R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – APRIL 2024

Case Study 1

Andrea, aged 64, is recently divorced from her husband, Carl. She has two sons and four grandchildren. Andrea is in good health and is adjusting well to her new circumstances. Her divorce was amicable, and a full financial settlement has been agreed.

Andrea is employed full-time as a manager in a marketing agency. She receives a gross salary of £56,000 per annum. Andrea is a member of her employer's qualifying workplace pension scheme and both she and her employer each contribute 5% of her gross salary to the scheme. Andrea's pension fund has a current value of £340,000 and is invested in a range of UK and global equity funds. Andrea's employer also offers membership of a group private medical insurance (PMI) scheme, but Andrea has never considered joining this as she receives cover under her ex-husband's group PMI scheme. This cover is shortly due to cease following the completion of their divorce. Andrea is also a member of her employer's death-in-service scheme which will pay out three times basic salary on death whilst in service.

As part of Andrea's divorce settlement, she has received the family home which has a value of £500,000 and is mortgage-free. She has also been awarded a share of er ex-husband's investment portfolio which is held in a range of shares in individual UK pharmaceutical companies and several open-ended investment companies (OEICs). These shares and OEICs have been transferred to Andrea but she is unsure if they are suitable to meet her needs and objectives. Andrea did not receive any element of Carl's pension benefits as part of the divorce, and she has no future entitlement to any of his pension arrangements.

Andrea has a range of Stocks & Shares ISA holdings which are invested in several UK equity tracker funds. These are held on a low-cost platform. Andrea is unhappy with the recent performance of these funds and has asked for your advice on this.

Andrea has updated her Will following her divorce which now leaves all of her assets split equally between her two sons.

Andrea has a cautious attitude to risk and has no interest in Environmental, Social and Governance (ESG) investments although you have discussed this in detail with her.

Andrea has the following assets:

Assets	**Value (£)**
Home	500,000
Current account	60,000
Deposit savings account	120,000
UK Equities – pharmaceutical companies *	95,000
OEIC – UK & global equity tracker funds *	75,000
OEICs – UK corporate bond funds *	55,000
Stocks & Shares ISA – UK equity tracker funds	115,000

**Recently transferred from Carl.*

Andrea's financial aims are to:

- ensure she can generate a sustainable income throughout retirement;
- review the suitability of the assets she has received from Carl as part of the divorce settlement;
- improve the tax-efficiency of her current financial arrangements.

Case Study 2

Joshua and Amina, both aged 36, are married with three children, aged nine, seven and five. They are all in good health.

Joshua is a builder who runs his own limited company. The ownership of the company is shared between himself and Amina who acts as company secretary and deals with the company's administration. The limited company has an annual turnover of £90,000 per annum and Joshua draws a salary of £65,000 per annum gross. He does not draw any dividends. Amina does not draw any salary or dividends from the business. Amina is finding the company administration to be increasingly onerous, and both Joshua and Amina are considering the merits of closing the company and for Joshua to continue to work, but on a self-employed basis.

Joshua has a company qualifying workplace pension scheme with a current value of £20,000. This is invested in a target date retirement fund. He and the company both make the minimum required contributions under the qualifying workplace pension scheme rules. They have not set up any other employee benefits via the company.

Amina is a pharmacist and earns £49,000 per annum gross. Amina is a member of her employer's qualifying workplace pension scheme and makes regular contributions of 6% of her gross salary which are matched by her employer. Amina's pension fund has a current value of £58,000 and is invested in a UK Ethical Equity fund. Amina is due to receive a bonus of £5,000 gross next month from the pharmacy. She receives bonuses based on company performance on a regular basis. Amina is a member of her employer's death-in-service scheme which will pay out four times basic salary on death whilst in service.

Joshua and Amina have a repayment mortgage of £240,000 on their property which has a current value of £360,000. They have a fixed-rate mortgage of 4.6% for the next three years. The mortgage is fully covered by a joint-life decreasing term policy.

Joshua and Amina are aware that Joshua has no financial protection arrangements other than for the mortgage. They wish to review their protection arrangements to ensure that these are adequate to meet the family's needs going forwards.

Amina has an interest in Environmental, Social and Governance (ESG) investments, but Joshua has stated that this is not a concern for him. They are both medium to high-risk investors.

Joshua and Amina have set up mirror Wills which leave all assets to the survivor on first death and to their three children in the event of both deaths. The Will sets out guardianship arrangements for the children in the event of both deaths before the children attain age 18.

Joshua and Amina have the following assets:

Assets	Ownership	Value (£)
House	Joint	360,000
Current account	Joint	2,000
Deposit savings account	Joint	65,000
Stocks & Shares ISA – global ethical funds	Amina	75,000
Stocks & Shares ISA – UK managed fund	Joshua	66,000

Their financial aims are to:

- review and improve their existing protection arrangements;
- review the ongoing suitability of the company structure for Joshua's business;
- improve their current retirement savings provision.

Useful tips as you prepare for the R06 exam

1. **Schedule sufficient revision time** to use your notes and learning and support materials to refresh your learning and consider how what you have learned applies to the case studies.

2. **Familiarise** yourself with the format and the navigation options navigation of an onscreen written exam:

   Familiarisation Test

   Although the familiarisation test is modelled on AF1, the example is relevant for every candidate preparing to sit on-screen written exams by remote invigilation. Whilst there might be slight differences in layout, it will make you familiar with navigation and use of the platform.

   Familiarisation Test

   If you will be taking your exam by remote invigilation you will also have access to a familiarisation test, allowing you to explore the invigilation platform and process (which is different to MCQ exams such as units R01-5). We strongly recommend that you schedule and take a familiarisation test before the day of your exam. You will be given the option to take a familiarisation test when you receive your exam login details in an email a week before your exam.

   Taking the familiarisation test will introduce you to the check-in process including a system check, a photo ID check, a room scan, taking a user photo, entering your login details and answering test questions. It can also indicate current system issues with your equipment with time to resolve these before your exam.

   The *Assessment Information - Before the exam* area of the CII website has further practical information and support.

3. **Prepare exam technique** using the support of the Exam Guides on the R06 unit page https://shop.ciigroup.org/financial-planning-practice-r06--r06.html which include examiner guidance and time-saving tips such as abbreviations.