Chartered Insurance Institute

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – FEBRUARY 2021

Case Study 1

Andrew and Carrie, both aged 34, are married with two children, Olivia aged seven and William aged two. Andrew is employed as a management consultant and Carrie works part-time as a self-employed locum optician. She plans to return to full-time work when William starts school in two years' time. All of them are in good health.

Andrew and Carrie currently live in a rented property. They are planning to purchase their first property in the next few months. They have identified a suitable property, which has a value of £480,000 and are currently considering the best way to fund this purchase.

Andrew receives a salary of £170,000 per annum gross and is a member of his employer's qualifying workplace pension scheme. He makes a gross personal contribution of 8% of salary and this is matched by his employer. Andrew is also a member of his employer's death-in-service scheme, which provides a benefit of four times basic salary in the event of his death. Carrie has taxable net profits of £6,000 per annum gross on her self-employed income.

Andrew's pension fund has a value of £230,000 and it is invested in a range of global and UK equity tracker funds. Carrie has a personal pension plan in respect of a former employment that has a current value of £47,000 and this is invested in an ethical fund. Carrie has not made any pension contributions since she started working on a self-employed basis when William was born.

Andrew and Carrie received an inheritance from Andrew's uncle last year and they currently hold this in cash with a view to using this as a deposit for their first home. This is held across several deposit-based savings accounts with a total value of £250,000.

Andrew and Carrie do not have any personal financial protection arrangements in place and wish to ensure that their family is protected in the event of either death or long-term illness.

Andrew and Carrie have set up mirror Wills, leaving all assets to each other on first death and into trust for the children on second death, if this occurs whilst the children are under the age of 18.

Andrew and Carrie consider themselves to be medium to high risk investors. They wish to ensure that they invest in an ethical and sustainable manner.

Andrew and Carrie have the following assets:

Assets	Owner	Value (£)
Current Account	Joint	15,000
Deposit Account – 1-Year Fixed Rate	Joint	100,000
Deposit Account – Instant Access	Carrie	65,000
Stocks & Shares ISA – UK Ethical fund	Carrie	18,000
Deposit Account – Instant Access	Andrew	85,000
Stocks & Shares ISA – European Equity fund	Andrew	56,000
Unit Trust – UK Equity Income fund	Andrew	80,000

Andrew and Carrie's financial aims are to:

- ensure adequate protection is in place for their family;
- ensure that they have adequate funds available to purchase a property;
- arrange for some of their holdings to be invested in an ethical manner.

Case Study 2

Dylan and Susan, both aged 59, are married with one son, Osian, who is financially independent and is married with two children. Dylan and Susan are both in good health.

Dylan is a self-employed plumber. His taxable net profits in the last tax year were £28,000 gross. He has a personal pension into which he contributes £500 per month net. The current fund value is £240,000 and this is invested in a UK Equity fund.

Susan is employed as a human resources director and earns a salary of £80,000 per annum gross. Susan is a member of her employer's group personal pension scheme. Susan contributes 5% of her gross salary into the scheme and her employer contributes 10% of her gross salary. Her current fund value is £530,000 and this is invested in a balanced multi-asset fund.

Dylan and Susan own their home which is mortgage-free and valued at £500,000. They have no debts or liabilities.

Susan's father, who was a widower, died three years ago leaving his entire estate of £140,000 to Susan. This money is held in a deposit account.

Dylan has an onshore investment bond which he feels has not performed well over the last few years. He is considering using this to help mitigate some of their future Inheritance Tax liability.

Dylan and Susan are both medium to high-risk investors. They have no ethical, religious or social views.

Dylan and Susan both have mirror Wills which leave all their assets to each other and then to Osian on second death.

Dylan and Susan have the following assets:

Assets	**Ownership**	**Value (£)**
Main residence	Joint tenants	500,000
Current Account	Joint	20,000
Deposit Account	Susan	140,000
Open-ended investment company (OEIC) - FTSE Tracker	Susan	220,000
Stocks & Shares ISA – Multi Asset funds	Susan	330,000
Investment Bond – Managed fund	Dylan	110,000
Stocks & Shares ISA – Global Equity funds	Dylan	160,000

Dylan and Susan's financial aims are to:

- ensure that they have adequate income in retirement;
- arrange for their estates to be passed to their intended beneficiaries in a tax efficient manner using appropriate trust arrangements;
- ensure that their investments are suitable for their needs.