Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

October 2026 Exam Guide

SPECIAL NOTICES

Candidates entered for the January 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.

R06 – Financial planning practice

Contents

Important guidance for candidates 3

Two weeks before the exam 4

On-screen written exam familiarisation 5

Important information for remote invigilation candidates only 6

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.

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

- The paper is made up of two written case studies.
- The paper will carry a total of 150 marks.
- Each question clearly shows the maximum marks which can be earned.

Test yourself under timed conditions

To gain most benefit from this exercise you should:

- Study the details in the case studies over the two-week period as you would for the real exam.
- Set yourself three clear hours to complete the question paper, taking into account the financial objectives provided.
- Compare your answers against the model answers once the three hours have elapsed. The model answers will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently detailed and if the technical knowledge was correct.
- Go back and revise further any technical weaknesses revealed in your responses.

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the case studies are available to focus on the client details and prepare yourself for the exam day.

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.

Two weeks before the exam

The case studies

The case studies, containing client information which will form the basis of the exam questions, will be available on the CII website and in RevisionMate.

How should I use my time over the two-week period?

It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the case studies.

How should I use the case studies to help me prepare?

- Study the client circumstances presented in the case study.
- Consider the financial objectives of the clients and look for other possible areas of need.
- Look for technical areas that you may wish to revise, e.g. investment portfolios, pensions.

Practice some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.

Preparing the groundwork – considering possible solutions

Once you have identified the clients' likely needs you should start to consider possible solutions to meet those needs and how the financial planning process would be properly applied to the client(s). You may need to research some details of the solutions you are considering. You may want to go back to your revision notes.

You may need to read about particular products; try product providers for technical information,

tax offices, Directgov website, National Savings and Investments liaison office.

For each of the possible solutions, consider how appropriate it might be to the client.

Understand the skills the exam seeks to test

The exam is based on two case studies for fictional clients whose details you will have received two weeks prior to the exam day. The case studies will enable you to familiarise yourself with the clients' circumstances.

On-screen written exam familiarisation

The familiarisation test allows you to experience using the assessment platform before your exam.

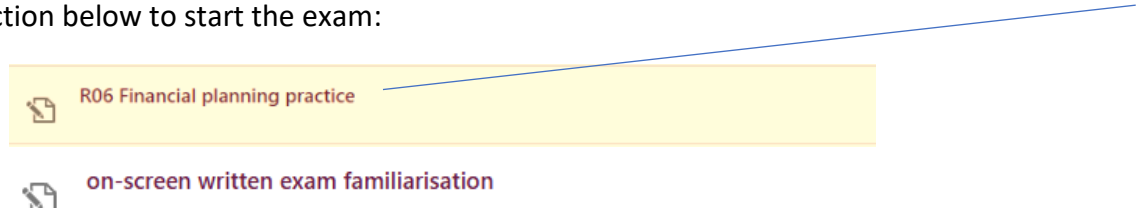
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

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 R06 exam, upon accessing the platform, you will need to click on the highlighted section below to start the exam:



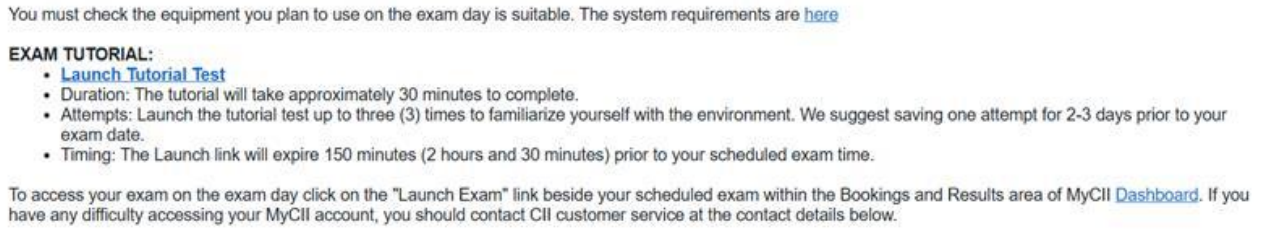
We would recommend that prior to starting the exam, you may wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam.

Please note the exam timer will not start until you click the exam titled: **R06 Financial planning practice**.

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 case studies

You will not be able to take your pre-released copy of the case studies into the exam with you.

The case studies will be provided on-screen in the exam. There will not be any new or different information contained within the case studies. The instructions are focused on the client objectives identified from the case studies.

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

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.

EXAMINERS' COMMENTS

Candidates' overall performance

Candidate performance was very good across most areas of the paper, with well-prepared candidates achieving high marks across the paper.

Some candidates had difficulties with areas which required application of their understanding of client circumstances and would have benefited from a more detailed review of the pre-released Case Studies.

Case Study 1

1 (a). Candidates were asked to state the additional information that a financial adviser would require in order to assess if Colin and Judith will be able to support their long-term income needs from their existing savings, pensions and investments. Most candidates performed well here although some candidates provided generic answers which did not relate directly to Colin and Judith's circumstances.

1 (b). This question required candidates to explain in detail to Colin and Judith the options available to them which would allow them to draw a flexible and tax-efficient income from their pension arrangements. Performance was very good and most candidates were able to demonstrate a good understanding of the options available to the couple in respect of their pension arrangements.

1 (c). This question asked candidates to outline the key reasons why Colin and Judith should consider investing in a diversified portfolio of collective investment funds to meet any future long-term care fees. Performance was slightly disappointing here with many candidates providing brief, generic answers and failing to focus on Colin and Judith and their personal and financial circumstances as set out in the Case Study.

1 (d). Candidates were asked to explain briefly to Colin and Judith the Inheritance Tax implications on their estate following the downsizing of their home to a smaller property. Performance was mixed, with a number of candidates failing to recognise the availability of a downsizing addition to preserve Colin and Judith's Residence Nil Rate Band following the sale of their larger property. Some candidates would benefit from a more detailed review of the tax implications of property downsizing in later life.

1 (e). Candidates were asked to identify five benefits and five drawbacks for Colin of retaining the portfolio of AIM shares. Good performance overall here with the majority of candidates able to identify most of the benefits and drawbacks for Colin.

1 (f). This question asked candidates to recommend and justify a range of actions that Colin and Judith could take to improve the tax-efficiency of their current financial arrangements. Overall performance here was good, although it was noted, some candidates did not identify the actual tax rates that applied to Colin and Judith and their financial arrangements and therefore were unable to justify the improvements that would be achieved by their recommended actions.

Case Study 2

2 (a). Candidates were asked to explain the key factors that Kavi should take into consideration when prioritising his various financial objectives. Most candidates were able to perform well here and gave detailed answers.

2 (b). This question required candidates to state the reasons why Kavi might be categorised as a vulnerable client. Overall performance was very good here.

2 (c). This question asked candidates to identify the key information that a financial adviser should take into consideration when preparing a cashflow model to assist Kavi with his financial planning. Good performance here but only a limited number of candidates recognised the need to identify assumptions for inflation and growth which would form a key part of any potential cashflow model for Kavi.

2 (d). Candidates were asked to explain to Kavi the reasons why he should not opt out of his employer's qualifying workplace pension scheme. Performance here was very good with most candidates able to provide detailed answers. It was pleasing to note that most candidates recognised that Kavi might lose access to his employer's Death-in-Service scheme which is currently providing valuable protection for him.

2 (e). This question asked candidates to recommend and justify a suitable protection policy that would provide Kavi with an ongoing income for the family in the event of him suffering a long-term illness. Performance was generally good here although it was disappointing to note that a number of candidates were unable to identify an Income Protection policy and instead identified alternative products that would not provide an ongoing income to Kavi. Some candidates would benefit from a careful review of the features and types of cover provided by various mainstream protection policies.

2 (f). This question required candidates to explain to Kavi the reasons why he should set up a Will with a Bereaved Minors Trust and identify the benefits of this course of action. Performance was mixed here as some candidates gave very brief, generic answers and did not understand why this type of arrangement would be required for the children in the event of Kavi's death.

2 (g). This was a standard review question which asked candidates to Identify eight key issues that a financial adviser should discuss with Kavi at his next annual review. Performance here was excellent and most candidates were able to achieve high marks.

Unit R06 – Financial planning practice

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

- 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.
- 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.
- **Tax tables are provided at the right-hand side of the interface after the question paper.**
- For each answer, please type in the full question number you are answering e.g. **1a**
- **Please note each answer must be typed in the correct corresponding answer box.**
- If you are wearing a 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 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.*

Colin and Judith, both aged 68, are married with one daughter, Rose. Colin and Judith have two grandchildren. The family are all in good health. Both Colin and Judith retired several years ago and have recently downsized from their family home to a smaller property with a current value of £275,000. Colin and Judith are concerned about the potential impact of long-term care fees and wish to use the residual proceeds of £200,000 from their property sale to provide an easily accessible pot of money to meet these fees, should this be necessary in the future.

Colin and Judith are both receiving their State Pensions of £12,500 per year each, as well as fixed withdrawals of £850 per month each from their ISA portfolios.

Colin and Judith have defined contribution workplace pensions from their former employers and are now considering how best to draw from them. Colin's pension plan has a current value of £240,000. This is invested in a global managed fund. The pension plan offers him the full range of pension withdrawal options. Judith's pension plan has a current value of £190,000. This is invested in a UK multi-asset fund and offers the full range of pension withdrawal options. Colin and Judith have not accessed these pensions as they have had sufficient assets available to them to meet their needs. This is no longer the case, and they wish to start accessing these pension arrangements as tax-efficiently as possible in the near future.

Colin and Judith have stocks & shares ISAs which are invested in a range of global equity tracker funds. Colin also holds a portfolio of AIM Shares that he inherited from his late father eight years ago. These are currently valued at £80,000. Colin has never reviewed the suitability of these shares and is unsure if there is any benefit in retaining them. Colin and Judith have both used this year's ISA allowance.

Colin and Judith have mirror Wills leaving their assets to the survivor and their residual estate, on second death, to their daughter.

Colin and Judith have a moderate attitude to risk and neither of them has any interest in Environmental, Social and Governance (ESG) investments.

Colin and Judith have the following assets:

Assets	Ownership	Value (£)
House	Joint	275,000
Current account	Joint	8,000
Deposit account – Instant access	Colin	200,000
Stocks & shares ISA – Global Equity Tracker funds	Colin	320,000
AIM Shares – various	Colin	80,000
Stocks & shares ISA – Global Equity Tracker funds	Judith	315,000

Colin and Judith's financial aims are to:

- ensure they have sufficient income to support their long-term income needs;
- invest the proceeds of the house sale to provide a pot for potential long-term care fees;
- assess the suitability of their current investment portfolio.

Questions

(a) State the additional information that a financial adviser would require in order to assess if Colin and Judith will be able to support their long-term income needs from their existing savings, pensions and investments. **(15)**

(b) Explain in detail to Colin and Judith the options available to them which allow them to draw a flexible and tax-efficient income from their pension arrangements. **(10)**

(c) Outline the **key** reasons why Colin and Judith should consider investing in a diversified portfolio of collective investment funds to meet any future long-term care fees. **(15)**

(d) Explain briefly to Colin and Judith the Inheritance Tax implications on their estate following the downsizing of their home to a smaller property. **(8)**

(e) Identify **five** benefits and **five** drawbacks for Colin of retaining the portfolio of AIM shares. **(10)**

(f) Recommend and justify a range of actions that Colin and Judith could take to improve the tax-efficiency of their current financial arrangements. **(15)**

Total marks available for this question: 73

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.*

Kavi, aged 38, is single with two children, aged 7 and 10. Kavi is separated from Helen, who is the mother of his children. He has sole custody of the children. Kavi and the children are all in good health. Kavi and Helen never married and have no shared financial assets.

Kavi currently works part-time as a management consultant and earns a salary of £40,000 gross per annum. He does not plan to return to full-time work until his youngest child is aged 11. He receives *ad hoc* maintenance payments for the children from Helen, but these are irregular and amount to approximately £5,000 per year.

Kavi is a member of his employer's workplace pension scheme and contributes 4% of his gross salary to the scheme. His employer contributes 4% of his gross salary to the scheme. His pension fund has a current value of £78,000 and is invested in a UK equity fund. He is considering opting out of his workplace pension scheme until he returns to full-time work. The pension fund has no nomination in place. Kavi is also a member of his employer's death-in-service scheme which will pay out three times his basic salary on death whilst in service.

Kavi has a repayment mortgage with an outstanding balance of £180,000 on his home which is currently valued at £325,000. The mortgage is protected in full by a single life mortgage protection policy which was set up when he took out the mortgage. He has no other protection policies in place. Kavi is concerned about the financial security of the children in the event of him suffering a long-term illness or dying before they are financially independent. His former partner, Helen, has limited financial resources to be able to support the children.

Kavi has an interest in Environmental, Social and Governance (ESG) investments, but this is not a primary concern for him. He considers himself to be a moderate to high-risk investor but appreciates that at present his capacity for loss is low.

Kavi does not have a Will or Lasting Powers of Attorney.

Kavi has the following assets:

Assets	Value (£)
House	325,000
Current account	2,000
Deposit account – Instant access	15,000
Stocks & shares ISA – Global Ethical Equity fund	35,000

Kavi's financial aims are to:

- ensure that sufficient financial protection is in place to support the children in the event of either his death or long-term illness;
- rebuild his emergency fund;
- make the most appropriate use of the monthly income from his parents.

Questions

(a) Explain the **key** factors that Kavi should take into consideration when prioritising his various financial objectives. **(12)**

(b) State the reasons why Kavi might be categorised as a vulnerable client. **(8)**

(c) Identify the **key** information that a financial adviser should take into consideration when preparing a cashflow model to assist Kavi with his financial planning. **(12)**

(d) Explain to Kavi the reasons why he should **not** opt out of his employer's qualifying workplace pension scheme. **(10)**

(e) Recommend and justify a suitable protection policy that would provide Kavi with an ongoing income for the family in the event of him suffering a long-term illness. **(15)**

(f) Explain to Kavi the reasons why he should set up a Will with a Bereaved Minors Trust and identify the benefits of this course of action. **(12)**

(g) Identify **eight** key issues that a financial adviser should discuss with Kavi at his next annual review. **(8)**

Total marks available for this question: 77

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 answers for Question 1

(a) *Candidates would have achieved full marks for any fifteen of the following:*

- Income needs/current expenditure/emergency fund/income shortfall.
- Future capital expenditure/planned expenditure (holidays/new car etc)/any debts?
- Estimated long-term care costs.
- Longevity/family health issues.
- Interest rate on cash/dividend yield on funds/AIM shares.
- Use of CGT exemption/any carry forward losses?
- Base cost of AIM shares/current gain (loss) on AIM shares.
- Desire for flexible/guaranteed income in retirement.
- Expected inheritances.
- Asset allocation/fund choice.
- Future expected growth rates/inflation rates.
- Charges.
- Have they deferred State Pension before?/any protected Pension Commencement Lump Sum?
- Nominations/Lasting Powers of Attorney (LPAs).
- Priority of objectives.
- Capacity For Loss (CFL).

(b) *Candidates would have achieved full marks for any ten of the following:*

- Flexi Access Drawdown (FAD).
- Income is flexible/can change in line with needs.
- Can use tax free cash only (PCLS).
- UFPLS;
- lump sum under UFPLS is 25% PCLS and 75% taxable.
- Income element is taxed at 20%.
- Can use residual Personal Allowance/tax planning.
- UFPLS/FAD retain tax free wrapper (i.e. CGT/Income Tax).
- Fund invested in line with Attitude to Risk (ATR).
- Potential for growth.
- Can defer State Pension to allow larger tax-efficient withdrawals (from Personal Pension).

(c)

- Excess emergency fund (at present)/cash exceeds FSCS protection limits (Colin's name only).
- Can match ATR/CFL/existing cash levels do not match ATR.
- Reduces interest rate risk/inflation risk.
- Care fees growth is high/usually exceeds inflation/interest rates.
- Can use ISA allowance each year/Bed & ISA.
- Potential for growth.
- Good health so long timeframe before access is needed for care fees/can be used for other purposes if no need for Long-Term Care (LTC).
- Pound cost averaging may benefit from volatility/avoids poor market timing.
- Non correlation/assets classes perform differently.
- Reduced volatility from diversification.
- Reduces sequencing risk (on withdrawals).
- Dividend income from equities.
- Can use Personal Savings Allowance (on savings interest)/use Dividend Allowance.
- Rebalance.
- Professional management/can benefit from expertise/can use tracker funds/Low charges.

(d)

- No Inheritance Tax (IHT) on first death (married/mirror Wills).
- Residence Nil Rate Band (RNRB) currently £350k/£175k each.
- New property value is below joint RNRB (value of £275k).
- RNRB still applies up to value of previous home/Asset value after sale must equal original property sale value/equivalent value.
- Property must be left to daughter (eligible beneficiary).
- Downsizing addition/downsizing relief.
- RNRB not automatically applied /personal representatives must make claim for RNRB.
- Unused RNRB can be transferred to survivor.

(e) **Benefits**

- High growth potential/offers diversification.
- May offer reduction in IHT (20% IHT)/Business Relief.
- Eligible for Bed & ISA/avoids potential CGT charge.
- Held for more than 2-year qualifying period.
- Can transfer to joint names for tax-efficiency.

Drawbacks

- High risk/Volatile/Default risk.
- Concentration risk (all small UK company shares).
- Does not meet ATR/unlikely to provide income.
- Can be illiquid.
- Regulatory risk/Tax rules can change/Individual shares may lose qualifying status for IHT purposes.

(f)

- Use ISA/Bed & ISA (AIM shares).
- Make pension contributions of £3,600 gross/£2,880 net.
- Tax-free income and growth for pension and ISA.
- 20% tax relief on pension contributions.
- Transfer AIM shares to joint names.
- Interspousal exemption/no gain no loss.
- Register any CGT losses.
- Use £3k CGT exemption/use both CGT exemptions £6k.
- Can use both Dividend Allowances of £500.
- Transfer deposit account to joint names/reduce cash balances.
- Uses both Personal Savings Allowances (PSAs)s of £1,000.
- Interest on cash is taxable at 20%.
- Use NS&I Premium Bonds (tax-free prizes).
- Update Pension nominations.
- Nominations ensure all income options available.

Model answers for Question 2

(a) *Candidates would have achieved full marks for any twelve of the following:*

- Expenditure/affordability/required emergency fund/Mortgage payment/monthly shortfall.
- Capital needs/costs of childcare.
- Any debts.
- Will/Trustees/Lasting Powers of Attorney (LPA)/nominations.
- Only protected on death/he has Death-in-Service (DIS).
- No Income Protection Insurance/no Critical Illness Cover/no Private Medical Insurance.
- Timeframe for protection needs/dependency of children.
- How long can he survive on savings? /Future payments from Helen (maintenance)?
- State Benefit entitlement/is he claiming Child Benefit?
- Job security/salary increases/bonuses/any other employer benefits/employer sick pay.
- Pay rises/Salary when he returns to full-time work in 4 years /is he willing to return to full-time work sooner?
- Future inheritances/further gifts/support from parents.
- Capacity for Loss.

(b)

- Sole breadwinner.
- Expenditure exceeds income/dependant on income from parents/eroding capital.
- Two dependent children/Sole carer (high stress).
- Limited emergency fund.
- Limited assets/low Capacity for Loss (CFL).
- High level of debt (mortgage).
- Limited protection/low affordability for protection.
- Limited State Benefits.

(c)

- Current income needs/current expenditure.
- Planned capital expenditure (new car/house maintenance).
- Childcare costs/debts/mortgage payments.
- Salary when he returns to full-time work.
- Inflation assumptions/Growth assumptions.
- ATR/CFL.
- Current assets/income from all sources (interest/dividends).
- Inheritances/further gifts from parents/maintenance.
- Charges.
- Use of tax wrappers (ISA and pension).
- Longevity.
- Stress test.

(d) *Candidates would have achieved full marks for any ten of the following:*

- 20% tax relief on contributions.
- Employer contribution/free salary.
- Saves employee National Insurance.
- Salary sacrifice.
- Employer may share National Insurance savings.
- Potential capital growth/May impact retirement income/larger pension pot.
- Loss of benefits of pound cost averaging.
- May lose Death-in-Service (DIS) benefit/often linked to pension scheme.
- Low-cost scheme/subsidized by employer.
- Long timeframe for investment.
- Tax-free wrapper.

(e)

- Income Protection policy.
- Pays out tax-free income.
- Term to retirement/State Pension Age/term of dependency of children.
- Can cover up to 66% of income.
- Own occupation.
- Provides widest cover/greatest chance of a claim.
- Deferred period (3-6 months).
- He has limited emergency fund/in line with employer sick pay.
- Guaranteed premiums/reviewable premiums.
- Known cost /low starting cost.
- Indexation.
- To keep pace with inflation.
- Simple underwriting/young/good health.
- Multiple claims/cannot be cancelled by insurer.
- Rehabilitation/proportionate benefit available.

(f)

- Currently would die intestate.
- Simpler/quicker process.
- Protects children/cannot be disinherited/Protects assets from his ex-partner.
- All assets pass into the Trust on his death.
- Children are named beneficiaries.
- Trustees of choice can be appointed by Kavi/Letter of wishes in Will.
- Can use Residence Nil Rate Band if property is in Trust/IHT efficient.
- Children inherit automatically at age 18/can extend Trust to age 25 (subject to court approval).
- Can use for education/maintenance (to age 18).
- Assets must be managed for benefit of children.
- Not taxed at Trustee rates/Can use children's own tax allowances.
- No periodic/exit charges.

(g)

- Change in personal circumstances/health/new partner/Will/Lasting Powers of Attorney.
- Change in income/expenditure/tax status/salary increases/further income received from parents?
- Attitude to Risk (ATR)/Capacity for Loss (CFL).
- Performance/rebalance /asset allocation/Environmental, Social and Governance (ESG).
- Protection needs/use of monthly gift?
- Use of tax allowances.
- Charges.
- Legislation/taxation/new products/economic conditions.

Glossary of terms

Some abbreviations candidates can you use in financial planning online exams:

- ATR – Attitude to risk
- APS – Additional Permitted Subscription
- BRT – Basic rate taxpayer
- BIK – Benefit in kind
- CETV – Cash equivalent transfer value
- CLT – Chargeable Lifetime Transfer
- CFL – Capacity for loss
- CGT – Capital Gains Tax
- DOV – Deed of variation
- DIS – Death-in-Service
- DFM – Discretionary Fund Manager
- EIS – Enterprise Investment Scheme
- ESG – Environmental, Social and Governance
- EPT – Excluded Property Trust
- EPA – Enduring Power of Attorney
- ERC – Early repayment charges
- EPP - Executive pension plan
- FAD – Flexi access drawdown
- FSCS – Financial Services Compensation Scheme
- FOS – Financial Ombudsman Service
- GAR – Guaranteed annuity rate
- HRT – Higher rate taxpayer
- IHT – Inheritance Tax
- IVA – Individual Voluntary Arrangement
- LPOA – Lasting Power of Attorney
- LTA – Lifetime allowance
- MVR – Market value reduction
- MPAA – Money purchase annual allowance
- NICs – National Insurance contributions
- NPA – Normal pension age
- NRA – Normal retirement age
- NRB – Nil rate band
- OPG – Office of the Public Guardian
- OEIC – Open ended investment company
- PAYE – Pay As you Earn
- PPP – Personal pension plan
- PCLS – Pension commencement lump sum
- PA – Personal Allowance
- PSA – Personal Savings Allowance
- RAC – Retirement annuity contract
- RNRB – Residence nil rate band
- SIPP – Self-invested personal pension plan
- SEIS – Seed Enterprise Investment Scheme
- TPD – Total Permanent Disability
- UFPLS – Uncrystallised funds pension lump sum
- VCT – Venture Capital Trust

October 2026 Exam - R06 Financial Planning Practice	
Question No.	**Syllabus learning outcomes being examined**
1.	1. Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process. 2. Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions. 3. Analyse a client's situation and the advantages and disadvantages of the appropriate options. 4. Formulate suitable financial plans for action and explain and justify recommendations. 5. Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.
2.	1. Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process. 2. Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions. 3. Analyse a client's situation and the advantages and disadvantages of the appropriate options. 4. Formulate suitable financial plans for action and explain and justify recommendations. 5. Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.

All questions in the October 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.

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%