

Chartered
Insurance
Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

March 2026 Exam Guide

SPECIAL NOTICES

Candidates entered for the September 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.

AF7 – Pension Transfers

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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 Advanced Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Diploma 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 in two sections.
- All questions are compulsory.
- **Section A** consists of 30 marks.
- **Section B** consists of two case studies worth a total of 70 marks.
- You will be expected to carry out a variety of tasks, after analysing the information provided.
- Each question part will clearly show the maximum marks which can be earned.

You can also access previous exam papers and test specifications [here](#).

Appreciate the standard of the exam

Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

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.

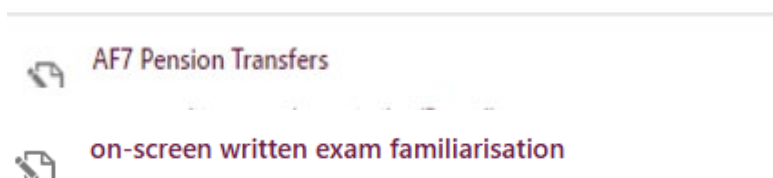
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

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 AF7 exam, upon accessing the platform, you will need to click on **AF7 Pension transfers** to start the exam:



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: **AF7 Pension transfers**.

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 (i), the answer you have given is more appropriate to part (ii) 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 are not 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.

EXAMINERS' COMMENTS

Candidates' overall performance:

During the marking process, the standard of candidate for this paper felt less prepared than previous sittings, particularly on questions that have been tested before (some of them several times).

That said, there was no discernible evidence from the overall scores or wider statistics to suggest that this cohort of candidates was less prepared than previous cohorts.

Senior examiner comments per question:

Question 1

Those who interpreted the question correctly gained high marks, but the candidates that didn't understand that we were asking for items 'in addition to the Statement of Entitlement' tended not to perform well, as they simply listed things that would be included within a Statement of Entitlement.

Question 2

Some good answers, but very few candidates achieved maximum marks. Average scores were broadly in line with past performance where this syllabus area has been tested before.

Question 3

This question was not well answered by the majority of candidates. Candidates tended to answer this based on 'generic' Financial Conduct Authority (FCA) expectations for a transfer of safeguarded benefits as opposed to the specific expectations of the FCA when advising a self-investor. The handful of candidates who did understand what was being tested performed reasonably well, but overall, knowledge in this area was not well demonstrated. This area is covered in the 2025/2026 study text under Chapter 1, section C9 (page 1/45), so a well-prepared candidate ought to have gained high marks on this question.

Question 4

Reasonably well answered by the majority of candidates, especially where they stuck to the brief for the question. Some strayed off into more general information that would be relevant to the transfer advice as opposed to information specific to the unsecured loan, and as a result, they didn't gain high marks because they went off on a tangent.

Question 5

The majority of candidates performed very well on this question with a high proportion of maximum marks. Where marks were missed, there was no particular pattern in terms of the answers that candidates failed to cover.

Question 6

Although maximum marks were not achieved on this question by any of the candidates, the average marks were above pass standard. Some candidates misread the question and started to state the additional information they would want to know as opposed to basing their answers on the information already provided in the case study. Bullet point 2 in the model answers was the most commonly missed of the available marks.

Question 7

Many candidates gained high marks on this question but very few gained maximum marks as there seemed to be a lack of understanding amongst some candidates as to how the lump sum and death benefit allowance (LSDBA) works (i.e. it only applies to death benefits paid as a lump sum). Also, the fact that the 2-year window does not apply to crystallised funds was missed by a high proportion of candidates who still made reference to it.

Question 8

Many candidates did not perform well in this question, which was surprising given that this has been tested before. It is possible that the second aspect to the question (in terms of how to fund the class 3 National Insurance contributions) moved candidate focus away from the core aspect of the question.

Question 9

Generally, well answered by the majority of candidates. Bullet points 2, 4 and 5 in the model answers were the marks that most candidates tended not to cover.

Question 10

Many candidates performed well in this question, with some very high (close to maximum) marks. Bullet point 4 was the mark which most candidates failed to cover but other than that, there was no discernible patterns to the marks that were missed.

Question 11

This question was reasonably well answered by the majority of candidates.

Question 12

Few candidates gained high marks in this question. Many candidates stated, 'Attitude to Risk', 'Capacity for Loss' and 'Investment Experience' without referencing the known circumstances from the case study in terms of these areas.

Unit AF7 – Pension transfers**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 carries a total of 100 marks as follows:
- Section A: 30 marks
- Section B: 70 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.**
- Supplementary information is also included at the end of the tax tables on the right-hand side of the interface.
- 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.

SECTION A

The following questions are compulsory and carry a total of 30 marks

ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

1. A deferred member of a defined benefit pension scheme has requested a cash equivalent transfer value (CETV).

State the information the scheme trustees must provide in addition to the statement of entitlement.

(5)

2. Pippa, aged 57, is single. She was a member of a former employer's defined benefit pension scheme between 1992 and 2001. Pippa has received a statement of entitlement that shows part of her scheme benefits are made up of a guaranteed minimum pension (GMP).

Outline the information you would consider, in respect of the GMP benefits, when evaluating a potential transfer of the cash equivalent value to a personal pension plan.

(10)

3. Outline the expectations the Financial Conduct Authority (FCA) has of a firm when advising a self-investor about a possible defined benefit pension transfer.

(8)

4. Nikhil, aged 56, is considering transferring the value of his deferred benefits in a former employer's defined benefit pension scheme to a personal pension plan to access them flexibly to repay an unsecured loan.

State the information an adviser should obtain in respect of the unsecured loan as part of the advice process.

(7)

Total marks available for this question: 30

SECTION B

All questions in this section are compulsory and carry an overall total of 70 marks

Case study 1

Read carefully all information provided in the case study before attempting the questions. Your answers should consider the client's circumstances as set out in the case study.

Magda, who retired 5 years ago, will reach her State Pension Age in July 2026. She currently lives in rented accommodation but has plans to buy a flat for £120,000.

Magda is a widow and is in receipt of a spouse's pension from her late wife's defined benefit pension scheme of £15,000 gross per annum, increasing at CPI capped at 5%. She also has deferred benefits in her former employer's defined benefit pension scheme, which offers the following benefits:

Pension at normal pension age of 65	£19,400
Pension commencement lump sum paid in addition	£70,000
Escalation in payment	CPI capped at 5%
Cash equivalent transfer value (CETV)	£530,000

She has an investment portfolio valued at £64,000 which is invested in line with her cautious attitude to investment risk. She also has £20,000 in a cash ISA acting as an emergency fund.

Her State Pension forecast shows a pension of £9,800 per annum. She is considering topping this up by paying Class 3 National Insurance (NI) contributions to fill in the gaps in her NI record.

Magda, who does not have any children, plans to leave her estate to her niece on her death.

ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX**Questions**

5. State the additional information that you would require from Magda, before making a personal recommendation as to whether she should accept the cash equivalent transfer value (CETV) from her defined benefit pension scheme. (8)
6. Explain, based on the information provided in the case study, the factors you would consider when making a recommendation on the potential transfer of Magda's benefits within the defined benefit pension scheme. (8)
7. State the potential death benefit options and their income tax treatment, if Magda were to transfer the benefits of her defined benefit pension scheme to a personal pension plan and immediately take the pension commencement lump sum (PCLS) in full. (8)
8. List **nine** factors you would consider when making a recommendation to top up Magda's State Pension by paying Class 3 NI contributions, and whether this should be funded from her savings and investments or the crystallised portion of her transferred funds. (9)

Total marks available for this question: 33

Case study 2

Read carefully all information provided in the case study before attempting the questions. Your answers should consider the clients’ circumstances as set out in the case study.

Sam is aged 62 and his wife Catherine will be 60 in two months’ time, at which point they both intend to fully retire and travel extensively for the first few years of their retirement. They have two financially independent children and a grandchild, aged 9. They are both in good health but do have concerns over the cost of any care they may require in later life.

Sam and Catherine each have ISAs valued at £172,000, invested in line with their balanced attitude to investment risk. They also have a jointly held general investment account valued at £367,000 which they use to fund maximum contributions to their ISAs each year. This is invested in a multi-asset fund. Sam has a self-invested personal pension plan (SIPP) valued at £150,000 and Catherine has a workplace pension valued at £62,000. In addition to this, they have £85,000 in cash savings. They have no liabilities and own their own home, valued at £740,000.

They both have preserved benefits accrued under defined benefit pension schemes. Their benefits are summarised as follows:

Owner	Sam’s benefits	Catherine’s benefits
Employer	Brocken Ltd	Ellesmeer Ltd
Normal retirement age (NRA)	65	60
Scheme pension at NRA	£28,400 per annum	£52,500 per annum
Escalation in payment	Statutory	Fixed 5% per annum
Early retirement	From age 60, subject to trustee consent and an actuarial reduction of 5% per annum	From age 55, with an actuarial reduction of 6% per annum
Spouse’s pension	50% of member’s pre-commutation pension	Two-thirds of member’s pre-commutation pension
Commutation factor	21:1	14:1
Cash equivalent transfer value (CETV)	£426,000	£1,020,000

Sam and Catherine need a guaranteed net income of £48,000 per annum to cover their essential expenditure. They would like this income to increase with inflation and anticipate their essential income needs will reduce by one third upon first death. They have no capital requirements other than a need for around £50,000 per annum for each of the next three years to cover their holiday and travel plans in the early years of retirement. Their longer-term discretionary expenditure is expected to be around £20,000 per annum.

They will both receive full State Pension at age 67.

They wish to ensure that the surviving spouse has sufficient, guaranteed income on first death. On second death the estate will be split equally between their two children.

ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX**Questions**

9. As part of the transfer advice process a cash flow forecast has been prepared for Sam and Catherine.
- Explain the benefits of including cash flow modelling as part of the advice process. **(10)**
10. You have recommended that Catherine commences her defined benefit pension scheme without commutation, and that Sam transfers his benefits in the Brocken Ltd scheme to his SIPP.
- Explain why you have made these recommendations, based on the information in the case study. **(12)**
11. Outline the factors you have considered in determining that Sam and Catherine have sufficient capacity for loss to transfer Sam's benefits in the Brocken Ltd scheme, based on the information in the case study. **(8)**
12. Sam has accepted your recommendation to transfer his benefits in the Brocken Ltd scheme into his existing SIPP.
- State the factors you would take into account when recommending a suitable ongoing investment strategy following the receipt of the transferred funds. **(7)**

Total marks available for this question: 37

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

- Whether cash equivalent transfer value (CETV) has been reduced/ enhanced/ inducements offered.
- Information about potential pension scams.
- Information about where members can obtain guidance/ advice.
- Confirmation (whether or not appropriate independent) advice is required.
- Time limits applicable for transfer request/ guarantee date.

Model answer for Question 2

- What method of revaluation applies?/ does fixed revaluation/ S148 apply?/ fixed revaluation at 6.25%.
- The age from which guaranteed minimum pension (GMP) will be paid/ paid from age 60.
- Whether a bridging pension is payable.
- (Post 88 GMP) must increase by a minimum of Consumer Prices Index (CPI) capped at 3%.
- Spouse's pension (of at least 50%) is included/ not needed.
- Whether GMP benefits have been reconciled/ equalised.
- How much of the deferred benefit/ CETV is made up of GMP?/ What is the value of the GMP.
- GMP cannot provide pension commencement lump sum (PCLS).
- Are partial transfers allowed/ can she leave GMP and transfer the rest.
- GMP is lost on transfer.

Model answer for Question 3

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

- The firm must have full details of the charges in the receiving scheme;
- and the long-term investment strategy;
- and expected returns;
- and take these into account when carrying out the Appropriate Pension Transfer Analysis (APTA).
- Where any of this information is not available the firm should not advise on the transfer.
- Where the transfer is unsuitable only because of the receiving contract/ intended investment strategy;
- The adviser must explain that the transfer may be suitable if the contract/ investment strategy is amended.
- If the adviser gives advice on how to amend these to make the advice suitable it is likely that this will be seen as providing investment advice.
- Where the firm believe the self-investor is an amateur;
- they can still advise them;
- but should consider the extent to which this influences their personal recommendation to keep or give up safeguarded benefits.

Model answer for Question 4

- How the debt has arisen (i.e. are they habitual over spenders).
- Who is legally responsible for the debt (client solely or is it joint with a partner etc).
- Amount outstanding.
- End date for repayment and can this be extended.
- How much are the repayments/ frequency.
- Interest rate.
- Any early repayment fees.

Case Study 1**Model answer for Question 5**

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

- Income needs/ expenditure (in retirement);
- split between essential, lifestyle and discretionary spending.
- Additional capital needs/ existing debts.
- How important is inflation protection to her.
- Willingness/ ability to obtain mortgage to help fund flat purchase.
- Desire for secure income/ flexibility.
- Health/ life expectancy.
- Understanding of (transfer) risk/ attitude to transfer risk (ATTR).
- Any expected inheritances/ lump sums/ downsizing.

Model answer for Question 6

- Attitude to risk (ATR) is not in line with a transfer/ more suited to secure income.
- If no transfer and flat purchased from capital plus DB PCLS very little emergency fund will remain.
- If transferred the PCLS would be sufficient to buy the flat outright.
- She already has secure income from spouse's pension and state pension;
- which increases with inflation.
- Magda would like her niece to inherit her estate on her death;
- her niece cannot benefit from the secure pension benefits;
- however she can benefit from residual fund following transfer.

Model answer for Question 7

- Lump Sum.
- Nominees.
- (Flexi-Access) Drawdown.
- (Lifetime) Annuity.
- Income paid tax-free if death before age 75.
- Lump sum tax free as will be within lump sum and death benefit allowance (LSDBA).
- Two-year window does not apply (as will be fully crystallised).
- On death from age 75 all benefits taxed under Pay As you Earn (PAYE) (on recipient).

Model answer for Question 8

- She only needs to live around three years to benefit from topping up her State Pension/ break-even around three years.
- Income is secure;
- and increases in line with triple lock/ is inflation proofed;
- in line with her cautious attitude to risk.
- Income will be taxed/ she is already a basic rate taxpayer.
- There are no death benefits from State Pension;
- and she wants to leave a legacy for her niece.
- If she uses savings, it will reduce her emergency fund/ ISA.
- If she uses income, it will be taxed on drawing.

Case Study 2**Model answer for Question 9**

- Demonstrates sustainability of income/ how long their funds will last.
- Based on their planned level of regular withdrawals.
- Easily understood representation of their financial position going forward.
- Uses investment returns specific to them/ based on their ATR;
- and indicates whether those returns will be sufficient to meet their retirement objectives.
- Several scenarios could be modelled bespoke to Sam and Catherine's circumstances;
- including an assessment of their ability to cover any long-term care costs in later life;
- and their financial position after first death.
- These scenarios will be stress tested;
- which could include a market crash/ higher than anticipated inflation/ unexpected expenditure etc.

Model answer for Question 10

Candidates would have scored full marks for any twelve of the following:

- There will be no early reduction in Catherine's DB income as she is at normal retirement age (NRA).
- Catherine's commutation rate is poor;
- but they have no lump sum needs;
- and her good health supports no commutation/ full income.
- They require essential expenditure to be covered by secure income;
- which could largely be met by Catherine's scheme;
- and will be met in full when they reach their State Pension ages.
- ATR supports the transfer;
- and they have capacity for loss.
- They want their essential income to increase with inflation.
- Catherine's scheme provides better inflation protection.
- Secure income remains sufficient upon first death.
- The transfer of Sam's scheme will provide potential legacy;
- and flexible access to funds as required.

Model answer for Question 11

- They have no financial dependants.
- Their essential expenditure in retirement will be largely covered by guaranteed income from Catherine's DB scheme;
- and fully once state pensions are in payment;
- which is inflation proofed.
- On first death there should be sufficient guaranteed income to meet planned expenditure.
- They have substantial liquid assets;
- which can meet their planned capital expenditure.
- They have no outstanding debt.

Model answer for Question 12

Candidates would have scored full marks for any seven of the following:

- They have (good) capacity for loss.
- His balanced attitude to risk.
- They have investment experience based on their current investments.
- Their current asset allocations for other investments.
- Withdrawals required from the self-invested personal pension plan (SIPP).
- The level of investment charges/ value for money.
- Their Environmental, Social and Governance (ESG)/ ethical investment preferences.
- Their views on active/ passive/ discretionary management.

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. CLT – Chargeable Lifetime Transfer
5. CFL – capacity for loss
6. CGT – Capital Gains Tax
7. DOV – Deed of variation
8. DIS – Death-in-Service
9. DFM – Discretionary Fund Manager
10. ESG – Environmental, Social and Governance
11. EPT – Excluded Property Trust
12. EPA – Enduring Power of Attorney
13. ERC – Early repayment charges
14. FAD – flexi access drawdown
15. FSCS – Financial Services Compensation Scheme
16. FOS – Financial Ombudsman Service
17. GAR – guaranteed annuity rate
18. HRT – Higher rate taxpayer
19. IHT – Inheritance Tax
20. IT – Income Tax
21. IVA – Individual Voluntary Arrangement
22. LPA – Lasting Power of Attorney
23. LTA – lifetime allowance
24. MVR – market value reduction
25. MPAA – money purchase annual allowance
26. NICs – National Insurance contributions
27. NPA – Normal pension age
28. NRA – Normal retirement age
29. NRB – nil rate band
30. OPG – Office of the Public Guardian
31. OEIC – open ended investment company
32. PAYE – Pay As you Earn
33. PPP – personal pension plan
34. PCLS – pension commencement lump sum
35. PA – Personal Allowance
36. PSA – Personal Savings Allowance
37. RAC – retirement annuity contract
38. RNRB – residence nil rate band
39. SIPP – self-invested personal pension plan
40. SEIS – Seed Enterprise Investment Scheme
41. UFPLS – uncrystallised fund pension lump sum
42. VCT – Venture Capital Trust

All questions in the September 2026 paper will be based on English law and practice applicable in the tax year 2026/2027, unless stated otherwise and should be answered accordingly.

The Tax Tables and Supplementary Information 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.

Personal savings allowance (for savings income):

Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500

Additional rate taxpayers	Nil	Nil
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Dividend allowance	£500	£500
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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
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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

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 freports 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
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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	Post	2025/2026	
Individuals:	30/10/2024			
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:

	0-3	3-4	4-5	5-6	6-7
- Years before death					
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

	0-1	1-2	2-3	3-4	4-5
- Years since IHT paid					
- Inheritance Tax relief	100%	80%	60%	40%	20%

MAIN SOCIAL SECURITY BENEFITS

		2024/2025	2025/2026
		£ (per week)	£ (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	Up to 71.70	Up to 72.90
	Age 16 - 24		
	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 main residence. 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. The rates 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%

SUPPLEMENTARY INFORMATION PENSION PAPERS – AF7 2025/2026

REVALUATION

Guaranteed Minimum Pension – Fixed rate

Date of leaving service	Fixed rate of revaluation
Before 6 April 1988	8.5%
Between 6 April 1988 and 5 April 1993	7.5%
Between 6 April 1993 and 5 April 1997	7.0%
Between 6 April 1997 and 5 April 2002	6.25%
Between 6 April 2002 and 5 April 2007	4.5%
Between 6 April 2007 and 5 April 2012	4.0%
Between 6 April 2012 and 5 April 2017	4.75%
Between 6 April 2017 and 5 April 2022	3.5%
After 5 April 2022	3.25%

Non GMP benefits – statutory minimum rates

Date of leaving service	Statutory rate of revaluation
Before 1 January 1986	No requirement to revalue benefits
Between 1 January 1986 and 31 December 1990	CPI capped at 5% in respect of non GMP benefits accrued from 1 January 1985
Between 1 January 1991 and 5 April 2009	CPI capped at 5% in respect of all non GMP benefits
After 5 April 2009	CPI capped at 5% in respect of all non GMP benefits accrued before 6 April 2009 CPI capped at 2.5% in respect of all benefits accrued after 5 April 2009

NOTE: Statutory revaluation is based on RPI for revaluation prior to 2011

ESCALATION

Statutory rates of escalation: Member reached State Pension age before 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	Scheme: No requirement to provide any increases in payment State: Fully in line with CPI
GMP: Accrual between 6 April 1988 and 5 April 1997	Scheme: CPI capped at 3% State: Any increases in CPI in excess of 3%
Non GMP: Accrual prior to 6 April 1997	Scheme: No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	Scheme: CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	Scheme: CPI capped at 2.5%

NOTE: Statutory escalation was based on RPI prior to 2011

Statutory rates of escalation: Member reaches State Pension age on or after 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	Scheme: No requirement to provide any increases in payment
GMP: Accrual between 6 April 1988 and 5 April 1997	Scheme: CPI capped at 3%
Non GMP: Accrual prior to 6 April 1997	Scheme: No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	Scheme: CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	Scheme: CPI capped at 2.5%

NOTE: No increase to GMP is made by the State (via the State Pension) for individuals who reach State Pension age on or after 6 April 2016

PENSION PROTECTION FUND

Compensation cap no longer applies following a Court of Appeal ruling in July 2021 that it was unlawful on the grounds of age discrimination.

PPF Compensation:	
Members who have already reached the scheme's normal pension age when the employer suffers an insolvency event	100%
Members who have not reached the scheme's normal pension age when the employer suffers an insolvency event	90%

Revaluation of deferred benefits within PPF

Service	Rate of revaluation
All service before 6 April 2009	CPI capped at 5%
All service after 5 April 2009	CPI capped at 2.5%

Escalation of benefits in payment from PPF

Service	Rate of revaluation
All service before 6 April 1997	No increases
All service after 5 April 1997	CPI capped at 2.5%