Chartered Insurance Institute

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – OCTOBER 2020

Case Study 1

Vassos and Rania are married and are both aged 28. Rania is pregnant with their first child which is due in three months' time. Vassos and Rania are in good health.

Vassos is employed as a sales manager for a telecommunications company and receives a basic salary of £60,000 per annum gross. He receives death-in-service cover of two times his basic salary and sick pay of four weeks' basic salary. He is a member of his employer's qualifying workplace pension scheme. The pension plan is invested in a managed lifestyle strategy fund.

Rania is employed as an assistant television producer and receives a basic salary of £67,000 per annum gross. Rania is a member of her employer's group money purchase pension scheme. She contributes 5% of her basic salary to the scheme and her employer contributes 8% of her basic salary. Her employer also provides death-in-service cover of three times her basic salary and three months' basic salary as sick pay. Rania's employer provides statutory maternity pay only. Rania plans to take six months' maternity leave after the birth of their child and will then return to work full time. Vassos and Rania's parents have agreed to look after the baby for the first few years after Rania returns to work.

Vassos and Rania rent their current home and neither of them have ever owned a property. They pay rent of £1,200 per month. They have been struggling to save for a deposit for their first home but are hoping to buy a house in the next two years. Rania's parents have just decided to gift them the sum of £20,000. Vassos's parents are also willing to lend them £10,000 towards the deposit. His parents wish to set up this loan on a formal basis. They have seen suitable properties in the price range of £250,000 to £300,000. Vassos and Rania do not have any financial protection policies in place, other than those provided by their employers, but are keen to consider making appropriate arrangements before their child is born.

Over the last year, Vassos and Rania have accrued personal debts. They have accumulated credit card debts of £8,000 in total. Rania also has a personal loan of £10,000 which has a remaining term of four years and costs £220 per month.

Vassos and Rania consider themselves to be medium to high risk investors. They have not received financial advice previously and wish to understand the benefits of doing so.

Vassos and Rania have the following assets:

Assets	Ownership	Value (£)
Current account	Joint	1,500
Deposit account	Joint	2,500
Help to Buy ISA	Vassos	1,240
Help to Buy ISA	Rania	1,240
Unit Trust – UK Smaller Companies fund	Rania	5,000

Vassos and Rania's financial aims are to:

- ensure that they have adequate financial protection arrangements;
- purchase their first home;
- consider the repayment of their personal debt.

Case Study 2

Dietmar and Clara, both aged 76, are married with three children and seven grandchildren. Both Dietmar and Clara retired a number of years ago and are in receipt of income from pensions from previous employment and their State Pensions. The income from previous employments is in the form of level lifetime annuities with 50% spousal benefit in the event of either death. They are in receipt of full State Pensions.

Dietmar and Clara have recently downsized their main residence. Their new home is mortgage-free and valued at £200,000.

Dietmar and Clara are considering investing some of the proceeds of the recent house sale in a purchased life annuity as they believe this will give them an additional source of guaranteed income in retirement. They are unsure if this would be a suitable option for them.

Clara inherited a portfolio of UK blue-chip shares with a probate value of £80,000 from her father earlier this year. They are unsure if they wish to retain this portfolio in its current form as they are keen to generate as much income as possible throughout their retirement.

Dietmar and Clara have built up a portfolio of ISAs over many years which are invested in a range of cash ISAs and stocks and shares ISAs. They are keen to generate a higher level of income from their portfolio of ISAs and would like to review the current holdings. The stocks and shares ISAs are held on a platform which offers a wide range of investment funds.

Clara wishes to start making regular gifts to their children and grandchildren to mitigate any potential Inheritance Tax liability. However, Dietmar is concerned that this may cause them financial hardship in future years as he is worried that inflation could rise significantly over the course of their lifetimes.

Dietmar and Clara both have a medium attitude to risk and are happy to invest in a wide range of assets.

Dietmar and Clara have the following assets:

Asset	**Ownership**	**Current Value (£)**
House	Joint Tenants	200,000
Current Account	Joint	40,000
Deposit Account – instant access	Joint	300,000
UK Blue Chip shares	Clara	85,000
Cash ISA	Dietmar	115,000
Cash ISA	Clara	100,000
Stocks and shares ISA – UK Fixed Interest funds	Clara	170,000
Stocks and shares ISA – UK Gilts fund	Dietmar	150,000

Dietmar and Clara's financial aims are to:

- ensure they have sufficient income throughout retirement;
- ensure the suitability and tax-efficiency of their current savings and investments;
- ensure their retirement income is protected against inflation.