Chartered Insurance Institute

J05

Diploma in Financial Planning

Unit J05 – Pension income options

September 2025 Exam Guide

SPECIAL NOTICES

Candidates entered for the March 2026 exam should study this exam guide carefully in order to prepare themselves for the exam.

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

J05 – Pension income options

Contents

This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on ***online.exams@cii.co.uk*** to discuss your needs.

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Exam 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 exam, 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 exam conditions.

Before the exam

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

Note the assumed knowledge
For the Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Certificate in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

Read widely
To get the most out of your learning, it's important to explore beyond just one textbook. Relying solely on a single study text may not give you all the depth or perspectives you need. While the main study materials are designed to cover the syllabus, they might not always explain things in a way that works for you—or offer alternative viewpoints that deepen your understanding.

That's why reading around the subject is so valuable. If a topic feels unclear or you're curious to see how others approach it, looking at different sources can really help. Think of it as building a richer, more rounded picture of what you're learning.

Build confidence in your knowledge and ability to apply it.

Make full use of the Exam Guide
This Exam Guide contains a full exam 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 Exam Guides can be treated as 'mock' exam papers. Attempting them under exam conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your exam 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 exam guides free of charge on the relevant qualification page at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the tax tables printed at the back of the Exam 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 use your own tax tables in the exam, these are provided in the portal when you sit the exam.*

Know the structure of the exam

- Assessment is by means of a two-hour online written exam.
- All questions are compulsory.
- The exam is made up of 15 short questions.
- Each question part will clearly show the maximum marks which can be earned.
- The exam will carry a total of 130 marks.

You can also access previous exam papers and test specifications **here**.

Assessment Information and Rules and Policies for candidates

Please review the assessment information and rules and policies for candidates. Full details of the administrative arrangements and the regulations governing your exam entry are available online.

On-screen written exam familiarisation

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 access the familiarisation test at any time. It can be found **here**.

We strongly recommend that you take the familiarisation test to ensure you are familiar with the on-screen assessment platform experience.

If you have previously sat any of the CII's multiple-choice exams, please note this familiarisation experience has a different set up.

On the day of the J05 exam, upon accessing the platform, you will need to click on **J05 Pension income options** to start the exam:

J05 Pension income options

on-screen written exam familiarisation

We would recommend that prior to starting the exam, you may wish to take a moment at this screen to 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: **J05 Pension income options.**

Important information for remote invigilation candidates only

If you are taking the exam through remote invigilation, **we strongly advise that you try the online Tutorial test** once you have received your exam login details and well in advance of the actual exam day. This test is different to the familiarisation test.

You will receive the below information via email before your exam date.

You must check the equipment you plan to use on the exam day is suitable. The system requirements are here

EXAM TUTORIAL:
- Launch Tutorial Test
- Duration: The tutorial will take approximately 30 minutes to complete.
- Attempts: Launch the tutorial test up to three (3) times to familiarize yourself with the environment. We suggest saving one attempt for 2-3 days prior to your exam date.
- Timing: The Launch link will expire 150 minutes (2 hours and 30 minutes) prior to your scheduled exam time.

To access your exam on the exam day click on the "Launch Exam" link beside your scheduled exam within the Bookings and Results area of MyCII Dashboard. If you have any difficulty accessing your MyCII account, you should contact CII customer service at the contact details below.

This Exam Tutorial will help you feel confident and prepared for exam day. It guides you through the system and helps identify any potential issues with your equipment in advance, reducing the risk of technical problems during your exam.

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.

The exam platform no longer supports Windows 10 or macOS Ventura for any online testing.
These operating systems no longer meet the minimum technical requirements. Continuing to use them may introduce compatibility issues, affecting performance during test sessions.

It is fundamentally important that, if you are sitting an exam via remote invigilation, you read all of the documents on this page; How to prepare for your on-screen written exam by remote invigilation.

If there is anything you are unsure of, or if you have not received the tutorial email, please contact Customer Service (telephone +44 (0)20 8989 8464 Mon to Fri: 9am – 5pm (UK time), email customer.serv@cii.co.uk, Webchat service: Mon-Fri: 8am-4pm (GMT)) as soon as possible, as this may affect your exam sitting.

On the exam day

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, flag the question, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

Take great care to answer the question that has been set.

- Before you start writing, take a moment to think carefully about what the question is really asking. Understanding the examiner's requirements is key to producing a strong, focused answer.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Exam Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Order of answering questions

Answer the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which are felt to be challenging until the more familiar questions have been attempted but *remember not to spend excessive time on the questions you are most confident about.* You are able to flag questions and then go back to them.

Answering different question parts

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

Always read all parts of a question before starting to answer it, otherwise you may find that after answering part (a), the answer you have given is more appropriate to part (b) and it may be necessary to duplicate some of the answer.

Answer format

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

Marks <u>are not</u> lost for incorrect spelling or grammar.

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 non-programmable calculator.

Tips for laying out calculations in on-screen written exams

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

While there are no marks for presentation, laying the calculation out well will make it easier for the examiner to identify all of the marks you have achieved. It does not matter how long the calculation is, if it is well set out. There is no preferred format but following the below guidelines is often helpful:

- Set out each stage of your calculation on a separate line.
- Label the values used i.e. in the Lifetime Allowance (LTA) calculation:
  - LTA 2021/22 - £1,073,100
  - Scheme Pension - £22,750
- Identify all allowances, pension values, tax rate bands, used in £ terms.
- Identify all tax rates in % terms.
- Use subtotals, where appropriate. For example:
  - Excess over LTA: £1,217,500 - £1,073,100
  - =£144,400
  - X 25%
  - =£36,100
- Show all your workings. This could include:
  - Capitalising the value of a scheme pension by 20 or 25
- Double check all of your figures, specifically:
  - That you have calculated each section correctly.
  - That you have added up all of your figures correctly.
  - That you have expressed all your answers to two decimal places where relevant.

EXAMINERS' COMMENTS

Candidates' overall performance:
This session aimed to test candidates' knowledge across the breadth of the syllabus. We continue to test understanding of the current legislation, the issues in giving advice to clients on taking pension benefits, as well as topical concepts, such as the increase in normal minimum pension age.

Overall, the majority of candidates did enough to gain high marks across the paper and those who prepared well will have passed this session.

Question 1
This was well answered by many candidates who clearly understood the methodology of the standard Lump Sum Allowance (LSA) calculation and the different valuation methods of pre-2006 Defined Benefit (DB) scheme benefits and post-2006 crystallised and uncrystallised Defined Contribution (DC) benefits. Candidates did not perform well where they could not differentiate between these valuations methods and how they interact with the previous Lifetime Allowance and current LSA.

Question 2
This question relates to the increase in minimum pension age to 57, which becomes ever more relevant as 2028 draws closer. Some candidates failed to gain marks by overlooking the transfer element of the question. Some answers lacked detail and did not specify the differences in treatment of the GPP/PPP and SIPP – this resulted in fewer marks being gained than were possible

Question 3
Many candidates did not perform well on this question about serious ill health lump sums, missing the key elements around the treatment of crystallised and uncrystallised funds – where only the latter qualifies. Furthermore, there was little acknowledgement of the different tax treatment of the seriously ill health lump sum pre-and post-age 75, with more emphasis placed on death benefits, which while relevant was only a minor element to the overall answer.

Question 4
This question was well answered by the majority of candidates on part (a), articulating income tax treatment on death benefits from an uncrystallised personal pension. Part (b) proved more challenging with few able to articulate three scenarios where IHT would apply if death occurred in the 2025/26 tax year. These scenarios remain relevant if death occurs before 6 April 2027.

Question 5
Candidates generally had a good grasp of the benefits of a fixed-term annuity, but found the drawbacks more challenging to articulate, in particular the points around mortality cross-subsidy, death benefits and annuity rates being specifically impacted by the guaranteed maturity value (i.e. rates generally lower than for lifetime annuities).

Question 6

Candidates that applied the information that was provided within the question tended to do well on this question – most were able to outline the factors when advising on a choice between the Cash Equivalent Transfer Value (CETV) (for Flexi-Access Drawdown) and a scheme pension. Candidates that overlooked the information in the question lost valuable marks as their answers lacked the detail being requested – for example, instead of stating that his income needs would be met after age 67, they may simply stated 'income requirements' or 'current/future income', which was insufficient to gain the mark.

Question 7

This question about the factors to consider when advising on Uncrystallised Funds Pension Lump Sum (UFPLS) is core to this unit and was generally well answered by candidates.

Question 8

Few candidates gained high marks in this question. It is advisable to review Chapter 3 of the study text, in particular in relation to annuity open market options and comparison templates.

Question 9

This question deals with the importance of completion of a death benefit nomination. Candidates that did well were able to articulate the different treatment between the son – who is financially dependent and therefore able to receive an income without a nomination form – and the daughter – who is not a dependant and therefore only able to receive a lump sum without a nomination form. This is important for practitioners to understand as the tax implications can be significant.

Question 10

Candidates had a good grasp of how a state pension forecast will help in determining the value of state pension. However, some did not understand that the state pension would not increase if Carol were to move permanently to New Zealand – some candidates believed she would at least still receive CPI increases, but this is not the case.

Question 11

The majority of candidates had a strong grasp of the four key risks when making withdrawals from Flexi-Access Drawdown (FAD).

Question 12

This question dealt with requirements for additional scheme information in order to advise on a transfer and was generally well answered. A few candidates had provided responses stating information relating to Rolf – which was not what was being asked for - rather than information that would be required from the scheme.

Question 13

Candidates demonstrated a good understanding of the purpose of cashflow modelling and stress testing that can be conducted. Some candidates picked up fewer marks where, in part (b), they simply stated that certain assumptions should be reviewed – such as the inflation rate – rather than stating that the stress test assumes a higher-than-expected rate of inflation.

Question 14
On the whole candidates had a better grasp of the benefits of guidance rather than the drawbacks, with many failing to identify drawbacks such as a lack of recourse from bodies such as FSCS, and the fact that guidance only covers pensions and does not take into account an individual's broader needs.

Question 15
This is a relatively straightforward question, asking which factors should be taken into account when carrying out an annual review of FAD. It was generally well answered by candidates although there was a tendency to miss the specific points around whether the previous years' investment performance had kept up with withdrawals – and if it hadn't then making the point that capital erosion would have occurred.

Unit J05 – Pension income options

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this exam are based on English law and practice applicable in the tax year 2025/2026, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals have long-term UK residence status 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 call if you experience any technical 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

- **Two hours** are allowed for this paper which consists of 15 short answer questions and carries a total of 130 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.**
- 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 allowed.
- Please familiarise yourself with **all** questions before starting the exam.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

Attempt ALL questions

Time: 2 hours

*To gain maximum marks for calculations you **must** show **all** your workings and express your answers to **two** decimal places.*

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX

1. Helina, semi-retired on 1 March 2006, aged 55. She received a pension from her employer's defined benefit pension scheme of £4,600 plus a pension commencement lump sum (PCLS) of £18,450. In September 2022 she took a maximum PCLS of £26,500 from her self-invested personal pension plan (SIPP) and designated the remainder to flexi-access drawdown (FAD). Helina has no transitional protection and has taken no other pension benefits since 2022. As well as her scheme pension and FAD, she also has a personal pension plan (PPP). Helina has decided that she wishes to take the benefits from her PPP, which is currently valued at £134,000.

(a) Describe how the Lump Sum Allowance (LSA) will be reduced to take account of the benefits that commenced in 2006 and 2022 using the standard calculation method. *No calculations are required.* **(4)**

(b) Explain, giving your reasons, why Helina would be advised to request a Transitional tax-free amount certificate. *No calculations are required.* **(2)**

2. Rajesh, aged 50, is employed as a marketing manager for a privately owned company. He is a member of his workplace group personal pension plan (GPP) which started on 15 October 1998. Additionally, he has a personal pension plan (PPP) which started on 1 March 2003 and a self-invested personal pension plan (SIPP) which started on 10 July 2022. Rajesh is in the process of transferring his PPP and his SIPP to his GPP to simplify his pension holdings as part of a retirement planning exercise, with the hope of retiring at age 55.

The normal minimum pension age will increase to 57 from 6 April 2028. Transitional protections will be put in place for individuals who had an existing right to take benefits earlier than age 57.

Explain in detail, what transitional protections may apply to Rajesh in this respect. **(7)**

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX

3. Sally, aged 74, has been informed in writing by her GP that she has a life expectancy of less than one year. Sally has a self-invested personal pension plan (SIPP) currently worth £650,000, from which she withdrew a £20,000 pension commencement lump sum (PCLS) at age 70 when it was worth £500,000. She has made no other withdrawals from the SIPP. Sally also has an uncrystallised personal pension plan (PPP) worth £100,000.

Outline the factors you would consider in advising Sally on whether or not to take a serious ill-health lump sum from the SIPP, including any tax implications before or after age 75. **(10)**

4. When advising on a retirement income strategy, it is important to consider tax.

(a) Outline the Income Tax treatment of death benefits payable from an uncrystallised personal pension plan. **(7)**

(b) Outline **three** scenarios where Inheritance Tax may apply to pension death benefits should death occur in the 2025/2026 tax year. **(3)**

5. State **four** benefits and **four** drawbacks of using a fixed term annuity with maturity value as part of a phased retirement strategy instead of a lifetime annuity. **(8)**

6. Hari, aged 62, is divorced and has a son aged 26, who is financially independent. Hari is employed on a salary of £24,000 per annum. He intends to retire when he reaches his State Pension age of 67 when he will be entitled to an estimated State Pension of £11,500 per annum. Hari anticipates requiring a net income of £20,000 per annum throughout his retirement and does not have any immediate planned capital expenditure.

Hari has deferred benefits in a defined benefit pension scheme. He will be entitled to a scheme pension of £12,240 per annum, plus a pension commencement lump sum (PCLS) of £59,600 at the scheme's normal pension age of 65. Alternatively, he has been offered a cash equivalent transfer value (CETV) of £330,000.

Outline the factors you would take into account when advising on whether Hari should accept the CETV and utilise flexi-access drawdown rather than take the scheme pension and PCLS offered by the scheme. **(11)**

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX

7. Priti, aged 60, is employed. She would like to lend her niece £50,000 for her to use as a house deposit. Priti is considering taking an uncrystallised funds pension lump sum (UFPLS) from a personal pension plan valued at £120,000 to make this loan.

Outline the factors that you would consider when advising Priti on whether she should take this course of action. **(11)**

8. The Financial Conduct Authority (FCA) requires pension providers to encourage individuals to shop around when looking to buy a lifetime annuity. These requirements include measures in relation to quote comparison templates.

Outline briefly these measures. **(5)**

9. Heidi, aged 62, has a personal pension plan (PPP). She is single and has a son who is financially dependent and a daughter who is financially independent.

Explain the reasons why it is advisable for Heidi to complete a death benefit nomination for her pension. **(6)**

10. Carol, aged 61, has been informed that her State Pension will start when she is 67. She has lived in the UK her whole life but is now considering moving to New Zealand to be closer to her sister.

(a) Explain briefly how a State Pension forecast will help her in determining how much her State Pension will be when she reaches State Pension age. **(5)**

(b) Outline how Carol's State Pension would be impacted in terms of tax and pension increases, if she were to move permanently to New Zealand and become a non-UK resident. **(3)**

11. Arabella, aged 70, is in excellent health. She retired in July 2025 and has a portfolio of flexi-access drawdown pensions and investment ISAs, valued at £375,000. She is currently drawing £26,000 per annum from the portfolio to fund her retirement. Arabella is seeking advice on how long her portfolio will last.

Describe to Arabella the **four** key risks she is subject to in respect of her withdrawals. **(8)**

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX

12. Rolf, aged 66, has a personal pension plan (PPP) which started in 1995. He no longer contributes to this plan and wants to transfer it to his workplace group personal pension plan (GPP) in advance of his retirement in three months' time. Both plans are uncrystallised.

State the additional information Rolf's financial adviser will require from each of the schemes to assess the appropriateness of the transfer. **(11)**

13. **(a)** Explain the purpose of creating a lifetime cashflow model as part of a retirement planning exercise. **(5)**

(b) State **six** stress tests that should be undertaken as part of an annual review of a cashflow modelling exercise. **(6)**

14. The Money and Pensions Service (MaPS) through Pension Wise provides guidance to individuals aged 50 or over who are considering accessing their defined contribution pension benefits. Pension Wise offers guidance not regulated financial advice.

State **four** benefits and **four** drawbacks of guidance. **(8)**

15. Gerard is currently drawing an income from his flexi-access drawdown plan (FAD) using a performance driven withdrawal strategy.

Outline the factors that should be taken into account when carrying out an annual review of his FAD. **(10)**

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)
- In both cases the LSA is reduced.

Before 6 April 2006:
- By the pension (£4,600) multiplied by 25 (£115,000).

1 September 2022:
- Plus the amount crystallised (£26,500/0.25).
- Both amounts are then divided by the LTA at the time (£1,073,100);
- and multiplied by 25%

(b)
- The total amount of PCLS (£44,950) is less than the standard calculation assumes/ The standard calculation overstates the PCLS taken.
- The result will be a higher available LSA (£268,275 minus £44,950.

Model answer for Question 2

- The increase to age 57 will not apply where on or before 4 November 2021 (scheme rules 11 February 2021);
- Rajesh had an unqualified right to take benefits at an earlier age / before age 57.
- The increase to age 57 will therefore not apply to his group personal pension (GPP);
- or personal pension plan (PPP).
- Which means he can transfer it into the GPP and take the transferred benefits at the age of 55.
- A minimum pension age of 57 will apply / protection will not apply to his SIPP.
- Which means if he transfers the SIPP into the GPP the amount transferred will only be able to be taken from the age of 57.

Model answer for Question 3

Candidates would have gained full marks for any ten of the following:

- Cannot be paid from the part of the SIPP that is crystallised.
- A serious ill-health lump sum can be paid from the PPP (because it is uncrystallised).
- In order to take the lump sum, it would need to fully extinguish uncrystallised rights.
- The scheme rules must allow it.
- Does she need the cash now/ other assets/ tax position.
- If a lump sum is taken and not spent, IHT may be payable/ If not taken money in pension is IHT free until 6 April 2027/ IHT position.

Before 75:

- If taken before age 75 it would be free of income tax;
- if within LSDBA / she must have sufficient LSDBA remaining.
- If not taken and she dies before age 75, benefits would pass to beneficiaries free of income tax.

After age 75:

- If taken after age 75 it would be taxable at her marginal rate of income tax.
- It will not reduce the LSDBA / it is not tested against her LSDBA after age 75.
- If not taken and she dies after age 75, benefits would be subject to income tax at beneficiaries' marginal rate of income tax.

Model answer for Question 4

(a)

- Tax free;
- before age 75;
- if paid within two-year window;
- and within the LSDBA (for lump sum death benefits only).
- Otherwise taxable;
- as beneficiary's income through Pay As You Earn (PAYE) / at marginal rate.
- Taxable (in the same way) if death after age 75.

(b) *Candidates would have gained full marks for any three of the following:*

- Pension scheme trustees / administrators have no discretion over the payment of death benefits (e.g. Bare trust/absolute).
- Member in poor health reduces income from flexi-access drawdown (FAD) (to improve death benefits).*
- Member in poor health transfers to improve death benefits.*
- Benefits paid to a beneficiaries' estate and subsequently liable to IHT.

*And death occurs within two years of transfer.

Model answer for Question 5

Benefits:
- Guaranteed income for a specific period / not committing to income for life / defer decision on remaining pot value.
- Maturity value is guaranteed / certainty of how much will be left at end of fixed term / greater death benefits (due to maturity value).
- Flexibility to choose another fixed term / lifetime annuity / enter FAD / UFPLS.
- Annuity rates may be higher in future / may benefit from enhanced annuity in future.

Drawbacks:
- Must be reviewed / choice must be made at end of fixed term / advice costs / not for life.
- No mortality cross-subsidy / limited death benefits.
- Annuity rates may be lower due to the guaranteed maturity value / expensive.
- Annuity rates may be worse in future.

Model answer for Question 6

Candidates would have gained full marks for any eleven of the following:
- Health / longevity.
- He has no dependants to benefit from the scheme pension / his son can be a nominee in respect of FAD benefits if transferred / importance of death benefits.
- Other assets / future inheritances.
- He has no immediate planned capital expenditure / no apparent need for PCLS.
- His income needs will be met (after 67).
- With FAD he can vary income to meet requirements / feelings towards guaranteed income.
- Attitude to risk / capacity for loss / investment experience.
- Attitude to transfer risk.
- Complexity of FAD / ongoing reviews required / charges / advice fees.
- Indexation of scheme pension/ views on inflation.
- Solvency of scheme.
- Annuity rates.

Model answer for Question 7

Candidates would have gained full marks for any eleven of the following:

- 25% is tax free / 75% is taxable at marginal rate.
- Impact on retirement plans / income / other retirement income sources / state pension / expected inheritances / Priti’s capacity for loss.
- Alternative non-pension methods of raising capital (loan / equity release / niece’s assets).
- State of health.
- Planned retirement date / term of loan.
- Income / tax status.
- UFPLS subject to month 1 taxation / tax will need to be reclaimed.
- Triggers Money purchase annual allowance (MPAA) / loses carry forward / current or future pension contributions.
- Interest rate on loan / loss of growth.
- Niece’s affordability / ability to repay the loan / implications if niece dies before loan repaid.
- Pension outside of estate (until April 2027) / loan will form part of estate.
- Adviser fees / cost of setting up UFPLS / availability of UFPLS.

Model answer for Question 8

- It must show rates on a like-for-like basis/ standard terms/ open market.
- If the provider offers the best annuity rate it should highlight this;
- or indicate that a higher rate could be obtained elsewhere;
- or state that a comparison cannot be made;
- as consent to use their personal data has not been given.

Model answer for Question 9

- The scheme administrator still has discretion who to pay benefits to;
- but it will mean she can outline her wishes for payment.
- Without a nomination form, the scheme administrator can only nominate the son to receive an income (because he is a dependant).
- Without a nomination form, the scheme administrator can nominate the daughter to receive a lump sum only (because she is not a dependant).
- Having a nomination form does not require probate;
- and speeds up payment to beneficiaries.

Model answer for Question 10

(a) The forecast will show:

- her current number of qualifying years / any gap in NI record / level of NICs;
- current State Pension entitlement;
- State Pension entitlement at State Pension age (assuming NICs continue);
- information on how benefits can be improved / deferred;
- contracting out pension equivalent (COPE) estimate / COPE / the (level of) pension she would have received if she had not contracted out.

(b)

- She will not receive any increases / (the increases will be paid if she moves back to the UK).
- She will not have to pay UK tax;
- but may have to pay tax in New Zealand.

Model answer for Question 11

- Longevity risk;
- is the risk of living longer than anticipated / outliving pension pot.
- Investment / market risk;
- is the risk of poor performance / investment loss.
- Inflation / economic risk;
- is the risk of investment growth being less than inflation / loss of purchasing power.
- Sequencing risk;
- is the risk that comes from the order in which investment returns occur / risk of withdrawals in a declining market.

Model answer for Question 12

Both schemes:

- Available fund options.
- Values / Performance / bonus rates.
- Ongoing / fund costs/ charges.
- Retirement/flexible options available.
- Death benefits.
- Any LTA protection / TTFAC.
- Funds invested in / asset allocation / financial strength of provider.

PPP:

- Costs / penalties to transfer / market value reduction (MVR).
- Guaranteed annuity rates (GARs) / guarantees / protected pension age.
- Does it allow partial transfers.

GPP:

- Does it allow transfers in.

Model answer for Question 13

(a)

- Visualise future income / capital needs and expenditure;
- using income / capital from all sources / holistic approach.
- Shows how realistic goals are / identifies any shortfalls / risk of running out of money.
- Demonstrates effects of assumptions (growth / inflation).
- Allows stress testing.

(b)

- Loss of an asset / stock market crash / death of partner.
- Future investment returns are lower than expected.
- Income needs increase more than expected / long term care needs in future.
- Living longer than expected.
- Future inflation is higher than assumed.
- A large unexpected / ad hoc capital withdrawal is needed.

Model answer for Question 14

Candidates would have gained full marks for any eight of the following:

Benefits

Candidates would have gained full marks for any four of the following:

- It is impartial.
- It covers the available options / benefits and drawbacks of different options / products / consequences / taxation / can make informed decisions.
- Provides clear next steps / signposting to further information / advice / helps to avoid scams.
- Provides a record / report which can be referred back to.
- It is free / no fee.

Drawbacks

- No specific / personalised recommendations made / it is not regulated advice.
- There are no protections as there are with regulated advice / no FSCS protection / no FOS / Pensions Ombudsman.
- It only covers pensions / doesn't look at broader needs / needs may be more complex.
- Individuals are responsible for their own decisions / choices / one-off/does not provide ongoing service.

Model answer for Question 15

Candidates would have gained full marks for any ten of the following:

- Previous year’s investment performance / need for rebalancing / value / asset allocation.
- Was performance sufficient to provide required income;
- if not, capital erosion will occur for amount taken in excess of growth.
- Income / capital required.
- Change in attitude to risk / capacity for loss.
- Changes in legislation / taxation / regulation.
- Economic / market conditions / new products / inflation.
- Whether annuity required / continued suitability of flexi-access drawdown (FAD) / annuity rates.
- State Pension / other income / other assets / inheritances / downsizing / liabilities / tax position.
- Change in circumstances / health / death benefits.
- Charges.

Glossary of terms

Some abbreviations candidates can use in online written exams:

1. ATR – Attitude to risk
2. BRT – Basic rate taxpayer
3. BIK – Benefit in kind
4. BCE – Benefit crystallisation event
5. CLT – Chargeable lifetime transfer
6. CFL – Capacity for loss
7. CGT – Capital Gains Tax
8. CPI – Consumer Prices Index
9. DOV – Deed of variation
10. DIS – Death-in-Service
11. DFM – Discretionary Fund Manager
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. GAD – Governments Actuary's Department
21. HRT – Higher rate taxpayer
22. IHT – Inheritance Tax
23. IT – Income Tax
24. IVA – Individual Voluntary Arrangement
25. LPA – Lasting power of attorney
26. LTA – Lifetime allowance
27. MaPS – Money and Pension Service
28. MVR – Market value reduction
29. MPAA – Money purchase annual allowance
30. NICs – National Insurance contributions
31. NPA – Normal pension age
32. NRA – Normal retirement age
33. NRB – Nil rate band
34. OPG – Office of the Public Guardian
35. OEIC – Open ended investment company
36. PAYE – Pay As you Earn
37. PPF – Pension Protection Fund
38. PPP – Personal pension plan
39. PCLS – Pension commencement lump sum
40. PA – Personal allowance
41. PSA – Personal savings allowance
42. RAC – Retirement annuity contract
43. RNRB – Residence nil rate band
44. RPI – Retail Price Index
45. SIPP – Self-invested personal pension plan
46. SEIS – Seed Enterprise Investment Scheme
47. SPA – State Pension age
48. TPAS – The Pensions Advisory Service
49. UFPLS – Uncrystallised funds pension lump sum
50. VCT – Venture capital trust

September 2025 Exam - J05 Pension income options		
Question No.	**Syllabus learning outcomes being examined**	
1.	1.1 1.4	Lifetime allowance (LTA) abolishment, valuation factors, transitional reliefs; Relevant benefit crystallisation events (RBCEs), including valuations and calculations;
2.	1.2	Pension age, including the minimum pension age, contractual and protected retirement ages;
3.	1.6	Requirements for drawing benefits on the grounds of ill health health and interaction with the Lump Sum and Death Benefit Allowance (LSDBA);
4.	2.3/ 3.3/ 4.3	The benefits payable on death and their tax treatment, including the Lump Sum and Death Benefit Allowance (LSDBA).
5.	2.2 3.1 7.6	Annuities: annuity market and types of annuities, including conventional, flexible, investment linked, enhanced and impaired life; Definition, HMRC requirements, and main features, including capped drawdown, flexi-access drawdown (FAD), short-term annuities, and the risks of nonannuity pension options; Identifying the annuity options which may be suitable for the client;
6.	4.1	Phasing retirement using secure and flexible options, including flexi-access drawdown, capped drawdown, uncrystallised funds pension lump sum (UFPLS), including the Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA) and annuities;
7.	4.1 7.4	Phasing retirement using secure and flexible options, including flexi-access drawdown, capped drawdown, uncrystallised funds pension lump sum (UFPLS), including the Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA) and annuities; The choice between the different methods for drawing a pension income and/or lump sum and the Income Tax planning considerations (both State and private);
8.	2.2 5.1	Annuities: annuity market and types of annuities, including conventional, flexible, investment linked, enhanced and impaired life; FCA – Conduct of Business Sourcebook (COBS), including pensions guidance, retirement risk warnings, illustrations and investment pathways;
9.	5.2	Money and Pension Service guidance body, including Pension Wise and the guidance guarantee;
10.	6.1 6.3 6.7	The new State Pension: calculating the foundation amount, eligibility through National Insurance contributions and credits, amounts payable and annual increases; State Pension age (SPA): equalisation of male and female ages and subsequent increases to SPA; Payment of State retirement benefits to pensioners living overseas;
11.	7.1	The importance of establishing a client's personal and financial circumstances and requirements including, attitude to investment risk, capacity for loss, longevity including life expectancy probability and investment strategies in retirement;

12.	7.2	The factors that should be considered when advising on the suitability or otherwise of a transfer out of a defined benefit scheme at the point of retirement including: Personal recommendation; Appropriate Pension Transfer Analysis (APTA) & Transfer Value Comparator (TVC); Attitude to transfer risk; Safeguarded and non safeguarded benefits, including money purchase AVCs;
	7.3	The factors that should be considered when advising on the suitability or otherwise of a transfer between money purchase arrangements, including: Guaranteed annuity rates (GAR); Protected tax free cash; Flexibility options within the contracts; Investment choices, including discretionary fund managers;
13.	7.5	The importance of cashflow modelling, including stress testing, life expectancy, sequencing risk and the safe withdrawal rate;
14.	7.7	Intergenerational planning: nominations, Inheritance Tax planning, spousal bypass trusts;
15.	7.10	The factors to be taken into account during annual reviews.

All questions in the March 2026 paper will be based on English law and practice applicable in the tax year 2025/2026, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the September 2025 and March 2026 exams.

INCOME TAX

RATES OF TAX	2024/2025	2025/2026
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	£125,140	£125,140
High income child benefit charge: 1% of benefit per £200 of adjusted net income between £60,000 – £80,000		

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

	2024/2025	2025/2026
Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend allowance	£500	£500
Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Trusts		
Income exemption up to**	£500	£500
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

*** Where net income exceeds £500, the full amount is subject to Income Tax. Further, the £500 may need to be divided between other trusts in existence.*

MAIN PERSONAL ALLOWANCES AND RELIEFS	2024/2025	2025/2026
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£4,280	£4,360
Married/civil partners at 10% †	£11,080	£11,270
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance†	£37,000	£37,700
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£3,070	£3,130
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 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. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,700 (£37,000 for 24/25) until minimum reached.
**** Investment above £1,000,000 must be in knowledge-intensive companies.*

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£125
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	8%
Above 967.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £125 per week. This £125 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 £96.00**	Nil***
Over £96.00	15%

***Secondary threshold.*

****No employer NICs on the first £967 pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481 pw for employees at freeports and investment zones in Great Britain in the first 36 months of employment*

Employment allowance £10,500 Per business – not available if sole employee is a director

CLASS 2 (self-employed) *	
Flat rate per week	£3,50
Small profits threshold per year	£6,845

Class 2 contributions are credited automatically where profits equal or exceed £6,845 per annum.
Class 2 contributions can be made voluntarily where profits are below £6,845 per annum.

Class 3 (voluntary)	Flat rate per week £17.75.
Class 4 (self-employed)	6% on profits between £12,570 and up to £50,270. 2% on profits above £50,270.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
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 – 2023/2024*	£1,073,100

**Lifetime allowance abolished from 6 April 2024.*

	2024/2025	2025/2026
Lump sum and death benefit allowance (LSDBA)	£1,073,100	£1,073,100
Lump sum allowance (LSA)	£268,275	£268,275

LSA and LSDBA may be higher if transitional protections are available.
Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.

Money purchase annual allowance	£10,000	£10,000

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**
2024/2025	£60,000**
2025/2026	£60,000**

**Between 2016/17 and 2019/20 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £150,000 to a minimum of £10,000 where 'threshold income' is over £110,000.*

**Between 2020/21 and 2022/23 the annual allowance is reduced 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.*

***From 2023/24 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.*

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

ANNUAL EXEMPTIONS	2024/2025		2025/2026
Individuals, estates etc	£3,000		£3,000
Trusts generally	£1,500		£1,500
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000		£6,000
TAX RATES	**Pre 30/10/2024**	**Post**	**2025/2026**
Individuals:			
Up to basic rate limit	10%	18%	18%
Above basic rate limit	20%	24%	24%
Surcharge for residential property - Basic Rate	8%	n/a	0%
Higher Rate	4%	n/a	n/a
Surcharge for carried interest**	8%	4%	**32%
Trustees and Personal Representatives:			
Residential property	24%	24%	24%
Other chargeable assets	20%	24%	24%
Business Asset Disposal Relief*	10%		14%
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.*

*** For 25/26, rate for carried interest for all tax bands is 32%*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2024/2025	2025/2026
Transfers made on death		
- Up to £325,000 (nil-rate band)	Nil	Nil
- Excess over £325,000	40%	40%
- Reduced rate (where appropriate charitable contributions are made)	36%	36%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

MAIN EXEMPTION		
Transfers to		
- Long-term UK resident spouse/civil partner	No limit	No limit
- Spouse/civil partner who is not a long-term UK resident (from long-term UK resident spouse/ civil partner)	£325,000	£325,000
- UK-registered charities	No limit	No limit
- Residence nil rate band*	£175,000	£175,000

**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
- Annual small gifts exemption per donor	£250	£250

Gifts from surplus income are immediately exempt, as long as they are made from income, are made regularly and do not impact donor's standard of living.

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 made in excess of the nil rate band 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%

MAIN SOCIAL SECURITY BENEFITS

		2024/2025 £ (per week)	2025/2026 £ (per week)
Child Benefit	First child	25.60	26.05
	Subsequent children	16.95	17.25
	Guardian’s allowance	21.75	22.10
Employment and Support Allowance	Assessment Phase Age 16 - 24	Up to 71.70	Up to 72.90
	Aged 25 or over	Up to 90.50	Up to 92.05
	Main Phase Work-related Activity Group	Up to 126.45	Up to 128.60
	Support Group	Up to 138.20	Up to 140.55
Attendance Allowance	Lower rate	72.65	73.90
	Higher rate	108.55	110.40
Basic State Pension	Category A full rate	169.50	176.45
	Category B (lower) full rate	101.55	105.70
New State Pension	Full rate	221.20	230.25
Pension Credit	Standard minimum guarantee - single	218.15	227.10
	Standard minimum guarantee - couple	332.95	346.60
	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	71.70	72.90
	Age 25 or over	90.50	92.05
Statutory Maternity, Paternity and Adoption Pay		184.03	187.18

CORPORATION TAX

	2024/2025	2025/2026
Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%

Companies with profits between £50,000 and £250,000 will pay tax at the effective rate of 26.5%. This provides a gradual increase in the effective Corporation Tax rate.

VALUE ADDED TAX

	2024/2025	2025/2026
Standard rate	20%	20%
Annual registration threshold	£90,000	£90,000
Deregistration threshold	£88,000	£88,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£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 follows:

- *First-time buyers benefit from SDLT relief on first £300,000 for properties up to £500,000 when purchasing their mainresidence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,001 and £500,000, a flat rate of 5% is charged on the balance above £300,000.*
- *Additional SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *Additional SDLT of 2% may apply to purchases by non-UK residents over £40,000.*
- *SDLT may be charged at 17% on interests in residential properties 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%