Chartered Insurance Institute

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – JANUARY 2025

Case Study 1

Kathy is aged 67. Her husband, Alan, died 8 months ago at age 68. Kathy is in good health and has coped well following the loss of her husband. Alan had been in very poor health for several years and his death was expected. Kathy has three children and six grandchildren. Her children are all married. Most of Alan's assets had been transferred into Kathy's name during Alan's lifetime. Alan did not want Kathy to have any difficulties with administration or probate after his death.

Kathy's income consists of her State Pension of £10,300 per annum gross and a personal pension with an uncrystallised value of £200,000. This is invested in a UK managed fund. She is in receipt of the spouse's pension from Alan's defined benefit entitlement from his former employer's pension scheme. Following Alan's death, she now receives £11,200 per annum gross from his former employer's pension scheme. Kathy is concerned that her revised level of pension income following Alan's death is unlikely to meet her long-term retirement needs and wishes to review this.

Alan held a range of open-ended investment companies (OEICs), valued at £130,000 in total. These are now held in Kathy's name. Alan also held an ISA portfolio valued at £420,000. This is invested in a range of global equity and fixed-interest funds and has not yet been transferred to Kathy. Kathy holds a range of UK equity income funds within her ISA with a total current value of £200,000. She takes a fixed capital withdrawal of £7,000 per annum from her ISA portfolio. All these assets are held on the same platform.

Kathy is keen to ensure that she mitigates any future Inheritance Tax (IHT) liability so that she can maximise her estate for the benefit of her children and grandchildren. She would like to consider making gifts from her income to her six grandchildren but is unsure how to identify a suitable level of gifting following her recent change in circumstances.

Kathy has been considering the option of using an equity release arrangement. Her home is mortgage-free, and she would like to stay in the property for the rest of her life, passing it to her children on death.

Kathy is a cautious to medium-risk investor and is happy to consider a wide range of investments. She is interested in Environmental, Social and Governance investing, but does not wish to make major changes to her portfolio at this stage as she feels that she would like to retain Alan's investment portfolio for sentimental reasons.

Assets	**Ownership**	**Value (£)**
Family home	Kathy	600,000
Current account	Kathy	20,000
Deposit account – Fixed-term (matures in January 2026)	Kathy	80,000
Stocks & Shares ISAs – UK Equity Income funds	Kathy	200,000
OEICs – UK Mid-Cap Equity and UK Fixed Interest funds	Kathy	130,000
Stocks & Shares ISAs – Global Equity and UK Fixed Interest funds	Alan (deceased)	420,000

Kathy's financial aims are to:

- ensure she has sufficient income throughout retirement;
- review her investments to ensure they meet her ongoing needs;
- mitigate any potential IHT liability.

Case Study 2

Bartek and Zofia, both aged 32, have recently married. They have one daughter, Kara, who is five years old. The family are all in good health.

Bartek is employed as a logistics manager for a haulage company and earns a salary of £60,000 per annum gross. Bartek also receives regular bonuses which, in recent years, have been £15,000 per annum gross. He expects these bonuses to continue at a similar level in the future.

Bartek receives a range of benefits from his employer, including comprehensive private medical insurance which covers Zofia and Kara. He is also a member of his employer's death-in-service scheme which will pay out three times his basic salary on death whilst in service. Bartek is a member of his employer's qualifying workplace pension scheme, and he contributes 5% of his gross salary to the scheme. This is matched by his employer. Bartek's pension has a current value of £37,000 and is invested in the default balanced managed fund.

Zofia is a teacher at a private school and earns a salary of £42,000 per annum gross. Kara is now a pupil at the same school, and they receive a reduction in the normal school fees of 50% whilst Zofia remains employed in her current role. Zofia is a member of her employer's qualifying workplace pension scheme, and she contributes 5% of her gross salary to the scheme. Her employer contributes 8% of her gross salary and will increase this contribution to 10% if Zofia increases her personal contribution to the same level. Zofia's pension plan is invested in a multi-asset fund and has a current value of £23,000. Zofia is interested in investing into property funds within her pension plan. Zofia's employer offers no further benefits.

Bartek and Zofia currently rent their home for which they pay £1,800 per month. The monthly rental is due to increase to £2,000 from next month. They are now considering the possibility of purchasing a property due to the rising rental costs but are unsure if this will be affordable for them in the long-term.

Bartek and Zofia have cash ISAs which they fund from surplus income and have each set up Lifetime ISAs which they intend to fully fund every year. They do not have any other investments at present. They wish to start building up a portfolio of investments to enable them to retire at age 60, with a view to spending several years travelling widely to visit family and friends around the world.

Bartek and Zofia consider themselves to be adventurous investors.

Assets	**Ownership**	**Value (£)**
Current account	Joint	5,000
Cash ISA – variable rate – instant access	Bartek	25,000
Cash ISA – variable rate – instant access	Zofia	25,000
Lifetime ISA – Cash ISA	Bartek	5,200
Lifetime ISA – Cash ISA	Zofia	5,200

Their financial aims are to:

- assess the affordability of purchasing their first home;
- improve their current financial protection arrangements;
- build up a portfolio of investments to assist with their retirement objectives.

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.