Chartered Insurance Institute

J05

Diploma in Financial Planning

Unit J05 – Pension income options

September 2026 Exam Guide

SPECIAL NOTICES

Candidates entered for the February 2027 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

Important guidance for candidates 3

On-screen written exam familiarisation 5

Important information for remote invigilation candidates only 5

On the exam day 7

Examiner comments 9

Question paper 12

Model answers 18

Glossary of terms 24

Test specification 25

Tax tables 27

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.

Published November 2026

Telephone: +44 (0)20 8989 8464

Email: customer.serv@cii.co.uk

Webchat service: Mon-Fri: 8am-4pm (GMT)

Copyright © 2026 The Chartered Insurance Institute. All rights reserved.

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.

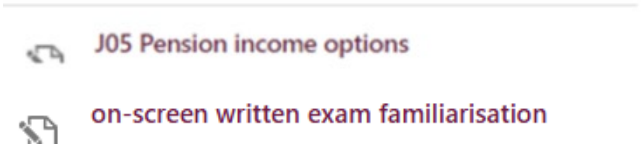
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

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:



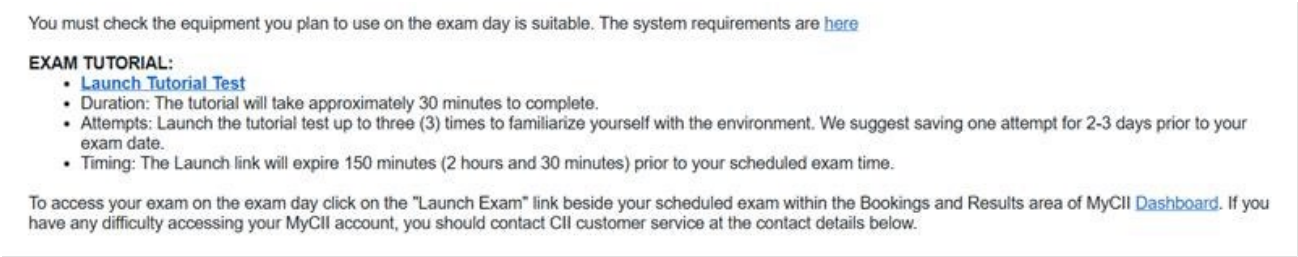
We would recommend that prior to starting the exam, you may wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam.

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, and the interaction with state benefits.

Overall, the majority of candidates did enough to gain high marks, and those who had prepared well for the exam generally performed consistently throughout the paper.

Candidates' performance per question:

Question 1
(a) This question was about capitalising the lumps sums and converting these into a percentage of the lifetime allowance used in June 2019. It was answered well by many candidates. Candidates lost marks where they were unable to articulate how that was applied against the current Lump Sum Allowance (LSA) and multiplied by 25%.

(b) Most candidates correctly identified that the actual pension commencement lump sum (PCLS) taken was less than assumed by the standard calculation thus resulting in a higher available LSA. Candidates did not gain marks where their conclusion relied on the statement that more PCLS would be available – the direct consequence is an increase in LSA not PCLS as even under the standard calculation she would have been able to withdraw the full available PCLS of 25% of her Personal Pension Plan (PPP).

Question 2
This question about transitional protection of the normal minimum pension age was well answered, with most candidates understating the key dates and requirements for scheme rules and scheme membership. Those who did not gain full marks lacked specifics in terms of how a transfer would impact the protected pension age.

Question 3
A typical factors-based question about taking an Uncrystallised Fund Pension Lump Sum (UFPLS), which was answered well by most candidates.

Question 4
(a) Cashflow modelling is widely used in retirement planning strategies and conversations and so it was reassuring to see the purpose of cashflow models being well answered.

(b) Most factors were clearly identified, however, some candidates would have gained more marks if they had considered the question more directly rather than focusing on generic answers. For example, marks were available for identifying that the current levels of withdrawals are high (at around 9%), and that as she is in excellent health, she is likely to live beyond average life expectancy – this demonstrates application of knowledge rather than a simple recall of the study text.

Question 5
Benefits and drawbacks of fixed term annuities were well articulated by most candidates.

Question 6

(a) Many candidates failed to identify that death benefits are greater with a lifetime annuity, and that they would be tax-free before age 75, unlike a scheme pension where they are taxable regardless of age of death.

(b) This question was about pension increase exchange (PIE). Many candidates did not identify that the break-even point is a key factor, nor that the PIE could result in breach of the LSA or Lump Sum and Death Benefit Allowance (LSDBA).

Question 7

(a) It was reassuring to see a lot of candidates identify all of the common tactics used by scammers including the offer a free pension review.

(b) The Pensions Regulator (TPR)'s four key principles are stated clearly in the study text and this was well answered by most candidates.

Question 8

A number of candidates failed to gain sufficient marks in this question. Death benefits are such an important area with regards to retirement income planning. Scheme pensions are taxable regardless of age of the policyholder at death. Further, a dependant's flexi-access drawdown (FAD) which is nominated to someone on death becomes a successor benefit – not a dependant, beneficiary or nominee benefit. Several candidates also failed to correctly identify the general tax treatment of the benefits and most incorrectly stated that there would be a test against the LSDBA, which there would not be, as it was a dependant's FAD and so would have already previously been tested.

Question 9

A straightforward question testing the suitability of FAD over a lifetime annuity, which most candidates answered well.

Question 10

(a) The majority of candidates failed to state any of the requirements beyond the need for financial advice.

(b) The second part was well answered, with many candidates demonstrating a good understanding of the drawbacks of transferring the Cash Equivalent Transfer Value (CETV) to the PPP.

Question 11

The areas of the FCA's Conduct of Business Sourcebook (COBS) tested in this unit are at the heart of advising on retirement income strategies – candidates were split between those that knew these requirements and those that simply did not. Future candidates are advised to spend more time on the relevant parts of the study text in this respect.

Question 12

(a) Bereavement Support Payment (BSP) is a less understood state benefit but relevant in the context of retirement planning. Some candidates were able to clearly articulate the reasons in this instance why Carol was eligible for a successful claim.

(b) This was largely well answered. Those candidates who missed out on these marks are reminded to read the accompanying tax tables to the exam.

Question 13

(a) and (b) Most candidates were able to accurately define capacity for loss and outline the factors when assessing it with a client.

Question 14

Candidates demonstrated a much better understanding of ill-health rules and tax-treatment, compared to previous sittings where this question has been asked. The key points and difference in treatment between uncrystallised and crystallised benefits and how it applied in this instance, together with the tax treatment, were well articulated in many cases.

Question 15

The benefits of a pension sharing order over an attachment order were well observed in most cases.

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 2026/2027, 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. Heidi semi-retired on 1 June 2019, aged 58. At the time, she took the maximum pension commencement lump sum (PCLS) of £48,000 from her defined benefit pension scheme and received a scheme pension of £11,250 per annum. She has no transitional protection and has taken no other pension benefits. Heidi also has a personal pension plan (PPP), valued at £560,000, from which she now plans to take benefits.

(a) Describe briefly how the Lump Sum Allowance (LSA) will be reduced to take account of the benefits that commenced in 2019 using the standard calculation method. *No calculations are required.* **(3)**

(b) Explain why Heidi would be advised to request a transitional tax-free amount certificate (TTFAC). *No calculations are required.* **(2)**

2. Niko, aged 52, is a member of his employer's workplace group personal pension plan (GPP) which started on 10 June 2002. Additionally, he has a personal pension plan (PPP) which started on 5 September 2005 and a self-invested personal pension plan (SIPP) which started on 20 January 2024.

Niko 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, giving your reasons, what transitional protections may apply to Niko in this respect. **(7)**

3. Alonso, aged 68, is self-employed. He would like to lend his granddaughter £75,000 for her to use as a house deposit. Alonso is considering taking an uncrystallised funds pension lump sum (UFPLS) from a self-invested personal pension plan valued at £145,000 to make this loan.

Identify the factors that you would consider when advising Alonso on whether he should take this course of action. **(12)**

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

4. Valerie, aged 59, is in excellent health. She retired in December 2025 and has a portfolio of flexi-access drawdown pensions and investment ISAs, valued at £540,000, from which she is funding her retirement income. She is currently drawing £48,600 gross per annum from the portfolio. Valerie is seeking advice on how long her portfolio will last in retirement.

(a) Explain the purpose of creating a lifetime cashflow model for Valerie. **(5)**

(b) Having created a cashflow model, it is showing that Valerie's portfolio could be depleted to zero by age 82.

Identify the factors that you would consider in determining the most appropriate course of action to reduce the risk of the funds running out. **(10)**

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

6. Claire, aged 62, is approaching retirement and has been offered an immediate scheme pension of £14,750 per annum from her employer's defined benefit pension scheme.

Alternatively, the scheme trustees have offered her a cash equivalent transfer value (CETV) of £324,500, which she is considering using to purchase a lifetime annuity.

The scheme pension also includes the option of pension increase exchange (PIE).

(a) Outline the benefits for Claire of taking a lifetime annuity over the alternative of taking a scheme pension from her defined benefit pension scheme. **(4)**

(b) Identify the key factors you would consider when advising Claire on whether she should accept the offer of PIE. **(7)**

7. You are planning an email campaign to your clients to raise awareness of the risk of scams, particularly in relation to their retirement savings.

(a) Outline the most common tactics used by pension scammers to trick members out of their pension savings. **(6)**

(b) State The Pension Regulator's **four** key principles for consumers to follow to protect themselves from pension scams. **(4)**

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

8. Lily died in August 2026, aged 72. At the time of her death her private pension plans consisted of:

- A scheme pension of £32,500 per annum. The pension came into payment in January 2020 and includes a 10-year guarantee period and a 67% dependant's pension.
- A dependant's flexi-access drawdown (FAD) plan that Lily inherited in November 2011 following the death of her husband. Lily first drew an income from this plan in April 2018.

Lily nominated the death benefits under both plans to her financially independent daughter, aged 48.

Outline the death benefits available under both plans and their Income Tax treatment. *You should assume that the death benefits are paid to Lily's daughter.* **(11)**

9. Kim, aged 62, is about to retire. Kim is single with no financial dependants. She has a personal pension plan valued at £625,000, from which she requires a net income of £22,000 per annum. Kim has a medium attitude to risk and no current need for capital.

Explain why phased flexi-access drawdown (FAD) is likely to be more suitable for Kim than purchasing a lifetime annuity. **(6)**

10. Max, aged 59, is a member of his employer's defined benefit pension scheme and has been provided with a cash equivalent transfer value (CETV) of £285,000. He plans to retire in the next six months and would like to transfer the CETV to a personal pension plan (PPP) to start taking a flexible income immediately.

Max is not married and has no children. He has a substantial savings and investment portfolio of £1,500,000 and no other pensions. His State Pension Age is 67.

(a) Outline the requirements the trustees of the scheme must fulfil prior to authorising the transfer of Max's benefits to a PPP. **(5)**

(b) State **five** drawbacks of Max transferring the CETV to a PPP. **(5)**

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

11. Outline the relevant circumstances, as detailed in Section 9.3 of the Financial Conduct Authority's Conduct of Business Sourcebook (COBS), that must be considered when a firm is making a personal recommendation to a client regarding income withdrawals. **(7)**

12. Carol's partner, Sergio, died 6 weeks ago. His death was caused by exposure to asbestos while at work. Prior to Sergio's death he had been employed for 22 years, earning £34,000 a year. Carol and Sergio were not married but lived together for 26 years in Scotland. Carol, aged 48, has three children with Sergio, aged 7, 15 and 19.

Carol has been advised she is eligible to claim the Bereavement Support Payment (BSP) and that if she claims it now, she will be entitled to the full amount.

(a) State **four** reasons why Carol will be eligible to make a successful claim for BSP for the full amount. **(4)**

(b) State how much BSP Carol could receive and for how long. **(2)**

13. Oscar, aged 70, retired three years ago. You are reviewing his flexi-access drawdown (FAD) arrangement and assessing his capacity for loss.

(a) Define capacity for loss. **(2)**

(b) Outline the factors you should take into account when assessing Oscar's capacity for loss. **(6)**

14. Melissa, aged 76, has been informed in writing by her GP that she has a life expectancy of less than one year. Melissa 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. She has made no other withdrawals from the SIPP. Melissa also has an uncrystallised personal pension plan (PPP) worth £100,000.

Outline the factors you would consider in advising Melissa on whether or not to take a serious ill-health lump sum from her pensions, including its tax treatment. **(8)**

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

15. Carmen, aged 61, is currently in the process of finalising her divorce settlement. She is in good health and plans to retire when she reaches age 64. Her husband, George, is a member of his company's defined benefit (DB) pension scheme, and Carmen has the choice of a pension sharing order or an attachment order (earmarking) in respect of these benefits.

If a pension sharing order is awarded, Carmen will be offered a cash equivalent transfer value (CETV), which she can transfer into a pension arrangement in her own name.

Explain the benefits of Carmen using a pension sharing order rather than an attachment order in relation to George's DB pension scheme. **(6)**

Total marks: 130

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

- The benefits are capitalised (20 x pension plus pension commencement lump sum (PCLS))/it is not just based on the PCLS taken;
- and converted into a percentage of the Lifetime Allowance used at the time/in June 2019.
- The percentage is then applied to the current Lump Sum Allowance (LSA)/£268,275 /£1,073,100.
- multiplied by 25% (to calculate the reduction).

(b)

- The actual amount of PCLS (£48,000) is less than the standard calculation assumes (£69,430)/the standard calculation overstates the PCLS taken.
- The result will be a higher available LSA (£268,275 minus £48,000 instead of minus £69,430).

Model answer for Question 2

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

- The increase to age 57 will not apply where, on or before 4 November 2021;
- he had an unqualified right to take benefits before age 57;
- and on 11 February 2021 the scheme rules included provision to pay benefits before age 57.
- The increase to age 57 will therefore potentially not apply to his group personal pension (GPP);
- or personal pension plan (PPP).
- Which means he may be able to transfer his PPP 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 self-invested personal pension plan (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

- 25% of the uncrystallised funds pension lump sum (UFPLS) is tax free/75% is taxable at marginal rate.
- Impact on retirement plans/income/other retirement income sources/state pension/expected inheritances/capacity for loss.
- Alternative non-pension methods of raising capital (loan/equity release/granddaughter'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.
- Granddaughter's affordability/ability to repay the loan.
- Pension outside of estate until April 2027/loan will form part of estate.
- Adviser fees/cost of setting up UFPLS/availability of UFPLS/LSA.

Model answer for Question 4

(a)
- Visualise future income/capital needs and expenditure;
- using income/capital from all sources.
- Shows how realistic goals are/identifies any shortfalls/risk of running out of money.
- Demonstrates effects of assumptions (growth/inflation).
- Allows stress testing/to assess how the model would change following certain events.

(b) *Candidates would have gained full marks for any ten of the following:*
- She is in excellent health/likely to live a long time/beyond average life expectancy.
- The current level of withdrawals is high/9%;
- could the level of income being taken be reduced/reviewed/change to safe withdrawal rate.
- Need for capital lump sums.
- Other assets/inheritance/downsizing/capacity for loss/State Pension entitlement.
- Attitude to risk/level of risk being taken/asset allocation of investments/investment performance/change investment/withdrawal strategy.
- Inflation expectations/market conditions.
- Need for flexibility/secure income/annuity rates/is an annuity appropriate?
- Tax.
- Need for death benefits/dependants.
- Impact of charges/ongoing reviews required.

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 flexi-access drawdown (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

(a)

- Can select own options (e.g. escalation rate/payment frequency/guaranteed period/capital protection/enhanced annuity rates).
- More control over pension commencement lump sum (PCLS)/potentially higher PCLS.
- Death benefits not restricted to dependants/greater death benefits.
- Death benefits tax free before age 75.

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

- The level of escalation being given up/the amount of increase being offered.
- Immediate income needs/retirement income needs.
- Other income/other assets.
- The break-even point/inflation.
- Health/family longevity.
- Marital status/dependant's/spouse's pension/death benefits.
- Amount of PCLS available.
- Whether pension increase exchange (PIE) would result in breach of LSA/ Lump Sum and Death Benefit Allowance (LSDBA)/additional income tax liability/tax status.

Model answer for Question 7

(a)
- Cold calling/emailing/text message/website pop up/unsolicited mail.
- Offers of free pension review.
- Offers of unrealistic/guaranteed returns.
- Pressure to act quickly.
- Single investment/asset class proposal/overseas transfers.
- Ability to access benefits before age 55/minimum pension age/legal loophole.

(b)
- Reject unexpected offers.
- Check who you are dealing with/the FCA register/the firm is authorised.
- Do not be rushed/pressured.
- Obtain impartial information/advice.

Model answer for Question 8

DB scheme:
- 100% of the income/scheme pension;
- paid until January 2030/balance of the guarantee period.
- Taxed as daughter's income via Pay As You Earn (PAYE)/marginal rate.

FAD:
- Lump sum.
- Successors;
- FAD;
- annuity.
- Tax free (as under age 75);
- if paid within 2-year window;
- Otherwise taxed as daughter's income via PAYE/marginal rate.
- No test against the LSDBA.

Model answer for Question 9

Candidates would have gained full marks for any six of the following:
- PCLS is not needed/no need for capital.
- Death benefits are more flexible.
- The fund has potential for growth/no growth on annuity.
- Income can be varied/annuity income cannot be changed or stopped.
- Matches her attitude to risk (ATR)/annuity does not meet her ATR.
- Annuity rates may be poor now/may be higher in the future/she may be eligible for an enhanced annuity in the future.
- Income required relatively low, so withdrawal rate may be sustainable for FAD/may be more income than she needs with an annuity.

Model answer for Question 10

(a)
- Check that he has received advice from a suitably qualified financial adviser.
- Carry out due diligence/checks on the receiving scheme;
- to ensure that it is a legitimate arrangement/qualified recognised overseas pension scheme (QROPS)/regulated scheme;
- and the receiving scheme is willing to accept the transfer.
- Send a scam smart leaflet/highlight the risk of scams.

(b)
- Will be losing guaranteed income.
- Will be subject to market risk/funds could run out.
- Will give up an inflation proofed income/he may have less income in future.
- Charges/more complex/requires regular reviews.
- Fund will form part of his estate for Inheritance Tax (IHT) after 5 April 2027.

Model answer for Question 11

- Investment objectives.
- Need for PCLS.
- Health.
- Current and future income requirements.
- Existing pension assets;
- and the relative importance of the plan.
- Attitude to risk (ensuring that any discrepancy is clearly explained between attitude to an income withdrawal or purchase of a short-term annuity and other investments).

Model answer for Question 12

(a) *Candidates would have gained full marks for any four of the following:*
- It is within 3 months of Sergio's death.
- Carol is under state pension age.
- They lived together as though they were married.
- Sergio paid sufficient NI contributions/more than 25 weeks/died due to a disease caused by work.
- They lived in the UK.

(b)
- A one-off lump sum of £3,500 plus £350 per month;
- for up to 18 months.

Model answer for Question 13

(a)
- Ability to absorb falls in the value of investments;
- before it materially affects standard of living.

(b) *Candidates would have gained full marks for any six of the following:*
- It is separate/in addition to ATR.
- Both income and capital should be assessed.
- Income requirements/expenditure.
- Other assets/income/State Pension/inheritances/value of FAD.
- Debts/capital requirements.
- Age/health/longevity.
- Spouse/dependants.

Model answer for Question 14

Candidates would have gained full marks for any eight of the following:
- Cannot be paid from crystallised funds/the crystallised portion of the SIPP.
- Can be paid from uncrystallised funds/the PPP and the uncrystallised portion of the SIPP.
- 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.
- Taxable at her marginal rate of income tax;
- because she is over 75.
- Not tested against the LSDBA.

Model answer for Question 15

- Clean break of assets/legal transfer of ownership.
- Flexibility regarding shape benefits are withdrawn/lump sum/income/death benefit.
- Can draw benefits in line with her retirement age/when required.
- Can invest in line with her attitude to risk/capacity for loss/control over investments/investment growth.
- Income Tax position can be controlled/withdrawals taxed on Carmen.
- Not lost should she remarry/George dies.

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 2026 Exam - J05 Pension income options		
Question No.	**Syllabus learning outcomes being examined**	
1.	1.1	Lifetime allowance (LTA) abolishment, valuation factors, transitional reliefs;
2.	1.2	Pension age, including the minimum pension age, contractual and protected retirement ages;
3.	1.3	Pension commencement lump sum (PCLS) and uncrystallised funds pensions lump sum (UFPLS) limits, including the Lump Sum Allowance (LSA), Lump Sum and Death Benefit Allowance (LSDBA) and transitional protections;
4.	7.5	The importance of cashflow modelling, including stress testing, life expectancy, sequencing risk and the safe withdrawal rate;
5.	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;
6.	2.1	Definition, HMRC requirements and main features, including lifetime annuities, scheme pensions, commutation and pension increase exchange (PIE), and taxation of benefits in payment;
7.	5.2/ 5.4	Money and Pension Service guidance body, including but not limited to Pension Wise and the guidance guarantee; TPR transfer guidance, including pension scams.
8.	2.3/ 3.3/ 4.3	The benefits payable on death and their tax treatment, including the Lump Sum and Death Benefit Allowance (LSDBA). The benefits payable on death and their tax treatment, including the Lump Sum and Death Benefit Allowance (LSDBA). The benefits payable on death and their tax treatment, including the Lump Sum and Death Benefit Allowance (LSDBA).
9.	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;
10.	2.1/ 3.1	Definition, HMRC requirements and main features, including lifetime annuities, scheme pensions, commutation and pension increase exchange (PIE), and taxation of benefits in payment; Definition, HMRC requirements, and main features, including capped drawdown, flexi-access drawdown (FAD), short-term annuities, and the risks of nonannuity pension options;
11.	5.1	FCA – Conduct of Business Sourcebook (COBS), including but not limited to pensions guidance, retirement risk warnings, illustrations and investment pathways;
12.	6.2/ 6.8	Ability to increase the State Pension by paying Class 3 NICs; Benefits payable by the State on death.
13.	7.1	The importance of establishing a client's personal and financial circumstances and requirements including but not limited to, attitude to investment risk, capacity for loss, longevity including life expectancy probability and investment strategies in retirement;
14.	1.6	Requirements for drawing benefits on the grounds of ill health and interaction with the Lump Sum and Death Benefit Allowance (LSDBA);
15.	7.9	Impact of pension on divorce settlements (offsetting, pension sharing and earmarking) upon retirement and on death;

All questions in the February 2027 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 which follow are applicable to the September 2026 and February 2027 exams.

INCOME TAX

RATES OF TAX	2025/2026	2026/2027
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
Dividend allowance	£500	£500
Dividend tax rates		
Basic rate	8.75%	10.75%
Higher rate	33.75%	35.75%
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.*

From 6 April 2026, carried interest is taxed as Income Tax, not Capital Gains Tax.
Qualifying carried interest is subject to a 72.5% multiplier before applying Income Tax rates.
Class 4 NICs may also apply.

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% *†*	£4,360	£4,530
Married/civil partners at 10% *†*	£11,270	£11,700
Marriage/civil partners' Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance*†*	£37,700	£39,200
Rent a Room scheme	£7,500	£7,500
Blind Person's Allowance	£3,130	£3,250
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%	20%

§ 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 £39,200 (£37,700 for 25/26) 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)	£129
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 £129 per week. This £129 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	£3.65
Small profits threshold per year	£7,105

Class 2 contributions are credited automatically where profits equal or exceed £7,105 per annum.

Class 2 contributions can be made voluntarily where profits are below £7,105 per annum.

Class 3 (voluntary)	Flat rate per week £18.40.
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.*

	2025/2026	2026/2027
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 (MPAA)	£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**
2026/2027	£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	2025/2026	2026/2027
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	**2025/2026**	**2026/2027**
Individuals:		
Up to basic rate limit	18%	18%
Above basic rate limit	24%	24%
Higher Rate	n/a	n/a
Trustees and Personal Representatives:		
Residential property	24%	24%
Other chargeable assets	24%	24%
Business Asset Disposal Relief*	14%	18%
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%*

For 26/27, rate for carried interest for all tax bands is 34.075%

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2025/2026	2026/2027
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

100% relief on first £2.5m* of combined qualifying agricultural property relief and business property relief assets.

50% relief on qualifying assets exceeding £2.5m

AIM listed shares generally restricted to 50% relief regardless of value

* The £2.5m allowance is frozen until April 2031.
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

		2025/2026	2026/2027
		£ (per week)	£ (per week)
Child Benefit	First child	26.05	27.05
	Subsequent children	17.25	17.90
	Guardian's allowance	22.10	22.95
Employment and Support Allowance	Assessment Phase Age 16 - 24	Up to 72.90	75.65
	Aged 25 or over	Up to 92.05	95.55
	Main Phase Work-related Activity Group	Up to 128.60	Up to 133.50
	Support Group	Up to 140.55	Up to 145.90
Attendance Allowance	Lower rate	73.90	76.70
	Higher rate	110.40	114.60
Basic State Pension	Category A full rate	176.45	184.90
	Category B (lower) full rate	105.70	110.75
New State Pension	Full rate	230.25	241.30
Pension Credit	Standard minimum guarantee - single	227.10	238.00
	Standard minimum guarantee - couple	346.60	363.25
	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	72.90	75.65
	Age 25 or over	92.05	95.55
Statutory Maternity, Paternity, Adoption, Neonatal Care, Shared Parental and Parental Bereavement Pay		187.18	194.32

CORPORATION TAX

	2025/2026	2026/2027
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

	2025/2026	2026/2027
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 residential and all corporate residential properties*
  £40,000 or more – add 5% to SDLT rates, 8% to LBTT. LTT has separate higher rate bands.
- *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%