



Chartered
Insurance
Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

January 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) and (f) which follow.

Arish and Fiona, both aged 30, are married and have two children, aged six and four. All the family are in good health.

Arish is employed as a legal consultant and earns £120,000 per annum (gross). Fiona is employed as a magazine editor and earns £68,000 per annum (gross). Fiona is currently setting up a private consultancy practice. She hopes to be able to leave her employer and work full-time on her new venture in the next few years. Fiona has asked for your advice in setting up her new practice in a tax-efficient manner.

Arish is a member of his employer's workplace pension scheme and contributes 8% of his gross salary to the scheme. His employer contributes 5% of his gross salary to the scheme. Arish's pension fund has a current value of £140,000 and is invested in a range of adventurous UK equity funds. Arish 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.

Fiona is a member of her employer's workplace pension scheme and contributes 5% of her gross salary to the scheme. Her employer contributes 3% of her gross salary to the scheme. Fiona's pension fund has a current value of £67,000 and is invested in a UK managed equity fund. Fiona is also a member of her employer's death-in-service scheme which will pay out three times her basic salary on death whilst in service.

Arish and Fiona have a repayment mortgage with an outstanding balance of £260,000 on their home, which is currently valued at £340,000. The remaining mortgage term is 20 years and is protected by a joint life level term and critical illness policy, set up on a first event basis, for a sum assured of £280,000. They have no other protection policies in place. Arish and Fiona both have outstanding student loans of £35,000 each and are considering making lump sum repayments to reduce these.

Arish and Fiona have an interest in Environmental, Social and Governance (ESG) investments. They are both high-risk investors.

Neither Fiona nor Arish have used their ISA allowances for the current tax year. Arish is considering an investment into a new Venture Capital Trust as he has heard about the tax benefits of this type of investment. He has asked for advice on this.

Arish and Fiona have set up mirror Wills which leave all assets to the survivor on first death and to their children, in trust, on second death.

Arish and Fiona have the following assets:

Assets	Ownership	Value (£)
House	Joint	340,000
Current Account	Joint	5,000
Deposit Account – Instant access	Joint	35,000
Stocks & shares ISA – UK Equity Tracker fund	Arish	44,000
Stocks & shares ISA – UK Ethical Equity fund	Fiona	37,000

Arish and Fiona's financial aims are to:

- ensure that they have sufficient financial protection to meet their family needs;
- set up an appropriate structure for Fiona's new consultancy practice;
- improve the tax-efficiency of their financial arrangements.

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

Questions

- (a) State the additional information that a financial adviser would require to enable them to assess the suitability of Arish and Fiona's current financial arrangements to meet their objectives. **(15)**
- (b) Explain to Fiona, the key considerations she should take into account when deciding whether she should set up a limited company for her new consultancy practice. **(12)**
- (c) Explain, in detail, to Arish why he should consider increasing his pension contributions. **(12)**
- (d) Outline to Arish the potential benefits of investing in a Venture Capital Trust. **(10)**

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

(e) Outline the key issues that a financial adviser should discuss with Arish and Fiona before they decide whether to make any lump sum payments towards their student loans. **(12)**

(f) Identify the key reasons why it may be beneficial for Arish and Fiona to review the fund choices within their existing pensions and investments. **(12)**

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), (g) and (h) which follow.

Jon and Elaine, both aged 64, are married. They each have two adult children from their previous marriages. Jon divorced his previous wife 10 years ago and Elaine's first husband died five years ago. Jon and Elaine are in good health. They are planning to retire next year.

Jon is a product consultant and earns £80,000 per annum (gross). Jon is a member of his employer's qualifying workplace pension scheme and contributes 5% of his gross salary to the scheme. This is matched by his employer. His pension plan has a current value of £620,000 and is invested in a range of equity and fixed-interest funds. Jon is a member of his employer's death-in-service scheme which will pay out four times his basic salary on death whilst in service.

Elaine is a marketing manager and earns £38,000 per annum (gross). Elaine is a member of her employer's qualifying workplace pension scheme and contributes 5% of her gross salary to the scheme. Her employer contributes 4% of her gross salary to the scheme. Her pension plan has a current value of £108,000 and is invested in a cautious lifestyle fund. Elaine is a member of her employer's death-in-service scheme which will pay out three times her basic salary on death whilst in service.

Jon has a personal income protection insurance policy which he set up many years ago. This policy ends on his 67th birthday in December 2028. They have no other financial protection policies.

Jon and Elaine hold stocks and shares ISAs which are invested in a range of investment funds from different investment houses. Elaine also holds a global equity unit trust which she inherited from her late husband. This has performed very well since she inherited it. She is unsure if this investment is suitable for her. Jon and Elaine are keen to improve the tax-efficiency of their investments and to simplify the ongoing administration as they approach retirement.

Jon and Elaine are keen to ensure that the surviving spouse is financially supported during their lifetime and that on second death, their children from their previous marriages will receive their respective assets. They have asked for advice in this respect. They do not have up-to-date Wills at present, but they have recently set up lasting powers of attorney which name each other and their respective children as joint attorneys.

Jon and Elaine own their home which is mortgage-free. This is held as tenants in common. Jon is considering the merits of gifting a sum of £200,000 split equally between his two children when he retires.

Jon and Elaine are medium risk investors with no particular interest in Environmental, Social and Governance (ESG) investing. Jon and Elaine have no debts or other liabilities.

Jon and Elaine have the following assets:

Assets	Ownership	Value (£)
House	Joint	600,000
Current Account	Elaine	3,000
Unit Trust – Global Equity fund	Elaine	205,000
NS&I Premium Bonds	Elaine	50,000
Stocks & shares ISA – Mixed Investment 20-60% shares funds	Elaine	310,000
Current Account	Jon	10,000
Deposit Account – Fixed Rate (to July 2027)	Jon	200,000
Stocks & shares ISA – UK Equity/Corporate Bond funds	Jon	400,000

Their financial aims are to:

- improve the tax-efficiency of their financial arrangements as they approach retirement;
- put in place suitable arrangements to ensure that their children from their previous marriages receive their individual assets on second death;
- review the affordability for Jon of making gifts to his children when he retires.

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

Questions

- (a) Identify the additional information that should be considered by a financial adviser to establish if Jon can afford to make the proposed gifts to his children. **(12)**
- (b) Explain to Jon how the proposed gifts to his children would be treated for Inheritance Tax purposes. **(8)**
- (c) Explain to Elaine how any potential Capital Gains Tax (CGT) liability on the sale of the unit trust would be calculated, and how any potential liability could be mitigated. *No calculations are required.* **(10)**
- (d) Recommend and justify a range of suitable actions that Jon and Elaine could take to ensure that their children will receive their respective assets on second death, whilst protecting the surviving spouse during their lifetime. **(12)**

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

- (e)** State the key benefits for Jon and Elaine of using an investment platform for their portfolio. **(8)**

- (f)** Explain to Jon and Elaine any restrictions that might apply to the use of their lasting powers of attorney. **(7)**

- (g)** Identify the information a financial adviser would require, in respect of the existing income protection insurance policy, to assess its continuing suitability for Jon. **(12)**

- (h)** Identify **eight** key issues that a financial adviser should discuss with Jon and Elaine at their next annual review. **(8)**

Total marks available for this question: 77

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
---------------------------	-----	-----

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

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
Money purchase annual allowance	£10,000	£10,000

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.

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
Individuals:	30/10/2024		
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	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
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 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
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%