Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

June 2026 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2025/2026 unless stated otherwise and should be answered accordingly.

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

Unit R06 – Financial planning practice

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper.
- This paper consists of **two** case studies and carries a total of 150 marks.
- You are advised to spend approximately 90 minutes on the questions for each case study. You are strongly advised to attempt **all** parts of each question in order to gain maximum possible marks for each question. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- It is important to show all steps in a calculation, even if you have used a calculator.
- Tax tables are provided at the back of this question paper.

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

Attempt ALL questions for each case study

Time: 3 hours

Case Study 1

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

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

Daniel and Abby are both aged 62 and are married. They have three children, all of whom are married and they have five grandchildren. All of the family are in good health. Daniel would like to retire at age 65.

Daniel is employed as a management consultant and earns £90,000 gross per annum. Abby retired two years ago to look after her mother who is in poor health and requires both care and financial support from Abby. Abby has no earned income and receives no State Benefits.

Daniel is a member of his employer's workplace pension scheme and contributes 6% of his gross salary to the scheme. His employer also contributes 6% of his gross salary to the scheme. Daniel's pension fund has a current value of £420,000 and is invested in a range of global equity tracker funds. Daniel is also a member of his employer's death-in-service scheme which will pay out four times his basic salary on death whilst in service. The pension fund and death-in-service have up-to-date nominations in favour of Abby.

Abby was a member of her employer's workplace pension scheme, and this has a current value of £152,000, invested in a UK cautious managed fund. Abby is considering the merits of using this pension plan to purchase a lifetime annuity. The pension fund has an up-to-date nomination in favour of Daniel.

Daniel and Abby have a repayment mortgage with an outstanding balance of £20,000 on their home which is currently valued at £550,000. The remaining mortgage term is two years and is covered by a joint-life first-death level term assurance policy for a sum assured of £300,000. They have no other financial protection policies in place.

Daniel and Abby have no interest in Environmental, Social and Governance (ESG) investments. They consider themselves to be moderate to high-risk investors although neither of them has undertaken any form of evaluation to assess this.

Neither Abby nor Daniel have used their ISA allowances for the current tax year. Daniel holds a range of unit trusts which he purchased many years ago. Daniel would like to invest in commodity funds or alternative investments as he believes this will improve his portfolio. He has asked for advice on this.

Daniel and Abby have set up mirror Wills which leave all assets to the survivor on first death and then split equally between their children on second death. They are aware that they have a potential Inheritance Tax liability on second death and would like to help their children to plan for this without disposing of any of their current assets.

Daniel and Abby have the following assets:

Assets	Ownership	Value (£)
House	Joint	550,000
Current Account	Joint	18,000
Deposit Account – Instant access	Joint	80,000
Stocks & shares ISA – UK Managed funds	Abby	170,000
Stocks & shares ISA – Global Equity funds	Daniel	210,000
Unit Trusts – Global & Emerging Markets Equity funds	Daniel	160,000

Daniel and Abby's financial aims are to:

- ensure that they will have sufficient income to meet their retirement needs;
- improve the tax efficiency of their financial arrangements;
- assist their children in meeting any future Inheritance Tax liability on second death.

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

Questions

(a) State the additional information that a financial adviser would require in order to advise Daniel and Abby on whether they can afford for Daniel to retire at age 65. **(15)**

(b) Identify the reasons why Abby may be considered to be a vulnerable client. **(6)**

(c) Explain to Abby why she may be eligible for Carer's Allowance and the benefits it might provide. **(10)**

(d) Outline the key reasons why Abby might wish to delay purchasing a lifetime annuity for the next few years. **(12)**

(e) Recommend and justify a suitable protection policy that Daniel and Abby should consider setting up to provide sufficient funds to enable their children to meet any future Inheritance Tax liability. **(14)**

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

(f) Recommend and justify a range of actions that would enable Daniel and Abby to improve the tax efficiency of their current financial arrangements in advance of Daniel's retirement. **(14)**

(g) Identify the benefits for Daniel of investing in gold-based investment funds. **(7)**

Total marks available for this question: 78

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.*

Alan and Nadira are both aged 35 and are married. They have two children, aged 10 and 7. Alan and Nadira are both in good health.

Alan is employed as a training consultant and earns a salary of £67,000 gross per annum. He is a member of his employer's workplace pension scheme and contributes 5% of his gross salary to the scheme. His employer also contributes 5% of his gross salary to the scheme. Alan's pension fund has a current value of £70,000 and is invested in a low-cost UK Equity Tracker fund. The pension fund does not have an up-to-date nomination in place. Alan is also a member of his employer's death-in-service scheme which will pay out four times his basic salary on death whilst in service.

Nadira is employed part-time as a product developer and earns a salary of £45,000 gross per annum. She is a member of her employer's workplace pension scheme and contributes 5% of her gross salary to the scheme. Her employer contributes 4% of her gross salary to the scheme. Nadira's pension fund has a current value of £47,000 and is invested in the UK Deposit fund. The pension fund has an up-to-date nomination in favour of Alan. Nadira's employer does not offer any further benefits.

Alan and Nadira have a repayment mortgage with an outstanding balance of £170,000 on their home which is currently valued at £210,000. They have a joint life level term assurance policy with a sum assured of £200,000 which they took out to cover the mortgage. They have no other protection policies in place.

Alan and Nadira are concerned that they do not have sufficient financial protection. As they have limited family support, they are keen to ensure that sufficient financial protection is in place.

Alan and Nadira have a limited range of assets at present but are keen to build up their savings and investments for the future. Neither of them has used their ISA allowances for the current tax year.

Alan and Nadira have an interest in Environmental, Social and Governance (ESG) investment and wish to explore this option for any future investment strategy. They both have a moderate attitude to risk.

Alan and Nadira have recently drawn up their Wills and Lasting Powers of Attorney and have confirmed with their solicitor that these are appropriate and suitable.

Alan and Nadira have the following assets:

Assets	Ownership	Value (£)
House	Joint	210,000
Current Account	Joint	7,000
Deposit Account – Instant access	Joint	30,000
Stocks & shares ISA – UK Equity fund	Alan	45,000
Stocks & shares ISA – Global Managed fund	Nadira	26,000

Their financial aims are to:

- ensure that sufficient financial protection is in place;
- ensure their investments meet their ethical criteria;
- set up an appropriate investment strategy to build up their savings for the future.

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

Questions

(a) Identify the key personal and financial information that Alan and Nadira would need to consider when determining an appropriate amount of cover to meet their protection needs. **(15)**

(b) Explain to Alan and Nadira the reasons why they might consider replacing their existing level term assurance policy with a more suitable policy to protect their mortgage. **(7)**

(c) Recommend and justify to Alan and Nadira why making further pension contributions to their workplace pension plans might be more beneficial in the longer-term than investing further monies into their existing ISA plans. **(14)**

(d) Explain to Alan why it is important for him to maintain an up-to-date nomination on his workplace pension plan. **(8)**

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

(e) Describe to Alan and Nadira how they could identify suitable funds to meet their views on ethical investments when setting up any new investment portfolio. **(10)**

(f) Explain to Alan and Nadira the key issues that they should consider when reviewing the suitability of the investments held in their pensions and ISAs. **(10)**

(g) Identify **eight** key issues that a financial adviser should discuss with Alan and Nadira at their next annual review. **(8)**

Total marks available for this question: 72

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.*

	2024/2025	2025/2026
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%	8.75%
Higher rate	33.75%	33.75%
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.*

MAIN PERSONAL ALLOWANCES AND RELIEFS	2024/2025	2025/2026
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 30/10/2024**	**Post**	**2025/2026**
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:

- 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

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

CORPORATION TAX

	2024/2025	2025/2026
Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%

Companies with profits between £50,000 and £250,000 will pay tax at the effective rate of 26.5%. This provides a gradual increase in the effective Corporation Tax rate.

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

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

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

- *First-time buyers benefit from SDLT relief on first £300,000 for properties up to £500,000 when purchasing their 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 £425,000.*
- *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. 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%