Chartered Insurance Institute

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – JANUARY 2019

Case study 1

Mario and Dianne, both aged 52 are married with one son, Gianluca. Mario and Dianne are both in good health. Gianluca, aged 22, lives with his parents and works in his father's business.

Mario owns a restaurant as a sole proprietor and his taxable net profits are £70,000 per annum which he takes as drawings. He has a personal pension into which he contributes £1,000 per month net. The current value of the personal pension is £440,000 and the monies are invested in a range of passive equity tracker funds.

Dianne is employed as a human resources manager and earns a salary of £48,000 per annum gross. Dianne is a member of her employer's defined benefit pension scheme. Her employer does not provide any other employee benefits.

Mario and Dianne own their home as joint tenants which is valued at £350,000 and they have an outstanding mortgage of £90,000 on an interest-only basis. This is a tracker-based mortgage and the current interest rate is 1.29%. The mortgage has a remaining term of eight years. They have a joint life level term assurance policy in place to cover this mortgage.

Dianne's father died three years ago when he was aged 78. Dianne inherited his self-invested personal pension (SIPP) which, at the time of his death, was valued at £525,000. The current value of the SIPP is £673,000. The fund is managed by a discretionary fund manager and includes a wide range of asset classes.

Mario inherited an open-ended investment company (OEIC) portfolio from his aunt two years ago when it was worth £150,000. The current value is £190,000.

Mario is a high-risk investor and Dianne's attitude to risk is low to medium. Neither Mario nor Dianne have any ethical preferences.

Mario and Dianne have the following assets:

Assets	Ownership	Value (£)
Main residence	Joint Tenants	350,000
Current account	Joint	20,000
Deposit account	Joint	80,000
Cash ISA	Dianne	20,000
Restaurant premises	Mario	300,000
Stocks and Shares ISA – UK Equity fund	Mario	30,000
OEIC – Global Equity fund	Mario	190,000
Venture Capital Trust	Mario	15,000

Mario and Dianne's financial aims are to:

- ensure that they have adequate income in retirement;
- ensure that they have adequate financial protection arrangements;
- ensure that their pensions and investments are suitable for their needs.

Case study 2

Geoff and Katy, both aged 64, are married with one son, Samuel. Geoff and Katy are both in good health. They are planning to retire in six months' time by which they will both be aged 65. Samuel is married with three children and is financially independent.

Geoff is employed as a design engineer and earns a salary of £52,000 per annum gross. He is a member of his employer's qualifying workplace pension scheme and he contributes 5% of his basic salary to this scheme. This contribution level is matched by his employer. The pension plan is invested in a UK-based cautious managed fund. His fund has a current value of £110,000.

Katy is employed as a retail manager and earns a salary of £30,000 per annum gross. Katy is a member of her employer's qualifying workplace pension scheme to which both she and her employer contribute 3% of her basic salary. This pension plan is invested in a global equity fund and a global tracker fund. Her fund has a current value of £100,000.

Geoff and Katy have no other pension benefits but expect to receive a full new State Pension at their respective State Pension ages.

Geoff and Katy own their home as joint tenants valued at £650,000 and they have fully repaid their mortgage. They do not have any protection policies other than a death-in-service cover offered by Katy's employer which provides three times her basic salary whilst she remains in service. Geoff is the nominated beneficiary of this scheme.

Geoff and Katy have an investment portfolio which includes stocks and shares ISAs. These are currently held in money market funds. They have not used their ISA allowances for the current tax year. Geoff has a portfolio of individual UK smaller company shares which is held on a platform. These shares provide a total dividend yield of £1,000 per annum. Katy also holds a portfolio of open-ended investment companies (OEICs) which are invested in a range of global growth funds. These generate annual dividends of approximately £3,500.

Geoff and Katy are concerned about their potential Inheritance Tax liability and have in place a reviewable joint life last survivor whole of life policy, which is in trust, with a sum assured of £100,000. This policy is due to reach its first ten-year anniversary in May 2019. They have been advised that the premium will rise significantly on this anniversary and have asked for your advice in respect of this policy. Their Wills were made several years ago, and they are planning to review these in the near future.

Geoff and Katy consider themselves to be high-risk investors.

Geoff and Katy have the following assets:

Assets	**Ownership**	**Value (£)**
Main residence	Joint Tenants	650,000
Current account	Joint	10,000
Savings account	Joint	80,000
Stocks and shares ISA – Money Market fund	Katy	45,000
OEIC portfolio – Global Growth Funds	Katy	175,000
Portfolio of Individual Equities	Geoff	130,000
Stocks and shares ISA – Money Market fund	Geoff	68,000

Geoff and Katy's financial aims are to:

- generate a sustainable income for their joint lifetimes;
- assess the suitability and tax-efficiency of their current pensions and investments;
- ensure their estates pass to their intended beneficiaries on second death.