | Understand the taxation treatment of life assurance and pension based protection policies.                                       | 6                                       |
| 6.                           | Understand the range, structure and application of income protection insurance and options to meet financial protection needs.   | 6                                       |
| 7.                           | Understand the range, structure and application of critical illness insurance to meet financial protection needs.                | 6                                       |
| 8.                           | Understand the range, structure and application of long-term care insurance to meet financial protection needs.                  | 3                                       |
| 9.                           | Understand the main features of other insurance based protection policies.   | 6                                       |
| 10.                          | Evaluate the needs and priorities for financial protection and the relevant factors in selecting appropriate solutions.          | 6                                       |

\* The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

- Method of assessment: 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.
- This syllabus will be examined from 1 September 2023 to 31 August 2024.
- Candidates will be examined on the basis of English law and practice in the tax year 2023/2024 unless otherwise stated.
- It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.
- This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is an extension that is available from <https://speechify.com/>. If for accessibility reasons you require this document in an alternative format, please contact us on [online.exams@cii.co.uk](mailto:online.exams@cii.co.uk) to discuss your needs.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit from the list provided
  4. Select qualification update on the right hand side of the page



- 1. Understand the consumer and retail market factors and trends relevant to financial protection.**
  - 1.1 Explain the role of insurance in mitigating personal financial risk.
  - 1.2 Describe consumer attitudes and behaviours to protection needs planning.
  - 1.3 Describe trends relevant to financial protection.
- 2. Understand the areas of need for protection planning and the main sources of financial protection.**
  - 2.1 Describe the need for protection planning for individuals and businesses.
  - 2.2 Explain the relationship between insurance and assets and liabilities.
  - 2.3 Describe the sources of financial protection.
- 3. Understand the role and limitations of State benefits and state/local authority funded solutions for financial protection.**
  - 3.1 Examine the role and limitations of State benefits and State/local authority funded solutions for financial protection.
- 4. Understand the range, structure and application of life assurance and pension based policies to meet financial protection needs.**
  - 4.1 Describe the types of life assurance policies, as well as pension based policies, their benefits, limitations, tax treatment and how they meet financial protection needs.
  - 4.2 Describe the underwriting and claims issues and processes associated with life assurance and pension based policies.
- 5. Understand the taxation treatment of life assurance and pension based protection policies.**
  - 5.1 Describe the taxation treatment of life assurance and pension based protection policies.
- 6. Understand the range, structure and application of income protection insurance and options to meet financial protection needs.**
  - 6.1 Describe the types of income protection policies, their benefits, limitations, tax treatment and how they meet financial protection needs.
  - 6.2 Explain the underwriting and claims issues and processes associated with income protection insurance.
- 7. Understand the range, structure and application of critical illness insurance to meet financial protection needs.**
  - 7.1 Describe the types of critical illness policies, their benefits, limitations, tax treatment and how they meet financial protection needs.
  - 7.2 Explain the underwriting and claims issues and processes associated with critical illness insurance.
- 8. Understand the range, structure and application of long-term care insurance to meet financial protection needs.**
  - 8.1 Describe the regulation which applies to long-term care insurance.
  - 8.2 Describe the main types of long-term care insurance policies and their features.
  - 8.3 Describe the long-term care planning process.
- 9. Understand the main features of other insurance based protection policies.**
  - 9.1 Describe the main features of other insurance based protection policies.
- 10. Evaluate the needs and priorities for financial protection and the relevant factors in selecting appropriate solutions.**
  - 10.1 Identify the priorities, risks and choices for individuals or business clients.
  - 10.2 Assess and quantify an individual's or business's future capital and income needs in real terms.
  - 10.3 Determine the suitability of product types and options.
  - 10.4 Explain planning considerations and approaches for appropriate, inclusive advice and positive customer outcomes including regard for protected characteristics.
  - 10.5 Explain the importance of regular reviews.

## Reading list

The following list provides details of further reading which may assist you with your studies.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

### CII study texts

Financial protection. London: CII. Study text R05.

### Journals and magazines

Cover. London: Incisive Financial. Monthly. Available for free online at [www.covermagazine.co.uk](http://www.covermagazine.co.uk).

Protection review (previous e-Protection review). Great Rissington: Bank House Communications. Quarterly. Available at [protectionreview.co.uk](http://protectionreview.co.uk)

Personal finance professional (previously Financial solutions). London: CII. Six issues a year.

Life insurance international. London: Timetric. Monthly.

Retirement strategy. Supplement to Money marketing. London: Centaur Communications. Monthly. Also available at [www.moneymarketing.co.uk](http://www.moneymarketing.co.uk).

Pensions age. London: Perspective. Monthly. Available at [www.pensionsage.com](http://www.pensionsage.com).

Pensions Expert. London: FT Finance. Weekly. Available at [www.pensions-expert.com](http://www.pensions-expert.com).

Pensions insight. Newsquest Specialist Media. Monthly. Available at [www.pensions-insight.co.uk](http://www.pensions-insight.co.uk).

Professional pensions. London: Incisive Media. Weekly. Available at [www.professionalpensions.com](http://www.professionalpensions.com).

### Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.\*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2013.\*

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.\*

## Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([ciigroup.org/login](http://ciigroup.org/login)). Details of how to access Revisionmate are on the first page of your study text. It is recommended that you only study from the most recent version of the examination guide.

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

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\* Also available as an eBook through eLibrary via [www.cii.co.uk/elibrary](http://www.cii.co.uk/elibrary) (CII/PFS members only).

1. Life assurance technically mitigates personal financial risk by
  - A. providing a means for individuals to cover the risk through investing.
  - B. providing a means for individuals to cover the risk through saving.
  - C. transferring the risk from an individual to a group of individuals.
  - D. transferring the risk from an individual to a public limited company.
2. With regard to costs, recent UK trends in longevity are **likely** to impact
  - A. less on annuities than on income protection policies.
  - B. less on endowments than on annuities.
  - C. more on personal accident and sickness policies than whole of life assurances.
  - D. more on endowments than whole of life assurances.
3. What effect, if any, does the expectation of significant inflation theoretically have on consumers with regard to financial planning?
  - A. It has no effect.
  - B. It increases confidence in the value of purchasing life assurance.
  - C. It increases the amount that consumers save in real terms.
  - D. It undermines confidence in the value of purchasing life assurance.
4. When a State benefit is means tested, what may be tested?
  - A. Capital only.
  - B. Income only.
  - C. Capital and income only.
  - D. Capital, income and expected inheritances.
5. Lionel, aged 80, has assets exceeding £1,000,000 which he wants his daughter to inherit on his death. He has recently assigned by way of gift a £200,000 life assurance bond to her. It is the only gift he has made. Solely with regard to any Inheritance Tax liability that may **indirectly** arise because of the gift, what type of policy, if any, would it be reasonable to effect?
  - A. None.
  - B. Decreasing term assurance.
  - C. Level term assurance.
  - D. Whole of life assurance.
6. Rachel's total assets exceed her total liabilities. Why, if at all, may she require some assurance cover?
  - A. She does not require such cover.
  - B. Solely because her assets exceed the nil-rate Inheritance Tax band.
  - C. Solely because her assets are not easily realisable.
  - D. Because she has dependants and her assets are not easily realisable.

7. Regarding taxation, Statutory Sick Pay paid by an employer to an employee is
- A. taxable as earned income.
  - B. taxable as unearned income.
  - C. tax free for the first 14 weeks of payment only.
  - D. tax free for the full duration of payment.
8. Alex suffers an accident that leaves him disabled. After six months he begins to receive £150 per month from an income protection insurance policy. How will this affect his Personal Independence Payment, if at all?
- A. The payment will be stopped.
  - B. The full payment will be paid for the first six months and will then be reduced by £75 per month.
  - C. The full payment will be paid for the first six months and will then be reduced by £150 per month.
  - D. The payment will not be affected.
9. Income-related State benefits **normally** start to be reduced when savings exceed what amount?
- A. £3,000
  - B. £6,000
  - C. £16,000
  - D. £23,000
10. During the underwriting stage of an application for life assurance, it is determined that the sum assured exceeds the retention limit. What are the implications of this?
- A. Additional medical evidence must be requested.
  - B. The application must be declined.
  - C. The cover must be set up on a decreasing basis.
  - D. Part of the risk needs to be reassured.
11. Under which type of protection policy that solely provides payment on death is free cover often available?
- A. A family income benefit policy.
  - B. A gift inter vivos policy.
  - C. A group death-in-service policy.
  - D. An individual convertible term assurance policy.
12. If an application for life assurance is deferred by the underwriter, this means that
- A. cover cannot be offered at present, but the applicant may reapply after a specified period.
  - B. cover is only available for a shorter term than that originally proposed.
  - C. it has been referred to the chief medical officer for opinion.
  - D. the reassurers must agree the underwriting decision before terms can be offered.

13. A traditional low-cost whole of life policy is a combination of a
- A. decreasing term assurance policy and a non-profit policy.
  - B. decreasing term assurance policy and a with-profits policy.
  - C. unit-linked policy and a non-profit policy.
  - D. unit-linked policy and a with-profits policy.
14. To what extent, if at all, are the costs of life cover taken into account by the reduction in yield figures of a whole of life policy?
- A. They are excluded.
  - B. They are fully included.
  - C. They are only included on a maximum sum assured basis.
  - D. They are only included on a standard sum assured basis.
15. Kezia purchased a life assurance policy that she placed in a flexible trust for the benefit of her daughter, Belinda. The trustee is Kezia's husband, Cedric. Who has equitable ownership of the policy?
- A. Belinda only.
  - B. Cedric only.
  - C. Kezia only.
  - D. Belinda and Cedric.
16. When terminal illness cover is a feature of a life assurance policy, it will **NOT** apply during a specified number of months
- A. immediately after an assignment.
  - B. immediately after the commencement of the policy.
  - C. before a premium review.
  - D. before the end of the policy.
17. What type of tax liability, if any, may arise at the time solely as a result of a higher-rate taxpayer gifting her £200,000 life assurance bond, having made no other gifts, to a discretionary trust by way of assignment?
- A. None.
  - B. Inheritance Tax only.
  - C. Inheritance Tax and Capital Gains Tax.
  - D. Inheritance Tax and Income Tax.
18. Under an employer's group life assurance policy, what is the **normal** tax treatment of the death benefit?
- A. It is liable to Capital Gains Tax.
  - B. It is liable to Income Tax.
  - C. It is liable to Inheritance Tax.
  - D. It is not liable to any form of taxation.

19. Martina is liable to Inheritance Tax, but **only** on her assets located in the United Kingdom. This shows that for Inheritance Tax purposes she is
- A. not deemed to be domiciled in the UK.
  - B. deemed to be domiciled in the UK.
  - C. not resident in the UK.
  - D. resident in the UK.
20. Iris gifts £1,500,000 with no reservation to a close friend who lives with her. After what **minimum** period of time should the gift become **entirely** exempt from Inheritance Tax?
- A. Immediately.
  - B. After three years.
  - C. After five years.
  - D. After seven years.
21. Ralph's total annual income is £165,000. His early surrender of an onshore life assurance policy, which he has owned for five years, causes a chargeable event. If the total amount of premiums paid is £30,000 and the surrender value is £38,500, what is his personal tax liability?
- A. £425
  - B. £1,700
  - C. £2,125
  - D. £3,825
22. James and Sarah, a married couple, have both made wills leaving all their assets to each other. In the event that they should both pass away at the same time, their £2,000,000 estate will go to their two children. In order to provide funds for the potential Inheritance Tax liability, what would be the **most suitable** life assurance arrangement?
- A. A joint life level term assurance policy.
  - B. Two individual level term assurance policies.
  - C. A joint life first death whole of life assurance policy.
  - D. A joint life last survivor whole of life assurance policy.
23. What event, if any, **must** occur for the possibility of a Capital Gains Tax liability eventually arising on surrender of a qualifying life assurance policy?
- A. An assignment by way of gift only.
  - B. An assignment for money or money's worth only.
  - C. Any assignment when at the time the policy shows a gain.
  - D. A Capital Gains Tax liability cannot arise.
24. If an income protection insurance policy has reviewable premiums, this **usually** means that the insurance company may
- A. alter the cost of the cover.
  - B. only increase premiums in line with inflation.
  - C. pay benefits for less than the full period of incapacity.
  - D. withdraw cover on any anniversary date.

25. Zac makes a claim under his individual income protection insurance policy, but is subsequently able to return to his normal employment. What effect will this have on the benefits and cover provided under the policy?
- A. Payment of the claim will cease and the policy can only continue on completion of a satisfactory health questionnaire.
  - B. Payment of the claim will cease and the policy will be automatically cancelled.
  - C. Payment of the claim will cease, but cover under the policy will continue as before.
  - D. Cover under the policy will cease, but payment of the claim will continue for a restricted period.
26. Two business partners each require an individual income protection insurance policy. What is the position with regard to tax relief on the premiums?
- A. No tax relief is available.
  - B. Tax relief is always available.
  - C. Tax relief is available, but only if premiums are paid from the business account.
  - D. Tax relief is available, but only if the policy is written in trust for each individual partner.
27. What is the tax advantage to an employee in effecting an income protection insurance policy on an individual basis rather than being covered by her employer's group scheme?
- A. The benefits in payment are pensionable.
  - B. The benefits in payment are tax free.
  - C. The premiums paid can be offset against Income Tax at the basic rate.
  - D. The premiums paid can be offset against Income Tax at her marginal rate.
28. If the deferred period on an income protection insurance policy is increased from 13 weeks to 26 weeks, what effect would this **usually** have on the monthly premium?
- A. It would be payable for a longer policy term.
  - B. It would be payable for a shorter policy term.
  - C. It would decrease.
  - D. It would increase.
29. A client starts a 20-year income protection insurance policy which operates on a reviewable 5-year basis. During the first 5 years, a benefit lasting in excess of 6 months was paid in accordance with the policy's terms and conditions. In what circumstances, if any, can the insurer refuse to continue cover solely on the grounds of this benefit having been paid?
- A. In no circumstances.
  - B. Only if the claim lasted for more than 12 months.
  - C. Only if the benefit paid out exceeded a threshold stated in the policy.
  - D. In all circumstances.
30. An additional-rate taxpayer received a lump-sum payment of £200,000 as a result of a successful claim under an individual critical illness insurance policy. How much tax, if any, will he be required to pay on this amount?
- A. None.
  - B. £36,000
  - C. £60,000
  - D. £90,000

31. Survival periods required under critical illness insurance policies **usually** vary from
- A. 1 to 7 days.
  - B. 14 to 30 days.
  - C. 2 to 3 months.
  - D. 4 to 6 months.
32. The sum assured for a life assurance policy with an accelerated critical illness benefit is £100,000. How much, if anything, would be payable on subsequent death during the original term, if a successful critical illness claim had been made 9 months earlier?
- A. Nothing.
  - B. £25,000
  - C. £50,000
  - D. £100,000
33. When writing a combined life assurance and critical illness policy under trust, what is the **main advantage** of using a split trust instead of an ordinary trust?
- A. The assured is allowed to be a trustee.
  - B. The assured will receive any critical illness benefit.
  - C. The beneficiary may be related to the life assured.
  - D. The beneficiary will receive the benefits free of tax.
34. Pablo and Polly are married and each require stand-alone critical illness insurance cover. What is **usually** the **key** advantage of opting for two single life policies, rather than one joint life policy?
- A. It is cheaper.
  - B. It requires less medical underwriting.
  - C. It provides an extra potential payment.
  - D. It includes a buy-back option.
35. What are the **most important** factors in determining stand-alone critical illness premiums?
- A. Administration costs and investment returns.
  - B. Morbidity risks relating to all critical illnesses.
  - C. Morbidity risks relating solely to the illnesses covered.
  - D. Mortality risks relating solely to the illnesses covered.
36. A client with long-term care requirements effected an immediate needs annuity without capital guarantee. He died two years later. What death benefit, if any, will **usually** be payable in these circumstances?
- A. No death benefit will be payable.
  - B. The bid value of units.
  - C. The offer value of units.
  - D. The sum assured.



37. Jane, an additional-rate taxpayer, is receiving residential care in the UK, and has bought an immediate needs annuity. In what circumstances, if any, may the annuity be paid free of tax?
- A. In no circumstances.
  - B. Only when the annuity payments are made directly to the registered care provider.
  - C. Only when the annuity payments are made directly to Jane, without further conditions.
  - D. Only when the annuity payments are made directly to Jane who then pays them to the registered care provider.
38. A long-term care contract that involves a life assurance bond has just gone on risk. What is the **minimum** number of days during which the policyholder may cancel without penalty?
- A. 14 days.
  - B. 21 days.
  - C. 28 days.
  - D. 30 days.
39. What is the **most appropriate** policy for an employee who is concerned **only** with maintaining her mortgage repayments over the short term should she become ill?
- A. A critical illness insurance policy.
  - B. An income protection insurance policy.
  - C. A mortgage payment protection insurance policy.
  - D. A mortgage protection insurance policy.
40. A weekly benefit would be payable under a personal accident and sickness insurance policy as a result of
- A. being diagnosed with a specified illness only.
  - B. being unable to work due to accident or illness.
  - C. accident or illness of either the insured or a dependant.
  - D. accident, illness or voluntary redundancy.
41. For how long will a mortgage payment protection insurance policy **usually** cover mortgage interest payments following redundancy?
- A. For up to one or two years or when the policyholder is re-employed, whichever is earlier.
  - B. For up to one or two years after Jobseeker's Allowance ceases.
  - C. Until retirement age if the policyholder fails to find alternative employment.
  - D. Until the mortgage is repaid if the policyholder fails to find alternative employment.
42. A client's private medical insurance policy is set up on a moratorium basis. What does this mean?
- A. No claim will be accepted in the first two years.
  - B. Full medical underwriting will take place after an initial period.
  - C. A medical examination will not be required for claims submitted during the first two years.
  - D. Certain pre-existing conditions will be excluded for a defined period.

43. What type of private medical insurance policy, if any, would **typically** pay for a parent to stay with a young child in hospital?
- A. None.
  - B. A budget plan.
  - C. A comprehensive plan.
  - D. A health cash plan.
44. Apart from the attraction to employees, for what **main** reason would a company consider effecting a group private medical insurance policy?
- A. To avoid discrimination against older employees.
  - B. To increase the likelihood of sick employees returning to work more quickly.
  - C. To provide for replacement income when its employees are sick.
  - D. To secure Corporation Tax relief.
45. Apart from comparing cover and costs, which other **key** factor should **usually** be considered if a financial adviser intends to recommend that a client cancels an existing own life term assurance policy and replaces it with a new one?
- A. The insurable interest.
  - B. The potential chargeable gains.
  - C. The secondhand policy market value.
  - D. The underwriting requirements.
46. The **primary** purpose of a key person life assurance policy is to provide funds on the death of the life assured directly to the deceased's
- A. children.
  - B. employer.
  - C. estate.
  - D. spouse.
47. What would be the **most suitable** type of protection policy to provide life assurance cover for an employed person with a young family who is about to commence a repayment mortgage?
- A. A decreasing term assurance policy.
  - B. An income protection policy.
  - C. An increasing term assurance policy linked to inflation.
  - D. A level term assurance policy.
48. Bill and John, both aged 70 are co-habiting. Each have some investments and savings. Ignoring Income Tax, reduction in liabilities to which tax(es) could potentially be made if they enter into a civil partnership?
- A. Capital Gains Tax only.
  - B. Inheritance Tax only.
  - C. Capital Gains Tax and Inheritance Tax only.
  - D. Capital Gains Tax, Inheritance Tax and stamp duties.

- 49.** When, if at all, may regular financial planning reviews be unnecessary?
- A.** They are always necessary.
  - B.** Only when the client's circumstances have not changed.
  - C.** Only when the taxation regime has not changed.
  - D.** When neither the client's circumstances nor the taxation regime has changed.
- 50.** Lara is single and self-employed. She has just started a personal accident and sickness policy to provide cover for her needs if she is unable to work due to accident or sickness. Ignoring the level of cover, this policy may be inadequate for her because
- A.** it fails to cover long-term inability to work only.
  - B.** it fails to cover long-term inability to work and is subject to annual renewals.
  - C.** its benefits are taxable and it fails to cover long-term inability to work.
  - D.** its benefits are taxable and it is subject to annual renewals.

# INCOME TAX

## RATES OF TAX

2023/2024

|  |                     |
|--|---------------------|
| Starting rate of 0% on savings income up to* | £5,000              |
| Personal Savings Allowance                   |                     |
| Basic rate                                   | £1,000              |
| Higher rate                                  | £500                |
| Additional rate                              | Nil                 |
| Basic rate of 20%                            | £0 to £37,700       |
| Higher rate of 40%                           | £37,701 to £125,140 |
| Additional rate of 45%                       | £125,141 and over   |

\*For other income less than £17,570 only. The starting rate for savings is a maximum of £5,000.

|                           |        |
|---------------------------|--------|
| Dividend Allowance        | £1,000 |
| Dividend tax rates        |        |
| Basic rate                | 8.75%  |
| Higher rate               | 33.75% |
| Additional rate           | 39.35% |
| Trusts                    |        |
| Standard rate band        | £1,000 |
| Rate applicable to trusts |        |
| - Dividends               | 39.35% |
| - other income            | 45%    |

## MAIN PERSONAL ALLOWANCES AND RELIEFS

|  |          |
|--|----------|
| Income limit for Personal Allowance §          | £100,000 |
| Personal Allowance (basic) §                   | £12,570  |
| Marriage Allowance                             | £1,260   |
| Rent-a-room scheme - tax-free income allowance | £7,500   |

§ Reduced allowance of £1 for every £2 of adjusted net income over and above £100,000

## NATIONAL INSURANCE CONTRIBUTIONS

| Class 1 Employee           | per week |
|----------------------------|----------|
| Lower Earnings Limit (LEL) | £123     |
| Primary threshold          | £242     |
| Upper Earnings Limit (UEL) | £967     |

| Class 1                            | Employee  | Employer |
|------------------------------------|-----------|----------|
| NICs rate                          | 12%/10% * | 13.8%    |
| No NICs on the first (per week)**  | £242      | £175***  |
| NICs rate charged up to (per week) | £967      | No limit |
| NICs rate on earnings over UEL     | 2%        | n/a      |

\* From 6 April 2023 to 5 January 2024 12% rate applies, from 6 January 2024 to 5 April 2024 10% rate applies

\*\* This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.

\*\*\* Secondary threshold.

### Class 2 (self-employed)

|                                  |         |
|----------------------------------|---------|
| Flat rate per week               | £3.45   |
| Small profits threshold per year | £6,725  |
| Lower profits limit per year     | £12,570 |

### Class 3 (voluntary)

Flat rate per week £17.45.

### Class 4 (self-employed)

9% on profits between £12,570 and £50,270.

2% on profits above £50,270.

## CAPITAL GAINS TAX

| TAX RATES | 2023/2024 |
|-----------|-----------|
|-----------|-----------|

Individuals:

|   |     |
|---|-----|
| Up to basic rate limit                                  | 10% |
| Above basic rate limit                                  | 20% |
| Surcharge for residential property and carried interest | 8%  |

Trustees and Personal Representatives

|                         |     |
|-------------------------|-----|
| Residential property    | 28% |
| Other chargeable assets | 20% |

Business Asset Disposal Relief\*

|                |                   |
|----------------|-------------------|
| Lifetime limit | 10%<br>£1,000,000 |
|----------------|-------------------|

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

### ANNUAL EXEMPTIONS

|   |        |
|---|--------|
| Individuals, estates etc  | £6,000 |
| Trusts generally  | £3,000 |
| Chattels proceeds (restricted to five thirds of proceeds exceeding limit) | £6,000 |

## PENSIONS

2023/2024

|                                 |         |
|---------------------------------|---------|
| Annual Allowance*               | £60,000 |
| Money Purchase Annual Allowance | £10,000 |

\* Tapered by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.

## INHERITANCE TAX

### RATES OF TAX ON TRANSFERS

2023/2024

|  |     |
|--|-----|
| Transfers made on death  |     |
| - Up to £325,000   | Nil |
| - Excess over £325,000   | 40% |
| - Reduced rate (where appropriate charitable contributions are made) | 36% |
| Chargeable lifetime transfers to trusts                              | 20% |

### MAIN EXEMPTIONS

|  |          |
|--|----------|
| Transfers to   |          |
| - UK-domiciled spouse/civil partner                                | No limit |
| - non-UK-domiciled spouse/civil partner (from UK-domiciled spouse) | £325,000 |
| - main residence nil-rate band*                                    | £175,000 |
| - UK-registered charities  | 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 |
| - Annual small gifts exemption per donor | £250   |

|                                    |        |
|------------------------------------|--------|
| Wedding/civil partnership gifts by |        |
| - Parent                           | £5,000 |
| - Grandparent/bride or groom       | £2,500 |
| - other person                     | £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% |

## CORPORATION TAX

2023/2024

|  |       |
|--|-------|
| Small profit rate - for taxable profits below £50,000          | 19%   |
| Marginal rate - for taxable profits between £50,001 - £250,000 | 26.5% |
| Main rate - for taxable profits above £250,000                 | 25%   |

## VALUE ADDED TAX

2023/2024

|                               |         |
|-------------------------------|---------|
| Standard rate                 | 20%     |
| Annual registration threshold | £85,000 |
| Deregistration threshold      | £83,000 |

## STAMP DUTY LAND TAX

Residential

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

**Additional Stamp Duty Land Tax (SDLT) rules still apply as below.**

- *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 in some circumstances.*
- *First-time buyers benefit from SDLT relief on purchases up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional rates of LBTT and LTT apply in Scotland and Wales respectively for the purchase of additional residential properties. First-time buyers benefit from LBTT relief in Scotland. There is no LTT relief for first-time buyers in Wales.*

## MAIN SOCIAL SECURITY BENEFITS

2023/2024

|                             |                                     |         |
|-----------------------------|-------------------------------------|---------|
| Child Benefit               | First child                         | £24.00  |
|                             | Subsequent children                 | £15.90  |
|                             | Guardian's allowance                | £20.40  |
| Basic State Pension         | Category A & B full rate            | £156.20 |
|                             | Category B (lower) full rate        | £93.60  |
| New State Pension           | Full rate                           | £203.85 |
| Pension Credit              | Standard minimum guarantee - single | £201.05 |
|                             | Standard minimum guarantee - couple | £306.85 |
| Bereavement Support Payment | Higher rate - lump sum              | £3,500  |
|                             | Higher rate - monthly payment       | £350    |
|                             | Standard rate – lump sum            | £2,500  |
|                             | Standard rate – monthly payment     | £100    |

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## Specimen Examination Answers and Learning Outcomes Covered

| Question           | Answer | Learning Outcome | Question           | Answer | Learning Outcome | Question            | Answer | Learning Outcome |
|--------------------|--------|------------------|--------------------|--------|------------------|---------------------|--------|------------------|
| Learning Outcome 1 |        |                  | Learning Outcome 6 |        |                  | Learning Outcome 10 |        |                  |
| 1                  | C      | 1.1              | 24                 | A      | 6.1              | 45                  | D      | 10.2             |
| 2                  | B      | 1.3              | 25                 | C      | 6.2              | 46                  | B      | 10.2             |
| 3                  | D      | 1.2              | 26                 | A      | 6.1              | 47                  | A      | 10.3             |
| 3 Questions        |        |                  | 27                 | B      | 6.1              | 48                  | C      | 10.4             |
|                    |        |                  | 28                 | C      | 6.2              | 49                  | A      | 10.5             |
| Learning Outcome 2 |        |                  | 29                 | A      | 6.1              | 50                  | B      | 10.1             |
| 4                  | C      | 2.3              | 6 Questions        |        |                  | 6 Questions         |        |                  |
| 5                  | C      | 2.1              |                    |        |                  |                     |        |                  |
| 6                  | D      | 2.2              |                    |        |                  |                     |        |                  |
| 3 Questions        |        |                  |                    |        |                  |                     |        |                  |
|                    |        |                  | Learning Outcome 7 |        |                  |                     |        |                  |
|                    |        |                  | 30                 | A      | 7.1              |                     |        |                  |
| Learning Outcome 3 |        |                  | 31                 | B      | 7.1              |                     |        |                  |
| 7                  | A      | 3.1              | 32                 | A      | 7.1              |                     |        |                  |
| 8                  | D      | 3.1              | 33                 | B      | 7.1              |                     |        |                  |
| 9                  | B      | 3.1              | 34                 | C      | 7.1              |                     |        |                  |
| 3 Questions        |        |                  | 35                 | C      | 7.2              |                     |        |                  |
|                    |        |                  | 6 Questions        |        |                  |                     |        |                  |
| Learning Outcome 4 |        |                  |                    |        |                  |                     |        |                  |
| 10                 | D      | 4.2              | Learning Outcome 8 |        |                  |                     |        |                  |
| 11                 | C      | 4.1              | 36                 | A      | 8.3              |                     |        |                  |
| 12                 | A      | 4.2              | 37                 | B      | 8.2              |                     |        |                  |
| 13                 | B      | 4.1              | 38                 | D      | 8.1              |                     |        |                  |
| 14                 | A      | 4.2              | 3 Questions        |        |                  |                     |        |                  |
| 15                 | A      | 4.1              |                    |        |                  |                     |        |                  |
| 16                 | D      | 4.1              |                    |        |                  |                     |        |                  |
| 17                 | A      | 4.2              |                    |        |                  |                     |        |                  |
|                    |        |                  | Learning Outcome 9 |        |                  |                     |        |                  |
| 8 Questions        |        |                  | 39                 | C      | 9.1              |                     |        |                  |
|                    |        |                  | 40                 | B      | 9.1              |                     |        |                  |
| Learning Outcome 5 |        |                  | 41                 | A      | 9.1              |                     |        |                  |
| 18                 | D      | 5.1              | 42                 | D      | 9.1              |                     |        |                  |
| 19                 | A      | 5.1              | 43                 | C      | 9.1              |                     |        |                  |
| 20                 | D      | 5.1              | 44                 | B      | 9.1              |                     |        |                  |
| 21                 | C      | 5.1              | 6 Questions        |        |                  |                     |        |                  |
| 22                 | D      | 5.1              |                    |        |                  |                     |        |                  |
| 23                 | B      | 5.1              |                    |        |                  |                     |        |                  |
| 6 Questions        |        |                  |                    |        |                  |                     |        |                  |
|                    |        |                  |                    |        |                  |                     |        |                  |