



Chartered
Insurance
Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

July 2025 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2024/2025 unless stated otherwise and should be answered accordingly.

It should be assumed that all individuals have long-term UK residence status unless otherwise stated.

Unit R06 – Financial planning practice

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper.
- This paper consists of **two** case studies and carries a total of 150 marks.
- You are advised to spend approximately 90 minutes on the questions for each case study. You are strongly advised to attempt **all** parts of each question in order to gain maximum possible marks for each question. 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.
- It is important to show all steps in a calculation, even if you have used a calculator.
- Tax tables are provided at the back of this question paper.

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 for each case study**Time: 3 hours****Case Study 1**

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study.

*Read the following carefully and then carry out **ALL** of the tasks (a), (b), (c), (d), (e), and (f) which follow.*

Adam and Lauren, both aged 64, are married and are in good health. They have three adult children and four grandchildren. Adam is planning to retire in February next year when he reaches age 65. Adam works full-time and Lauren works on a part-time basis. She plans to continue working for the next two years for her current employer.

Adam is a legal consultant and earns £150,000 per annum (gross). He is a member of his employer's qualifying workplace pension scheme and contributes 7% of his gross salary to the scheme. This is matched by his employer. Adam is a member of his employer's death-in-service scheme which will pay out three times his basic salary on death whilst in service. Adam's pension plan has a current value of £350,000 and he has recently switched the full value into a money market fund.

Adam also has a previous pension which is in his former employer's defined contribution pension scheme with a value of £85,000. This is invested in a unitised with-profit fund. This plan offers a guaranteed annuity rate at age 65 of 11% per annum on a single life, level basis.

Lauren is employed part-time as a graphic designer and earns £32,000 per annum (gross). She is a member of her employer's qualifying workplace pension scheme and contributes 5% of her gross salary to the scheme. This is matched by her employer. She is a member of her employer's death-in-service scheme which will pay out four times her basic salary on death whilst in service.

Lauren's pension plan has a current value of £120,000 and is invested in a range of global equity growth funds. Lauren has no other pension benefits and is keen to improve her retirement savings whilst she remains employed.

Adam and Lauren have a range of cash holdings which they have built up over many years from accumulated surplus income. They have used their ISA allowances for the current tax year and hold a range of funds which are all held on a low-cost investment platform. Adam also holds an OEIC which is invested in a FTSE-100 Index Tracker fund. This was purchased for £40,000 in 2007.

Adam and Lauren wish to ensure that they have sufficient income to meet their needs throughout retirement, but they also wish to leave as much of their estate as possible to their children on second death. They have asked for information about the types of trusts that they might utilise in retirement. They have up-to-date mirror Wills and Lasting Powers of Attorney in place.

Adam and Lauren are both medium to high-risk investors with neither of them having any strong interest in Environmental, Social and Governance (ESG) investing.

Adam and Lauren have the following assets:

Assets	Ownership	Value (£)
Family home	Joint	650,000
Current Account	Joint	55,000
Deposit Savings Account – Fixed-Rate (maturing May 2026)	Joint	140,000
Cash ISA – Variable Rate – Instant Access	Adam	67,000
Cash ISA – Variable Rate – Instant Access	Lauren	44,000
Stocks & shares ISA – UK and Global Equity funds	Adam	290,000
Stocks & shares ISA – Mixed Investment 20-60% shares fund	Lauren	210,000
OEIC – FTSE-100 Index Tracker fund	Adam	110,000

Their financial aims are to:

- ensure they have sufficient income in retirement;
- improve the tax-efficiency of their current financial arrangements;
- ensure as much of their estate as possible is passed to their children on second death.

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

Questions

- (a)** State the additional information that a financial adviser would require to enable them to recommend a suitable retirement income strategy for Adam and Lauren. **(15)**
- (b)** Explain to Adam the key factors that he should take into consideration, before deciding whether he should accept the guaranteed annuity rate offered by his former employer's pension scheme. **(12)**
- (c)** Explain to Adam and Lauren how a Discounted Gift Trust (DGT) operates and explain why a DGT might be suitable for them once they have retired. **(14)**
- (d)** Identify the actions that Lauren could take to improve her retirement savings whilst she remains employed for the next two years. **(10)**
- (e)** Explain to Adam and Lauren why retaining their current cash balances could result in them failing to meet their longer-term objectives. **(10)**
- (f)** Recommend and justify a range of actions that Adam and Lauren could take to improve the tax-efficiency of their current financial arrangements. **(14)**

Total marks available for this question: 75

Case Study 2

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study.

*Read the following carefully, then carry out **ALL** of the tasks (a), (b), (c), (d), (e), (f), and (g) which follow.*

Sanjeev and Kamini, both aged 34, are married with one daughter, aged three. The family are all in good health. They are planning to have further children in the next few years.

Sanjeev is employed as a media consultant and earns £57,000 per annum (gross). Sanjeev is a member of his employer's qualifying workplace pension scheme and contributes 5% of his gross salary to the scheme. His employer contributes 4% of his gross salary to the scheme. He is a member of his employer's death-in-service scheme which will pay out three times his basic salary on death whilst in service. Sanjeev's pension plan has a current value of £47,000 and is invested in a global equity tracker fund.

Kamini has only recently returned to work following the birth of their daughter. She is employed as a copywriter and earns a salary of £40,000 per annum (gross). She took extended unpaid maternity leave and has returned to her job on the same terms and conditions. She is a member of her employer's qualifying workplace pension scheme and contributes 5% of her gross salary to the scheme. Her employer matches this contribution. Her pension has a current value of £28,000 and is invested in a cautious managed fund. Kamini receives no other employee benefits.

Sanjeev and Kamini have a repayment mortgage of £190,000 on their home with a variable interest rate tracker that is set at 0.5% above the Bank of England base rate. They have the option to make overpayments to the mortgage without penalty if they wish to do so. The mortgage is covered by a joint-life first-death level term assurance policy with a sum assured of £190,000. The policy term matches the term of the mortgage.

Sanjeev and Kamini have received a gift of £100,000 from Kamini's parents which is currently held in their joint deposit account. They are considering the best options for using this money and are considering either repaying part of their mortgage with these funds or setting up a long-term investment portfolio to build funds for their future retirement.

Sanjeev and Kamini are concerned that they do not have adequate financial protection and have asked for advice on this. They wish to keep the costs of any new protection policies as low as possible as Kamini is likely to take further periods of extended unpaid maternity leave.

Sanjeev and Kamini have a range of investments, held in ISAs, unit trusts and OEICs which have been purchased from gifts received from both of their families over the past few years. They are concerned that they do not have any coherent investment strategy and have no long-term financial plans in place.

Sanjeev and Kamini are both high-risk investors with no strong interest in Environmental, Social and Governance (ESG) investing, although Kamini is keen to avoid investments into areas where there may be exploitation of labour.

Sanjeev and Kamini have the following assets:

Assets	Ownership	Value (£)
Family home	Joint	270,000
Current account	Joint	15,000
Deposit account – Instant Access	Joint	125,000
Unit Trust – UK Corporate Bond fund	Sanjeev	45,000
OEIC – Global Mixed Investment fund 0-35% shares	Kamini	53,000
Stocks & shares ISA – European Equity funds	Sanjeev	42,000
Stocks & shares ISA – Asia Pacific Equity funds	Kamini	53,000

Their financial aims are to:

- ensure they have adequate protection in place to meet their family needs;
- assess the suitability of their existing savings and investments;
- put in place a suitable investment strategy for their new funds.

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

Questions

- (a)** Explain in detail the key reasons why Sanjeev and Kamini's current investment holdings may be unsuitable in meeting their future financial needs. **(14)**
- (b)** Outline the key benefits for Sanjeev and Kamini of making regular overpayments to their current mortgage. **(10)**
- (c)** Recommend and justify a suitable low-cost protection policy that would provide Sanjeev with an ongoing income for the family in the event of him suffering a long-term illness. **(14)**
- (d)** Explain in detail to Sanjeev and Kamini the key differences between a family income benefit policy and a level term life assurance policy. **(8)**
- (e)** Explain to Sanjeev and Kamini the benefits of diversification and why it is important to consider this when setting up a new investment portfolio. **(10)**
- (f)** Outline to Sanjeev and Kamini the key limitations of using cashflow modelling to assess their future financial needs. **(11)**
- (g)** Identify **eight** key issues that should be discussed with Sanjeev and Kamini at their next annual review. **(8)**

Total marks available for this question: 75

INCOME TAX

RATES OF TAX	2023/2024	2024/2025
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	
<i>*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.</i>		
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	£1,000	£500
Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Trusts		
Standard rate band	£1,000	n/a
Income exemption up to**	n/a	£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.

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% †	£4,010	£4,280
Married/civil partners at 10% †	£10,375	£11,080
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£34,600	£37,000
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,870	£3,070
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 £37,000 (£34,600 for 23/24) 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)	£123
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 £123 per week. This £123 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 175.00**	Nil
Over £175.00	13.8%

***Secondary threshold.*

CLASS 2 (self-employed) *

Flat rate per week £3.45

Small profits threshold per year £6,725

Class 2 contributions are credited automatically where profits equal or exceed £6,725 per annum.

Class 2 contributions can be made voluntarily where profits are below £6,725 per annum.

Class 3 (voluntary)

Flat rate per week £17.45.

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 removed from 6 April 2024.

	2023/2024	2024/2025
Lump sum and death benefit allowance (LSDBA)	n/a	£1,073,100
Lump sum allowance (LSA)	n/a	£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**

*From 6 April 2016 the annual allowance is reduced for those with income above a certain level. Between 2020/21 and 2022/23 the annual allowance will be 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.

**Reducing 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	2023/2024	2024/2025	
Individuals, estates etc	£6,000	£3,000	
Trusts generally	£3,000	£1,500	
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000	

TAX RATES		Pre	Post
		30/10/2024	
Individuals:			
Up to basic rate limit	10%	10%	18%
Above basic rate limit	20%	20%	24%
Surcharge for residential property - Basic Rate	8%	8%	n/a
Higher Rate	8%	4%	n/a
Surcharge for carried interest	8%	8%	4%
Trustees and Personal Representatives:			
Residential property	28%	24%	24%
Other chargeable assets	20%	20%	24%
Business Asset Disposal Relief*	10%	10%	
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.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS 2023/2024 2024/2025

Transfers made on death		
- Up to £325,000	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		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£175,000	£175,000
- UK-registered charities	No limit	No limit

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.*

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Annual small gifts exemption per donor	£250	£250

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

Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building

50% relief: certain other business assets

Reduced tax charge on gifts made in excess of the nil rate band within 7 years of death:

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

		2023/2024	2024/2025
		£	£
Child Benefit	First child	24.00	25.60
	Subsequent children	15.90	16.95
	Guardian's allowance	20.40	21.75
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 67.20	Up to 71.70
	Aged 25 or over	Up to 84.80	Up to 90.50
	Main Phase		
	Work-related Activity Group	Up to 84.80*	Up to 90.50**
	Support Group	Up to 129.50	Up to 138.20
Attendance Allowance	Lower rate	68.10	72.65
	Higher rate	101.75	108.55
Basic State Pension	Category A full rate	156.20	169.50
	Category B (lower) full rate	93.60	101.55
New State Pension	Full rate	203.85	221.20
Pension Credit	Standard minimum guarantee - single	201.05	218.15
	Standard minimum guarantee - couple	306.85	332.95
	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	67.20	71.70
	Age 25 or over	84.80	90.50
Statutory Maternity, Paternity and Adoption Pay		172.48	184.03

**If a claim has begun before 3rd April 2017 the individual will also be awarded the Work-related Activity Component payment which in 2023/2024 is £33.70, so total awarded for these individuals may be up to £118.50.*

***If a claim has begun before 3rd April 2017 the individual will also be awarded the Work-related Activity Component payment which in 2024/2025 is £35.95, so total awarded for these individuals may be up to £126.45.*

CORPORATION TAX

2023/2024

2024/2025

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 main rate, reduced by a marginal relief. This provides a gradual increase in the effective Corporation Tax rate.		

VALUE ADDED TAX

2023/2024

2024/2025

Standard rate	20%	20%
Annual registration threshold	£85,000	£90,000
Deregistration threshold	£83,000	£88,000

STAMP DUTY LAND TAX

Residential

Value up to £250,000	0%
£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 £425,000 for properties up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 17% on interests in residential dwellings 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%