Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

April 2025 Examination Guide

SPECIAL NOTICES

Candidates entered for the July 2025 examination should study this examination guide carefully in order to prepare themselves for the examination.

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

R06 – Financial planning practice

Contents

This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is a free extension that is available from **https://speechify.com/**. If for accessibility reasons you require this document in an alternative format, please contact us at **online.exams@cii.co.uk** to discuss your needs.

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination 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 examination, 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 examination conditions.

Before the examination

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

Read widely
It is vital that your knowledge is widened beyond the scope of one book. *It is quite unrealistic to expect that the study of a single coursebook will be sufficient to meet all your requirements.* While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide
This Examination Guide contains a full examination 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 Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your examination 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 examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables
Familiarise yourself with the tax tables printed at the back of the Examination 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 examination, these are provided in the portal as you sit the exam (see page 6).*

Know the structure of the examination

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

Two weeks before the examination

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

How should I use my time over the two-week period?
It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the case studies.

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

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

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

You may need to read about particular products; try product providers for technical information, tax offices, Directgov website, National Savings and Investments liaison office.

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

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

Test yourself under timed conditions

To gain most benefit from this exercise you should:

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

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

On-screen written exam familiarisation

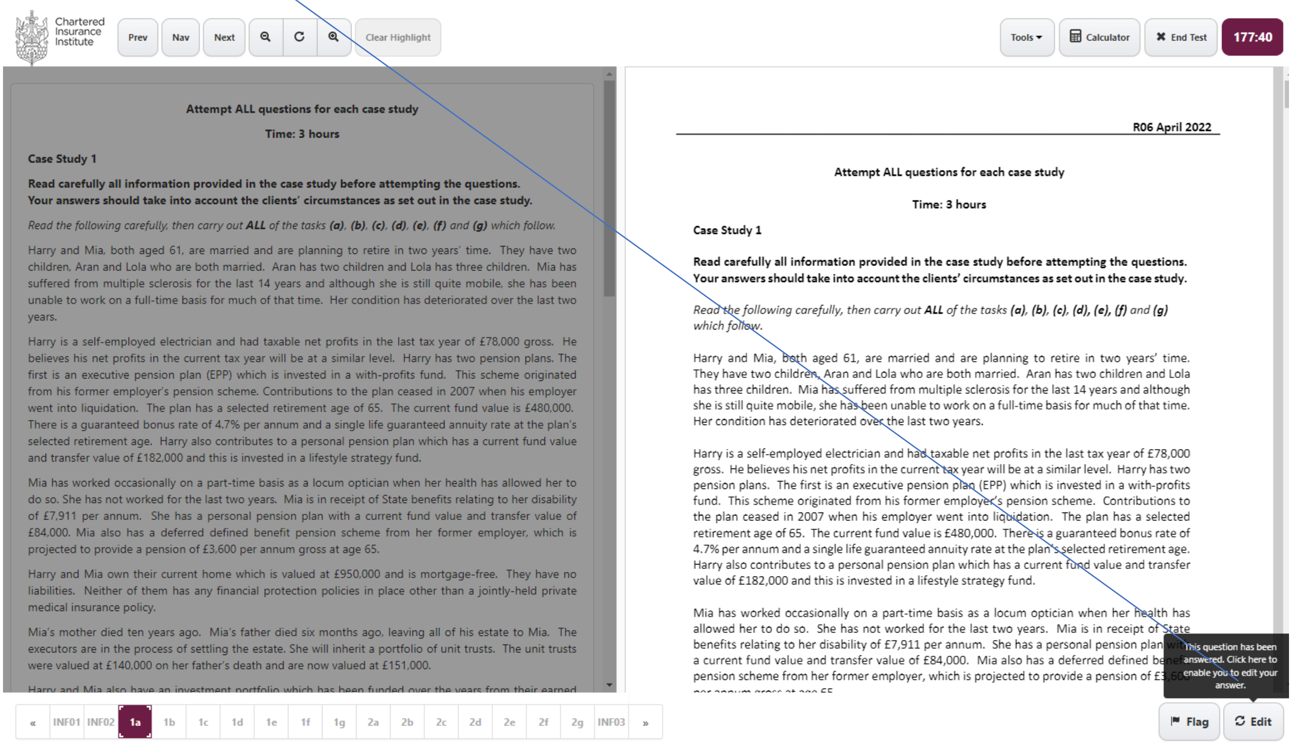
The familiarisation test allows you to experience using the assessment platform before your exam. Please note that while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only. You can also access past exam papers **here**.

You can access the familiarisation test at any time which can be found **here**.

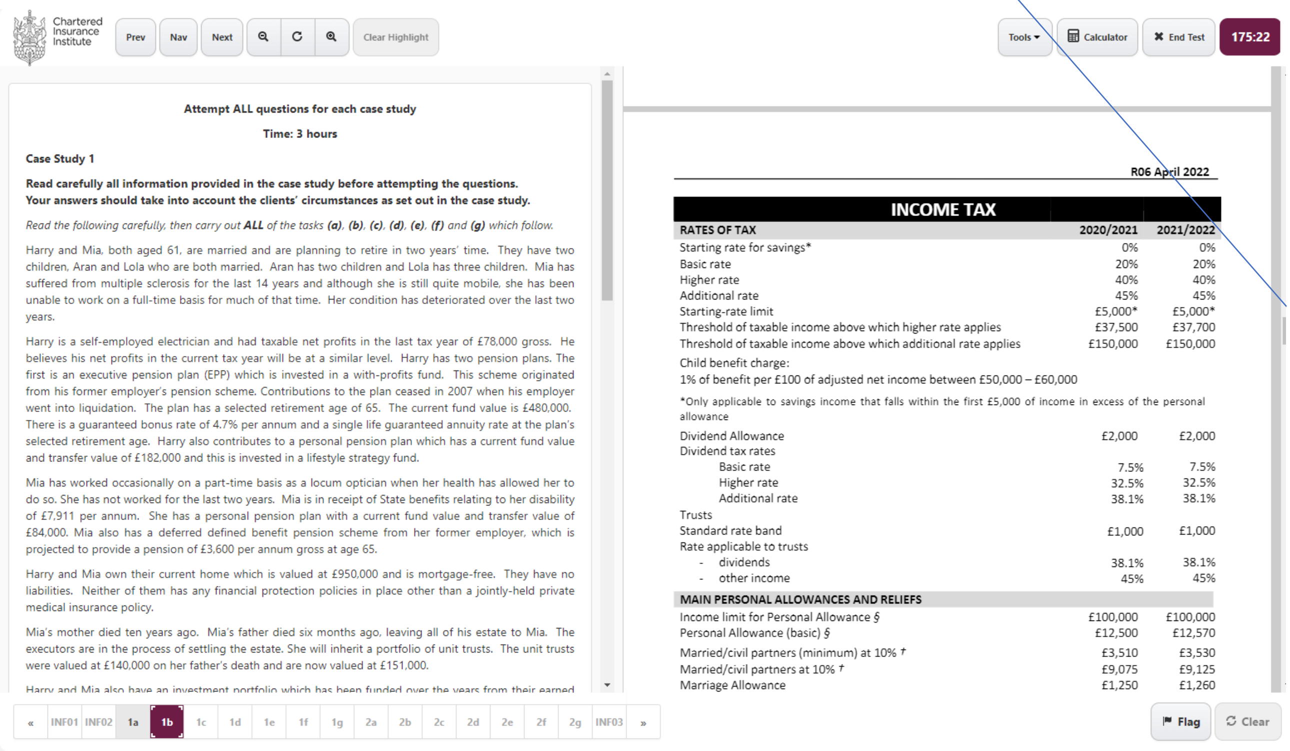
Although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

Once you have received your exam login details, we strongly advise that you try the familiarisation test to ensure you are familiar with the navigation for the exam.

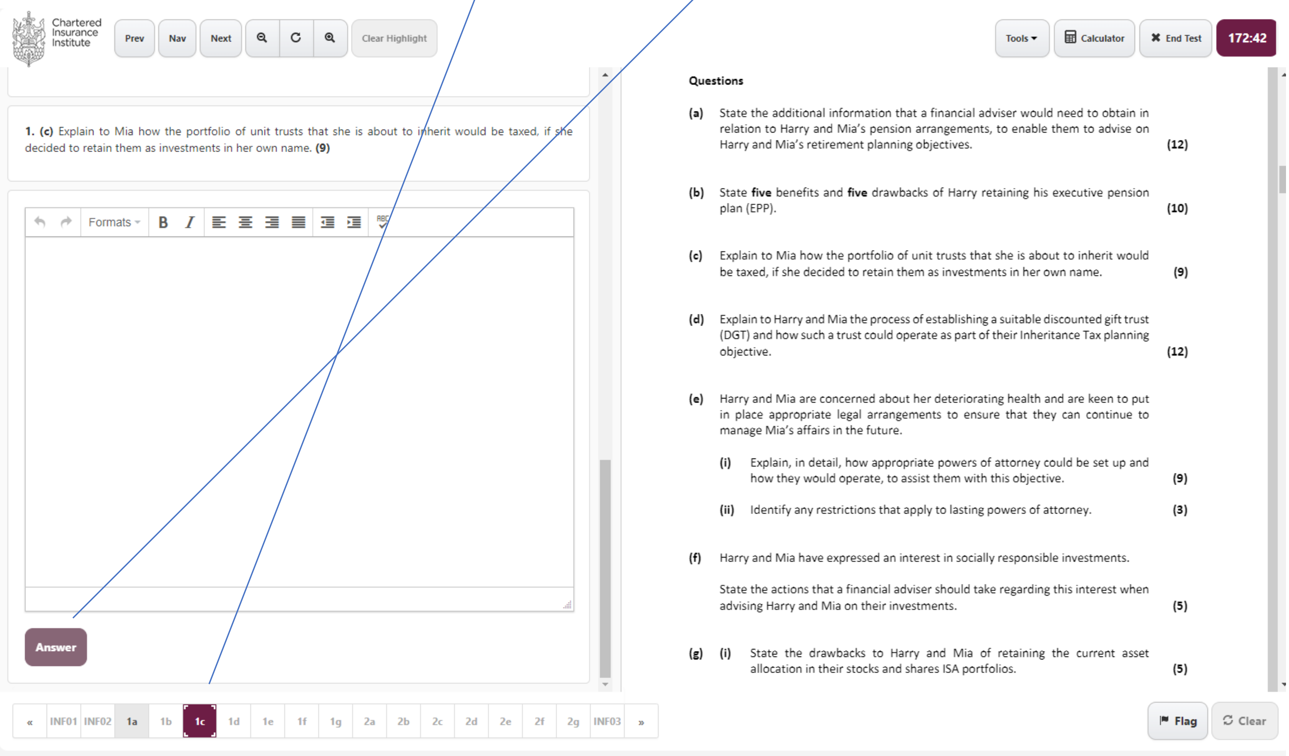
1. From the familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them. To return to edit any answer you have already typed, you must press 'Answer' for the question you are already in otherwise it will not let you select a previous question you have answered to edit.



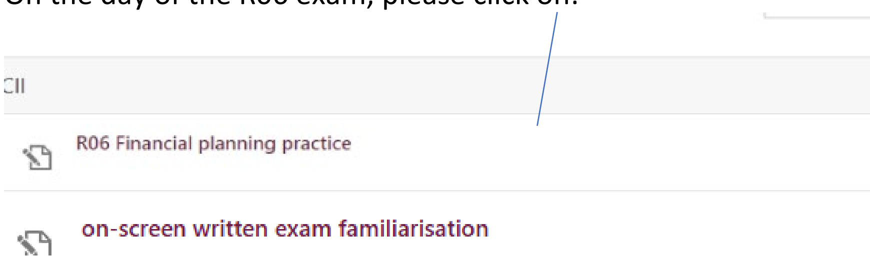
2. Tax tables and the Case Studies are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CIIs multiple choice exams. Please do not bring your own copies into the exam. Scroll up and down using the navigation bar.



3. Once you have typed in your answer ensure you click the red '**Answer**' box, this will save your answer and move you onto the next question. Unless you press 'Answer', you will not be permitted to move onto other questions. Furthermore, please do not type all of your answers for every question into the answer space for Q1a. You should familiarise yourself with all questions prior to starting the exam.



4. On the day of the R06 exam, please click on:



5. The above screenshot shows the point before the exam has started; you may wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam. Please note the exam timer will not start until you click the exam titled: **R06 Financial planning practice**.

Important information for remote invigilation candidates only

If you are taking the exam through remote invigilation, **we strongly advise that you try the online tutorial test** once you have received your exam login details and well in advance of the actual exam day.

You should have received the below information via email before your examination 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 of the invigilation system will help you feel confident on exam day and can prevent technical issues by alerting you to potential issues with your equipment.

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.

It is fundamentally important that if you are sitting an examination 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) as soon as possible, as this may affect your examination sitting.

In the examination

The case studies

You will not be able to take your pre-released copy of the case studies into the examination with you. The case studies will be provided on screen in the examination. There will not be any new or different information contained within the case studies. The instructions are focused on the client objectives identified from the case studies.

Assuming you have prepared adequately, you will only do justice to yourself in the examination if you follow two crucial common-sense rules:

1. **Spend your time in accordance with the number of marks given next to each question.** The number of marks allocated is the best indication of how much time you should spend on each question. If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking, so a long answer is a waste of time. Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the examination 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 elapsed, go on to the next question and return to the incomplete question, if you have time.

2. **Take great care to answer the precise question set.** The model answers provided in this Examination Guide are quite focused and precise; alternative answers will only be acceptable if they still answer the question. *However well a candidate writes on a particular topic, if it does not provide a satisfactory answer to the precise question as set, the candidate will not achieve the marks allocated*.

Order of answering questions

Answer the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which are felt to be challenging until the more familiar questions have been attempted but *remember not to spend excessive time on the questions you are most confident about.* You are able to flag questions and then go back to them.

Answering different question parts

Always read all parts of a question before starting to answer it otherwise, you may find that after answering part (a), the answer you have given is more appropriate to part (b) and it may be necessary to duplicate some of the answer.

Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, you should use 'bullet points' or short paragraphs. The model answers indicate what is acceptable for the different types of questions.

Marks are not lost due to poor 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 calculator.

EXAMINERS' COMMENTS

Candidates' overall performance

Performance was good across the paper with many candidates able to achieve a satisfactory performance across both Case Studies.

It was slightly disappointing to note that a number of candidates had not considered the potential availability of State Benefits for the couple in Case Study Two. It is important to review all aspects of the clients' financial arrangements in detail when reviewing the Case Studies in preparation for the examination. This will enable candidates to identify all of the gaps in the current arrangements as well as the potential options available to the clients to assist them in meeting their objectives.

Case Study 1

1 (a)
Candidates were asked to state the additional information that a financial adviser would require to enable them to establish whether Robin and Kerry can afford to retire next year. Most candidates performed well here but it was disappointing to note that very few candidates considered the cost of their travel plans in their answers. This was a key objective of Robin and Kerry and further information would be required on this to establish their affordability to retire.

1 (b)
This question required candidates to explain in detail to Robin how he could use his employer's workplace pension scheme to provide a flexible income for the first few years of his retirement until he reaches State Pension age. Overall performance was mixed here with some candidates incorrectly identifying the option of using annuities which would not provide a flexible income for Robin.

1 (c)
This question asked candidates to recommend and justify a range of actions that Robin and Kerry could take to generate additional income in retirement from the existing savings and investments. Most candidates performed well here but some candidates failed to provide sufficient detail on suitable changes to the current holdings to achieve high marks here.

1 (d)
Candidates were asked to explain to Robin and Kerry how they could make gifts to their children for their weddings in an Inheritance Tax efficient manner. Most candidates performed very well here.

1 (e)
Candidates were asked to explain to Robin and Kerry why they might wish to consider the use of a deed of variation in respect of Robin's future inheritance and how such an arrangement should be set up. Very good performance overall here with most candidates demonstrating a good understanding of deeds of variation.

1 (f)
Candidates were asked to identify the key reasons why the existing emerging market equity funds may not meet Robin and Kerry's objectives. Most candidates performed well here.

1 (g)
Candidates were asked to explain to Robin and Kerry why their capacity for loss should be reviewed now, following their decision to retire early. Mixed performance here as some candidates gave generic answers only. They did not relate their answers to Robin and Kerry's specific circumstances which included issues such as the gap between retirement and the start of their guaranteed benefits as well as the cost of their travel plans and loss of earned income.

Case Study 2

2 (a)
Candidates were asked to explain to Samir and Lydia why it is important for them to maintain their existing personal protection policies, following Samir's redundancy. Some candidates performed very well here but others gave generic answers which did not relate to Samir and Lydia and their particular circumstances.

2 (b)
This question required candidates to identify six benefits and six drawbacks for Samir and Lydia of using some of the redundancy payment to repay part of their mortgage. Overall performance was very good here.

2 (c)
This question asked candidates to explain to Samir and Lydia how they might be able to use the Marriage Allowance to improve the tax-efficiency of their income. Very good performance was shown here from the majority of candidates.

2 (d)
Candidates were asked to explain to Samir why he may be eligible to claim New Jobseeker's Allowance from the date of his redundancy. Mixed performance here as some candidates had not researched the possibility that Samir could be eligible to claim State Benefits and so were unable to provide any details of this. Candidates should ensure that they consider all aspects of the client circumstances as set out in the Case Studies and this should include eligibility for State Benefits.

2 (e)
This question asked candidates to recommend and justify a range of actions that Samir and Lydia could take to improve the tax efficiency of their current financial arrangements. Performance was generally good here although some candidates failed to achieve high marks as they did not identify any of the relevant tax rates.

2 (f)

This question required candidates to explain to Samir the benefits of continuing to make pension contributions following his redundancy and how he could identify the maximum amount of tax-relievable pension contribution available to him. Performance was slightly disappointing here as some candidates stated that Samir could invest his full annual pre-redundancy salary into the pension and still receive full tax relief, despite the fact that he has earned income for only one month of the tax year. Some candidates would benefit from a careful review of the eligibility for tax relief on pension contributions.

2 (g)

This question required candidates to explain why continuing to invest in multi-asset funds may be suitable for Samir's ISA portfolio. Overall performance was very good here.

2 (h)

This was a standard review question which asked candidates to identify eight key issues that a financial adviser should discuss with Samir and Lydia at the next annual review. Overall performance here was excellent, and most candidates were able to achieve high marks.

Unit R06 – Financial planning practice

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2024/2025, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK 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 use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.**
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

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

For candidates sitting via remote invigilation or at a test centre

- This paper consists of **two** case studies and carries a total of 150 marks.
- You are advised to spend approximately 90 minutes on the questions for each case study. You are strongly advised to attempt **all** parts of each question in order to gain maximum possible marks for each question. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper.**
- For each answer, please type in the full question number you are answering e.g. **1a**
- **Please note each answer must be typed in the correct corresponding answer box.**
- If you are wearing a headset, earphones, smart watch please take them off. No watches are allowed.
- Please familiarise yourself with **all** questions before starting the exam.

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

Attempt ALL questions for each case study

Time: 3 hours

Case Study 1

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

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

Robin and Kerry, both aged 62, are married with two adult children. Robin and Kerry are in good health and are planning to retire next year. Their children are both planning to get married in the next few months. Robin and Kerry work full-time and would like to retire next year as they wish to travel and spend time on voluntary charity projects overseas.

Robin is an engineer and earns £70,000 per annum (gross). Robin is a member of his employer's death-in-service scheme which will pay out three times his basic salary on death whilst in service. Robin 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 £300,000 and is invested in a range of UK and global equity funds.

Kerry is a consultant and earns £50,000 per annum (gross). Kerry is a member of her employer's death-in-service scheme which will pay out four times her basic salary on death whilst in service. She is a member of her employer's defined benefit pension scheme which has a normal retirement age of 65. This pension is forecast to pay an income of £25,000 per annum (gross) from age 65 which increases each year in line with the Consumer Prices Index. There is no current option for Kerry to draw early benefits from this scheme unless she suffers serious ill health before age 65. This scheme will pay a spouse's pension of 50% to Robin in the event of Kerry's death in retirement.

Robin and Kerry hold stocks and shares ISAs which are invested in a range of high-risk emerging market equity funds and individual UK equities. Robin and Kerry are concerned that these investments may no longer be suitable for them and have asked for advice.

Robin and Kerry are keen to gift funds to their children to assist them with their wedding costs. They would like to do this as tax-efficiently as possible. Robin is due to receive a cash inheritance from his late mother of approximately £60,000 within the next six months.

Robin and Kerry have always been adventurous investors but are aware that their upcoming retirement plans may require an adjustment to a more balanced approach. They are interested in environmental, social, and governance (ESG) investing and have a particular interest in the environmental aspects of ESG investment. Robin and Kerry have no mortgage or other liabilities.

Robin and Kerry have the following assets:

Assets	Ownership	Value (£)
Family home	Joint	800,000
Current account	Joint	40,000
Deposit account – Instant access	Joint	50,000
Stocks and shares ISAs – emerging market equity funds	Robin	230,000
Stocks and shares ISAs – UK equities (small cap stocks)	Kerry	260,000

Robin and Kerry's financial aims are to:

- ensure they have sufficient funds to enable them to retire next year;
- adjust their investment portfolio to ensure it meets their needs in retirement;
- consider how best to manage the inheritance from Robin's late mother.

Questions

(a) State the additional information that a financial adviser would require to enable them to establish whether Robin and Kerry can afford to retire next year. **(15)**

(b) Explain in detail to Robin how he could use his employer's workplace pension scheme to provide a flexible income for the first few years of his retirement until he reaches State Pension age. **(12)**

(c) Recommend and justify a range of actions that Robin and Kerry could take to generate additional income in retirement from the existing savings and investments. **(12)**

(d) Explain to Robin and Kerry how they could make gifts to their children for their weddings in an Inheritance Tax efficient manner. **(8)**

(e) Explain to Robin and Kerry why they might wish to consider the use of a deed of variation in respect of Robin's future inheritance and how such an arrangement should be set up. **(12)**

(f) Identify the key reasons why the existing emerging market equity funds may not meet Robin and Kerry's objectives. **(8)**

(g) Explain to Robin and Kerry why their capacity for loss should be reviewed now, following their decision to retire early. **(8)**

Total marks available for this question: 75

Case Study 2

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

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

Samir and Lydia, both aged 44, are married with three children between the ages of 7 and 13. The family are all in good health.

Samir is about to be made redundant from his job as a computer software developer and will receive a redundancy payment of £30,000 at the end of April. His current salary is £65,000 per annum (gross). His membership of his employer's death-in-service scheme will finish at the end of the month. Samir is a member of his employer's qualifying workplace pension scheme, and he has been contributing 8% of his gross salary to the scheme. This was matched by his employer. Samir's pension plan has a current value of £140,000 and is invested in a range of managed equity funds. Samir is currently looking for another job but expects he may be out of work for the rest of the year as he works in a specialist field.

Lydia is employed as a contracts manager and earns a salary of £45,000 per annum (gross). Lydia is a member of her employer's qualifying workplace pension scheme, and she contributes 5% of her gross salary to the scheme. Her employer contributes 3% of her gross salary to the scheme. Lydia's pension plan is invested in a global managed fund and has a current value of £95,000. Lydia's employer does not offer any other benefits.

Samir and Lydia have a repayment mortgage of £120,000 on their home on a standard variable rate with no early repayment charges. They are considering the possibility of using some or all of Samir's redundancy payment to reduce the outstanding balance. Their mortgage is fully covered by a decreasing term assurance policy which is set up on a joint-life first-death basis.

Samir and Lydia have both cash ISAs and stocks and shares ISAs which they fund each year, depending on affordability.

Samir and Lydia are medium to high-risk investors and have confirmed that they have no interest in environmental, social, and governance (ESG) investing.

Samir and Lydia each have an individual income protection insurance policy as well as individual family income benefit policies which run until their youngest child reaches age 18. They are considering cancelling all of these policies due to affordability issues following Samir's redundancy.

Samir and Lydia have the following assets:

Assets	Ownership	Value (£)
Family home	Joint	300,000
Current account	Joint	5,000
Deposit account – Instant access	Joint	70,000
Cash ISA – Instant access	Samir	30,000
Cash ISA – Instant access	Lydia	30,000
Stocks and shares ISA – Global Multi-Asset fund	Samir	75,000
Stocks and shares ISA – UK FTSE-250 Tracker fund	Lydia	90,000

Their financial aims are to:

- assess the merits of using the redundancy payment to reduce their mortgage balance;
- ensure that their financial protection arrangements meet their needs;
- improve the tax efficiency of their arrangements following Samir's redundancy.

Questions

(a) Explain to Samir and Lydia why it is important for them to maintain their existing personal protection policies, following Samir's redundancy. **(10)**

(b) Identify **six** benefits and **six** drawbacks for Samir and Lydia of using some of the redundancy payment to repay part of their mortgage. **(12)**

(c) Explain to Samir and Lydia how they might be able to use Marriage Allowance to improve the tax-efficiency of their income. **(8)**

(d) Explain briefly to Samir why he may be eligible to claim New Style Jobseeker's Allowance from the date of his redundancy. **(5)**

(e) Recommend and justify a range of actions that Samir and Lydia could take to improve the tax efficiency of their current financial arrangements. **(12)**

(f) Explain to Samir the benefits of continuing to make pension contributions following his redundancy and how he could identify the maximum amount of tax-relievable pension contribution available to him. *No calculations are required*. **(10)**

(g) Explain why continuing to invest in multi-asset funds may be suitable for Samir's ISA portfolio. **(10)**

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

Total marks available for this question: 75

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) *Candidates would have gained full marks for any fifteen of the following:*

- Current expenditure/affordability/planned level of wedding gifts?
- Level of income/capital required in retirement.
- Cost of travel plans.
- Yield on ISAs/Interest Rate on cash.
- Liabilities/any debts.
- Pension contribution history/carry forward/ Additional Voluntary Contributions (AVCs).
- Employer matching (maximum)/salary sacrifice.
- Willing to use Deed of Variation on inheritance (£60k)/plans for inheritance?
- Inheritances expected/downsizing.
- Fund choice/fund options available/asset allocation.
- Charges/switching charges.
- BR19/State Pension (any gaps in National Insurance record).
- Nominations/ Wills.
- Family health/longevity.
- Guaranteed Annuity Rates/protected tax-free cash/financial strength of Defined Benefit.
- Capacity For Loss (CFL).

(b)

- Flexi Access Drawdown (FAD).
- Withdrawal limits are flexible/no fixed amount.
- Can use Pension Commencement Lump Sum (PCLS)/tax free cash only.
- Uncrystallised Funds Pension Lump Sum (UFPLS).
- Income is taxed at 20% at source.
- Lump sum is 25% PCLS and 75% taxable.
- Can draw tax-free income within Personal Allowance (£12,570).
- PCLS does not trigger Money Purchase Annual Allowance (MPAA)/ UFPLS triggers MPAA.
- Fund remains invested/can invest in line with ATR.
- Potential for growth.
- UFPLS/FAD retain tax free wrapper (i.e. CGT/Income Tax).
- Can reduce income when State Pension commences.

(c)

- Use ISA allowances.
- Tax-efficient growth for ISA/pension.
- Invest cash balance/identify emergency fund needs/reduce cash balances.
- Limited income/inflation risk/interest rate risk/ no potential for growth.
- Transfer cash to Kerry.
- She has £1K Personal Savings Allowance (PSA)/ he has £500 PSA.
- Reduce Emerging Markets (EM) equity funds in ISA/reduce UK smaller companies' equities.
- Switch existing funds to income-generating equities/limited dividend income on EM funds.
- Invest in Fixed-Interest funds/ Bond funds/GILT funds.
- Diversifies income stream.
- Could make pension contributions before retirement/Additional Voluntary Contributions (AVCs).
- Tax relief of 40% (Robin)/20% (Kerry).

(d)

- Can use £3k Annual Gift Allowance (AGA) each.
- Can use previous tax year £3k AGA if unused each.
- Wedding gift allowance of £5K each to each child (£20K total).
- Can also gift £1K each to child's spouse (£4K total).
- Gifts for wedding purposes must be made on day or in advance of wedding date.
- Use Deed of Variation to give some of inheritance to kids.
- Could make larger gifts (Potentially Exempt Transfers).
- IHT-free after 7 years.

(e) *Candidates would have gained full marks for any twelve of the following:*

- They may not need the funds/affordable.
- Planning to gift to children for weddings/ does not impact existing portfolio.
- Inheritance does not enter their estate.
- Treated as taking place on donor's death.
- Must be in writing/legal document/set up by solicitor.
- Signed/dated/witnessed.
- Must state what is being varied (cash).
- Must state children are to benefit.
- Must state that Deed of Variation is for IHT purposes.
- Must be executed within two years (of donor's death) so should be effective.
- All affected beneficiaries must agree.
- All affected beneficiaries must be at least 18.
- All affected beneficiaries must be of sound mind.

(f)
- Lack of governance in some emerging markets/political risk.
- May not match ESG views/ Possible poor environmental records.
- Unlikely to generate high dividend income/They need additional income for early retirement.
- May not match CFL/potential for capital loss.
- May not match ATR/ATR has reduced to balanced.
- Volatile.
- Short timeframe for investment (retiring in 12 months)
- Currency risk.

(g) *Candidates would have gained full marks for any eight of the following:*
- Loss of salaries/earned income/reduced affordability.
- Change in expenditure/cost of travel plans/how much planning to gift?
- Loss of employer pension contributions/ reduced pension funding.
- Need to draw on pension benefits/investments / spending capital now.
- Shorter timeframe for investments.
- No guaranteed income on retirement/ No State Pension until 67/Defined Benefit scheme at 65.
- Sequencing risk (on withdrawals)/negative pound cost averaging.
- Longevity risk/sustainability of income.
- Inheritance due to be received/plans for inheritance.

Model answer for Question 2

(a)
- Affordable (redundancy payment available).
- Underwriting already completed/no new underwriting required/ Pre-existing conditions/exclusions with new cover?
- They are now older.
- More expensive to put replacement cover in place/ hassle/ extra admin.
- Samir has lost Death- In- Service (DIS)/ Lydia has no DIS.
- Family Income Benefit provides protection for standard of living for surviving spouse.
- Mortgage covered (by Decreasing Term Assurance).
- No additional lump sum cover in event of death.
- Income Protection Insurance (IPI) important for Lydia (sole breadwinner)/ IPI can't be used by Samir at present.
- Limited State Benefits available.

(b) Benefits

- Reduces debt/liabilities.
- Reduces monthly outgoings/increased affordability.
- Increased equity in property.
- Better Loan to Value (LTV) for remortgage options (in future).
- No Early Repayment Charges (ERCs)/ no charges to overpay.
- Peace of mind.

Drawbacks

- Irrevocable/ Lack of liquidity/loss of liquidity/ reduced flexibility.
- Reduced emergency fund.
- Samir may be out of work for longer than expected/ covers Samirs loss of income.
- Reduces affordability for pension/ISA contributions/protection needs.
- Loss of potential investment growth/interest on £30K.
- Does not match Attitude To Risk (ATR).

(c)

- Samir is a now a non-taxpayer (redundant)/ Only 1 month salary paid in tax year/ He has unused Personal Allowance.
- They are married/only available to married couples or civil partnerships.
- Redundancy payment does not count towards earned income.
- Samir must apply to HMRC.
- He can transfer 10% of Personal Allowance (PA) to Lydia.
- Lydia is Basic Rate taxpayer at present/not available if she becomes Higher Rate taxpayer.
- Reduces Lydia's tax bill/saves 20% Income Tax (£252).
- Continues until cancelled/no admin required after first claim.

(d)

- He is over 18/he is under the State Pension age.
- He was an employee.
- He has paid Class 1 National Insurance/ not means tested.
- He is available for work/he is not in full time education/he is actively seeking employment.
- He does not have an illness or disability which stops him from working.

(e) *Candidates would have gained full marks for any twelve of the following:*

- Pension contributions for either/both.
- Salary sacrifice for Lydia.
- Samir can contribute up to salary in tax year/or £3,600/ £2,880.
- Tax relief at 20%.
- Samir to reclaim overpaid tax on salary (month 1 basis).
- Transfer Deposit account to Samir.
- He is now a non-taxpayer.
- He has £5,000 Starting Rate for interest.
- Lydia has £1K Personal Savings Allowance (PSA).
- Use ISA.
- Tax-free growth and income (for Pension/ISA).
- Claim Marriage Allowance/ claim full Child Benefit.
- Potential to reduce Income Tax for Lydia (£252).

(f)

- Tax free wrapper.
- Potential for growth.
- 20% tax relief.
- Maintains pension savings/ builds retirement funds.
- Long timeframe for investment.
- Pound cost averaging.
- Contribution based on earned income/invest up to salary in tax year/redundancy payment is not pensionable.
- Had 1 month of salary before redundancy/deduct contributions already paid in month 1.
- In future restricted to £3,600/ £2,880.
- Outside estate for IHT/can nominate Lydia/ increased death benefits for Lydia.

(g)

- Diversification/ wide choice of investments.
- Non-correlation of assets.
- Reduces volatility.
- Potential for growth.
- Competitive fees (for active management).
- Professional management/monitoring.
- Automatic rebalancing/no input required by Samir.
- Matches Attitude To Risk (ATR).
- Can switch to different risk ratings.
- Suitable for long-term investment.

(h)

- Change in personal circumstances/health/any more children/ Wills/ nominations.
- Change in income/expenditure/tax status/new job for Samir? / Emergency fund needs.
- Attitude to Risk (ATR)/Capacity For Loss (CFL).
- Rebalance/asset allocation/performance.
- Have they retained protection policies? / New protection needs/ paid lump sums off mortgage?
- Use of allowances/ISA/Pension/Marriage Allowance.
- Charges.
- Change in legislation/taxation/new products/economic conditions/interest rates.

Glossary of terms

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

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

April 2025 Examination - R06 Financial Planning Practice		
Question No.	**Syllabus learning outcomes being examined**	
1.	1.	Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process.
	2.	Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions.
	3.	Analyse a client's situation and the advantages and disadvantages of the appropriate options.
	4.	Formulate suitable financial plans for action and explain and justify recommendations.
	5.	Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.
2.	1.	Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process.
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	5.	Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.

All questions in the July 2025 papers will be based on English law and practice applicable in the tax year 2024/2025, unless stated otherwise and should be answered accordingly.

INCOME TAX

RATES OF TAX	2023/2024	2024/2025
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge: 1% of benefit per £200 of adjusted net income between £60,000 – £80,000		

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

	2023/2024	2024/2025
Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend Allowance	£1,000	£500
Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Trusts		
Standard rate band	£1,000	n/a
Income exemption up to**	n/a	£500
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

*** Where net income exceeds £500, the full amount is subject to Income Tax.*

MAIN PERSONAL ALLOWANCES AND RELIEFS	2023/2024	2024/2025
Income limit for Personal Allowance *§*	£100,000	£100,000
Personal Allowance (basic) *§*	£12,570	£12,570
Married/civil partners (minimum) at 10% *†*	£4,010	£4,280
Married/civil partners at 10% *†*	£10,375	£11,080
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance*†*	£34,600	£37,000
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,870	£3,070
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

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

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,000 (£34,600 for 23/24) until minimum reached.
**** Investment above £1,000,000 must be in knowledge-intensive companies.*

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

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

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	**CLASS 1 EMPLOYER CONTRIBUTIONS**
Below 175.00**	Nil
Over £175.00	13.8%

***Secondary threshold.*

CLASS 2 (self-employed)*

Flat rate per week	£3.45
Small profits threshold per year	£6,725

Class 2 contributions are credited automatically where profits equal or exceed £6,725 per annum.
Class 2 contributions can be made voluntarily where profits are below £6,725 per annum.

Class 3 (voluntary)	Flat rate per week £17.45.
Class 4 (self-employed)	6% on profits between £12,570 and up to £50,270. 2% on profits above £50,270.

PENSIONS

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

**Lifetime allowance removed from 6 April 2024.*

	2023/2024	2024/2025
Lump sum and death benefit allowance (LSDBA)	n/a	£1,073,100
Lump sum allowance (LSA)	n/a	£268,275

LSA and LSDBA may be higher if transitional protections are available.
Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.

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

ANNUAL ALLOWANCE

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

**From 6 April 2016 the annual allowance is reduced for those with income above a certain level. Between 2020/21 and 2022/23 the annual allowance will be reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

***Reducing by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.*

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

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

TAX RATES		Pre	Post
		30/10/2024	
Individuals:			
Up to basic rate limit	10%	10%	18%
Above basic rate limit	20%	20%	24%
Surcharge for residential property - Basic Rate	8%	8%	n/a
Higher Rate	8%	4%	n/a
Surcharge for carried interest	8%	8%	4%
Trustees and Personal Representatives:			
Residential property	28%	24%	24%
Other chargeable assets	20%	20%	24%
Business Asset Disposal Relief*	10%	10%	
Lifetime limit	£1,000,000	£1,000,000	

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2023/2024	2024/2025
Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
- Reduced rate (where appropriate charitable contributions are made)	36%	36%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

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

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

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

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

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

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

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

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

		2023/2024	2024/2025
		£	£
Child Benefit	First child	24.00	25.60
	Subsequent children	15.90	16.95
	Guardian's allowance	20.40	21.75
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 67.20	Up to 71.70
	Aged 25 or over	Up to 84.80	Up to 90.50
	Main Phase		
	Work-related Activity Group	Up to 84.80*	Up to 90.50**
	Support Group	Up to 129.50	Up to 138.20
Attendance Allowance	Lower rate	68.10	72.65
	Higher rate	101.75	108.55
Basic State Pension	Category A full rate	156.20	169.50
	Category B (lower) full rate	93.60	101.55
New State Pension	Full rate	203.85	221.20
Pension Credit	Standard minimum guarantee - single	201.05	218.15
	Standard minimum guarantee - couple	306.85	332.95
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	67.20	71.70
	Age 25 or over	84.80	90.50
Statutory Maternity, Paternity and Adoption Pay		172.48	184.03

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

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

CORPORATION TAX

	2023/2024	2024/2025
Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%

Companies with profits between £50,000 and £250,000 will pay tax at the main rate, reduced by a marginal relief. This provides a gradual increase in the effective Corporation Tax rate.

VALUE ADDED TAX

	2023/2024	2024/2025
Standard rate	20%	20%
Annual registration threshold	£85,000	£90,000
Deregistration threshold	£83,000	£88,000

STAMP DUTY LAND TAX

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

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

- *First-time buyers benefit from SDLT relief on first £425,000 for properties up to £625,000 when purchasing their mainresidence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 17% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax(LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. 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%