Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

April 2018 Examination Guide

SPECIAL NOTICES

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

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

AF5 – Financial planning process

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Published August 2018

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

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

Read widely
If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook will be sufficient to meet all your requirements.* While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic or an alternative viewpoint is sought. It is vital that your knowledge is widened beyond the scope of one book. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide
The best way to understand what the examiners require is to study the CII Examination Guides. You can purchase copies of Examination Guides online at www.cii.co.uk. CII members can download free copies of past Examination Guides online at www.cii.co.uk/knowledge. 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. The examiner's comments on candidates' actual performance in each question should be noted carefully.

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

Note the assumed knowledge

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

Understand the nature of assessment

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

Familiarise yourself with the fact-find

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

Appreciate the standard of the examination

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

Test yourself under timed conditions

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

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

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

Understand the skills the exam seeks to test

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

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

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

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

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

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

Two weeks before the examination

What will I receive?
A fact-find will be available to candidates two weeks before the examination and it can be viewed at www.cii.co.uk/qualifications/unit-financial-process-(af5). It will contain client information which will form the basis of the report you will be required to prepare in the examination.

How should I use my time over the two week period?
It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

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

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

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

You may need to read about particular products; try product providers for technical information, tax offices etc.

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

In the examination

What will I receive?

The fact-find
You will not be able to take your pre-released copy of the fact-find into the examination with you. You will be issued with an identical fresh copy. There will not be any new or different information contained within the fact-find.

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

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

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

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

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

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

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

EXAMINERS' COMMENTS

Candidates overall performance:

Candidate performance in this paper was very good overall. Many candidates demonstrated a good level of knowledge and detailed preparation work based on the fact-find that was provided in advance.

Many candidates had clearly studied in detail the information provided in the fact-find, in respect of Simon and Helen's current financial position and carried out research to identify the areas where planning was likely to be required.

It was pleasing to note a high degree of application across the paper to the specific client circumstances and well-prepared candidates were rewarded with high marks across all areas of the paper.

Question 1

In part (a), candidates were asked to identify the additional information that would be required to enable a financial adviser to advise David and June on the suitability of their current pension arrangements. Many candidates performed very well and achieved high marks. Some candidates focused on more general issues and did not consider key issues in relation to their pension arrangements such as David's level of deferred State Pension and any possible guarantees in June's personal pension plan.

In part (b), candidates were asked to explain to David why his holding in National Savings & Investment Income Bonds (NS&I) is suitable for the proceeds of the sale of his property in the short-term. Many candidates performed extremely well but unfortunately, a small number of candidates believed that NS&I falls under the Financial Services Compensation Scheme, rather than being a division of the UK Treasury and therefore fully protected. This product was clearly identified in the fact-find giving candidates the opportunity to carry out research in advance of the examination so this lack of knowledge on NS&I Income Bonds was therefore disappointing.

Question 2

This question focused on David and June's pension arrangements.

Part (a)(i) asked candidates to recommend and justify why David should consider reducing the monthly income withdrawals from his self-invested personal pension scheme (SIPP). Most candidates performed extremely well and identified the key factors that supported the recommendation to reduce this withdrawal.

Part (a)(ii) required an explanation of how David's pension benefits would be tested against the lifetime allowance and how they may be taxed when he reached age 75. Candidates were advised that no calculation was required. Many candidates provided calculations but did not achieve many marks as these were not required. Most candidates provided a good explanation of how the benefits will be tested against the lifetime allowance and correctly recognised that the State Pension would not form part of any assessment.

Part (b) asked candidates to recommend and justify why David should consider drawing his State Pension now. This was generally well answered, and it was pleasing to note that many candidates had studied the fact-find in detail and identified that David qualified for his State Pension before the regulatory changes in April 2016, giving him an improved rate of increase in deferral.

Part (c) required candidates to explain briefly to June why she should consider using her personal pension plan to purchase a lifetime annuity on a single life basis. Many candidates performed very well and correctly identified the fact that June is a cautious investor which would make any non-guaranteed pension income options unsuitable for her. Many candidates also identified the fact that David has sufficient assets without requiring any additional income from June's pension, so this would make a single life annuity a more cost-effective option for June.

Question 3

This question asked candidates to recommend and justify why David should consider retaining his existing level term life assurance policy. Unfortunately, few candidates performed well as most focused on one single issue, such as the Inheritance Tax benefits of placing this policy into trust, rather than looking at this policy in broader terms. Only a few candidates correctly identified the fact that David has no other life cover, so this policy would offer valuable benefits for June over the next few years.

Question 4

This was a two-part question focusing on David's Investment Bond.

Part (a) asked candidates to explain to David why the Multi-Asset fund may be suitable for his attitude to risk. Most candidates performed well and were able to identify many of the features of the Multi-Asset fund which could make it suitable for David. Many candidates were aware that this type of fund is risk-rated and so can match David's current attitude to risk.

Part (b) required candidates to recommend and justify why David should retain the Investment Bond for the foreseeable future. Many candidates performed well. Most candidates were able to explain clearly the tax benefits for David if he retains this Bond and how he could use it in future to meet his and his family's ongoing needs.

Question 5

This question focused on David's portfolio of Global Equity Investment Trusts which he had inherited from a late uncle.

Overall performance was very good, and candidates had clearly researched the structure and nature of Investment Trusts. Most candidates achieved high marks.

Question 6

This question related to David and June's Inheritance Tax position and existing Wills.

In part (a)(i), candidates were asked to explain briefly to David and June why their existing Wills may be unsuitable. Most candidates performed very well and were able to identify the key reasons why the current Wills are unsuitable for David and June's needs.

In part (a)(ii), candidates were required to explain the key duties of an executor of a Will. Most candidates performed extremely well and were able to identify the key duties without any difficulty.

Part (b) required candidates to recommend and justify a range of actions that David and June could take to mitigate their potential Inheritance Tax liability and to ensure that their estates pass to their intended beneficiaries. Candidates were asked to assume that no changes are made to the current ownership of David and June's home. Overall performance was very good with most candidates achieving high marks. Many candidates correctly identified the need for David and June to keep their assets below £2,000,000 in order to protect the residential nil rate band. This demonstrated a high level of preparation for this examination which was pleasing to note.

Part (c) focused on David's intended gift to his daughter Karen. Candidates were asked to recommend and justify how David could use a gift *inter vivos* policy to mitigate any potential Inheritance Tax liability on this gift. Overall performance was very good, and the majority of candidates were able to explain in detail how this policy could be used and how the taper on the policy would match the outstanding Inheritance Tax liability over the seven-year term.

Question 7

This was a three-part question focusing on David and June's plan to start investing for their grandchildren's University fees.

Part (a) asked candidates to state how the Junior ISAs must be set up in the first instance. Many candidates did not identify the fact that these must be set up by the children's parents and could not be set up by David and June.

Part (b) required candidates to explain in detail to David and June why using a range of UK Equity Income funds could be a suitable option to generate a lump sum at age 18 for the grandchildren. Most candidates provided a range of good answers and identified the benefits of reinvesting dividends to boost growth in the underlying holdings.

Part (c) asked candidates to comment briefly on the drawbacks for David and June if they choose to invest in Junior ISAs for their grandchildren. Most candidates achieved high marks and were able to identify the key drawbacks without any difficulty.

Question 8

This was a standard review question which asked candidates to state seven issues that an adviser should discuss with David and June in respect of Inheritance Tax planning at their next review meeting. The majority of candidates performed well here and were able to identify most of the key issues.

FACT-FIND

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

PART 1: BASIC DETAILS		
	Client 1	**Client 2**
Surname	Green	Green
First name(s)	David	June
Address	8 Hendale Rise, Leeds	8 Hendale Rise, Leeds
Date of birth	01.06.1950	20.05.1952
Domicile	UK	UK
Residence	UK	UK
Place of birth	Leeds	Harrogate
Marital status	Married	Married
State of health	Good	Good
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Cricket, Golf	Walking, Travel

Notes:

David and June have been married for three years. They are both previously divorced and each have children from their previous marriages. David has a daughter, Karen who is married with two children. June has a son, Joshua who is due to get married in the next few months. Joshua and his partner have a son. Both Karen and Joshua are financially independent.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	D.O.B	Health	Occupation	Financially dependent?
Karen	Daughter	33	05.08.1984	Good	Engineer	No
Joshua	Son	36	15.09.1981	Good	Teacher	No

Notes:

David and June are keen to start gifting regular sums to help build up funds to pay towards university fees for their three grandchildren.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Retired	Retired
Job title		
Business name		
Business address		
Year business started		
Remuneration		
Salary		
State Pensions	Deferred	In payment
Overtime		
Benefits		
Benefits-in-kind		
Pension Scheme	See Part 11	See Part 11
Life cover	See Part 8	
Private Medical Insurance	See Part 9	See Part 9
Income Protection Insurance		
Self Employment		
Net relevant earnings	N/A	N/A
Accounting date	N/A	N/A
Partnership/Sole trader	N/A	N/A
Other Earned Income		
Notes:		

Previous Employment	Client 1	Client 2
Previous employer		
Job title		
Length of service		
Pension benefits		
Notes:		
David and June both fully retired in July 2014.		

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	**Client 2**
Accountant		
Bank	BK Bank	BK Bank
Doctor	Dr Baines	Dr Baines
Financial Adviser		
Solicitor	Hendry LLP	Hendry LLP
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		Client 2		Joint	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions				6,240		
Private Pensions (gross)	5,480					
Salary						
Benefits-in-kind						
Savings income (gross)		7,700		200		800
Dividend (gross)		5,100				
Investment Bond		9,000				

Notes:

David has deferred his State Pension. He receives monthly income from his self-invested personal pension (SIPP) and his defined benefit pension scheme.

	Client 1	**Client 2**
Income Tax	**£**	**£**
Personal allowances	11,500	11,500
Taxable income		
Tax		
National Insurance		
Net Income		
Notes:		

Expenditure

	Monthly £			Annually £		
Household Expenditure	**Client 1**	**Client 2**	**Joint**	**Client 1**	**Client 2**	**Joint**
Mortgage/Rent						
Council tax			120			
Buildings and contents insurance						800
Gas, water and electricity						1,800
Telephone			50			
TV licence and satellite			70			
Property maintenance						1,500
Regular Outgoings						
Life assurance (see Part 8)	120					
Health insurance (see Part 9)	265					
Savings Plans (see Part 10)						
Car tax, insurance and maintenance				1,200	900	
Petrol and fares	90	60				
Loans						
School fees						
Childcare						
Further education						
Subscriptions				110	60	
Food, drink, general housekeeping			600			
Pension contributions (see Part 11)						
Other Expenditure						
Magazines and newspapers						
Entertainment						
Clubs and sport		50		1,400		
Spending money						
Clothes				800	1,200	
Maintenance						
Other (Holidays)						6,000
Total Monthly Expenditure	475	110	840			
Total Annual Expenditure	5,700	1,320	10,080	3,510	2,160	10,100
Total Outgoings						**32,870**
Notes:						

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

Notes:
David has received £1,400,000 from the sale of his family home in London. David and June have purchased a property in Leeds for £300,000 as joint tenants. They are planning to purchase a holiday home with part of the proceeds within the next year. This property will be for their sole use and they do not intend to rent this out. David is also planning to gift some of the monies to his daughter. David and June's former spouses have no entitlement to any future pensions or assets.

PART 6: ASSETS

	Asset	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence			300,000	
2.	Contents/car	60,000	25,000		
3.	Current account – BK Bank	40,000	8,000	25,000	
4.	Fixed-Rate Savings Account – BK Bank			80,000	800
5.	National Savings & Investments Income Bonds	750,000			7,500
6.	Cash ISAs	20,000	20,000		400
7.	Stocks & Shares ISAs	200,000	25,000		
8.	Investment Trusts – Global Equity	170,000			5,100
9.	Investment Bond – Multi-Asset fund	250,000			9,000

Notes:

The residual proceeds of David's property sale are being held in National Savings & Investments Income Bonds.

David's Stocks & Shares holdings are invested in a range of UK equity income and fixed-interest collective investment funds. He bought these on the advice of his former financial adviser and has been pleased with the performance although he is unsure if these remain suitable for him since he retired. David's Stocks & Shares ISAs are invested in accumulation units.

June holds a Stocks & Shares ISA which is invested in a UK multi-manager fund which was recommended to her by her bank. She has never reviewed the performance of this fund since it was purchased but believes it has performed well. The Stocks & Shares ISA is invested in accumulation units.

David's Investment Trust holdings were inherited from an uncle a few years ago. These holdings had a probate value of £140,000 when David inherited them. They are invested in a range of global equity trusts and David is keen to learn more about these holdings.

David purchased his Investment Bond ten years ago and has utilised the full 5% withdrawal facility each year since inception.

PART 7: LIABILITIES

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

Notes:
David and June have no outstanding mortgages.

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

Notes:
David and June have no outstanding loans.

Other Liabilities (e.g. tax)

Notes:
David and June have no other liabilities.

PART 8: LIFE ASSURANCE POLICIES

	Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust ?	Surrender Values £
1.	David	David	250,000	120	25 years	1995	No	N/A

Notes:

David has a level term life assurance policy which was set up to support the original mortgage on the family home that has now been sold. This was originally in joint names with his former wife but as part of their divorce settlement, the policy was assigned to David's sole name.

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured £	Start Date	Term/ Review	Deferred Period	Premium £
Private Medical Insurance	Joint					265 p.m.

Notes:

David has a comprehensive Private Medical Insurance which covers himself and June.

PART 10: REGULAR SAVINGS

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

Notes:

David and June do not currently have any regular savings plans.

PART 11: PENSION DETAILS

Occupational pension scheme

	Client 1	Client 2
Member of employer's scheme	Yes	
Type of scheme	Defined benefit	
Date joined	1980	
Retirement age	60	
Pension benefits	3/60ths	
Death benefits		
Dependant's benefits	50% pension	
Contracted-in/out	Out	
Contribution Level (employee)	N/A	
Contribution Level (employer)	N/A	
Fund type	N/A	
Fund value	N/A	

Notes:
David's defined benefit pension is already in payment. He receives a monthly income of £2,480 (gross) which is index-linked. David has updated his nomination in favour of June. David's ex-spouse has no entitlement to this pension.

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

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

Notes:
David and June do not have any Additional Voluntary Contribution schemes.

Personal Pensions

	Client 1	Client 2
Type	Self-invested personal pension	
Company	ACM Life	
Fund	See notes below	
Contributions		
Retirement date	2010	
Current value	£295,000	
Date started	2008	
Notes:		

David has a self-invested personal pension from which he started to draw a monthly income of £3,000 (gross) in June 2010. This is invested in a range of UK and global equity funds.

Previous pension arrangements

	Client 1	Client 2
Employer		
Type of scheme		Personal Pension
Date joined scheme		1992
Fund		UK Equity (50%)/UK Fixed-Interest (50%)
Retirement date		65
Current Value		£85,000
Notes:		

June has a personal pension from her former employer. She has not drawn any benefits from this plan.

State Pension

	Client 1	Client 2
State Pension	Deferred	£120 per week
Total		
Notes		

PART 12: INHERITANCES

Wills	Client 1	Client 2
Do you have a current Will?	Yes	Yes
Notes:		
David and June set up new Wills when they married. Their Wills leave all assets to each other on first death and then to their respective children on second death. David and June wish to review these Wills to ensure that they will meet their objectives.		

Trusts	Client 1	Client 2
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	No	No
If yes, give details		
Notes:		

Gifts	Client 1	Client 2
Give details of gifts made and received	£50,000	

Notes:
David gave his daughter, Karen, a gift of £50,000 following the sale of the family home in May 2017. He intends to make a larger gift to Karen as soon as the purchase of the holiday home is completed.

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

PART 13: ATTITUDE TO RISK

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

Notes:

David and June have completed individual risk profiling assessments which confirm their attitudes to risk.

David is a high-risk investor.

June is a cautious investor.

Neither David nor June have any ethical investing preferences.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	01.04.18	
Client agreement issued	01.04.18	
Data Protection Act	01.04.18	
Money laundering	01.04.18	
Consultations		
Dates of meetings	01.04.18	
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

Chartered Insurance Institute

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Advanced Diploma in Financial Planning

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April 2018 examination

SPECIAL NOTICES

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

Instructions

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

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Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 160 marks.
- You are strongly advised to attempt **all** tasks to gain maximum possible marks. The number of marks allocated to each task is given next to the task and you should spend your time in accordance with that allocation.
- **In this examination you should use the fresh copy of the fact-find provided. You are not allowed to bring into the examination the pre-released copy of the fact-find.**
- **Client objectives are provided overleaf and you should read them carefully before attempting the tasks.**
- Read carefully all tasks and information provided before starting to answer. Your answer will be marked strictly in accordance with the task set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show all steps in a calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Tax tables are provided at the back of this question paper.
- Answer each task on a new page and leave six lines blank after each task.

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

CLIENTS' FINANCIAL OBJECTIVES

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

Immediate objectives

- To review the tax-efficiency of David and June's current pensions and investments.
- To purchase a holiday home within the next year.
- To gift a lump sum of £400,000 to David's daughter.

Longer-term objectives

- To ensure that David and June's estates pass to their intended beneficiaries on second death.
- To mitigate any potential Inheritance Tax liability.
- To set-up a suitable savings strategy to assist with university costs for their grandchildren.

Attempt ALL tasks

Time: 3 hours

1. **(a)** Identify the additional information a financial adviser would require to advise David and June on the suitability of their current pension arrangement. **(14)**

(b) Explain to David why his holding in National Savings & Investments Income Bonds is suitable for the proceeds of the sale of his property in the short-term. **(8)**

2. In respect of David and June's pension arrangements:

(a) **(i)** Recommend and justify why David should consider reducing the monthly income withdrawals from his self-invested personal pension. **(10)**

(ii) Explain to David how his pension benefits will be tested against the lifetime allowance and how they may be taxed when he reaches age 75. (No calculation is required). **(7)**

(b) Recommend and justify why David should consider drawing his State Pension now. **(8)**

(c) Explain briefly to June why she should consider using her personal pension plan to purchase a lifetime annuity on a single life basis. **(10)**

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

3. Recommend and justify why David should consider retaining his existing level term life assurance policy. **(8)**

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

4. With regard to David's Investment Bond:

(a) Explain to David why the Multi-Asset Fund may be suitable for his attitude to risk. **(8)**

(b) Recommend and justify why David should retain the Investment Bond for the foreseeable future. **(12)**

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

5. David holds a portfolio of Global Equity Investment Trusts which he inherited from a late uncle.

State **six** benefits and **six** drawbacks for David if he retains the Investment Trust portfolio. **(12)**

6. **(a)** Explain briefly to David and June:

(i) the reasons why their existing Wills may be unsuitable; **(5)**

(ii) the key duties of an executor of a Will. **(7)**

(b) Recommend and justify a range of actions that David and June could take to mitigate their potential Inheritance Tax liability and to ensure that their estates pass to their intended beneficiaries.
(Candidates should assume that no changes are made to the current ownership of their home). sufficient income in retirement. **(14)**

(c) David is considering gifting £400,000 to his daughter in the near future.

Recommend and justify how David could use a gift inter vivos policy to mitigate any potential Inheritance Tax liability on this gift. **(10)**

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

7. David and June wish to set up regular payments into Junior ISAs for their grandchildren to help to fund their future university fees.

(a) State how the Junior ISAs must be set up in the first instance. **(5)**

(b) Explain in detail to David and June why using a range of UK Equity Income funds could be suitable to generate a lump sum at age 18 for both grandchildren. **(10)**

(c) Comment briefly on the drawbacks for David and June if they choose to invest in Junior ISAs for their grandchildren. **(5)**

8. State **seven** issues that an adviser should discuss with David and June in respect of Inheritance Tax planning at their next review meeting. **(7)**

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)

- Amount of income required/capital needs/planned expenditure.
- Amount of State Pension for David/June's entitlement on David's death.
- Financial strength of David's defined benefit scheme/solvency.
- Indexation/escalation on defined benefit scheme.
- % of Lifetime Allowance used/any lifetime allowance protection in place.
- Self-invested personal pension scheme (SIPP) fully crystallised?
- Asset allocation/fund choice/switching options/match attitude to risk.
- Performance of pension fund investments.
- Any guaranteed benefits under June's Defined Contribution scheme.
- Flexi-access drawdown/uncrystallised funds pension lump sum (UFPLUS) available under June's Defined Contribution scheme.
- Current annuity rates.
- Nominations updated/spousal bypass trusts.
- Costs/charges.
- Capacity for Loss.

(b)

- Can invest up to £1,000,000.
- No investment risk/safe.
- Fully guaranteed by UK Treasury.
- Competitive rate of interest/provides income.
- Simple to understand.
- Can be held in joint names/Can use June's Personal Savings Allowance.
- Ease of administration/all held in one account/no £85,000 Financial Services Compensation Scheme (FSCS) restriction.
- Easy access/2-3 days/no exit penalty/proceeds easily available for purchase of holiday home/gift to Karen.

Model answer for Question 2

(a) **(i)**

- He does not need the income.
- Income taxable at highest marginal rate/saves 40% tax.
- Flexible death benefits/Karen/June.
- Preserves IHT-free assets/tax free on death before 75.
- Income tax-efficient growth in SIPP/currently moving funds into a taxable environment for Income Tax and Capital Gains Tax (CGT).
- Unsustainable income/fund depletion/12% per annum too excessive.
- Larger fund may offer reduced charges.
- Reduces risk of poor market timing/sequencing risk.
- David's State Pension/other income sources available;
- which are more tax-efficient (Income & CGT)

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

- Benefit Crystallisation Event (BCE).
- Value any uncrystallised benefits.
- Excludes State Pension.
- Defined benefit scheme and SIPP had previous BCE.
- Percentage of lifetime allowance used.
- Is any lifetime allowance protection in place.
- Lifetime allowance index linked/tested against lifetime allowance on 75th birthday.
- Taxed at 25%.
- Scheme can pay/calculate growth in SIPP from first BCE.

(b)

- No death benefits for Karen/Lost on second death.
- Pre April 2016-rules apply.
- Uplift of 10.4% per annum/1% per 5 weeks/lump sum option.
- Enables lower withdrawals from SIPP/Improves SIPP growth.
- Leave SIPP for children/Inheritance Tax efficient.
- No investment risk with State Pension.
- Guaranteed lifetime income from State Pension.
- Triple lock applies/inflation linked.

(c)

- Matches June's attitude to risk/cautious investor/no Investment risk.
- Provides guaranteed income for lifetime.
- June in good health so value for money/long payment period.
- No costs/need for ongoing advice/simple administration.
- She has unused Personal Allowance.
- Can purchase capital protection/guarantee period.
- May offer a higher annuity rate as no spouse's pension.
- Single Life as David has sufficient income/June has limited income.
- Can purchase escalation.
- Can stagger purchase of annuities/rates may improve.

Model answer for Question 3

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

- No other life cover in place.
- Can be put in Trust to provide Inheritance Tax cover/outside of estate/known beneficiaries/to protect residential nil rate band.
- No surrender value/loss of premiums paid.
- Replacement cover likely to be more expensive/current premium is affordable.
- May pay out on terminal illness.
- Guaranteed cover if health deteriorates until maturity.
- No adviser cost for setting up new policy.
- No inconvenience/medical underwriting.
- David will receive proceeds if ex-wife dies.

Model answer for Question 4

(a)

- Diversification across all asset classes/geographical spread.
- Potential for growth.
- Correlation of assets controlled/non-correlation.
- Reduces volatility/risk.
- Actively managed/professional management.
- Rebalances regularly.
- Risk rated to match attitude to risk.
- Access to specialist investments e.g. exchange traded fund (ETF), derivatives, etc.

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

- Good performance.
- Tax-deferred income.
- Can vary income level;
- to extend tax-efficient term/for tax-efficiency.
- Onshore – taxed internally at 20%/offshore -gross roll up.
- Income Tax implications on surrender for David.
- Liable to 20% on full surrender/40% if offshore bond.
- Could assign to June/Karen/trust.
- Assignment is not a chargeable event.
- Tax liability transfers to recipient.
- Fund switches in Bond do not incur tax liability.
- Invested in line with his attitude to risk.
- Potentially excluded from long-term care assessments in future.

Model answer for Question 5

(a) *Candidates would have gained full marks for any six of the following:*

Benefits

- May be able to sell at premium to Net Asset Value/growth potential.
- Can use gearing/borrowing/leveraging.
- Liquidity/can deal/sell immediate/real time dealing.
- May include warrants.
- Active management/matches his attitude to risk.
- Global diversification/wide range of permitted holdings.
- Can Bed & ISA/uses his dividend allowance/can use CGT exemption/no CGT within fund.

Drawbacks

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

- Higher volatility/Gearing may magnify losses.
- May trade at a discount to Net Asset Value.
- May pay stockbroker charges on sale.
- Cannot always be held on platform/wrap.
- Currency risk/market risk.
- Complex investment/extra administration.
- May incur CGT charge on sale/excess dividends taxed at (32.5%).

Model answer for Question 6

(a) **(i)**

- Mirror Will leaves assets outright to each other.
- No Will Trust.
- On first death, survivor can re-write Will/could remarry.
- No guarantee of beneficiary on second death/survivor can disinherit Karen or Joshua.
- Does not match their aims and objectives/wishes.

(ii)

- Administer deceased's affairs/Obtain most up to date copy of Will.
- Obtain full details of all assets/liabilities/settle debts.
- Complete Inheritance Tax (IHT) return/pay IHT.
- Obtain/apply for probate.
- Distribute estate in accordance with Will/inform beneficiaries of their entitlements.
- Complete Income Tax/Capital Gains Tax return.
- Prepare estate accounts.

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

- Re-write Will/mutual Wills.
- Ensures estate distributed as per wishes/includes spouse and both children/agree split of assets between Karen and Joshua.
- Otherwise surviving spouse could disinherit children/remarry.
- Assets placed in Trust for survivor (as life tenant)/Immediate Post Death Interest Trust.
- Survivor can take income/capital as loan.
- Loan repayable to trust on death/children are remaindermen.
- Use annual exemptions/gifts out of normal expenditure as immediately exempt.
- Make potentially exempt transfers (PET's)/chargeable lifetime transfers/use Trust during lifetime/assign bond to Karen as outside estate after seven years.
- Use discounted gift trust for immediate discount.
- Nominations updated on pensions to include children/spousal bypass trust.
- Retain pensions as they are IHT-efficient/better death benefits.
- Whole of Life Joint Life Last Survivor Trust.
- Whole of Life policy provides Lump Sum to pay IHT (on second death).
- Existing Life policy in trust.
- Protects Residential Nil Rate Band as assets are below £2,000,000.
- Enterprise Investment Scheme (EIS)/Alternative Investment Market (AIM) /Business Relief qualifying investments as outside estate after 2 years.

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

- Gift is a potentially exempt transfer (PET).
- No immediate liability to Inheritance Tax (IHT) on gift (of £400,000).
- Potential liability includes previous gift (of £50,000).
- As gift exceeds Nil Rate Band/£325,000.
- Life policy should be held in trust.
- Term of 7 years to cover potential IHT liability on death.
- Reduction from year 3 (to year 7).
- Sliding scale of 80%/60%/40%/20% to 0%.
- Policy aligns with reduction in IHT liability/not paying for excess cover.
- Beneficiary of gift is liable to IHT/not estate.
- Karen is beneficiary/in trust for Karen.

Model answer for Question 7

(a)

- Must be set up by parent/guardian.
- Set up in child's name/owned by child.
- Parent selects ISA/funds.
- Not taxable on parent/no £100 parental income rule.
- Anyone can contribute/up to £4,128/£4,260.

(b)

- Growth potential/inflation protection.
- High yield/increasing dividends.
- Exposure to large UK companies/diversified.
- Dividend income can be reinvested.
- Tax-free.
- No currency risk/hedged.
- No political risk/good corporate governance.
- Long-term timescale for investment/can accept volatility.
- Actively managed/different management styles.
- Can switch funds easily/liquidity.

(c)

- Loss of control for David and June/parents control funds.
- Loss of access to capital.
- Child controls investment at age 16.
- Child gains full access at age 18.
- May not use for University funding/child could use for any purpose at age 18.

Model answer for Question 8

- Change in personal circumstances – health/divorce/death etc.
- Change in their financial objectives/circumstances – IHT liability/asset values/ income/capital needs/tax status/affordability etc.
- Attitude to risk/capacity for loss/need for rebalancing.
- Wills updated/nominations updated on pensions.
- Use of IHT allowances/gift made to Karen/use of Business Relief qualifying investments.
- Change in legislation/taxation.
- New products available/market economic conditions.

The Tax Tables which follow are those that were used in April 2018 examinations. The October 2018 will use the published 2018/2019 Tax Tables which can be found online on the CII website: www.cii.co.uk.

INCOME TAX

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

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

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

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

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

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

NATIONAL INSURANCE CONTRIBUTIONS

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

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

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

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

*** Secondary earnings threshold.*

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

PENSIONS

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

LIFETIME ALLOWANCE CHARGE

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

ANNUAL ALLOWANCE

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

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

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

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

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

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

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

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

INHERITANCE TAX

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

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

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

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

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

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

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

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

CAR BENEFIT FOR EMPLOYEES

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

For 2017/2018:

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

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

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

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

PRIVATE VEHICLES USED FOR WORK

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

MAIN CAPITAL AND OTHER ALLOWANCES

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

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

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

If new

MAIN SOCIAL SECURITY BENEFITS

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

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

CORPORATION TAX

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

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

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

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

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

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

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