Chartered Insurance Institute

R06 — FINANCIAL PLANNING PRACTICE

CASE STUDIES – OCTOBER 2024

Case Study 1

Cameron and Nancy, both aged 76, are married with two children and four grandchildren. Both of them are in good health and they both retired at age 65. They have never received financial advice before but now wish to use the services of a financial adviser to ensure that all of their financial objectives can be met in the most tax-efficient manner possible.

Cameron is in receipt of a gross annual income of £41,000 from his former employer's defined benefit pension scheme. This increases each year by the Retail Prices Index (RPI) and will provide a spouse's benefit of 50% of Cameron's pension which will continue to be paid to Nancy in the event of his death. Cameron is also receiving his State Pension of £11,300 per annum.

Nancy has a State Pension of £10,100 per annum in addition to a single life annuity, purchased from her pension with a former employer of £3,800 per annum gross. This is a level annuity, and the initial five-year guarantee period has expired.

Cameron and Nancy receive annual investment income of approximately £16,000 gross from dividends on their jointly held portfolio of unit trusts, as well as income of approximately £8,000 per annum each from their ISA portfolios. Cameron and Nancy use their ISA allowances each year by disinvesting from the jointly held unit trusts. They have not done so yet in respect of the current tax year.

Cameron and Nancy own their home which is mortgage-free. This has a current value of £500,000. They have no debts or liabilities.

Cameron and Nancy's grandchildren are all in their early twenties and are each planning to purchase their first homes in the next few years. They are keen to assist their grandchildren with these property purchases and have asked for your advice on how to achieve this.

Cameron and Nancy have up-to-date Wills which leave all assets to the survivor on first death and then to their two children on second death. They are concerned that their estate might be subject to Inheritance Tax on second death and wish to consider options to mitigate this.

Cameron and Nancy both have a medium attitude to risk but are willing to take a higher level of risk if this will assist them in meeting their objectives. Neither of them has an interest in Environmental, Social and Governance (ESG) investments.

Assets	Ownership	Value (£)
Home	Joint	500,000
Current account	Joint	18,000
Deposit savings account	Joint	120,000
Unit Trusts – UK & Global Equity Income funds	Joint	417,000
NS&I Premium Bonds	Cameron	25,000
Stocks & Shares ISA – UK FTSE-100 Tracker funds	Cameron	225,000
NS&I Premium Bonds	Nancy	25,000
Stocks & Shares ISA – UK Fixed-Interest funds	Nancy	200,000

Their financial aims are to:

- ensure they can maintain their current standard of living throughout retirement;
- ensure that as much of their estate as possible can be passed to their two children on second death;
- improve the tax-efficiency of their current financial arrangements.

Case Study 2

Kabir, aged 47, has recently finalised his divorce from Hannah, aged 45. They have two children, Anika, aged 11 and Rashi, aged 13. The two children will continue to live with Hannah although Kabir shares joint custody of both children. The divorce was settled amicably, and a full financial settlement has been agreed and implemented. All of the family are in good health.

Kabir has moved into a rental property with his new partner, Emma. Emma is aged 43 and has never been married. They have no intention of marrying at any point in the future.

Hannah has remained with the children in the former family home which Kabir has transferred to her as part of the financial settlement in the divorce. The mortgage was paid off in full by Kabir as part of the divorce settlement and Kabir has no further financial or legal interest in the property. Kabir pays monthly maintenance of £1,500 to Hannah as part of the divorce settlement. This will continue until Anika is aged 18. At this point, he will support the children through university but will pay no further monies to Hannah.

Kabir is employed as a senior manager and earns a gross salary of £85,000 per annum. He is a member of his employer's qualifying workplace pension scheme but following the implementation of a pension sharing order as part of the divorce settlement, his pension has reduced in value to £120,000. Hannah's entitlement under the pension sharing order has been transferred to another pension provider. Kabir's pension plan is invested in a global equity tracker fund. He contributes 5% of his gross salary to the scheme and his employer contributes 4% of his gross salary. He 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.

Kabir has a portfolio of individual UK smaller company stocks which he manages himself. He reinvests all of the dividends into further shares.

Emma is a self-employed book editor and has taxable net profits of £60,000 per annum gross. Emma does not have any pension arrangements at present.

Neither Kabir nor Emma has any debts or liabilities although they are planning to purchase a property together in the next few years. This will require a joint mortgage of approximately £200,000.

Kabir is keen to ensure that his children are protected in the event of his death until they are both 21 years old. He also wishes to make sure that the majority of his estate is passed to his children on his death. He does not intend to make any provision for Emma in the future as she is likely to receive a large inheritance from her parents. Kabir has not updated his Will or nominations since the completion of his divorce from Hannah. His existing Will and nominations identify Hannah as his main beneficiary.

Kabir has an adventurous attitude to risk, and he is keen to invest aggressively to rebuild his asset base following his divorce. He has no interest in Environmental, Social and Governance (ESG) investments. Emma is a cautious investor with a strong interest in ESG investments.

Assets	Ownership	Value (£)
Current account	Emma	7,000
Deposit savings account	Emma	35,000
Stocks & Shares ISA – UK Ethical Equity fund	Emma	55,000
Current account	Kabir	25,000
Stocks & Shares ISA – Global Tracker fund	Kabir	37,000
Individual Equities – UK Smaller Companies	Kabir	140,000

Their financial aims are to:

- increase Kabir's pension funds following the implementation of the pension sharing order;
- ensure that the maintenance payments to Hannah are protected in the event of Kabir's death;
- ensure the children will receive Kabir's estate on his death.

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.