Chartered Insurance Institute

AWF

Award in Financial Planning

Based on the 2020/2021 syllabus
examined from 1 May 2020 until 30 April 2021

AWF – Award in Financial Planning

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Contents

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Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the AWF 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 two hours 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 AWF 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 AWF reading list, which is located on the syllabus in this examination guide and on the CII website at **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-award-in-financial-planning-awf/**
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 AWF syllabus is published on the CII website at **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 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 AWF learning outcomes into cognitive skill levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The AWF syllabus requires that candidates have the ability to apply and analyse knowledge and understanding of the subject matter. Each learning outcome begins with a cognitive skill that encompasses one of the following:

Know - Knowledge-based questions require the candidate to recall factual information. Typically questions may ask 'What', 'When' or 'Who'. Questions set on a *know* learning outcome can only test knowledge.

Understand - To answer questions based on understanding, the candidate 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.

Apply - To answer application questions, the candidate must be able to apply their knowledge and/or understanding to a given set of circumstances. Questions set on a *be able to apply* learning outcome can test knowledge and/or understanding as well as application.

Examination Information

The method of assessment for the AWF examination is 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The AWF syllabus provided in this examination guide will be examined from 1 May 2020 until 30 April 2021.

Candidates will be examined on the basis of practice in a non-regulated environment.

The general rule is that industry changes will not be examined on earlier than 3 months after they come into effect.

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.

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 contains only one correct response to the problem posed. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate 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.

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.

Chartered Insurance Institute

Award in Financial Planning

Objective

To provide knowledge and understanding of the financial planning process within a professional business environment and the core financial and life assurance products suitable to a client's needs.

Summary of learning outcomes	Number of questions in the examination*
1. The client's needs	12
2. The fact-finding process	14
3. Good practice	14
4. Protection products	11
5. Savings and investment products	14
6. Pension products	10

* 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: 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 May 2020 until 30 April 2021.
- The syllabus is examined on the basis of practice in a non-regulated environment.
- 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*
  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

Published January 2020

1. The client's needs

1.1 *know* the seven typical lifestages of a client: childhood, young unmarried, young married, young married with children, married with older children, post-family/pre-retirement, retirement;

1.2 *understand* the financial planning requirements and constraints at each of the lifestages listed in 1.1 above and how these may vary with individual circumstances and available resources;

1.3 *be able to* apply financial planning criteria to potential needs arising in future lifestages including those of an ageing population wishing to maintain living standards;

1.4 *understand* how a client's needs at each lifestage are affected by his or her age, marital and employment status, state of health and that of any dependants, the availability of resources, ethical preferences;

1.5 *know* that the seven typical lifestages listed in 1.1 above are inappropriate for clients who have remained unmarried or are widowed, divorced, separated or childless;

1.6 *understand* that such clients may have different needs from clients in the seven typical lifestages who are of comparable age and means or have comparable family responsibilities;

1.7 *know* the four main steps in identifying a client's real financial needs: distinguishing between the client's perceived and real needs, distinguishing between the client's current and future needs, quantifying the client's needs, prioritising the client's needs;

1.8 *be able to* apply the principle of shortfall calculations as part of the process of quantifying clients' future needs;

1.9 *be able to* apply financial planning criteria to the information collected about a client in order to identify, quantify and prioritise a client's real financial needs;

1.10 *be able to* apply features of different types of product to the client's needs and understand the role of the financial adviser in recommending suitable products by which the client can achieve his or her financial objectives, are affordable and appropriate to the client's risk profile and are tax efficient.

2. The fact-finding process

2.1 *know* what a fact-find is: an information-gathering exercise designed to collect and record, in a systematic way, the information about a client which is necessary to identify and quantify the client's needs;

2.2 *know* how to make suitable recommendations: collecting and using information that enables the adviser to take into account a client's present circumstances, financial objectives, future plans;

2.3 *know* the variety of ways a fact-find can be carried out: face to face, at a distance;

2.4 *understand* the strengths and weaknesses of each of the methods of conducting a fact-find listed in 2.3 above;

2.5 *be able to* apply the principles of conducting a fact-find by: drafting appropriate questions to ask the client, phrasing these questions so that the client understands them, asking for additional information from the client where appropriate;

2.6 *know* the main client and family details to be collected in a fact-find: date of birth, place of birth, state of health, marital status, present and previous employment including current salary and benefits, relevant details of dependants;

2.7 *know* the main categories of financial details to be collected in a fact-find: liquid, semi-liquid and illiquid assets and liabilities, regular savings and expenditure, life and health insurance (including disability), pension provision;

2.8 *know* the main planning objective categories contained in a fact-find: future changes in circumstances, children's education, career and retirement aspirations, prospects and other ambitions;

2.9 *know* how to record accurately clients' personal and financial details;

2.10 *understand* how a client profile is affected by: marital and family status, employment status, regular income and accumulated capital, financial commitments, attitude to risk and ethical preferences;

2.11 *know* the main areas of financial planning: life and health protection (including disability) planning, savings and investment planning, retirement planning, inheritance planning;

2.12 *be able to* apply information collected in a fact-find to identify a client's financial objectives, short-term and long-term, within each of the main financial planning areas listed in 2.11 above;

2.13 *know* a client's financial objectives are likely to be determined by his or her current and future: housing needs and aspirations, marital status, family commitments, career plans, retirement plans.

3. Good practice

3.1 *know* that the financial adviser has a duty, at all stages of the sales process, to ensure that the client understands fully all the implications of accepting the financial adviser's recommendations, including any inherent risks and ethical considerations;

3.2 *know* the difference between different types of financial service and advice e.g. independent, restricted, execution only;

3.3 *understand* why it is essential for the status of the financial adviser and the remuneration method, e.g. commission or fees, to be disclosed to the prospective client at the outset of the sales process;

3.4 *be able to* apply structured recommendations using a combination of new and existing financial products appropriate to the client;

3.5 *know* the key features of financial services products that should be provided for clients and the stage in the sales process at which this information should be made available;

3.6 *understand* the supervisory methods that can be used to monitor the suitability of advice leading to the sales performance of financial advisers and financial products;

3.7 *know* what steps the adviser should take when the client rejects the adviser's recommendations and instructs the adviser to effect a transaction which the adviser believes to be unsuitable;

3.8 *know* what the restricted adviser must do when he or she does not have a product that would properly meet the needs of the client;

3.9 *understand* that it is the duty of the adviser to ensure that all reasonable steps have been taken to obtain the best terms available in the market for the client when conducting certain transactions;

3.10 *know* how to conduct execution-only transactions on behalf of clients where no financial advice has been sought or given;

3.11 *understand* the need to request appropriate client identification and the source of the funds to be invested to avoid money laundering;

3.12 *understand* why it is unethical to advise a client to switch between the financial products of different providers, unless that switch is clearly in the client's interests;

3.13 *know* the main features of a cancellation arrangement;

3.14 *understand* the need for an effective complaints procedure to cover the sale of financial services products and know the essential features of such a procedure;

3.15 *know* the main features of compensation arrangements;

3.16 *understand* the importance of regular reviews of the client's arrangements and circumstances and advise on appropriate changes.

4. Protection products

4.1 *know* the circumstances in which there is a need for protection advice against death and disability;

4.2 *know* the main personal and financial details on which a client's protection requirements depend: age, dependants, income, assets and liabilities;

4.3 *know* the policy features of protection products which affect their suitability for a client: premium levels, charging and commission structure, policy options, policy guarantees, flexibility, policy benefits and their possible limitations, past investment performance (where appropriate), surrender values (where appropriate);

4.4 *understand* how to prioritise and evaluate the significance of the features listed in 4.3 above in a given set of client circumstances;

4.5 *understand* how the tax treatment of protection products affects their suitability for a client;

4.6 *know*, in a generic sense, the policy features of these protection products: term assurance: level, decreasing (including family income benefits), increasing and increasable, convertible, renewable; whole of life assurance: unit-linked with-profits, non-profit; health insurance: income protection insurance, critical illness insurance, private medical insurance, long-term care insurance; sickness, accident and unemployment insurance;

4.7 *be able to* apply the products listed in 4.6 to satisfy the client's needs in particular circumstances.

5. Savings and investment products

5.1 *know* the circumstances in which there is a need for savings and investment advice;

5.2 *know* the main personal and financial factors affecting choice of savings and investment products;

5.3 *know* the suitability factors in the choice of savings and investment products including; income and capital growth prospects, guarantees, accessibility/ liquidity, penalties, contribution limits, risk, buying and selling mechanisms, charging and commission structures, past investment performance, flexibility;

5.4 *understand* how to prioritise and evaluate the significance of the features listed in 5.3 above in a given set of client circumstances;

5.5 *understand* how the tax treatment of savings and investment products affects their suitability for a client;

5.6 *know*, in a generic sense, the features of these savings and investment products: deposit savings accounts, government securities , gilts, fixed-interest investments; shares: quoted and unquoted, ordinary and preference; endowments: with-profits, non-profit, low-cost, unit-linked; annuities: types, death options, income options, costings; collective investments: investment trusts, unit trusts, open-ended investment companies (OEICs); investment bonds; corporate bonds; structured products, including protected equity bonds; property investment: direct and indirect, residential and commercial;

5.7 *be able to* apply the savings and investment products listed in 5.6 above to satisfy clients' needs in particular circumstances;

5.8 *understand* the relationship between the client's risk tolerance and the real level of return;

5.9 *understand* how collective investments spread risk;

5.10 *understand* how inflation, deflation and other economic environmental factors affect savings and investment products;

5.11 *understand* how changes in interest rates affect the future performance of savings and investment products.

6. Pension products

6.1 *know* the circumstances in which, and when, there is a need for pension advice;

6.2 *know* how to evaluate a client's pension requirements;

6.3 *know* the main personal and financial details on which a client's pension requirements depend: age, dependants, income, other assets and liabilities, previous and current pension arrangements, State Pension provision (where applicable);

6.4 *know* the features of a pension scheme which affect its suitability for a client: eligibility, contribution level and any limits, investment options, benefits, charging and commission structure (if applicable), withdrawal arrangements and transfer value, flexibility, guarantees;

6.5 *understand* how to prioritise and evaluate the features listed in 6.4 above in a given set of client circumstances;

6.6 *understand* how the tax treatment of pension scheme contributions and benefits affects the suitability for a particular client;

6.7 *know*, in a generic sense, the features of these types of pension scheme, occupational pension scheme (defined benefit, including accelerated accrual, and defined contributions), personal pension scheme: individual, group, State Pension provision, additional voluntary contribution schemes;

6.8 *be able to* apply the pension schemes listed in 6.7 above to satisfy clients' needs in particular circumstances;

6.9 *understand* the difference between a defined benefits pension scheme and a defined contributions pension scheme;

6.10 *understand* how inflation, deflation and other economic environmental factors affect pension schemes and annuities;

6.11 *understand* how changes in interest rates affect the future value of pension schemes and annuities;

6.12 *understand* the consequences of inadequate retirement planning.

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/PFS members can access most of the additional study materials below via the Knowledge Services webpage at *https://www.cii.co.uk/knowledge-services/*.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources , please go to *https://www.cii.co.uk/knowledge-services/* or email *knowledge@cii.co.uk*.

CII study texts

Award in financial planning. London: CII. Study text AWF.

Books

The process of financial planning. Chris Gilchrist. The adviser's guide series. Annual. (London, Taxbriefs).

eBooks

The following ebooks are available through Discovery via *www.cii.co.uk/discovery* (CII/PFS members only):

Investor behaviour: the psychology of financial planning and investing. H. Kent Baker. Hoboken, New Jersey: Wiley, 2014.

Strategic financial planning over the life-cycle: a conceptual approach to personal risk management. Narat Charupat, Moshe Ayre Milevsy, Huaxiong Huang. New York: Cambridge University Press, 2012.

Succession planning for financial advisors: building an enduring business. David Grau. New Jersey: Wiley, 2014.

* Also available as an ebook through Discovery via *www.cii.co.uk/discovery* (CII/PFS members only).

Factfiles and other online resources

CII fact files are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Written by subject experts and practitioners, the fact files cover key industry topics as well as less familiar or specialist areas of general insurance, life, and pensions and financial services, with information drawn together in a way not readily available elsewhere. Available online via *www.cii.co.uk/ciifactfiles* (CII/PFS members only).

The Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at *https://www.cii.co.uk/insurance-institute-of-london/* (CII/PFS members only).

High net worth in financial services. Brad Baker.

The regulatory framework. Simon Collins.

Recent developments in life product design. Robert Surridge

The regulation of retail investment business. Kevin Morris.

Further articles and technical bulletins are available at *https://www.cii.co.uk/knowledge-services/* (CII/PFS members only).

Journals and magazines

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Available online at *www.thepfs.org/financial-solutions-archive* (CII/PFS members only).

Reference materials

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

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2005.*

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

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

Lamont's financial glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009.

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (*www.revisionmate.com*). 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.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at *www.cii.co.uk/iilrevision* (CII/PFS members only).

1. What is **most likely** to be the financial planning priority of a couple who are both 30 years old and have a young daughter?

A. Inheritance Tax planning.
B. Life assurance protection.
C. Pension planning.
D. Private medical fees.

2. The difference between the amount of life assurance that an individual needs and the amount that she already has is known as the

A. amount at risk.
B. death benefit.
C. shortfall.
D. sum assured.

3. How many stages of the life cycle model will a client **typically** experience?

A. 5 stages.
B. 7 stages.
C. 8 stages.
D. 10 stages.

4. One of the **main** factors that will affect a client's financial needs at each life stage is the balance between

A. assets and liabilities.
B. fixed and current assets.
C. short-term and long-term liabilities.
D. tangible and intangible assets.

5. The financial planning priority for a young married couple who both work and have no children is **most likely** to be

A. protection against loss of income.
B. provision of an emergency fund.
C. reduction of financial liabilities.
D. savings and long-term investment plans.

6. A married couple with grown-up children have some disposable income. What would **normally** be considered as their **most important** need?

A. Building up capital for the children.
B. Building up capital to pay tax liabilities on death.
C. Saving for education costs.
D. Saving for their retirement.

7. The life cycle model would be **inappropriate** for a client who is

A. unmarried.
B. remarrying.
C. adopting children.
D. delaying retirement.

8. A young, married client in pensionable employment has no life assurance and wants advice on saving for his child's education. How should his real needs be prioritised?

A. Any life assurance provided by his employer should be considered and added to if necessary.
B. The education plan should be considered first as it is the client's stated need.
C. His pension provision should be reviewed as it may not be sufficient to meet his income needs in retirement.
D. Private medical insurance should be suggested as more important than an education plan.

9. An elderly client with no remaining dependents has recently become a widow. Her immediate financial needs should be reviewed

A. as she will need advice on protection planning.
B. as she will need to begin inheritance planning.
C. to achieve capital growth on the additional income at her disposal.
D. to protect her standard of living using remaining available resources.

10. A client has a need to provide for the replacement of income if he is unable to work for a long period of time due to illness. The **most appropriate** product would be

A. accident and sickness insurance.
B. critical illness insurance.
C. income protection insurance.
D. private medical insurance.

11. One of the four steps in identifying a client's real financial needs is to

A. establish her attitude to risk.
B. establish her employment status.
C. find out her medical history.
D. prioritise her requirements.

12. What would a financial adviser **NOT** consider when identifying a client's real financial needs?

A. The client's current and future needs.
B. The client's attitude to risk.
C. The client's future needs only.
D. Prioritising the client's requirements.

13. The **primary** objective of a fact-find is to

A. demonstrate compliance with sales regulations.
B. identify what needs, if any, a client has.
C. justify the sale of the recommended product.
D. quantify a client's needs.

14. During a fact-find interview, a financial adviser's questioning focuses on the client's future goals and aspirations so that

A. future goals are considered separately from current needs.
B. future goals are considered alongside current needs.
C. future goals are given priority over current needs.
D. current needs are given priority over future goals.

15. In direct marketing, how is fact-finding conducted?

A. Face-to-face only.
B. By post only.
C. By telephone only.
D. By post or by telephone.

16. The **main** advantage of face-to-face fact-finding is that

A. the adviser may have a better chance of overcoming any objections.
B. the adviser may collect a great deal of information which could be useful in providing potential introductions to future clients.
C. the adviser is able to obtain a fuller understanding of the client's needs and priorities.
D. the client is able to take out a policy quickly.

17. A telephone interview is appropriate when a client

A. is unable to differentiate between perceived and real needs.
B. has financial needs and circumstances which have changed significantly.
C. knows exactly what he wants and needs to make a quick decision.
D. requires a full financial planning and needs analysis.

18. What is **NOT normally** recorded in the financial details section of a fact-find?

A. The clients assets.
B. The clients liabilities.
C. The clients savings plans and investments.
D. The client's attitude to financial risk.

19. A financial adviser wanting a client to confirm a simple statement of fact would ask what type of question?

- **A.** A detailed directive question.
- **B.** A detailed open-ended question.
- **C.** A concise closed-ended question.
- **D.** A concise open-ended question.

20. Which category of client and family information is **NOT normally** collected on a fact-find?

- **A.** Client's age.
- **B.** Current employment.
- **C.** Doctor's details.
- **D.** State of health.

21. The advantage of fact-finding by post is that

- **A.** the client can complete the form in his own time.
- **B.** the forms used will cover all the queries the client is likely to have.
- **C.** the client will pay much lower charges.
- **D.** it establishes a better relationship with the product provider.

22. Why would a financial adviser want to establish a client's attitude to risk?

- **A.** The risk associated with the client's occupation indicates the level of personal protection cover that should be recommended.
- **B.** The risk associated with the client's pastimes and hobbies suggests the amount of dependent protection needed.
- **C.** So that the client's suitability for a particular type of policy can be ascertained.
- **D.** So that the gap between the client's existing protection and what is actually needed can be calculated.

23. A joint life, last survivor whole of life policy is **most likely** to be effected in connection with which **main** area of financial planning?

- **A.** Disability planning.
- **B.** Investment planning.
- **C.** Retirement planning.
- **D.** Inheritance planning.

24. What eligibility factor is **likely** to influence which product a client is recommended for a protection policy?

- **A.** The nature of his occupation.
- **B.** The normal retirement age of his occupation.
- **C.** The plans and ambitions the client has for his career.
- **D.** Whether he is employed or self-employed.

25. If a client wishes to effect a policy on an execution-only basis, what does this mean?

- **A.** The client instructs the adviser to transact business on her behalf without requesting or receiving advice.
- **B.** The client is offered more favourable terms by the provider, compared to other clients.
- **C.** The client receives financial advice from an intermediary, but deals directly with the provider.
- **D.** The client goes directly to the provider to obtain financial advice.

26. Which type of adviser has the obligation to select the **most suitable** product for a client from only one provider's range of products?

- **A.** Independent financial adviser.
- **B.** Multi-tied agent.
- **C.** Stockbroker.
- **D.** Tied agent.

27. What is the **earliest** point at which the financial advisor should confirm a client's commitment to the recommended product?

- **A.** After completion of the relevant product documentation.
- **B.** At the presentation meeting.
- **C.** Before the first anniversary date of the product's inception.
- **D.** Prior to completion of the fact find.

28. What is an appointed representative?

- **A.** An agent for a client with regards to a product provider.
- **B.** An appointee of a client to deal with a complaint against a product provider.
- **C.** An employee of a product provider who is appointed to deal with the public.
- **D.** A firm tied to a product provider to sell its products.

29. Over a 12-month period, a life assurance provider issued 2,000 endowment policies and at the end of the period 1,800 of the same policies were still in force. What is the persistency rate?

- **A.** 30%
- **B.** 75%
- **C.** 83%
- **D.** 90%

30. What is **best** practice when an adviser has a client who rejects his advice but asks for a product to be set up which the adviser feels is unsuitable?

- **A.** Amend the needs analysis to reflect the client's wishes.
- **B.** Explain to the client why the product is unsuitable and if the client insists, ask for the client's written confirmation to proceed.
- **C.** Explain to the client why the product is unsuitable and if the client insists, refer the client to another adviser.
- **D.** Refuse to supply the product because it is unsuitable.

31. What should a tied agent do if he does **NOT** have a product that meets a client's needs in his product range?

- **A.** Recommend another product instead.
- **B.** Refer the client to an independent financial adviser.
- **C.** Refer the client to a product provider who offers the required product.
- **D.** Sell the client the product using a different product provider.

32. With regard to professional and contractual duty, the duties of an independent financial adviser when negotiating the best terms for a client are best described as being

- **A.** a professional duty to the client and a contractual duty to the company.
- **B.** a contractual duty to both the client and the company.
- **C.** a professional duty to both the client and the company, but he is independent from any contractual duty.
- **D.** a contractual duty to the client and a professional duty to the company.

33. Why is it unethical for a financial adviser, who wishes to maximise his income, to encourage a client to switch policies?

- **A.** It may adversely affect the client's financial position.
- **B.** New policies will always be offered on less favourable terms.
- **C.** Older policies always receive a more favourable tax treatment.
- **D.** The provider may incur costs which will be passed onto other policyholders.

34. The cancellation period following the sale of a policy is to allow the transaction to be reconsidered by the

- **A.** adviser only.
- **B.** client only.
- **C.** provider only.
- **D.** provider and client.

35. A client should be advised to surrender an insurance policy and replace it **only** if the

- **A.** adviser agrees to forego the commission.
- **B.** new amount of cover is higher.
- **C.** new premium is lower.
- **D.** new product is entirely appropriate for the client's needs.

36. At what stage in the sales process should the key features of a product **normally** be explained to the client?

- **A.** Before any advice is given.
- **B.** During the fact-find interview.
- **C.** At the presentation of the recommendations.
- **D.** With the product documentation after the sale is completed.

37. A new client is unable to establish his identity to the satisfaction of his financial adviser. An appropriate course of action for the financial adviser to take is to insist on seeing the client's passport

A. before agreeing to complete a financial transaction.
B. before the annual review meeting.
C. before the expiry of any policy cooling-off period.
D. immediately after completing a financial transaction.

38. What should an adviser do when a client wants a transaction to be conducted but does **NOT** want any advice?

A. Always refer the transaction to a supervisor.
B. Ask the client to deal directly with the product provider.
C. Decline to handle the transaction unless the client accepts some advice.
D. Handle the transaction, but record in writing that no advice was sought or given.

39. The financial consequences of what circumstance can be insured under a term assurance policy?

A. Death.
B. Disability.
C. Long-term illness.
D. Retirement.

40. The term of a family income benefit policy should be set to the time the

A. youngest child reaches financial independence.
B. oldest child reaches financial independence.
C. life assured reaches age 60 only.
D. life assured reaches age 65 only.

41. What is the **main** factor affecting the suitability of a protection product with no investment element?

A. Financial strength of the provider.
B. Level of premium.
C. Past investment performance.
D. Surrender value.

42. A self-employed client needs income protection insurance and prioritises the best possible cover over the cost of the policy. A financial adviser should recommend a deferred period of

A. 4 weeks.
B. 13 weeks.
C. 26 weeks.
D. 52 weeks.

43. A financial adviser's recommendation of a suitable private medical insurance policy to a client should **mainly** be dependent on the product's

A. benefits and limitations.
B. capital growth potential.
C. past investment performance.
D. surrender value.

44. Why is a financial adviser **most likely** to recommend a protection product, which receives tax relief on the premiums rather than one that does **NOT**?

A. Cancellation rules will be more flexible.
B. The cost of cover will be lower.
C. Guaranteed benefits will be higher.
D. Policy options will be more attractive.

45. The **most suitable** type of product to maintain repayments on a loan in the event of long-term disability is

A. critical illness insurance.
B. income protection insurance.
C. life assurance.
D. long-term care insurance.

46. A married couple wish to protect their child's annual school fees over the next eight years against death of the main wage earner. Which product is the **most** economical for meeting this need?

A. Family income benefit policy.
B. Level term assurance policy.
C. Low-cost endowment policy.
D. Whole of life insurance policy.

47. A critical illness policy will **typically** provide a

A. lump sum payable on the diagnosis of certain specified diseases.
B. lump sum payable for private hospital treatment of any disease or illness.
C. regular income after an illness has lasted for a specified period of time.
D. regular income during periods of short-term illness.

48. A married woman requires protection for her family, but also wants the policy to be flexible enough to be used for inheritance planning as the family grows up. What type of policy should **normally** be recommended?

A. An endowment policy.
B. A family income benefit policy.
C. A level term assurance policy.
D. A whole of life policy.

49. A client requires the cheapest form of life assurance to protect a repayment loan against his death. Which type of policy **best** suits the client's needs?

A. A convertible term assurance policy.
B. A decreasing term assurance policy.
C. A renewable term assurance policy.
D. A level term assurance policy.

50. What is generally the **most common** reason for saving money by those people without accumulated capital?

A. To build an emergency fund.
B. To pay for a child's wedding.
C. To provide for a child's education.
D. To set up or invest in a business.

51. A **main** factor **NOT** affecting a client's savings and investment needs is

A. any inheritances expected.
B. existing assets and liabilities.
C. her current rate of taxation.
D. the amount of disposable income.

52. A client seeking a low level of capital risk should be advised to purchase

A. company shares.
B. Government stocks.
C. investment trusts.
D. unit trusts.

53. A client has recently sold his main home and requires investment advice for his capital over the short to medium term. He may find the house he wants to buy at any time. What factor would be **most important** when deciding on a suitable product?

A. Accessibility of capital.
B. Charging and commission structure.
C. Income and capital growth prospects.
D. Past investment performance.

54. The bid-offer spread of an investment product is an indication of

A. the initial period for which the investment should be held before showing a profit.
B. part of the cost of investing in that product.
C. the past performance of the investment.
D. the rate of growth which has been assumed for quotation purposes.

55. When advising a client on saving, what consideration, if any, should **normally** be given to available tax concessions?

A. Future tax concessions should be considered before immediate ones.
B. Tax concessions should always take precedence over other product features.
C. Tax concessions should be considered along with other product features.
D. Tax concessions should not be considered as part of the product's suitability.

56. What feature do the different types of government bonds share?

A. A fixed redemption date.
B. A fixed interest rate.
C. An index-linked income.
D. No penalties for early withdrawal.

57. What type of annuity is **normally** used to secure an income for a fixed term of years?

A. A deferred annuity.
B. A guaranteed annuity.
C. A purchased life annuity.
D. A temporary annuity.

58. What type of investment should be recommended to a client wishing to participate in the current and future growth in the profits of a company?

A. Corporate loan stock.
B. Debentures.
C. Ordinary shares.
D. Preference shares.

59. A client is purchasing an annuity, but wants to ensure that the annuity pays back at least what was invested. What type of annuity would be **most appropriate**?

A. A capital protected annuity.
B. A deferred annuity.
C. An escalating annuity.
D. A guaranteed annuity.

60. Products which achieve higher than average returns **usually** have higher than average

A. charges.
B. premiums.
C. risk.
D. security.

61. Which investment spreads the risk over different shareholdings managed by full-time investment managers?

A. Gilts.
B. Equities.
C. Investment trusts.
D. Preference shares.

62. How does a high rate of inflation affect the performance of non index-linked investment products?

A. It increases the rate of growth of the investment fund.
B. It increases the real rate of return on the investment.
C. It reduces the rate of growth of the investment fund.
D. It reduces the real rate of return on the investment.

63. In what circumstances would an investor get a real rate of return on their deposit-based savings?

A. When inflation exceeds interest rates.
B. When inflation exceeds stock market performance.
C. When interest rates exceed inflation.
D. When stock market performance exceeds inflation.

64. How, if at all, does an increase in interest rates affect the **real** returns of a fixed-rate investment?

A. The real returns are increased.
B. The real returns are not directly affected.
C. The real returns are reduced.
D. The real returns may increase or decrease.

65. What existing assets should be included when evaluating a client's income requirements in retirement?

A. Only capital assets should be included.
B. Only income-producing assets should be included.
C. Only pension products should be included.
D. All income and capital assets that can be converted to pension should be included.

66. Which factor is **NOT** considered when evaluating a client's individual pension needs?

A. Age.
B. Annuity rates.
C. Dependants.
D. Income.

67. When advising an individual, why would charges and commission be considered as more important in the selection process of a personal pension than that of an occupational pension scheme?

A. Charges have a greater effect on the overall benefits of an occupational scheme.
B. Charges tend to be lower for a personal pension.
C. Commission can be a very high proportion of the costs of an occupational scheme.
D. Occupational scheme charges are normally paid in part or full by the employer.

68. A high earner wishes to retire in three years' time. He is considering investing a lump sum into a pension policy. The tax concession that would be **most likely** to appeal to him would be

A. full tax relief on the contribution.
B. the pension taxed as earned income.
C. the tax-free build-up of the fund.
D. tax-free cash at retirement.

69. A client has a pension product which enjoys full tax relief on contributions and no tax on income or capital gains of the fund. She intends to retire in 10 years' time. When, if ever, should the suitability of other forms of investment for her retirement be considered?

A. Other forms of investment should never be considered.
B. Only when the pension fund has built up to its limit.
C. Only when pension contributions have been paid up to the limit.
D. Only when the client retires and starts drawing the pension benefits.

70. In relation to occupational pension schemes, accelerated accrual refers to

A. the employee contribution increasing each year on a sliding scale.
B. a higher rate of investment growth achieved in a money purchase scheme.
C. pensions derived from shorter periods of service increasing on a sliding scale.
D. the rate of escalation of the pension in payment increasing.

71. What type of occupational pension scheme requires the members to pay for part of the cost of benefits?

A. Contributory.
B. Funded.
C. Non-contributory.
D. Unfunded.

72. A client frequently changes jobs and works on permanent, temporary and fixed-term contracts. What type of pension product would be **most suitable**?

A. A contributory occupational pension scheme.
B. A group personal pension scheme.
C. An individual personal pension scheme.
D. An unfunded occupational pension scheme.

73. An employee wants to decide his investment strategy, increase and decrease his contributions at will and choose the product provider for his pension scheme. His employer will pay into a personal pension if he does **NOT** join their occupational pension or group personal pension scheme. If all charges are broadly similar, which product should he **normally** use?

A. His employer's funded occupational scheme.
B. His employer's group personal pension.
C. His employer's unfunded occupational scheme.
D. His own personal pension.

74. A company has enjoyed a profitable year and wishes to provide occupational pension scheme benefits for its employees, but does **NOT** want to have a financial commitment to provide fixed benefits in the future. What type of scheme is **most suitable**?

A. A defined benefit occupational pension scheme.
B. A final salary occupational pension scheme.
C. A money purchase occupational pension scheme.
D. An unfunded occupational pension scheme.

75. Defined benefits are the basis of which type of pension scheme?

A. A final salary pension scheme.
B. A group personal pension scheme.
C. An individual personal pension scheme.
D. A money purchase pension scheme.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome
Learning Outcome 1		
1	B	1.3
2	C	1.8
3	B	1.1
4	A	1.3
5	B	1.4
6	D	1.4
7	A	1.5
8	A	1.9
9	D	1.9
10	C	1.10
11	D	1.9
12	B	1.7
12 Questions		
Learning Outcome 2		
13	B	2.1
14	B	2.2
15	D	2.3
16	C	2.4
17	C	2.4
18	D	2.7
19	C	2.5
20	C	2.6
21	A	2.4
22	C	2.10
23	D	2.11
24	A	2.12
12 Questions		
Learning Outcome 3		
25	A	3.10
26	D	3.2
27	B	3.4
28	D	3.2
29	D	3.6
30	B	3.7
31	B	3.8
32	D	3.9
33	A	3.12
34	B	3.13
35	D	3.12
36	C	3.5
37	A	3.11
38	D	3.10
14 Questions		

Question	Answer	Learning Outcome
Learning Outcome 4		
39	A	4.1
40	A	4.7
41	B	4.3
42	A	4.3
43	A	4.4
44	B	4.5
45	B	4.6
46	A	4.7
47	A	4.6
48	D	4.7
49	B	4.7
11 Questions		
Learning Outcome 5		
50	A	5.2
51	C	5.2
52	B	5.3
53	A	5.4
54	B	5.6
55	C	5.5
56	D	5.6
57	D	5.6
58	C	5.7
59	A	5.7
60	C	5.8
61	C	5.6
62	D	5.10
63	C	5.10
64	C	5.11
15 Questions		

Question	Answer	Learning Outcome
Learning Outcome 6		
65	D	6.2
66	B	6.2
67	D	6.4
68	A	6.6
69	C	6.6
70	C	6.7
71	A	6.7
72	C	6.8
73	D	6.8
74	C	6.8
75	A	6.7
11 Questions		