

Chartered
Insurance
Institute

J05

Diploma in Financial Planning

Unit J05 – Pension income options

March 2026 Exam Guide

SPECIAL NOTICES

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

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

J05 – Pension income options

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

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Exam Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the exam, it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under exam conditions.

Before the exam

Study the syllabus carefully

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

Note the assumed knowledge

For the 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.

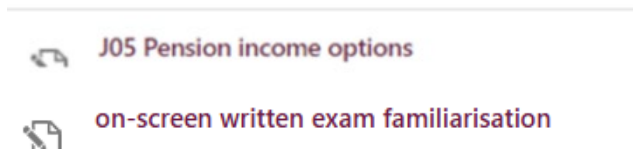
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

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 are not lost for incorrect spelling or grammar.

Calculators

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator. You are permitted to use your own non-programmable calculator.

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 displayed sufficient knowledge to gain high marks across the paper and those who prepared well will have passed this session.

Question 1

This question tested candidates' knowledge on the transitional tax-free amount certificate (TTFAC).

Part (a) asked candidates to identify three scenarios that might result in the pension commencement lump sum (PCLS) taken before 6 April 2024 being less than 25% of £1,073,100. Some candidates were not specific enough to gain marks, and some were stating the opposite, for example where the Lifetime Allowance at the time benefits were taken was higher than £1,073,100 rather than lower.

Candidates fared slightly better with part (b) in outlining the process for applying for a TTFAC, with some good answers, but some were lacking sufficient detail to gain the marks.

Question 2

This question dealt with an area of the relevant benefit crystallisation event (RBCE) rules. While some candidates were familiar with the technicalities, others simply did not understand how in each scenario the Lump Sum Allowance (LSA)/ Lump Sum and Death Benefit Allowance (LSDBA) would be impacted.

Question 3

This question tested candidates' knowledge on the trivial commutation rules.

Part (a) was answered well by many candidates, albeit with some candidates getting confused between the use of a 20 and 25 multiple for pre-post April 2006.

Part (b) dealt with eligibility conditions and was answered well overall.

Question 4

This question dealt with death benefits, with part (a) asking candidates to describe the requirements for a beneficiary to be treated as a dependant, nominee or successor. Some candidates' responses lacked sufficient details and there remains some confusion around the definitions of nominees and successors.

Part (b) required candidates to apply their knowledge to the scenario outlined in the question, and while some candidates did well and gained maximum marks, some did not understand the relevance of someone being a dependant in this scenario. This is an important distinction to understand as it will have a direct impact on the benefits available – where there is no nomination form and someone is not classed as a dependant the only option available to them will be a lump sum.

Question 5

This question tackled phased retirement using annuities.

In part (a) some candidates seemed to struggle with the concept of describing how it would work in practice. Although many did identify that PCLS is higher in earlier years.

Part (b) was generally well answered as many candidates seemed familiar with the factors that will influence an individual's annuity rate.

Question 6

Candidates should be very familiar with this question, which dealt with uncrystallised funds pension lump sum (UFPLS) vs PCLS. It is a core part of the J05 syllabus, and well-prepared candidates gained full marks.

Question 7

Some candidates were confused about what different parts of Conduct of Business Sourcebook (COBS) require. COBS 19.4 (relevant risk factors for client's starting regular withdrawals) is relatively simple and important to understand for anyone wishing to give advice in this area.

Question 8

Many candidates did perform well in this question and were able to gain high marks. However, some candidates did not correctly indicate when a pension will be reduced to 90% under the Pension Protection Fund (PPF), even though this rule has been around for many years.

Question 9

Guarantee Credit remains an important state benefit for retirees and so it is important these rules are understood. This question was not well answered by some candidates, even though the amounts are stated in the accompanying tax tables.

Question 10

This question dealt with determining appropriate levels of withdrawals from flexi-access drawdown (FAD) and was well answered overall.

Question 11

This question dealt with assessing a client's attitude to risk and was well answered overall.

Question 12

In this question we asked candidates to examine the suitability of a lifestyle annuity fund.

Part (a) was generally well answered.

In part (b), which looked at the alternative of an earmarked strategy, many responses lacked detail with many candidates failing to pick up more than two of the available marks.

Question 13

This question looked at sequencing risk and was generally well answered, although some responses could have benefited from greater detail.

Question 14

This question asked candidates to outline the factors when deciding whether to recommend a lifetime annuity vs FAD and was reasonably well answered by the majority of candidates.

Question 15

This question tested candidates' knowledge of cashflow modelling and was well answered overall.

Unit J05 – Pension income options

Instructions to candidates

Read the instructions below before answering any questions.

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

If you are sitting via remote invigilation please

- Write down the following number +44 (0)80 8273 9244. This is the number to call if you experience any technical issues.
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **Two hours** are allowed for this paper which consists of 15 short answer questions and carries a total of 130 marks.
- You are strongly advised to attempt **all** questions to gain maximum possible marks.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper, this is different to the multiple choice exams.**
- For each answer, please type in the full question number you are answering e.g. **1**
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off.** No watches are allowed.
- Please familiarise yourself with **all** questions before starting the exam.

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

Attempt ALL questions

Time: 2 hours

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

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

1. Fred, who crystallised pension benefits once between 6 April 2006 and 5 April 2024, has been advised to apply for a transitional tax-free amount certificate (TTFAC).
 - (a) Identify **three** scenarios that might result in the pension commencement lump sum taken before 6 April 2024 being less than 25% of £1,073,100. (3)
 - (b) Outline the step-by-step process for applying for a TTFAC, including any timescales that apply. (4)

2. Sanjay holds a self-invested personal pension (SIPP) currently valued at £120,000.

Explain briefly how the transaction is treated under the relevant benefit crystallisation event (RBCE) rules if he:

 - (a) withdraws benefits as an Uncrystallised Funds Pension Lump Sum (UFPLS); (3)
 - (b) applies the full SIPP value to buy a lifetime annuity. (2)

3. Jonny, aged 74, retired last year. He has been in receipt of a level scheme pension of £490 a year since January 2006. Jonny is also a deferred member of a defined benefit pension scheme, which is offering him a scheme pension of £750 per annum and a pension commencement lump sum (PCLS) of £2,250. Jonny's State Pension is sufficient to meet his regular outgoings, and he is therefore considering drawing all his benefits as a cash lump sum under the trivial commutation rules. He has no other pension arrangements.
 - (a) Calculate, **showing all your workings**, the **total** value of Jonny's scheme pensions for the purpose of taking these benefits as trivial commutation lump sums. (4)
 - (b) Outline the conditions that must be satisfied for trivial commutation to take place, and state whether Jonny would be able to take his benefits as a trivial commutation lump sum. (4)

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

4. Rowan died recently at the age of 51. At the time of her death, she held an uncrystallised personal pension plan (PPP). Rowan had two children, Helena aged 26 and Ross aged 17. She had not completed a nomination form for her PPP and had no other pensions.
- (a) Describe, in detail, the eligibility requirements for a potential beneficiary to be treated as a dependant, nominee, or successor. **(8)**
- (b) Outline the death benefit options available to Helena and Ross in respect of Rowan's uncrystallised PPP. *Tax treatment can be ignored.* **(6)**
5. Tobias, aged 61, is planning to phase his retirement by reducing his working hours next year. He has a personal pension plan (PPP), valued at £335,000, and he requires an income of £12,000 per annum (net) to supplement his earned income until he fully retires. Tobias has a very cautious attitude to risk and no current need to draw his full pension commencement lump sum (PCLS).
- (a) Describe briefly the steps that will be taken to implement phased retirement using lifetime annuities, and how the balance between PCLS and taxable income will change over time. **(5)**
- (b) State **nine** factors that will influence the annuity rate Tobias will receive. **(9)**
6. Outline the factors that you would consider when advising on whether to take a lump sum from a personal pension plan (PPP), via an uncrystallised funds pension lump sum (UFPLS) or as a pension commencement lump sum (PCLS). **(11)**
7. Section 9.4 of the Financial Conduct Authority's Conduct of Business Sourcebook (COBS), outlines the relevant risk factors that should be included in a suitability report when a firm is making a personal recommendation to a client regarding income withdrawals.
- Outline the relevant risk factors that must be considered. **(5)**

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

8. Sian retired and took benefits from her employer’s defined benefit (DB) pension scheme 2 years ago, when she was aged 60. The scheme’s normal pension age is 65 and she had been a member of the scheme for 30 years. She currently receives an annual pension of £14,750. All of Sian’s pension increases by 3% per annum and includes a 66% spouse’s pension. She is married and has no children. The DB pension scheme has now entered the Pension Protection Fund (PPF).

Sian is concerned about how the PPF will impact her DB pension.

Explain, giving your reasons, how Sian’s pension benefits will be impacted as a result of the DB scheme entering the PPF.

(6)

9. Amanda and Lee are permanent UK residents. They live together as a couple but are not married. Amanda is due to reach State Pension age in May 2026, and Lee will reach his one year later. They are seeking advice regarding their State Pensions. Amanda is particularly concerned she may not be eligible for a full State Pension and is considering applying for the Guarantee Credit element of the State Pension.

State the conditions that must be met for Amanda to receive the Guarantee Credit element of the State Pension.

(5)

10. Dwight has recently retired and has set up a flexi-access drawdown (FAD) plan to provide his income in retirement. He would also like to leave a legacy on his death to his financially independent children.

Outline the factors that you would take into account when determining the amount of income Dwight should withdraw each year from his FAD.

(7)

11. (a) Outline the key factors that you would consider when assessing a client’s attitude to risk as part of their retirement investment strategy.

(5)

- (b) Identify **three** drawbacks of relying solely on risk profiling tools for this purpose.

(3)

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

- 12.** Carlos, aged 63, has a personal pension plan (PPP) valued at £340,000. The PPP is wholly invested in a lifestyle annuity fund with a selected retirement age of 65.

Carlos has a high attitude to risk. He plans to draw an income via a series of uncrystallised funds pension lump sums when he retires at the age of 65.

(a) Explain briefly why Carlos' current investment approach is unsuitable. **(4)**

(b) Explain briefly why he would benefit from an earmarked investment strategy in retirement. **(4)**

- 13.** Oscar, aged 55, retired in July 2025 and would like to start drawing an income from his pensions by using flexi-access drawdown.

(a) Explain briefly what is meant by sequencing risk. **(3)**

(b) Outline **four** strategies that could be used to reduce its potential impact. **(4)**

- 14.** Norah, aged 58, is in receipt of a dependant's scheme pension of £8,000 per annum gross. She is single and has no dependants.

Norah plans to retire in six months and has calculated she will need a net income of £26,000 per annum to cover her regular outgoings. In addition to her dependant's scheme pension, she has an uncrystallised personal pension plan (PPP) valued at £550,000, which is wholly invested in fixed interest funds. Her other assets are her home, which is mortgage free and valued at £375,000 and cash on deposit of £5,000. Norah has a cautious attitude to risk and very little investment experience.

Outline the factors that you would take into account when deciding whether you would recommend that Norah uses her PPP to purchase a lifetime annuity or if she should take her retirement income via flexi-access drawdown. **(13)**

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

15. Sally, aged 62, is married to Pippa, aged 56. Sally and Pippa are both self-employed, with gross profits of £25,000 and £80,000 a year, respectively. Their current total net yearly expenditure is £50,000, which they anticipate will remain broadly unchanged when they retire.

They have personal pensions worth £590,000 in total plus other savings and investments worth £125,000. They have a mortgage remaining of £112,000 repayable in four years and a car loan for £7,000 repayable in two years.

Sally and Pippa would like to retire next year and plan to take the maximum pension commencement lump sums (PCLS) available from their pensions and move the balances into flexi-access drawdown (FAD) in order to withdraw the income they need in retirement, reducing their withdrawals when they reach State Pension age.

- (a) Outline how the use of cashflow modelling would be of benefit to Sally and Pippa when advising them on their retirement plans. (7)
- (b) State **five** disadvantages of using cashflow modelling for this purpose. (5)

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)
- Lifetime Allowance (LTA) may have been lower than £1,073,100.
 - Pension commencement lump sum (PCLS) taken may have been less than 25% of the amount crystallised.
 - There may have been no entitlement to PCLS (e.g. LTA test at age 75, overseas transfer, large increase in pension in payment, disqualifying pension credit).
- (b) *Candidates would have gained full marks for any four of the following:*
- Must be applied for before the first relevant benefit crystallisation event (RBCE);
 - and cover all benefit crystallisation events (BCEs) before 6 April 2024.
 - Must be made to a certification administrator/any pension scheme the individual is a member of/receiving an annuity/pension from/they plan to receive PCLS from.
 - Must provide evidence of actual PCLS received.
 - Certification administrator/scheme must issue transitional tax-free amount certificate (TTFAC) within three months (from receipt of complete evidence).

Model answer for Question 2

- (a)
- The uncrystallised funds pension lump sum (UFPLS) is classed as a relevant lump sum.
 - 25% of the UFPLS/tax free amount;
 - will be assessed against Sanjay's available Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA).
- (b)
- Buying an annuity is not a RBCE.
 - Therefore, there is no impact on his LSA or LSDBA.

Model answer for Question 3

- (a)
- $£490 \times 25 = £12,250$
 - $£750 \times 20 = £15,000$
 - $+ £2,250$
 - $= £17,250 + £12,250 = £29,500$

- (b) *Candidates would have gained full marks for any four of the following:*
- The capital value of all pension rights (both crystallised and uncrystallised) does not exceed £30,000 on the nominated date.
 - Therefore, Jonny can take both pensions as trivial commutation lump sums.
 - All benefits from a scheme must be commuted in full.
 - Commutations must take place within a 12-month commutation period (starting from the date of the first trivial payment).
 - They must be at least 55/minimum pension age.

Model answer for Question 4

- (a) *Candidates would have gained full marks for any eight of the following:*

Dependant

- Spouse/civil partner;
- child under age 23;
- or someone dependent due to physical or mental impairment;
- financially dependent;
- interdependent/mutual dependence with the member.

Nominee

- An individual nominated by the member;
- or nominated by the scheme administrator where there is no nomination by the member/beneficiary.

Successor

- An individual nominated by the beneficiary/ dependant/ nominee/ previous successor;
- or nominated by the scheme administrator where there is no nomination by the member/beneficiary.

- (b)
- Helena is only eligible for a lump sum;
 - as she is not a dependant/not been nominated.
 - Ross is a dependant;
 - so will have a choice of a lump sum;
 - flexi-access drawdown (FAD);
 - or an annuity.

Model answer for Question 5

- (a)
- Calculate how much fund to crystallise to provide first year's income (taking into account PCLS and value needed to purchase annuity).
 - Calculate how much fund to crystallise in year two/subsequent years;
 - taking into account the net annuity income already being received.
 - Most of the income in the first year will be PCLS/tax-free.
 - As more annuities are purchased PCLS declines/taxable income increases.

- (b)
- Age/longevity/mortality rates.
 - Fund size.
 - Escalation.
 - Survivors' benefits/guarantees/annuity protection.
 - Lifestyle/health/medical conditions.
 - Postcode/geographical location.
 - Gilt yields/competitiveness of annuity market.
 - Adviser charges/costs of setting up annuity.
 - Payment frequency/in advance/arrears/with/without overlap.

Model answer for Question 6

- Amount needed.
- Income/tax status.
- PCLS is tax free.
- Only 25% of UFPLS is tax free/75% of taxable.
- Taking UFPLS uses more fund/leaves less invested/PCLS would leave more invested.
- UFPLS results in Month 1 taxation/tax would need to be reclaimed.
- Taking UFPLS triggers money purchase annual allowance (MPAA)/loses carry forward/taking PCLS does not trigger MPAA/keep carry forward/has MPAA already been triggered.
- Contributions restricted to £10,000 with MPAA/contribution levels.
- Taking UFPLS will preserve more of PCLS for future/taking PCLS reduces future PCLS available.
- Pension value.
- Protected PCLS/eligibility for UFPLS/proximity to LSA.

Model answer for Question 7

- The capital value of the fund may be eroded.
- The investment returns may be less than those shown in the illustrations.
- Annuity or scheme pension rates may be at a worse level in the future.
- The levels of income provided may not be sustainable.
- There may be tax implications.

Model answer for Question 8

- As she had not reached normal pension age, before entering the Pension Protection Fund (PPF);
- Annual pension will reduce to 90%/to £13,275.
- No escalation on pre-1997 benefits/only post-1997 benefits will escalate in payment;
- in line with Consumer Prices Index (CPI);
- capped at 2.5%;
- Spouse's pension will reduce to 50%.

Model answer for Question 9

- They must have both reached State Pension age (SPA);
- or Amanda must have reached SPA and be claiming housing benefit.
- Weekly income must be less than £346.60 (jointly);
- unless one of them has a disability/cares for someone.
- Savings in excess of £10,000 will affect a claim.

Model answer for Question 10

- Income/capital required/ tax status.
- Initial fund value/safe withdrawal rate.
- Assumption for inflation/economic climate.
- Expected longevity/health/expected timescale of withdrawal.
- Asset allocation/expected investment returns/impact of charges/performance.
- Amount required to be left to dependants on death/importance of death benefits/pensions outside estate for Inheritance Tax (IHT) until April 2027.
- Capacity for loss/ other assets or sources of income/attitude to risk (ATR).

Model answer for Question 11

- (a)
- Time horizon/longevity.
 - How they feel about taking risks/complete a psychometric questionnaire/psychology.
 - Investment knowledge/experience.
 - How their ATR varies across different assets/if it varies.
 - Capacity for loss/overall wealth/assets/pensions.
- (b)
- Results still require a conversation with the client.
 - Client may misunderstand question/different models lead to different results.
 - Does not assess capacity for loss.

Model answer for Question 12

- (a)
- Funds will de-risk/investment is targeting annuity purchase;
 - so, funds will be held in cash and fixed interest/low risk;
 - doesn't meet his ATR;
 - meaning growth is below inflation/less potential for growth/ increases the chance of fund running out/charges have larger impact on returns.
- (b) *Candidates would have gained full marks for any four of the following:*
- Can invest funds needed for first 3-5 years of income in low risk/cash;
 - which means there is no risk of reverse pound cost averaging;
 - and helps mitigate sequencing risk/avoids having to sell assets in a market downturn.
 - Balance is invested to achieve above inflation/high growth/in line with his ATR.
 - Earmarking reduces likelihood of funds being exhausted/ensures strategy is more sustainable.

Model answer for Question 13

- (a)
- Market falls in the early years of drawdown;
 - Alongside ongoing withdrawals;
 - Could significantly reduce the longevity/sustainability of a portfolio/increases the possibility that the funds will run out too soon/amplifies early losses.
- (b)
- Take less income/spend growth/hold early years' income in cash/use other (non-pension) assets.
 - Use safe withdrawal rate.
 - Volatility/capital protection/well diversified strategy/managed portfolio/natural income only/earmarking.
 - Buy an annuity with part of the drawdown fund.

Model answer for Question 14

- Her ATR is cautious;
- capacity for loss is low/only other assets in cash and property;
- and she has limited investment experience;
- all of which is more suited to an annuity/less suited to drawdown.
- Health and family longevity/annuity rates.
- Importance she places on guarantees/flexibility.
- Importance of death benefits/she has no dependants.
- Value of her personal pension plan (PPP) is enough to provide required income (either via annuity or FAD or combination).
- Capital requirements/debts/downsizing.
- Thoughts on inflation/escalation of dependant's pension.
- Fixed interest funds not suitable for drawdown/sequencing risk/sustainability.
- State Pension becomes payable in 9 years/level of State Pension.
- Charges/ongoing reviews/complexity of FAD/annuity is simple to understand.

Model answer for Question 15

- (a)
- Assess net worth/assets and liabilities.
 - Visualise future income and capital needs/factor in need for £50k p.a. net / taking maximum PCLS;
 - and map out planned changes/repaying debts (mortgage and car loan)/state pension starting.
 - Show impact of £50k net p.a. pension withdrawals/expenditure is high relative to pensions /shows how realistic goals are/risk of running out of cash/identifies shortfalls.
 - Demonstrate effects of different growth rates/inflation rates.
 - Can model disaster scenarios/stress testing.
 - Can be reviewed/adapted to capture unplanned changes.

- (b)
- Tax and legislation may change.
 - Gives a snapshot only/estimate.
 - Inputs can be incorrect.
 - Assumptions could be different.
 - Personal circumstances/objectives could change/needs regular reviews/ongoing advice costs.

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

March 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.	1.4	Relevant benefit crystallisation events (RBCEs), including valuations and calculations;
3.	1.5	Commutation of benefits, including triviality and small pots;
4.	2.3/ 3.3 /4.3	The benefits payable on death and their tax treatment, including the Lump Sum and Death Benefit Allowance (LSDBA).
5.	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.	3.1 / 4.1	Definition, HMRC requirements, and main features, including capped drawdown, flexi-access drawdown (FAD), short-term annuities, and the risks of non-annuity pension options; Phasing retirement using secure and flexible options, including flexi-access drawdown, capped drawdown, uncrystallised funds pension lump sum (UFPLS), including the Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA) and annuities;
7.	5.1	FCA – Conduct of Business Sourcebook (COBS), including pensions guidance, retirement risk warnings, illustrations and investment pathways;
8.	5.3	Security of members benefits, including Pension Protection Fund, Financial Assistance Scheme and Financial Services Compensation Scheme;
9.	6.6	State Pension Credit;
10.	7.1	The importance of establishing a client's personal and financial circumstances and requirements including, attitude to investment risk, capacity for loss, longevity including life expectancy probability and investment strategies in retirement;
11.	7.1	The importance of establishing a client's personal and financial circumstances and requirements including, attitude to investment risk, capacity for loss, longevity including life expectancy probability and investment strategies in retirement;
12.	7.1	The importance of establishing a client's personal and financial circumstances and requirements including, attitude to investment risk, capacity for loss, longevity including life expectancy probability and investment strategies in retirement;
13.	7.1	The importance of establishing a client's personal and financial circumstances and requirements including, attitude to investment risk, capacity for loss, longevity including life expectancy probability and investment strategies in retirement;
14.	7.4	The choice between the different methods for drawing a pension income and/or lump sum and the Income Tax planning considerations (both State and private);
15.	7.5	The importance of cashflow modelling, including stress testing, life expectancy, sequencing risk and the safe withdrawal rate;

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

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

INCOME TAX

RATES OF TAX	2024/2025	2025/2026
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge:	1% of benefit per £200 of adjusted net income between £60,000 – £80,000	

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

Personal savings allowance (for savings income):

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

Additional rate taxpayers	Nil	Nil
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Dividend allowance	£500	£500
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Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%

Trusts

Income exemption up to**	£500	£500
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Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

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

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£4,280	£4,360
Married/civil partners at 10% †	£11,080	£11,270
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£37,000	£37,700
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£3,070	£3,130
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ The Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,700 (£37,000 for 24/25) until minimum reached.

*** Investment above £1,000,000 must be in knowledge-intensive companies.

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£125
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 242.00*	Nil
242.00 – 967.00	8%
Above 967.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £125 per week. This £125 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below £96.00**	Nil***
Over £96.00	15%

***Secondary threshold.*

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

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

CLASS 2 (self-employed) *	
Flat rate per week	£3,50
Small profits threshold per year	£6,845
Class 2 contributions are credited automatically where profits equal or exceed £6,845 per annum.	
Class 2 contributions can be made voluntarily where profits are below £6,845 per annum.	

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

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2023/2024*	£1,073,100

*Lifetime allowance abolished from 6 April 2024.

	2024/2025	2025/2026
Lump sum and death benefit allowance (LSDBA)	£1,073,100	£1,073,100
Lump sum allowance (LSA)	£268,275	£268,275
LSA and LSDBA may be higher if transitional protections are available. Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.		
Money purchase annual allowance	£10,000	£10,000

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

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

*Between 2020/21 and 2022/23 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.

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

ANNUAL ALLOWANCE CHARGE
20% – 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.

CAPITAL GAINS TAX

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

*For trading businesses and companies (minimum 5% employee or director shareholding) if held for at least two years.

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

INHERITANCE TAX

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

MAIN EXEMPTION

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

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

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

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

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

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

50% relief: certain other business assets

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

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

		2024/2025	2025/2026
		£ (per week)	£ (per week)
Child Benefit	First child	25.60	26.05
	Subsequent children	16.95	17.25
	Guardian's allowance	21.75	22.10
Employment and Support Allowance	Assessment Phase	Up to 71.70	Up to 72.90
	Age 16 - 24		
	Aged 25 or over	Up to 90.50	Up to 92.05
	Main Phase		
	Work-related Activity Group	Up to 126.45	Up to 128.60
	Support Group	Up to 138.20	Up to 140.55
Attendance Allowance	Lower rate	72.65	73.90
	Higher rate	108.55	110.40
Basic State Pension	Category A full rate	169.50	176.45
	Category B (lower) full rate	101.55	105.70
New State Pension	Full rate	221.20	230.25
Pension Credit	Standard minimum guarantee - single	218.15	227.10
	Standard minimum guarantee - couple	332.95	346.60
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	71.70	72.90
	Age 25 or over	90.50	92.05
Statutory Maternity, Paternity and Adoption Pay		184.03	187.18

CORPORATION TAX

	2024/2025	2025/2026
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Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%
Companies with profits between £50,000 and £250,000 will pay tax at the effective rate of 26.5%. This provides a gradual increase in the effective Corporation Tax rate.		

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

	Residential
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Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Additional Stamp Duty Land Tax (SDLT) rules apply as follows:

- *First-time buyers benefit from SDLT relief on first £300,000 for properties up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,001 and £500,000, a flat rate of 5% is charged on the balance above £300,000.*
- *Additional SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *Additional SDLT of 2% may apply to purchases by non-UK residents over £40,000.*
- *SDLT may be charged at 17% on interests in residential properties costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*

	Non residential
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Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%