



R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – JULY 2024

Case Study 1

Max, aged 65, is a single man with no children and has never been married. Max is in very good health. Max's mother is living in a nursing home, and Max holds joint power of attorney for her, along with his brother. Max is employed full-time as a systems analyst. He receives a gross salary of £60,000 per annum. He is a member of his employer's workplace pension scheme and contributes 10% of his gross salary to the scheme. His employer contributes 5% of his gross salary to the scheme. Max's pension fund has a current value of £420,000 and is invested in a lifestyle fund with a planned retirement date of 1 September 2024. Max is also a member of his employer's death-in-service scheme which will pay out four times his basic salary on death whilst in service. He has completed a nomination in favour of his brother for both the death in service scheme and his employer's pension scheme.

Max is due to reach State Pension age in September this year. Max is not planning to retire for the foreseeable future.

Max has a home which is mortgage-free with a current value of £300,000. He also has a portfolio of open-ended investment companies (OEICs) and investment trusts, all of which are invested in UK and global equity funds. These have all performed well and have a total current value of £190,000. The portfolio pays dividends which Max reinvests into the portfolio each year. He is keen to rebalance his portfolio to reduce the level of risk and ensure that he can generate additional income when he decides to retire. Max has asked for your advice on how he can achieve this in a tax-efficient manner.

Max has a range of Stocks & Shares ISA holdings invested in individual equities, which are all high-risk UK smaller companies. Some of these are Alternative Investment Market (AIM) stocks. Max manages this portfolio himself and it is held on a platform.

Max has made a Will leaving the majority of his estate to a UK registered charity with a bequest of £100,000 to his brother in the event that he survives Max.

Max has an adventurous attitude to risk and does not have any interest in Environmental, Social and Governance (ESG) investments.

Max has the following assets:

Assets	Value (£)
House	300,000
Current account	12,000
Deposit account	65,000
National Savings & Investments Premium Bonds	50,000
Stocks & Shares ISA – Individual UK Equities	150,000
OEICs - UK Equity funds	100,000
Investment Trusts – Global Equity funds	90,000

Max's financial aims are to:

- ensure he can generate a sustainable income throughout retirement;
- adjust his investment portfolio to generate additional income in retirement;
- improve the tax-efficiency of his current financial arrangements.

Case Study 2

Amir and Karina are both aged 38 and are married. They do not have any children. Amir is in good health, but Karina has recently suffered a back injury and has been on sick leave from work for the past eight weeks.

Amir is employed as an engineer and earns £75,000 per annum (gross). Karina is employed as a product designer and earns £52,000 per annum (gross). Karina is currently receiving her full salary despite being on sick leave. This will cease in four weeks' time and her employer's income protection insurance scheme will commence, which will provide her with 50% of her current salary whilst she remains unable to work.

Amir is a member of his employer's workplace pension scheme and contributes 5% of his gross salary to the scheme. His employer contributes 3% of his gross salary to the scheme. Amir's pension fund has a current value of £95,000 and is invested in a global fixed-interest fund. Amir 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.

Karina is a member of her employer's workplace pension scheme, and she contributes 5% of her gross salary to the scheme. Her employer contributes 4% of her gross salary to the scheme. Karina's pension fund has a current value of £48,000 and is invested in an ethical equity fund. Karina is also a member of her employer's death-in-service scheme which will pay out four times basic salary on death whilst in service.

Amir and Karina have a repayment mortgage with an outstanding balance of £190,000 on their home which is currently valued at £270,000. They have been making overpayments to the mortgage over the past few years and are able to take a payment holiday of up to three months from the mortgage, should they wish to do so. The mortgage is protected in full by a decreasing term assurance policy which was set up when they took out the mortgage. They have no other protection policies in place.

Karina has a strong interest in Environmental, Social and Governance (ESG) investments, but this is not an area of interest or concern for Amir. They are both high-risk investors.

Neither Karina nor Amir have used their ISA allowances for the current tax year. They both hold Fixed-Rate Cash ISAs which are due to mature in January 2025.

Amir and Karina have set up mirror Wills which leave all assets to the survivor on first death and to their siblings on second death. They hold up-to-date Lasting Powers of Attorney for each other.

Amir and Karina have the following assets:

Assets	Ownership	Value (£)
House	Joint	270,000
Current account	Joint	4,000
Deposit account	Joint	35,000
Cash ISA – Fixed Rate for 2 years	Amir	22,000
Stocks & Shares ISA – Global Equity funds	Amir	£65,000
Cash ISA – Fixed Rate for 2 years	Karina	22,000
Stocks & Shares ISA – UK Ethical Equity funds	Karina	£39,000

Their financial aims are to:

- review the suitability of their current investment holdings;
- make adjustments to their financial arrangements during Karina's absence from work;
- improve their current retirement savings plans.

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.