Chartered Insurance Institute

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – APRIL 2019

Case Study 1

Mark and Janice, both aged 53, are married with three children: Jack, Adam and Lucy. They are aged 30, 28 and 18 respectively and are all financially independent.

Mark and Janice have a repayment mortgage of £180,000 on their home which is currently valued at £230,000.

Mark is a self-employed plumber. Mark's taxable net profits are normally £45,000 per annum. Due to an illness he has been unable to work for the last 12 months. He has now recovered and expects his income to return to its normal level in the near future. As a result of Mark's illness, he and Janice have built up debts on a credit card and personal loan. The total amount of these debts is £22,000. They have also fallen into arrears recently on their mortgage and are very concerned about this. Mark and Janice have used their savings and investments to cover their expenses whilst Mark has been ill. They now only hold £5,000 in their joint bank account and have no other savings or investments.

Mark has an income protection policy which has been in force for a number of years. Despite making a claim on this policy Mark did not receive any benefits. He is now considering cancelling this policy.

Janice works part-time as a veterinary nurse and earns £15,000 per annum gross.

Mark and Janice have personal pension plans which they set up themselves some years ago with normal retirement ages of 60. They stopped their contributions into these pension plans when Mark fell ill and wish to start contributions again as soon as they have paid off their debts. Mark's pension plan has a value of £87,000 and is invested in a cautious lifestyle fund. Janice's pension has a value of £45,000 and is invested in a FTSE 100 tracker fund. Janice was enrolled into her employer's qualifying workplace pension scheme but decided to opt out of this scheme as she already had a personal pension plan.

Mark and Janice plan to continue working until they are both aged 65, although Mark does not plan to retire fully and would like to continue to work on a part-time basis later in life. Mark is considering making arrangements for Jack to run the family business in the future and Mark is considering the most suitable options for achieving this in a tax-efficient manner.

Janice’s mother died earlier this year and her estate has now been wound up. Janice is due to receive a cash sum of £20,000 very shortly, in addition to her mother’s home, which has a probate value of £120,000.

Mark’s father is aged 85 and lives in a care home and still has full mental capacity. Mark helps him to manage his finances and personal affairs.

Mark and Janice consider themselves to be medium-risk investors.

Mark and Janice’s financial aims are to:

- clear their debts as quickly as possible;
- consider the benefits to Mark of incorporating his self-employed business;
- review Mark’s existing protection arrangement;
- put in place a suitable strategy for long-term retirement planning.

Case Study 2

Chris and Anita, aged 63 and 64, and are married with one son, Alan, aged 36. Alan is disabled and will always be financially dependent on Chris and Anita.

Chris and Anita own their own house as joint tenants and it is currently valued at £625,000. They have fully repaid their mortgage.

Chris is employed by a large engineering firm and earns a salary of £60,000 per annum gross. Chris is a deferred member of his employer's defined-benefit pension scheme which was closed seven years ago. He is a member of his employer's qualifying workplace pension scheme and pays 5% of his gross salary to this scheme and his contributions are matched by his employer. His entitlement within his employer's qualifying workplace pension scheme currently has a value of £54,000 and is invested in the provider's default fund which is a UK fixed-interest fund. He has no other pension arrangements.

Anita works part-time for her father's accountancy practice and she earns £22,000 per annum gross. Anita is a member of her employer's auto-enrolment pension scheme with National Employment Savings Trust (NEST) but wonders if it is worth remaining in this scheme. She has no other pension arrangements.

Chris and Anita are very concerned as to Alan's future should they die early. They would like to leave a lump sum to assist with a possible house purchase.

Chris and Anita both have medium attitudes to risk and are both in good health.

Chris and Anita have accumulated the following investments:

Assets	**Ownership**	**Amount (£)**
House	Joint	£625,000
Bank current account	Joint	£16,000
OEIC – emerging markets fund	Joint	£102,000
Bank deposit account	Chris	£25,000
Unit Trust – global equity fund	Chris	£284,000
OEIC – UK income fund	Anita	£74,000

Chris and Anita have both made Wills. The Wills leave everything to each other on first death and then to Alan.

Chris and Anita's financial aims are to:

- ensure they have sufficient income in retirement;
- improve the tax efficiency of their investments;
- provide financial security for Alan.