Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

February 2023 Examination Guide

SPECIAL NOTICES

Candidates entered for the September 2023 examination should study this examination guide carefully in order to prepare themselves for the examination.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

AF5 – Financial planning process

Contents

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the examination it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under examination conditions.

Before the examination

Read the Qualifications Brochure
Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current CII Qualifications Brochure and important notes for candidates, which is *essential reading* for all candidates. It is available online at www.cii.co.uk.

Study the syllabus carefully
It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

Read widely
If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook will be sufficient to meet all your requirements.* While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic or an alternative viewpoint is sought. It is vital that your knowledge is widened beyond the scope of one book. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide
This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your examination preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables
Familiarise yourself with the tax tables printed at the back of the Examination Guide. The tax tables enable you to concentrate on answering the questions without having to worry about remembering

all the information. *Please note that you are not allowed to take your own tax tables into the examination, these are provided in the portal as you sit the exam (see page 6).*

Note the assumed knowledge
For this Advanced Diploma in Financial Planning, candidates are assumed to have already the knowledge gained from studying the relevant units of the Advanced Diploma, Diploma and Certificate in Financial Planning or the equivalent.

Understand the nature of assessment
Assessment is by means of a three-hour paper. This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

Familiarise yourself with the fact-find
The examination has been specially written by practitioners with relevant technical knowledge and experience. It is then put through a rigorous editing procedure by a panel of active practitioners to ensure that the fact-find is both technically and structurally correct. At least one qualified practitioner then acts as a scrutineer by sitting the paper in advance and writing a report on it. The scrutineer's comments are taken into account in producing the final examination paper.

Appreciate the standard of the examination
Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

Test yourself under timed conditions
You should test your report writing skills under timed conditions. A good way to do this and to assess your technical knowledge at the same time is to set yourself a mock examination using the Examination Guide. To gain the most benefit from this exercise you should:

- Study the fact-find detail over the two-week period as you would for the real examination.
- Set yourself three clear hours to complete the question paper taking into account the financial objectives provided.
- Compare your answers against the model answer once the three hours are up. The model answer will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently holistic and if your technical knowledge was correct.
- Go back and revise further any technical weaknesses revealed in your responses.

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the fact-find details arrive to focus on the client details and prepare yourself for the examination day.

Understand the skills the exam seeks to test
The examination is based on a fact-find for imaginary clients whose details you will have received two weeks prior to the exam date. The fact-find will contain all the client details available. The actual financial objectives of the client will be supplied in the actual examination.

Tasks in the exam will not require candidates to produce a full financial plan. They will instead be focussed on the various elements in the syllabus which are based on the following steps in the financial planning process:

- The relationship between adviser and client.
- Evaluation of the client's objectives.
- Understanding the client's financial status.
- Putting forward appropriate recommendations.
- Reviewing the financial plan.

They may also be focused on other aspects of the syllabus which we believe are key to the customer receiving an effective financial planning service. These include an explanation of technical terms, selection of appropriate remuneration terms etc.

In this way, we are able to test key aspects of the financial planning process. If all aspects of the process are carried out thoroughly, an effective financial plan will be produced.

It is anticipated that at each exam session, a significant proportion of the total marks will be allocated to putting forward recommendations supported by relevant evidence. In this exercise, candidates will always be rewarded for thinking logically about the various objectives and potential solutions to the client.

On-screen written exam familiarisation (Demo 1)

The familiarisation test allows you to experience using the assessment platform before your exam. Please note that while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only. You can also access past exam papers here: https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/exam-papers-and-test-specifications/

You can access the familiarisation test at any time.

https://www.cii.co.uk/learning/qualifications/assessment-information/on-screen-written-exams-by-remote-invigilation/exam-familiarisation/

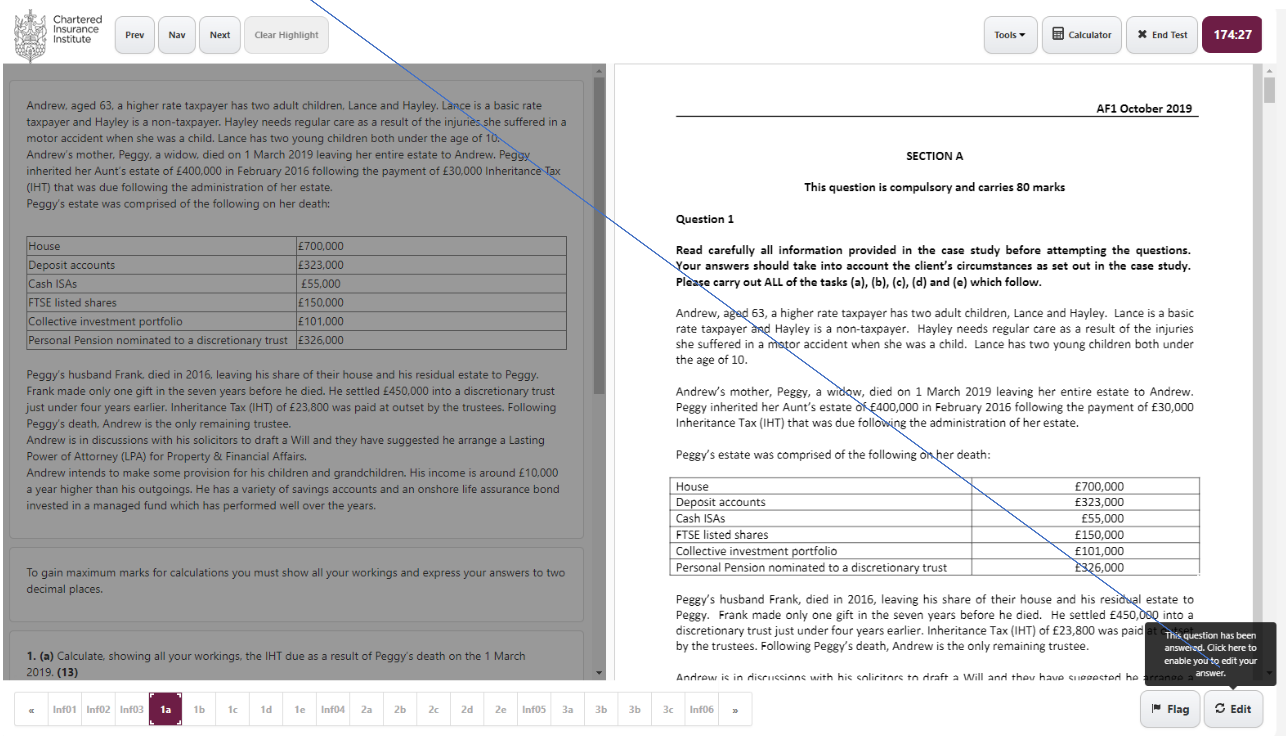
Although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

The familiarisation test is designed to allow you to go through the end-to-end process from logging in to answering test questions, before the day of your exam. **We strongly advise that you try the familiarisation test once you have received your login details and well in advance of the actual exam day to help pre-empt any potential exam day technical issues.**

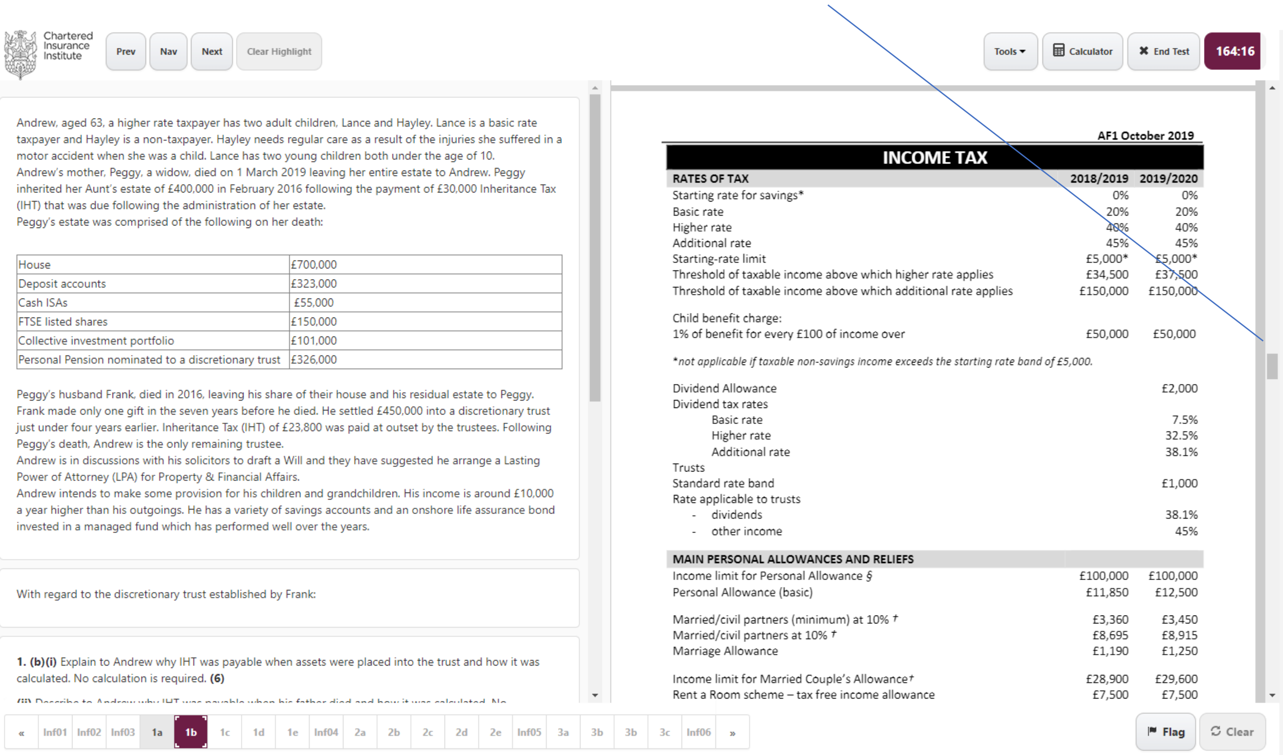
Please note you are strongly advised not to use a laptop provided by your employer.

Laptops and IT equipment provided by your employer typically include security protocols that conflict with any remote invigilation software. You should also avoid using a corporate Wi-Fi or any other internet connection that may include firewalls that you cannot personally control.

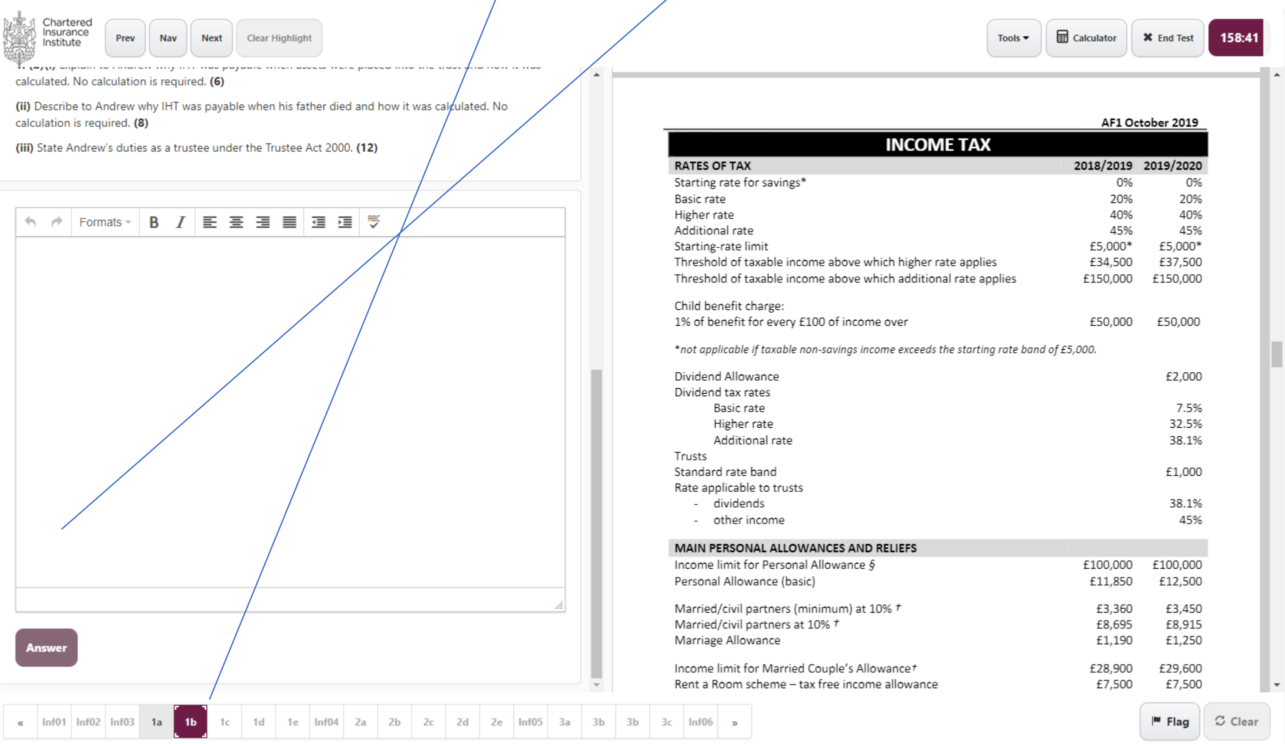
1. From the familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them. To return to edit any answer you have already typed, you must press 'Answer' for the question you are already in otherwise it will not let you select a previous question you have answered to edit.



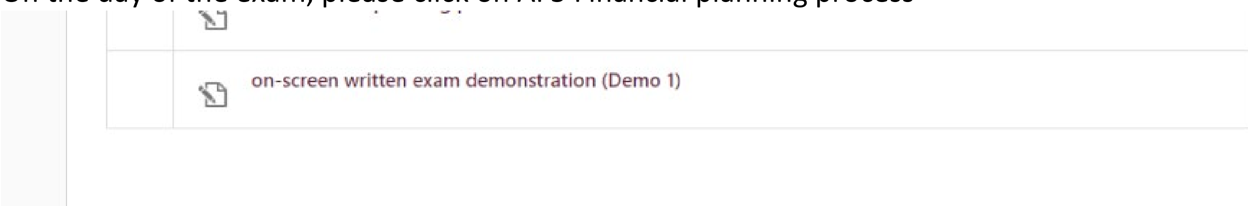
2. Tax tables are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CIIs multiple choice exams. Please do not bring your own copies into the exam. Scroll up and down using the navigation bar.



3. Once you have typed in your answer ensure you click the red '**Answer**' box, this will save your answer and move you onto the next question. Unless you press 'Answer', you will not be permitted to move onto other questions. Furthermore, please do not type all of your answers for every question into the answer space for Q1a. You should familiarise yourself with all questions prior to starting the exam.



4. On the day of the exam, please click on AF5 Financial planning process



5. The above screenshot is also a space where you can jot down any notes on paper that may assist you during the exam. Please note, the exam timer will not start until you click the exam titled: AF5 Financial planning process

Two weeks before the examination

What will I receive?
A fact-find will be available to candidates two weeks before the examination and it can be viewed at https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/supporting-exam-documents It will contain client information which will form the basis of the report you will be required to prepare in the examination.

How should I use my time over the two-week period?
It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

How should I use the fact-find to help me prepare?

- Study the client details to find areas of need identified by the clients and look for other potential areas of need.
- Look for technical areas you may wish to revise, e.g. trusts, partnerships.
- Practise some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.
- Do not attempt to 'learn' the answers to such calculations but make sure you are confident with the method and know what to include in your workings. You should be able to see from the fact-find whether the clients are higher-rate taxpayers or close to the threshold. You will be able to ascertain the financial position on death and whether there is likely to be an income shortfall which needs addressing.
- If the client has an investment portfolio, ensure that you are familiar with all the investments held within the portfolio. For example, you should understand the risk profile, tax treatment, accessibility and yield of each investment.

Preparing the groundwork – considering possible solutions
Once you have identified the clients' likely needs you should start to consider possible solutions to meet those needs and how the financial planning process would be properly applied to the client(s). You may need to research some details of the solutions you are considering. You may want to go back to your revision notes.

You may need to read about particular products; try product providers for technical information, tax offices etc.

AF5 Examination Technique Exam Guide
To help you prepare for the AF5 examination a FREE AF5 Examination Technique Exam Guide is available to download on the following link https://www.cii.co.uk/learning/qualifications/unit-financial-planning-process-af5/.

In the examination

What will I receive?

The fact-find
You will not be able to take your pre-released copy of the fact-find into the examination with you. An identical copy will be available on the online system. There will not be any new or different information contained within the fact-find.

Supplementary information
A summary of the client's key financial objectives will be supplied as part of the examination. You should spend some time studying this information before you commence your financial plan.

The tasks
The instructions are focused on the main steps required to write a financial plan. Mark allocations will be shown and you should use these to guide you on how long to spend on each section of your report. The task that gains most marks is invariably that requesting candidates to outline their key recommendations, supported by relevant evidence.

Answer format
You should provide sufficient technical details to enable you, in the role of financial adviser, to analyse your clients' needs and to demonstrate that the recommendations you make are appropriate and holistic. Merely reproducing quantities of technical detail which is not directly relevant or would be provided through stock paragraphs or appendices in a finished report will not achieve high marks.

Marks will be awarded for demonstrating the holistic consequences of your analysis and recommendations, i.e. how one part of the financial planning process affects all the other parts: how they all interrelate and interact.

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Marks are not lost due to poor spelling or grammar.

You are able to flag questions and then go back to them.

Calculators
The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator. You are permitted to use your own calculator.

EXAMINERS' COMMENTS

Candidates overall performance:

Overall candidate performance was very good. Some areas of the paper demonstrated a slight weakness in application of basic financial principles although it was pleasing to note that many candidates performed well in some of the more technical areas of the paper.

Question 1 (a)

This was a standard Fact-Finding question. In part (a) good performance was demonstrated overall but some candidates focused on very general points, rather than client-specific points such as Steve and Linda's desire to repay their mortgage or any future work plans. Candidates should ensure that they provide clear answers which link directly to the exact client circumstances.

Question 1 (b)

Part (b) required candidates to explain the key financial drawbacks for Steve and Linda if they decide to take early retirement. Good performance was in evidence although only a limited number of candidates recognised the reduction in available pension contributions if Steve and Linda had no earned income.

Question 2 (a)

Part (a) required candidates to recommend and justify how Steve and Linda can improve their personal pension arrangements before taking early retirement. Very good performance overall. Candidates recognised their ability to make larger pension contributions in advance of retirement, based on carry forward rules and identified the need to look carefully at their old pension schemes for both suitability and charges.

Question 2 (b)

Part (b) asked candidates to explain to Steve and Linda the process that must be followed to establish and make use of their maximum carry forward pension allowance. Overall performance was very good and most candidates were able to explain the process in detail.

Question 3 (a)

In part (a) candidates were asked to explain to Steve and Linda why they could consider retaining their existing mortgage rather than using part of their inheritance to repay this. General performance was good but only a few candidates recognised the fact that the mortgage rate of interest could be easily met and exceeded by the current risk-free rate of return from a cash deposit.

Question 3 (b)

In part (b) candidates were asked to identify the key reasons why the pension fund investments may not be suitable for their longer-term objectives. Some poorer performance was in evidence as some candidates failed to comment in sufficient detail on the actual investment funds and focused instead on the pension wrappers.

Question 4 (a)

Part (a) asked candidates to outline the key protection issues that should be considered by Steve and Linda once they leave employment. Most candidates did very well and scored high marks although a number of candidates failed to recognise that Steve could no longer make a valid claim on his Income Protection insurance as he would have no income. This demonstrated a slight weakness in protection knowledge.

Question 4 (b)

Part (b) required candidates to identify the key reasons why Steve and Linda may wish to retain at least two years' planned expenditure in low-risk assets, following their retirement. Some reasonable responses from candidates here although a number of candidates failed to identify the fact that this would provide funds for future pension and ISA contributions to improve tax-efficiency.

Question 5 (a)

Part (a) required candidates to explain in detail to Steve and Linda why they may wish to consider a portfolio of global and UK passive equity tracker funds to invest a portion of the inheritance. Overall performance was good but a small number of candidates failed to understand that this referred to 'equity' tracker funds and made comments in respect of other asset classes.

Question 5 (b)

Part (b) required candidates to identify the key drawbacks for Steve and Linda of using passive equity tracker funds within their portfolio. Mixed performance but again, a number of candidates did not recognise that these would be 'equity' funds. A lack of detailed answers was in evidence from a number of candidates here which resulted in lower marks.

Question 6 (a)

In part (a) candidates were asked to identify the key issues that Steve and Linda should take into consideration when establishing a safe level of withdrawal from their investment portfolio. This was an application-based question and some candidates struggled to identify the issues that would be faced by a couple in Steve and Linda's position.

Question 6 (b)

In part (b) candidates were asked to explain to Steve and Linda the key factors that they should take into consideration when setting up fixed monthly withdrawals from the investment portfolio, instead of drawing a natural income. Some candidates experienced difficulties with this question due to its' application-based nature. Some candidates focused purely on natural income, although the question asks about fixed monthly withdrawals.

Question 7 (a)

Part (a) asked candidates to recommend and justify how Steve and Linda can generate a tax-efficient income from their financial arrangements before they reach State Pension Age. Very good performance from the majority of candidates.

Question 7 (b)

Part (b) asked candidates to explain to Steve and Linda the key benefits of making voluntary National Insurance (NI) contributions for the State Pension after leaving employment. Most candidates recognised the fact that the clients do not have a full NI record and would therefore not benefit from the full State Pension.

Question 8 (a)

Part (a) asked candidates to identify the key changes in Steve and Linda's circumstances which should trigger an immediate review of their financial arrangements. Overall the performance was good.

Question 8 (b)

Part (b) required candidates to identify six key issues that should be discussed with Steve and Linda when their mortgage reaches the end of its fixed term in November 2026. General performance was good.

FACT-FIND

You are a financial adviser authorised under the Financial Services and Markets Act 2000 (FSMA). You completed the following fact-find when you met Mr and Mrs Day.

PART 1: BASIC DETAILS

	Client 1	Client 2
Surname	Day	Day
First name(s)	Steve	Linda
Address	Salisbury	Salisbury
Date of birth	4th January 1971	6th November 1970
Domicile	UK	UK
Residence	UK	UK
Place of birth	Reading	London
Marital status	Married	Married
State of health	Good	Good
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Travel, Sport	Travel, Swimming

Notes:

Steve and Linda have recently been notified that Linda is due to receive an inheritance from her late aunt. This will be a cash lump sum of £750,000 and is due to be paid to Linda within the next six weeks following the settlement of her aunt's estate.

Steve and Linda have appointed you to assist them in planning how best to use this inheritance.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	Health	Occupation	Financially dependent?

Notes:

Steve and Linda do not have any children or dependants.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	HGV Lorry driver	Senior Retail Manager
Job title		
Business name	Clifton Nationwide Ltd	Sarum SVS Ltd
Business address		
Year business started		
Remuneration		
Salary (gross per annum)	£56,000	£72,000
State Pensions		
Overtime (gross per annum)	£12,000	
Benefits-in-kind		
Pension Scheme	See Part 11	See Part 11
Life cover	See Part 8	See Part 8
Private Medical Insurance		See Part 9
Income Protection Insurance	See Part 9	
Self-Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		
Notes:		

Steve and Linda have worked for their current employers for the past 15 years. Their jobs are very demanding, and they are considering using the inheritance to take early retirement.

Previous Employment	Client 1	Client 2
Previous employer	AZQ Logistics	KQT Markets
Job title		
Length of service	10 years	12 years
Pension benefits	See Part 11	See Part 11
Notes:		

PART 4: OTHER PROFESSIONAL ADVISERS

	Client 1	Client 2
Accountant		
Bank	Assent Bank	Assent Bank
Doctor		
Financial Adviser		
Solicitor	Henson Carter LLP	Henson Carter LLP
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		Client 2		Joint	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions						
Pensions/Annuities						
Salary (gross)		56,000		72,000		
Overtime (gross)		12,000				
Benefits-in-kind						
Savings income (interest)				900		
Rental (gross)						
Dividends		3,125				

Notes:

Steve earns overtime of approximately £12,000 per annum (gross). This is not guaranteed but he has earned this level of overtime for the past 2 years.

	Client 1	Client 2
Income Tax	**£**	**£**
Personal allowances		
Taxable income		
Tax		
National Insurance		
Net Income		
Notes:		

Expenditure

	Monthly £			Annually £		
Household Expenditure	**Client 1**	**Client 2**	**Joint**	**Client 1**	**Client 2**	**Joint**
Mortgage/Rent			1,026			
Council tax			372			
Buildings and contents insurance						300
Gas, water and electricity			250			
Telephone/Mobile	25	30				
TV licence and satellite			75			
Property maintenance						2,000
Regular Outgoings						
Life assurance (see Part 8)			20			
Income Protection insurance (see Part 9)	220					
Savings Plans						
Car tax, insurance and maintenance				1,000	1,600	
Petrol and fares	120	160				
Loans						
School fees						
Childcare						
Further education						
Subscriptions						
Food, drink, general housekeeping			600			
Pension contributions (see Part 11)	224	384				
Other Expenditure						
Magazines and newspapers						60
Entertainment			400			
Clubs and sport	40	40				
Spending money	300	300				
Clothes				600	1,000	
Other (Holidays)						2,000
Total Monthly Expenditure	929	914	2,743			
Total Annual Expenditure	11,148	10,968	32,916	1,600	2,600	4,360
Total Outgoings						**63,592**

Do you foresee any major/lump sum expenditure in the next two years?

Notes:
Steve and Linda are considering taking early retirement and are planning some extended overseas trips, funded by the inheritance.

PART 6: ASSETS					
	Assets	**Client 1 £**	**Client 2 £**	**Joint £**	**Income (Gross) £**
1.	Main residence			380,000	
2.	Contents/car			60,000	
3.	Current account			25,000	
4.	Deposit Savings Account – Fixed-Rate		50,000		900
5.	Stocks and shares ISAs – Global Managed funds (accumulation units)	80,000			
6.	Stocks and shares ISAs – UK High-Yield Bond funds (accumulation units)		60,000		
7.	Unit Trust fund – UK Managed Equity fund (accumulation units)	125,000			3,125

Notes:

Steve and Linda own their home as joint tenants and have an outstanding repayment mortgage of £70,000.

Steve and Linda have not used their ISA allowances for the current tax year.

Steve purchased the unit trust fund ten years ago with a lump sum of £60,000. This has performed well but he has noted that the recent performance has been disappointing. He has never sold any unit in this fund.

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			Assent Bank
Type of mortgage			Repayment
Amount outstanding			£70,000
Start date			November 2003
Term/maturity			November 2028
Monthly payment			£1,026
Interest rate			1.8%
Life policies (see Part 8)			

Notes:

Steve and Linda have a fixed interest rate of 1.8% until November 2026. After this date, the mortgage will revert to the lender's Standard Variable Rate. There are early repayment penalties until November 2026. The early repayment penalty is 3% of the outstanding capital until November 2026.

Other Loans	Client 1	Client 2	Joint
Lender			
Type of loan			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Payment protection			

Notes:

Steve and Linda do not have any other loans.

Other Liabilities (e.g. tax)

Notes:

Steve and Linda do not have any other liabilities.

PART 8: LIFE ASSURANCE POLICIES

Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust?	Surrender Values £
Steve	Employer	168,000	N/A			Yes	N/A
Linda	Employer	288,000	N/A			Yes	N/A
Joint	Joint	50,000	20 per month	25 years	2003	No	N/A

Notes:

Steve and Linda have death-in-service policies with their employers. The policies are nominated for each other.

Steve and Linda took out a joint life first death level term policy to cover their original mortgage but have always relied on their employer death-in-service cover to meet their protection needs.

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured £	Start Date	Term/Review	Deferred Period	Premium £
Income Protection	Steve	32,000 per annum	2018	To age 60	3 months	220 per month
Private Medical Insurance	Linda	N/A	N/A	Annual	N/A	N/A

Notes:

Steve has a personal Income Protection policy that he took out privately a few years ago. This is set up on an own occupation basis and offers a maximum annual benefit of £32,000 per annum.

Linda is a member of her employer's private medical insurance scheme which covers both herself and Steve.

PART 10: REGULAR SAVINGS

Type	Company	Ownership	Fund	Amount Saved £	Sum Assured	Maturity Date	Current Value £

Notes:

Steve and Linda do not make any regular savings.

PART 11: PENSION DETAILS

Occupational pension scheme

	Client 1	Client 2
Member of employer’s scheme		
Type of scheme		
Date joined		
Retirement age		
Pension benefits		
Death benefits		
Dependant’s benefits		
Contracted-in/out		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		

Notes:
Steve and Linda do not have any occupational pension schemes.

Additional Voluntary Contributions (including free standing additional voluntary contributions).

	Client 1	Client 2
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		

Notes:
Steve and Linda do not have any Additional Voluntary Contribution schemes.

Personal Pensions

	Client 1	Client 2
Type	Employer Workplace Pension scheme	Employer Workplace Pension scheme
Company	Monarch Life	Assent Life
Fund	UK Mixed Bond fund/UK High Yield Bond fund	UK Cautious Managed
Contributions	6% employer/6% employee	8% employer/8% employee
Retirement date	65	65
Current value	£170,000	£235,000
Date started	2007	2007

Notes:

Steve and Linda are both members of their employer's workplace pension schemes. Neither Steve nor Linda have had time to review their pension arrangements in recent years and are aware that their chosen funds may not be the most suitable options for them. Their employer schemes offer a wide range of funds options which cover all of the main asset classes.

Steve and Linda have completed death benefit nomination forms in favour of each other.

Previous/other pension arrangements

	Client 1	Client 2
Employer	AZQ Logistics	KQT Markets
Type of scheme	Group Personal Pension	Group Personal Pension
Date joined scheme	1997	1995
Date left scheme	2007	2007
Current value	£38,000	£53,000

Notes:

Steve and Linda have some deferred pension benefits in their former employer's Group Personal Pension schemes. Steve's pension is invested in the default managed fund and Linda's pension is invested in a UK Equity fund. They have not reviewed these pension funds since they left their former employers.

State Pension

	Client 1	Client 2
State Pension		

Notes

Neither Steve nor Linda have checked their State Pension entitlements but believe they should each have at least 25 qualifying years of credits.

PART 12: INHERITANCES		
Wills	**Client 1**	**Client 2**
Do you have a current Will?	Yes	Yes
Notes:		
Steve and Linda have mirror Wills which leave all of their assets to the survivor and then split between their five nephews and nieces on second death.		
Trusts	**Client 1**	**Client 2**
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	No	No
If yes, give details		
Notes:		
Gifts	**Client 1**	**Client 2**
Give details of gifts made and received	None	None

Notes:		
Inheritances	**Client 1**	**Client 2**
Give details of any inheritances expected	None	£750,000
Notes:		
Linda is due to receive an inheritance from her late aunt very shortly. This will be paid as a cash lump sum and the solicitor has arranged to pay this directly into Linda's bank account as soon as the monies are available.		

PART 13: ATTITUDE TO RISK

What level of risk are you prepared to take to achieve your financial objectives?

Notes:
Steve and Linda have completed a full risk-profiling assessment. Both consider themselves to be medium-risk investors and this has been confirmed by the assessment. Their capacity for loss is currently moderate but this is due to increase on receipt of the inheritance. Steve and Linda have no particular interest in Environmental, Social and Governance (ESG) investing.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	10.01.23	
Client agreement issued	10.01.23	
Data Protection Act	10.01.23	
Money laundering	10.01.23	
Dates of meetings		
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

Unit AF5 – Financial planning process

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2022/2023, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

If you are sitting via remote invigilation please

- **Write down the following number +44 (0)80 8273 9244 this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.**
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **Three hours** are allowed for this paper which carries a total of 160 marks.
- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper, this is different to the multiple choice exams**.
- The fact-find and the tax tables are provided on the right-hand side of the interface.
- **Client objectives are also provided and you should read them carefully before attempting the tasks.**
- **In this examination you should use the fact-find on the system. You are not allowed to bring into the examination the pre-released copy of the fact-find.**
- For each answer, please type in the full question number you are answering e.g. 1
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off. No watches are permitted.**
- Please familiarise yourself with **all** questions before starting the exam.

CLIENTS' FINANCIAL OBJECTIVES

You have now been able to determine from the information in the fact-find that your clients have the following financial objectives:

Immediate objectives

- To consider the affordability of early retirement.
- To identify any actions to be taken in advance of leaving employment.
- To consider whether they should repay their mortgage on receipt of the inheritance.

Longer-term objectives

- Set up a long-term investment strategy for Linda's inheritance.
- Improve the tax-efficiency of their financial arrangements.
- To ensure a sustainable income can be generated in retirement.

Attempt ALL tasks

Time: 3 hours

PLEASE ENSURE YOU TYPE EACH ANSWER PER QUESTION IN THE CORRECT ANSWER BOX

1. **(a)** Identify the additional information that you would require in order to advise Steve and Linda on the affordability of retiring early following receipt of Linda's inheritance. **(14)**

(b) Explain the key financial drawbacks for Steve and Linda if they decide to take early retirement. **(12)**

2. **(a)** Recommend and justify how Steve and Linda can improve their personal pension arrangements before taking early retirement. **(14)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

(b) Explain in detail to Steve and Linda the process that must be followed to establish and make use of their maximum carry forward pension allowance. *(No calculations are required).* **(9)**

3. **(a)** Explain to Steve and Linda why they could consider retaining their existing mortgage rather than using part of their inheritance to repay this. **(8)**

(b) Identify the key reasons why Steve and Linda's pension fund investments may not be suitable for their longer-term objectives. **(10)**

4. **(a)** Outline the key protection issues that should be considered by Steve and Linda once they leave employment. **(10)**

(b) Identify the key reasons why Steve and Linda may wish to retain at least two years' planned expenditure in low-risk assets, following their retirement. **(9)**

5. **(a)** Explain in detail to Steve and Linda why they may wish to consider a portfolio of global and UK passive equity tracker funds to invest a portion of the inheritance. **(8)**

(b) Identify the key drawbacks for Steve and Linda of using passive equity tracker funds within their portfolio. **(8)**

6. **(a)** Identify the key issues that Steve and Linda should take into consideration when establishing a safe level of withdrawal from their investment portfolio. **(12)**

(b) Explain to Steve and Linda the key factors that they should take into consideration when setting up fixed monthly withdrawals from the investment portfolio, instead of drawing the natural income. **(11)**

7. **(a)** Recommend and justify how Steve and Linda can generate a tax-efficient income from their financial arrangements before they reach State Pension Age. **(14)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

(b) Explain to Steve and Linda the key benefits of making voluntary National Insurance contributions for the State Pension after leaving employment. **(9)**

8. **(a)** Identify the key changes in Steve and Linda's circumstances which should trigger an immediate review of their financial arrangements. **(6)**

(b) Identify **six** key issues that you would discuss with Steve and Linda when their mortgage reaches the end of its fixed term in November 2026. **(6)**

Total marks: 160

NOTE ON MODEL ANSWERS
The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

(a)
- When do they plan to retire?
- Phased retirement/part-time work?
- Cost of travel plans/planned capital expenditure.
- Income needs in retirement.
- Do they wish to repay mortgage?/plans for property/rent/sell/downsize?/any further inheritances?
- Pension contribution history/how much carry forward available?
- Employer matching.
- Use of Capital Gains Tax (CGT) exemption/any losses.
- BR19/National Insurance (NI) record/ State Pension (SP) entitlement/voluntary contributions.
- Longevity (confirm they are in good health).
- Willingness to deplete assets.
- Charges/are investments held on platform?
- Willing to invest in joint names for tax efficiency.
- Projected Pension values on retirement.

(b) *Candidates would have scored full marks for any twelve of the following:*

- No earned income.
- Loss of employer/employee pension contributions.
- Pension allowances reduced to £3,600/£2,880 per annum.
- Loss of employer benefits (Death in Service) (DIS/Private Medical Insurance (PMI)/cannot use Permanent Health Insurance/Income Protection (PHI/IPI).
- Personal Pensions not available until 55.
- State Pension not available until 67.
- State Pension accrual ceases/do not have full State Pension.
- Reduces likelihood of sustainable income in retirement.
- Capital erosion/need to spend capital.
- Outstanding mortgage/no borrowing capacity/Early Repayment Charges (ERC).
- High monthly expenditure.
- Greater reliance on investments/low value in pensions.
- Long timeframe (both in good health).

Model answer for Question 2

(a) *Candidates would have scored full marks for any fourteen of the following:*

- Make personal pension contributions/last chance for larger contributions.
- 40% Tax relief.
- Pension contributions could make them Basic Rate Taxpayers (BRT).
- Can use carry forward (based on earned income £68,000/£72,000).
- Employer matching.
- Tax-efficient growth/limited tax-efficiency at present/Inheritance Tax (IHT) efficiency.
- Affordable/inheritance received.
- Future contributions limited to £3,600/£2,880 (net).
- 25% pension commencement lump sum (PCLS) available.
- Flexible retirement options/can create tax-efficient income in future (use of Personal Allowance (PA) as no future earned income).
- Income Tax efficient for survivor if death before 75.
- Nominations updated (include nephews and nieces).
- Amend fund choice as do not match attitude to risk (ATR)/limited growth/limited diversification.
- Review fund choice/charges on old schemes/consolidation.
- Make voluntary NI contributions for State Pension.

(b)

- Establish personal and employer contribution for current tax year.
- Earnings for previous 3 tax years.
- Contributions made in previous 3 tax years.
- Calculate residual allowance (each tax year).
- Use current year maximum allowance first (£40,000).
- Can use residual allowance for 2019/2020 tax year first.
- Tax relief limited to earned income in current tax year (£68,000 and £72,000).
- Pay contribution net of 20% and claim back 20% via self-assessment (SA).
- No need to inform HM Revenue & Customs (HMRC)/keep own calculations.

Model answer for Question 3

(a)

- Low fixed rate of interest (1.8%)/affordable.
- Risk-free return exceeds interest-rate on mortgage/cash rates exceed 1.8%.
- Liquidity.
- Repayment mortgage/repayment strategy in place.
- Early repayment penalties in place/saves 3% penalty/can repay in November 2026 without penalty.
- No other liabilities/small outstanding debt.
- Can invest monies for longer-term growth/increase likelihood of sustainable income in retirement.
- Can use tax allowances/ISA/pension.

(b)

- Limited growth potential/they need growth.
- Lack of asset class diversification/limited equity exposure.
- Lack of geographical diversification.
- Inflation risk.
- Credit risk/default risk on high yield bonds.
- Interest rate risk/bond funds negatively affected by interest rate rises.
- Higher charges.
- Old GPPs may have limited fund choice.
- Do not match Attitude to Risk (ATR).
- Unlikely to meet long-term retirement objectives.

Model answer for Question 4

(a)

- Level term policy does not match mortgage.
- Loss of Death in Service (DIS).
- Loss of Private Medical Insurance (PMI).
- Reliant on National Health Service (NHS).
- Can they continue PMI with same provider?/cost?
- Income Protection can no longer be used (no earned income).
- He should cancel Income Protection/waste of premiums.
- Potential loss of State benefits/not paying NI/no statutory sick pay (SSP).
- They can self-fund protection needs.
- They do not have Critical Illness Cover (CIC).

(b) *Candidates would have scored full marks for any nine of the following:*

- No guaranteed income/no earned income.
- Liquidity/accessibility/peace of mind.
- Income/capital needs unclear/major change in circumstances.
- Timeframe for access unclear/travel plans not fixed.
- Ongoing mortgage/property costs must be met.
- Allows investment in higher-risk assets.
- Reduces volatility risk/no need to rely on investment returns.
- Reduced risk of capital loss/reduced risk of pound-cost-ravaging.
- Interest rates are rising/improved returns on low-risk assets.
- Retains funds to use future tax allowances (ISA/Pension).

Model answer for Question 5

(a) *Candidates would have scored full marks for any eight of the following:*

- Low cost/cost-effective.
- Run by computer system/no human judgement/Efficient Market theory.
- Improves long-term returns/equities can outperform.
- Provides dividend income/can use Dividend Allowance (DA)/can invest in joint names/can hold in ISA.
- Potential to keep pace with inflation/reduces inflation risk.
- Geographical diversification/global.
- Diversification can reduce risk.
- Simple to understand/ease of access to markets.
- Matches Attitude to Risk (ATR).

(b)

- Single asset class/all equities.
- Will underperform the market due to charges/cannot outperform market/no active management/no Alpha.
- Risk of capital loss/market risk/Perform poorly in falling market/volatility.
- Tracking error/will never match market exactly.
- Unsuitable for short-term/must hold for long-term.
- Currency risk.
- Does not seek to generate income/no income mandate.
- Steve exceeds his Dividend Allowance (more tax to pay).

Model answer for Question 6

(a)

- Income needs.
- Natural income/dividend yield.
- Current value of assets/performance.
- Current market conditions/Inflation expectations.
- Growth expectations.
- Limited future funding available/no earned income.
- Pound-cost ravaging/sequencing risk/capital erosion.
- Tax treatment of withdrawals/use of allowances.
- Are their income needs flexible?/can they delay withdrawals in poor market conditions?/income needs when travel plans are completed.
- No guaranteed income (until age 67).
- Any further inheritances due?/downsizing?/Capacity for Loss (CFL).
- Longevity/long time scale.

(b)

- Natural income will be insufficient/how much income do they need to meet expenditure.
- Natural/Dividend income fluctuates/not guaranteed.
- Pound cost ravaging/sequencing risk/market timing issues.
- Capital will be eroded.
- Capital withdrawals could be liable to Capital Gains Tax (CGT)/reduces ISA tax shelter.
- They are not using full CGT exemptions/CGT exemptions available to generate tax-free withdrawals/CGT exemption reducing.
- Natural income liable to dividend or savings tax/can use Dividend Allowance (DA)/Personal Savings Allowance (PSA).
- Capital withdrawals reduces natural dividend income.
- Capital withdrawals reduce future fund growth/natural income could be reinvested to boost growth.
- Cost/charges.
- Requires more regular review/more admin/more complex.

Model answer for Question 7

(a) *Candidates would have scored full marks for any fourteen of the following:*

- Make use of Personal Allowance for tax-free income (£12,570).
- Use Dividend Allowance.
- Use Capital Gains Tax (CGT) exemptions/£12,300.
- Use ISA allowances/Bed & ISA/take income from ISAs.
- Make pension contributions of £3,600/£2,880 per annum/use carry forward (before leaving work).
- Tax-efficient fund (ISA and Pension).
- Unrestricted access to ISA.
- Hold Cash in Joint names.
- £5,000 Starting Rate Band for interest/use Personal Savings Allowance (PSA).
- Transfer Unit Trust to joint names.
- Interspousal exemption/CGT-free.
- Improved use of tax allowances.
- CGT exemptions due to reduce significantly over next 2 tax years.
- Can use flexi access drawdown (FAD)/uncrystallised funds pension lump sum (UFPLS) for tax efficient income (from age 55).
- Pension nomination should allow retention of pension fund wrapper/old group personal pension (GPP) may not offer flexible death benefits/flexible access (transfer).

(b)

- They will not have full State Pension (SP) if they retire early.
- Need 35 years of contributions for full SP.
- Provides guaranteed income/no other sources of guaranteed income in future.
- Income is inflation-proofed/triple lock applies.
- No investment risk.
- May erode personal pensions/low value in Personal pensions.
- Good return on capital outlay/low cost/cost effective.
- Affordable/they have funds to pay voluntary contributions.
- They are in good health so likely to receive State Pension for many years.

Model answer for Question 8

(a)
- Health/family situation/death/divorce/domicile.
- Retirement date decided/leaving employment.
- Capital need/change in expenditure/income needs.
- More funds received/further inheritances.
- Travel plans formalised/duration/cost?
- Affordability of mortgage/end of fixed-rate term.

(b)
- Do they wish to pay off mortgage?/any other liabilities.
- Mortgage rate available from lender/affordability of repayments.
- May not be able to re-mortgage with another lender (no guaranteed income)/rates available elsewhere.
- Any charges to repay mortgage/no Early Repayment charge (ERC) in 2026.
- Performance of investments/value of available assets.
- Use of tax allowances/CGT exemption available?

Glossary of terms

Some abbreviations candidates can use in financial planning online exams:

1. ATR – Attitude to risk
2. BRT – Basic rate taxpayer
3. BIK – Benefit in kind
4. BADR – Business Asset Disposal Relief
5. CLT – Chargeable Lifetime Transfer
6. CFL – Capacity for loss
7. CGT – Capital Gains Tax
8. DOV – Deed of variation
9. DIS – Death-in-Service
10. DFM – Discretionary Fund Manager
11. EIS – Enterprise Investment Scheme
12. ESG – Environmental, Social and Governance
13. EPT – Excluded Property Trust
14. EPA – Enduring Power of Attorney
15. ERC – Early repayment charges
16. FAD – Flexi access drawdown
17. FSCS – Financial Services Compensation Scheme
18. FOS – Financial Ombudsman Service
19. GAR – Guaranteed annuity rate
20. HRT – Higher rate taxpayer
21. IHT – Inheritance Tax
22. IT – Income Tax
23. IVA – Individual Voluntary Arrangement
24. LPA – Lasting Power of Attorney
25. LTA – Lifetime allowance
26. MVR – Market value reduction
27. MPAA – Money purchase annual allowance
28. NICs – National Insurance contributions
29. NPA – Normal pension age
30. NRA – Normal retirement age
31. NRB – Nil rate band
32. OPG – Office of the Public Guardian
33. OEIC – Open ended investment company
34. PAYE – Pay As you Earn
35. PPP – Personal pension plan
36. PCLS – Pension commencement lump sum
37. PA – Personal Allowance
38. PSA – Personal Savings Allowance
39. RAC – Retirement annuity contract
40. RNRB – Residence nil rate band
41. SIPP – Self-invested personal pension plan
42. SEIS – Seed Enterprise Investment Scheme
43. SWR – Safe withdrawal rate
44. SP – State Pension
45. UFPLS – Uncrystallised fund pension lump sum
46. VCT – Venture Capital Trust

All questions in the September 2023 paper will be based on English law and practice applicable in the tax year 2023/2024, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the September 2022 and February 2023 examinations.

INCOME TAX

RATES OF TAX	2021/2022	2022/2023
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£150,000	£150,000

Child benefit charge:
1% of benefit per £100 of adjusted net income between £50,000 – £60,000

**Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance*

Dividend Allowance	£2,000	£2,000
Dividend tax rates		
Basic rate	7.5%	8.75%
Higher rate	32.5%	33.75%
Additional rate	38.1%	39.35%
Trusts		
Standard rate band	£1,000	£1,000
Rate applicable to trusts		
- dividends	38.1%	39.35%
- other income	45%	45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£3,530	£3,640
Married/civil partners at 10% †	£9,125	£9,415
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance†	£30,400	£31,400
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,520	£2,600
Enterprise Investment Scheme relief limit on £2,000,000 max**	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age(under the income threshold).
† where at least one spouse/civil partner was born before 6 April 1935.
*** Investment above £1,000,000 must be in knowledge-intensive companies.*

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,845	£2,935
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,480	£17,005

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	**CLASS 1 EMPLOYEE CONTRIBUTIONS**
Up to 242.00*	Nil
242.00* – 967.00	12%
Above 967.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242* band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	**CLASS 1 EMPLOYER CONTRIBUTIONS**
Below 175.00**	Nil
175.00 – 967.00	13.8%
Excess over 967.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.15 where profits exceed £6,725 per annum.
Class 3 (voluntary)	Flat rate per week £15.85.
Class 4 (self-employed)	9.73% on profits between £11,908 and up to £50,270. 2.73% on profits above £50,270.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2022/2023	£1,073,100

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.
25% of excess over lifetime allowance if taken in the form of income.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*

**Reducing by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income'is also over £200,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2021/2022	2022/2023
	£4,000	£4,000

ANNUAL ALLOWANCE CHARGE

20% – 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.

CAPITAL GAINS TAX

EXEMPTIONS	2021/2022	2022/2023
Individuals, estates etc	£12,300	£12,300
Trusts generally	£6,150	£6,150
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
Business Asset Disposal Relief* – Gains taxed at:	10%	10%
Lifetime limit	£1,000,000	£1,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) if held for at least two years.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2021/2022	2022/2023
Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

A lower rate of 36% applies where at least 10% of deceased's net estate is left to a registered charity.

MAIN EXEMPTION		
Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£175,000	£175,000
- UK-registered charities	No limit	No limit

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.*

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Small gifts exemption	£250	£250
Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

PRIVATE VEHICLES USED FOR WORK

	2021/2022 Rates	2022/2023 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motorcycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2021/2022	2022/2023
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£1,000,000	£1,000,000
Plant & machinery* first year allowance for companies to 31/3/2023:	Super-deduction	130%
	Special rate	50%
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	6%	6%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Electric charging points	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

Motor cars: Expenditure on or after 1 April 2016 (Corporation Tax) or 6 April 2016 (Income Tax)

CO_2 emissions of g/km:	0*	1-50	Over 50
Capital allowance:	100% first year	18% reducing balance	6% reducing balance

**If new and unused*

MAIN SOCIAL SECURITY BENEFITS

		2021/2022	2022/2023
		£	£
Child Benefit	First child	21.15	21.80
	Subsequent children	14.00	14.45
	Guardian's allowance	18.00	18.55
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 59.20	Up to £61.05
	Aged 25 or over	Up to 74.70	Up to £77.00
	Main Phase		
	Work Related Activity Group	Up to 104.40	Up to 107.60
	Support Group	Up to 114.10	Up to 117.60
Attendance Allowance	Lower rate	60.00	61.85
	Higher rate	89.60	92.40
Basic State Pension	Single	137.60	141.85
	Married	275.20	283.70
New State Pension	Single	179.60	185.15
Pension Credit	Single person standard minimum guarantee	177.10	182.60
	Married couple standard minimum guarantee	270.30	278.70
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	59.20	61.05
	Age 25 or over	74.70	77.00
Statutory Maternity, Paternity and Adoption Pay		151.97	156.66

CORPORATION TAX

	2021/2022	2022/2023
Standard rate	19%	19%

VALUE ADDED TAX

	2021/2022	2022/2023
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £250,000	0%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Additional Stamp Duty Land Tax (SDLT) rules apply as below:

- *First-time buyers benefit from SDLT relief on purchases up to £625,000 when purchasing their mainresidence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,000 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*

- *Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*

- *SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*

- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax(LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. Therates for LTT and LBTT are different to the rates shown above.*

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%