



Chartered  
Insurance  
Institute

# AF5

## Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

February 2025 Examination Guide

### SPECIAL NOTICES

Candidates entered for the September 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.

## AF5 – Financial planning process

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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](http://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

If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook 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. It is vital that your knowledge is widened beyond the scope of one book. 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](http://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 take your own tax tables into the examination, these are provided in the portal as you sit the exam (see page 6).*

### **Note the assumed knowledge**

For this Advanced Diploma in Financial Planning, candidates are assumed to have already the knowledge gained from studying the relevant units of the Advanced Diploma, Diploma and Certificate in Financial Planning or the equivalent.

### **Understand the nature of assessment**

Assessment is by means of a three-hour paper.

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.

### **Familiarise yourself with the fact-find**

The examination has been specially written by practitioners with relevant technical knowledge and experience. It is then put through a rigorous editing procedure by a panel of active practitioners to ensure that the fact-find is both technically and structurally correct. At least one qualified practitioner then acts as a scrutineer by sitting the paper in advance and writing a report on it. The scrutineer's comments are taken into account in producing the final examination paper.

### **Appreciate the standard of the examination**

Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

### **Test yourself under timed conditions**

You should test your report writing skills under timed conditions. A good way to do this and to assess your technical knowledge at the same time is to set yourself a mock examination using the Examination Guide. To gain the most benefit from this exercise you should:

- Study the fact-find detail 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 answer once the three hours are up. The model answer will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently holistic and if your 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 fact-find details arrive to focus on the client details and prepare yourself for the examination day.

### **Understand the skills the exam seeks to test**

The examination is based on a fact-find for imaginary clients whose details you will have received two weeks prior to the exam date. The fact-find will contain all the client details available. The actual financial objectives of the client will be supplied in the actual examination.

Tasks in the exam will not require candidates to produce a full financial plan. They will instead be focussed on the various elements in the syllabus which are based on the following steps in the financial planning process:

- The relationship between adviser and client.
- Evaluation of the client's objectives.
- Understanding the client's financial status.
- Putting forward appropriate recommendations.
- Reviewing the financial plan.

They may also be focused on other aspects of the syllabus which we believe are key to the customer receiving an effective financial planning service. These include an explanation of technical terms, selection of appropriate remuneration terms etc.

In this way, we are able to test key aspects of the financial planning process. If all aspects of the process are carried out thoroughly, an effective financial plan will be produced.

It is anticipated that at each exam session, a significant proportion of the total marks will be allocated to putting forward recommendations supported by relevant evidence. In this exercise, candidates will always be rewarded for thinking logically about the various objectives and potential solutions to the client.

## Two weeks before the examination

### What will I receive?

A fact-find will be available to candidates two weeks before the examination and it can be found [here](#).

It will contain client information which will form the basis of the report you will be required to prepare in the examination.

### 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 fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

### How should I use the fact-find to help me prepare?

- Study the client details to find areas of need identified by the clients and look for other potential areas of need.
- Look for technical areas you may wish to revise, e.g. trusts, partnerships.
- Practise some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.
- Do not attempt to 'learn' the answers to such calculations but make sure you are confident with the method and know what to include in your workings. You should be able to see from the fact-find whether the clients are higher-rate taxpayers or close to the threshold. You will be able to ascertain the financial position on death and whether there is likely to be an income shortfall which needs addressing.
- If the client has an investment portfolio, ensure that you are familiar with all the investments held within the portfolio. For example, you should understand the risk profile, tax treatment, accessibility and yield of each investment.

### 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 etc.

## 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.

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Prev Nav Next Clear Highlight

Tools Calculator End Test 174:27

AF1 October 2019

SECTION A

This question is compulsory and carries 80 marks

Question 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the client's circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d) and (e) which follow.

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10.

Andrew's mother, Peggy, a widow, died on 1 March 2019 leaving her entire estate to Andrew. Peggy inherited her Aunt's estate of £400,000 in February 2016 following the payment of £30,000 Inheritance Tax (IHT) that was due following the administration of her estate. Peggy's estate was comprised of the following on her death:

|   |          |
|---|----------|
| House   | £700,000 |
| Deposit accounts                                    | £323,000 |
| Cash ISAs   | £55,000  |
| FTSE listed shares                                  | £150,000 |
| Collective investment portfolio                     | £101,000 |
| Personal Pension nominated to a discretionary trust | £326,000 |

Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee.

Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs.

Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

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

1. (a) Calculate, showing all your workings, the IHT due as a result of Peggy's death on the 1 March 2019. (13)

« Inf01 Inf02 Inf03 **1a** 1b 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c 3d Inf06 »

This question has been answered. Click here to enable you to edit your answer.

Flag Edit

2. Tax tables and Fact-find 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.

Chartered Insurance Institute | Prev | Nav | Next | Clear Highlight | Tools | Calculator | End Test | 164:16

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10. Andrew's mother, Peggy, a widow, died on 1 March 2019 leaving her entire estate to Andrew. Peggy inherited her Aunt's estate of £400,000 in February 2016 following the payment of £30,000 Inheritance Tax (IHT) that was due following the administration of her estate. Peggy's estate was comprised of the following on her death:

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|---|----------|
| House   | £700,000 |
| Deposit accounts                                    | £323,000 |
| Cash ISAs   | £55,000  |
| FTSE listed shares                                  | £150,000 |
| Collective investment portfolio                     | £101,000 |
| Personal Pension nominated to a discretionary trust | £326,000 |

Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee. Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs. Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

With regard to the discretionary trust established by Frank:

1. (b)(i) Explain to Andrew why IHT was payable when assets were placed into the trust and how it was calculated. No calculation is required. (6)

(b)(ii) Describe to Andrew why IHT was payable when his father died and how it was calculated. No calculation is required. (6)

AF1 October 2019

### INCOME TAX

| RATES OF TAX  | 2018/2019 | 2019/2020 |
|---|-----------|-----------|
| 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     | £34,500   | £37,500   |
| Threshold of taxable income above which additional rate applies | £150,000  | £150,000  |
| Child benefit charge:   |           |           |
| 1% of benefit for every £100 of income over                     | £50,000   | £50,000   |

\*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.

|                           |  |        |
|---------------------------|--|--------|
| Dividend Allowance        |  | £2,000 |
| Dividend tax rates        |  |        |
| Basic rate                |  | 7.5%   |
| Higher rate               |  | 32.5%  |
| Additional rate           |  | 38.1%  |
| Trusts                    |  |        |
| Standard rate band        |  | £1,000 |
| Rate applicable to trusts |  |        |
| - dividends               |  | 38.1%  |
| - other income            |  | 45%    |

### MAIN PERSONAL ALLOWANCES AND RELIEFS

|  |          |          |
|--|----------|----------|
| Income limit for Personal Allowance §          | £100,000 | £100,000 |
| Personal Allowance (basic)                     | £11,850  | £12,500  |
| Married/civil partners (minimum) at 10% †      | £3,360   | £3,450   |
| Married/civil partners at 10% †                | £8,695   | £8,915   |
| Marriage Allowance                             | £1,190   | £1,250   |
| Income limit for Married Couple's Allowance †  | £28,900  | £29,600  |
| Rent a Room scheme – tax free income allowance | £7,500   | £7,500   |

« Inf01 Inf02 Inf03 1a 1b 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c Inf06 » | Flag | Clear

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.

Chartered Insurance Institute | Prev | Nav | Next | Clear Highlight | Tools | Calculator | End Test | 158:41

(ii) Describe to Andrew why IHT was payable when his father died and how it was calculated. No calculation is required. (6)

(iii) State Andrew's duties as a trustee under the Trustee Act 2000. (12)

Formats | B | I | [Text Formatting Icons]

Answer

« Inf01 Inf02 Inf03 1a 1b 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c Inf06 » | Flag | Clear

AF1 October 2019

### INCOME TAX

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|---|-----------|-----------|
| Starting rate for savings*                                      | 0%        | 0%        |
| Basic rate  | 20%       | 20%       |
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| Additional rate   | 45%       | 45%       |
| Starting-rate limit   | £5,000*   | £5,000*   |
| Threshold of taxable income above which higher rate applies     | £34,500   | £37,500   |
| Threshold of taxable income above which additional rate applies | £150,000  | £150,000  |
| Child benefit charge:   |           |           |
| 1% of benefit for every £100 of income over                     | £50,000   | £50,000   |

\*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.

|                           |  |        |
|---------------------------|--|--------|
| Dividend Allowance        |  | £2,000 |
| Dividend tax rates        |  |        |
| Basic rate                |  | 7.5%   |
| Higher rate               |  | 32.5%  |
| Additional rate           |  | 38.1%  |
| Trusts                    |  |        |
| Standard rate band        |  | £1,000 |
| Rate applicable to trusts |  |        |
| - dividends               |  | 38.1%  |
| - other income            |  | 45%    |

### MAIN PERSONAL ALLOWANCES AND RELIEFS

|  |          |          |
|--|----------|----------|
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| Marriage Allowance                             | £1,190   | £1,250   |
| Income limit for Married Couple's Allowance †  | £28,900  | £29,600  |
| Rent a Room scheme – tax free income allowance | £7,500   | £7,500   |



4. On the day of the exam, please click on **AF5 Financial planning process**



AF5 Financial planning process



on-screen written exam familiarisation

5. The above screenshot shows the point before the exam has started; you may wish, at this moment, 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: **AF5 Financial planning process**

## 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](mailto:customer.serv@cii.co.uk)) as soon as possible, as this may affect your examination sitting.

## In the examination

### What will I receive?

#### The fact-find

*You will not be able to take your pre-released copy of the fact-find into the examination with you.* An identical copy will be available on the online system. There will not be any new or different information contained within the fact-find.

#### Supplementary information

A summary of the client's key financial objectives will be supplied as part of the examination. You should spend some time studying this information before you commence your financial plan.

#### The tasks

The instructions are focused on the main steps required to write a financial plan. Mark allocations will be shown and you should use these to guide you on how long to spend on each section of your report. The task that gains most marks is invariably that requesting candidates to outline their key recommendations, supported by relevant evidence.

#### Answer format

You should provide sufficient technical details to enable you, in the role of financial adviser, to analyse your clients' needs and to demonstrate that the recommendations you make are appropriate and holistic. Merely reproducing quantities of technical detail which is not directly relevant or would be provided through stock paragraphs or appendices in a finished report will not achieve high marks.

Marks will be awarded for demonstrating the holistic consequences of your analysis and recommendations, i.e. how one part of the financial planning process affects all the other parts: how they all interrelate and interact.

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Marks are not lost due to poor spelling or grammar.

You are able to flag questions and then go back to them.

#### 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:**

Overall performance was very good for this examination from the majority of candidates. Most candidates had prepared well and carried out a detailed review of the information provided in the Fact Find. As a result, many candidates were able to achieve high marks across the paper.

### **Question 1 (a)**

This was a standard Fact-Finding question with very good performance by the majority of candidates.

### **Question 1 (b)**

This question required candidates to identify a range of suitable actions that could be taken to improve Sylvia's long-term financial security in the event of Martin's death. General performance here was good although only a limited number of candidates recognised that Sylvia could continue to make pension contributions which would build additional funds in her name.

### **Question 2 (a)**

This question required candidates to explain to Sylvia how the 'small pots' rules would enable her to generate tax-efficient benefits before her State Pension comes into payment. Whilst the majority of candidates performed well, some candidates would benefit from a careful review of the 'small pots' rules and how these must be taken, as there were a number of candidates who did not understand that these pension pots must be taken as a lump sum which leaves no remaining benefits in the pension.

### **Question 2 (b)**

Candidates were asked to recommend and justify to Sylvia why she may wish to consider making further pension contributions. Although overall performance was good, it was disappointing to note that many candidates had not considered the information provided in the Fact Find.

The Fact Find made it clear that Sylvia had only recently retired and therefore would likely have relevant earnings for the current tax year to enable her to make higher pension contributions, based on these relevant earnings.

### **Question 3 (a)**

Candidates were asked to recommend and justify how Martin could set up a lifetime annuity with his defined contribution pension plan to support their long-term objectives. The majority of candidates performed to a high standard in this question.

**Question 3 (b)**

Candidates were asked to outline to Martin the factors that he should consider if he decides to draw the benefits from his defined contribution pension plan using Flexi-Access Drawdown. Candidates performed very well, however only a limited number of candidates recognised the need to identify a safe withdrawal rate.

**Question 4 (a)**

This question asked candidates to explain the key drawbacks for Martin and Sylvia of retaining the inherited property and renting it out to provide additional income in retirement. Although overall performance was good, it was disappointing to note that only a limited number of candidates stated that the rental income would be taxable, and that Martin would need to complete tax returns every year.

**Question 4 (b)**

This question required candidates to state the reasons why Martin and Sylvia should consider setting up an investment portfolio using the proceeds of the cash inheritance from Martin's mother. Very good performance was seen in this question although some candidates did not identify the exact tax rates and exemptions that would apply to them and hence achieved lower marks.

**Question 5 (a)**

This question asked candidates to explain to Martin and Sylvia the benefits of using a Discretionary Fund Manager (DFM) to manage their investment portfolio. Excellent performance from most candidates was in evidence in this question.

**Question 5 (b)**

This question required candidates to recommend and justify why Martin and Sylvia might consider using Multi-Asset funds to invest some of their cash holdings which are due to mature shortly. Most candidates performed very well in this question.

**Question 6 (a)**

Candidates were asked to explain to Martin and Sylvia why their current Lasting Powers of Attorney (LPAs) may be unsuitable and identify the actions that they should take to ensure that their LPAs are suitable for them.

Some slightly disappointing performance here as the LPAs were identified in the Fact Find as being potentially unsuitable. Only a limited number of candidates understood that registered LPAs cannot be amended and therefore these would have to be revoked with the Office of the Public Guardian and new LPAs registered.

**Question 6 (b)**

Candidates were asked to identify the key strengths and weaknesses of Martin's defined benefit pension scheme in respect of their overall retirement planning objectives. Very good performance was shown in this question with most candidates achieving high marks.

**Question 7 (a)**

This question asked candidates to state the key factors that Martin and Sylvia should consider when deciding whether to encash or retain their Whole of Life (WOL) policy.

Although overall performance was good, it was disappointing to note that many candidates did not recognise that this policy was probably not required by Martin and Sylvia, so the reasons for them holding the policy should be explored before deciding whether to encash or retain the policy.

**Question 7 (b)**

This question asked candidates to explain briefly to Martin and Sylvia how their estate will be treated for IHT purposes on second death. General performance was very good here although a number of candidates believed that IHT would have to be paid by their nephews, rather than the executors of the estate.

**Question 8 (a)**

This question asked candidates to identify the reasons why Martin and Sylvia's capacity for loss may reduce now they are both retired. Mixed performance was seen in this question with some candidates providing very generic answers and failing to focus on Martin and Sylvia's financial position and personal circumstances.

**Question 8 (b)**

This question required candidates to state the reasons why it would be appropriate to carry out additional review meetings with Martin and Sylvia over the next few years. Overall performance was very good with most candidates providing a wide range of answers to this question.

## FACT-FIND

You are a financial adviser authorised under the Financial Services and Markets Act 2000 (FSMA). You completed the following fact-find when you met Mr and Mrs Evans.

| PART 1: BASIC DETAILS   |              |            |        |            |                        |
|---|--------------|------------|--------|------------|------------------------|
|   |              | Client 1   |        | Client 2   |                        |
| Surname   |              | Evans      |        | Evans      |                        |
| First name(s)   |              | Martin     |        | Sylvia     |                        |
| Address   |              | Truro      |        | Truro      |                        |
| Date of birth   |              | 15.11.1956 |        | 06.01.1961 |                        |
| Domicile  |              | UK         |        | UK         |                        |
| Residence   |              | UK         |        | UK         |                        |
| Place of birth  |              | Plymouth   |        | Taunton    |                        |
| Marital status  |              | Married    |        | Married    |                        |
| State of health   |              | Poor       |        | Good       |                        |
| Family health   |              | Good       |        | Good       |                        |
| Smoker  |              | Yes        |        | No         |                        |
| Hobbies/Interests   |              |            |        |            |                        |
| Notes:  |              |            |        |            |                        |
| <p>Martin and Sylvia are due to receive an inheritance from Martin's late mother very shortly. They have decided to seek financial advice to ensure the most appropriate use of their inheritance, as well as improving the longer-term sustainability of their retirement income.</p> <p>Martin has been in poor health for several years due to injuries sustained in a car accident in 2021.</p> |              |            |        |            |                        |
| PART 2: FAMILY DETAILS  |              |            |        |            |                        |
| Children and other dependants   |              |            |        |            |                        |
| Name  | Relationship | Age        | Health | Occupation | Financially dependent? |
|   |              |            |        |            |                        |
|   |              |            |        |            |                        |
| Notes:  |              |            |        |            |                        |
| <p>Martin and Sylvia do not have any children or dependants.</p>  |              |            |        |            |                        |

| <b>PART 3: EMPLOYMENT DETAILS</b>   |                 |                  |
|---|-----------------|------------------|
| <b>Employment</b>   | <b>Client 1</b> | <b>Client 2</b>  |
| Occupation  | Retired Manager | Retired Optician |
| Job title   |                 |                  |
| Business name   |                 |                  |
| Business address  |                 |                  |
| Year business started   |                 |                  |
| <b>Salary</b>   |                 |                  |
| Salary (gross per annum)  |                 |                  |
| State Pensions  | £11,500         |                  |
| Overtime (gross per annum)  |                 |                  |
| <b>Benefits</b>   |                 |                  |
| Benefits-in-kind  |                 |                  |
| Pension Scheme  |                 |                  |
| Life cover  |                 |                  |
| Private Medical Insurance   |                 |                  |
| Income Protection Insurance   |                 |                  |
| <b>Self-Employment</b>  |                 |                  |
| Net relevant earnings   |                 |                  |
| Accounting date   |                 |                  |
| Partnership/Sole trader   |                 |                  |
| <b>Other Earned Income</b>  |                 |                  |
|   |                 |                  |
| <b>Notes:</b>   |                 |                  |
| <p>Martin retired in 2021 following his car accident. Sylvia retired recently and is keen to review her options in respect of her various pension benefits that she has accrued over the years.</p> |                 |                  |
| <b>Previous Employment</b>  |                 |                  |
| <b>Client 1</b>   | <b>Client 2</b> |                  |
| Previous employer   |                 |                  |
| Job title   |                 |                  |
| Length of service   |                 |                  |
| Pension benefits  | See Part 11     | See Part 11      |
| <b>Notes:</b>   |                 |                  |
| <p>Both Martin and Sylvia have pension benefits which they have built up from their previous employers.</p>   |                 |                  |

| <b>PART 4: OTHER PROFESSIONAL ADVISERS</b> |                      |                       |                      |                       |                      |                       |
|--|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
|  | <b>Client 1</b>      |                       | <b>Client 2</b>      |                       |                      |                       |
| Accountant                                 |                      |                       |                      |                       |                      |                       |
| Bank                                       | Astira Bank Ltd      |                       | Astira Bank Ltd      |                       |                      |                       |
| Doctor                                     | Dr Baker             |                       | Dr Baker             |                       |                      |                       |
| Financial Adviser                          |                      |                       |                      |                       |                      |                       |
| Solicitor                                  | Henson Warren LLP    |                       | Henson Warren LLP    |                       |                      |                       |
| Stockbroker                                |                      |                       |                      |                       |                      |                       |
| Other                                      |                      |                       |                      |                       |                      |                       |
| <b>Notes:</b>                              |                      |                       |                      |                       |                      |                       |
|  |                      |                       |                      |                       |                      |                       |
| <b>PART 5: INCOME AND EXPENDITURE</b>      |                      |                       |                      |                       |                      |                       |
| <b>Income</b>                              |                      |                       |                      |                       |                      |                       |
|  | <b>Client 1</b>      |                       | <b>Client 2</b>      |                       | <b>Joint</b>         |                       |
|  | <b>Monthly<br/>£</b> | <b>Annually<br/>£</b> | <b>Monthly<br/>£</b> | <b>Annually<br/>£</b> | <b>Monthly<br/>£</b> | <b>Annually<br/>£</b> |
| State Pensions                             |                      | 11,500                |                      |                       |                      |                       |
| Pensions/Annuities                         |                      | 22,000                |                      |                       |                      |                       |
| Salary (gross)                             |                      |                       |                      |                       |                      |                       |
| Overtime (gross)                           |                      |                       |                      |                       |                      |                       |
| Benefits-in-kind                           |                      |                       |                      |                       |                      |                       |
| Savings income (interest)                  |                      | 2,700                 |                      | 2,700                 |                      | 7,000                 |
| Rental (gross)                             |                      |                       |                      |                       |                      |                       |
| Dividends                                  |                      |                       |                      |                       |                      |                       |
| <b>Notes:</b>                              |                      |                       |                      |                       |                      |                       |
|  |                      |                       |                      |                       |                      |                       |
|  | <b>Client 1</b>      |                       | <b>Client 2</b>      |                       |                      |                       |
| <b>Income Tax</b>                          | <b>£</b>             |                       | <b>£</b>             |                       |                      |                       |
| Personal allowances                        |                      |                       |                      |                       |                      |                       |
| Taxable income                             |                      |                       |                      |                       |                      |                       |
| Tax  |                      |                       |                      |                       |                      |                       |
| National Insurance                         |                      |                       |                      |                       |                      |                       |
| <b>Net Income</b>                          |                      |                       |                      |                       |                      |                       |
| <b>Notes:</b>                              |                      |                       |                      |                       |                      |                       |
|  |                      |                       |                      |                       |                      |                       |



| <b>Expenditure</b>                  |                  |                 |              |                   |                 |               |
|-------------------------------------|------------------|-----------------|--------------|-------------------|-----------------|---------------|
|                                     | <b>Monthly £</b> |                 |              | <b>Annually £</b> |                 |               |
| <b>Household Expenditure</b>        | <b>Client 1</b>  | <b>Client 2</b> | <b>Joint</b> | <b>Client 1</b>   | <b>Client 2</b> | <b>Joint</b>  |
| Mortgage/Rent                       |                  |                 |              |                   |                 |               |
| Council tax                         |                  |                 | 280          |                   |                 |               |
| Buildings and contents insurance    |                  |                 |              |                   |                 | 400           |
| Gas, water and electricity          |                  |                 | 300          |                   |                 |               |
| Telephone/Mobile                    | 50               | 50              |              |                   |                 |               |
| TV licence and satellite            |                  |                 | 60           |                   |                 |               |
| Property maintenance                |                  |                 |              |                   |                 | 1,500         |
| <b>Regular Outgoings</b>            |                  |                 |              |                   |                 |               |
| Life assurance (See Part 8)         |                  |                 | 80           |                   |                 |               |
| Savings Plans                       |                  |                 |              |                   |                 |               |
| Car tax, insurance and maintenance  |                  |                 |              | 1,800             | 1,100           |               |
| Petrol and fares                    | 200              | 140             |              |                   |                 |               |
| Loans                               |                  |                 |              |                   |                 |               |
| School fees                         |                  |                 |              |                   |                 |               |
| Childcare/School Clubs              |                  |                 |              |                   |                 |               |
| Further education                   |                  |                 |              |                   |                 |               |
| Subscriptions                       |                  |                 |              |                   |                 |               |
| Food, drink, general housekeeping   |                  |                 | 1,000        |                   |                 |               |
| Pension contributions (See Part 11) |                  |                 |              |                   |                 |               |
| <b>Other Expenditure</b>            |                  |                 |              |                   |                 |               |
| Magazines and newspapers            |                  |                 |              |                   |                 | 520           |
| Entertainment                       |                  |                 | 200          |                   |                 |               |
| Clubs and sport                     |                  |                 |              | 2,000             | 600             |               |
| Spending money                      |                  |                 |              |                   |                 | 3,000         |
| Clothes                             |                  |                 |              |                   |                 | 1,200         |
| Other (Holidays)                    |                  |                 |              |                   |                 | 10,000        |
| <b>Total Monthly Expenditure</b>    | 250              | 190             | 1,920        |                   |                 |               |
| <b>Total Annual Expenditure</b>     | 3,000            | 2,280           | 23,040       | 3,800             | 1,700           | 16,620        |
| <b>Total Outgoings</b>              |                  |                 |              |                   |                 | <b>50,440</b> |

**Do you foresee any major/lump sum expenditure in the next two years?**

**Notes:**

Following Sylvia's recent retirement, they have insufficient income to meet their ongoing expenditure. They plan to use their combined cash deposits to support their expenditure needs until they have put in place a comprehensive income strategy.

| <b>PART 6: ASSETS</b>   |  |                       |                       |                    |                                 |
|---|--|-----------------------|-----------------------|--------------------|---------------------------------|
|   | <b>Assets</b>  | <b>Client 1<br/>£</b> | <b>Client 2<br/>£</b> | <b>Joint<br/>£</b> | <b>Income<br/>(Gross)<br/>£</b> |
| 1.  | Main residence   |                       |                       | 470,000            |                                 |
| 2.  | Contents/cars  |                       |                       | 55,000             |                                 |
| 3.  | Current account  |                       |                       | 27,000             |                                 |
| 4.  | Deposit Account – Fixed-Rate                                     |                       |                       | 140,000            | 7,000                           |
| 5.  | NS&I Premium Bonds   | 50,000                | 50,000                |                    |                                 |
| 6.  | Cash ISA – Variable Rate Instant Access                          | 60,000                |                       |                    | 2,700                           |
| 7.  | Cash ISA – Variable Rate Instant Access                          |                       | 60,000                |                    | 2,700                           |
| 8.  | Stocks and shares ISAs – UK Managed fund<br>(accumulation units) | 25,000                |                       |                    |                                 |
| 9.  | Stocks and shares ISAs – UK Bond fund<br>(accumulation units)    |                       | 20,000                |                    |                                 |
|   |  |                       |                       |                    |                                 |
| <b>Notes:</b>   |  |                       |                       |                    |                                 |
| <p>Martin and Sylvia have a fixed-rate deposit account which is due to mature next month.</p> <p>Martin and Sylvia have made small investments into Stocks and shares ISAs in the past. On receipt of the inheritance in two months' time, they are keen to explore a more diverse investment strategy for the future. They have not used their ISA allowances for the current tax year.</p> <p>Martin is due to receive his late mother's house as part of his inheritance in the very near future. Martin and Sylvia are considering using this as a rental property for the next few years, although it requires substantial modernisation to bring it up to a suitable standard for rental.</p> |  |                       |                       |                    |                                 |

**PART 7: LIABILITIES**

| <b>Mortgage Details</b>    | <b>Client 1</b> | <b>Client 2</b> | <b>Joint</b> |
|----------------------------|-----------------|-----------------|--------------|
| Lender                     |                 |                 |              |
| Type of mortgage           |                 |                 |              |
| Amount outstanding         |                 |                 |              |
| Start date                 |                 |                 |              |
| Term/maturity              |                 |                 |              |
| Monthly payment            |                 |                 |              |
| Interest rate              |                 |                 |              |
| Life policies (See Part 8) |                 |                 |              |

**Notes:**

Martin and Sylvia repaid their mortgage many years ago.

| <b>Other Loans</b> | <b>Client 1</b> | <b>Client 2</b> | <b>Joint</b> |
|--------------------|-----------------|-----------------|--------------|
| Lender             |                 |                 |              |
| Type of loan       |                 |                 |              |
| Amount outstanding |                 |                 |              |
| Start date         |                 |                 |              |
| Term/maturity      |                 |                 |              |
| Monthly payment    |                 |                 |              |
| Interest rate      |                 |                 |              |
| Payment protection |                 |                 |              |

**Notes:**

Martin and Sylvia do not have any loans.

**Other Liabilities (e.g. tax)**

**Notes:**

Martin and Sylvia have no liabilities.

**PART 8: LIFE ASSURANCE POLICIES**

| Life/Lives assured | Ownership | Sum assured £ | Premium £ | Term          | Start date | In trust? | Surrender Values £ |
|--------------------|-----------|---------------|-----------|---------------|------------|-----------|--------------------|
| Joint              | Joint     | 150,000       | 80 p.m.   | Whole of Life | 2005       | No        | 5,700              |
|                    |           |               |           |               |            |           |                    |
|                    |           |               |           |               |            |           |                    |

**Notes:**

Martin and Sylvia have a joint life second death Whole of Life policy which was set up in 2005. This is reaching a review in March this year. They have been advised that the premium will increase to £160 per month if they wish to retain the same level of cover.

**PART 9: HEALTH INSURANCE POLICIES**

| Type | Life Covered | Current Sum Assured £ | Start Date | Term/Review | Deferred Period | Premium £ |
|------|--------------|-----------------------|------------|-------------|-----------------|-----------|
|      |              |                       |            |             |                 |           |
|      |              |                       |            |             |                 |           |

**Notes:**

Martin and Sylvia have no health insurance policies.

**PART 10: REGULAR SAVINGS**

| Type | Company | Ownership | Fund | Amount Saved £ | Sum Assured | Maturity Date | Current Value £ |
|------|---------|-----------|------|----------------|-------------|---------------|-----------------|
|      |         |           |      |                |             |               |                 |

**Notes:**

Martin and Sylvia do not make regular savings at present.

| <b>PART 11: PENSION DETAILS</b>   |  |                 |
|---|--|-----------------|
| <b>Occupational pension scheme</b>  |  |                 |
|   | <b>Client 1</b>                        | <b>Client 2</b> |
| Member of employer's scheme   |  |                 |
| Type of scheme  | Defined Benefit                        |                 |
| Date joined   |  |                 |
| Retirement age  | 65                                     |                 |
| Pension benefits  | £22,000 p.a.                           |                 |
| Death benefits  |  |                 |
| Dependant's benefits  | 50% spouse's pension<br>(£11,000 p.a.) |                 |
| Contracted-in/out   |  |                 |
| Contribution Level (employee)   |  |                 |
| Contribution Level (employer)   |  |                 |
| Fund type   |  |                 |
| Fund value  |  |                 |
| <b>Notes:</b>   |  |                 |
| <p>Martin is receiving his pension from a former employer's pension scheme. He took benefits at the scheme retirement age. This pension income increases by inflation (CPI), capped at 5% each year. The scheme is well funded and has no financial difficulties.</p> |  |                 |
| <b>Additional Voluntary Contributions (including free standing additional voluntary contributions).</b>   |  |                 |
|   | <b>Client 1</b>                        | <b>Client 2</b> |
| Type  |  |                 |
| Company   |  |                 |
| Fund  |  |                 |
| Contribution  |  |                 |
| Retirement date   |  |                 |
| Current value   |  |                 |
| Date started  |  |                 |
| <b>Notes:</b>   |  |                 |
| <p>Martin and Sylvia have no Additional Voluntary Contributions plans.</p>  |  |                 |

| <b>Personal Pensions</b>  |                                     |                                      |
|---|-------------------------------------|--------------------------------------|
|   | <b>Client 1</b>                     | <b>Client 2</b>                      |
| Type  |                                     | Qualifying Workplace Pension Scheme  |
| Company   |                                     | Monarch Life                         |
| Fund  |                                     | UK Deposit & Fixed-Interest fund     |
| Contributions   |                                     | N/A                                  |
| Retirement date   |                                     | January 2026                         |
| Current value   |                                     | £120,000                             |
| Date started  |                                     | June 2012                            |
| <b>Notes:</b>   |                                     |                                      |
| <p>Sylvia has recently retired from her job as an optician and the final pension contribution has been paid into the plan. An up-to-date nomination is in place for Martin.</p>   |                                     |                                      |
| <b>Previous/other pension arrangements</b>  |                                     |                                      |
|   | <b>Client 1</b>                     | <b>Client 2</b>                      |
| Employer  |                                     |                                      |
| Type of scheme  | Qualifying Workplace Pension Scheme | Qualifying Workplace Pension Schemes |
| Date joined scheme  |                                     |                                      |
| Date left scheme  | October 2021                        | Various                              |
| Current value   | £170,000                            | £40,000                              |
| <b>Notes:</b>   |                                     |                                      |
| <p>Martin has a defined contribution pension plan from his most recent employer. This is invested in a Lifestyle fund which is held as 25% Cash and 75% Fixed-Interest securities.</p> <p>Sylvia has three defined contribution pension plans with various former employers. These are valued at £8,000, £7,500 and £24,500. These are all invested in UK Cautious Managed funds.</p> |                                     |                                      |
| <b>State Pension</b>  |                                     |                                      |
|   | <b>Client 1</b>                     | <b>Client 2</b>                      |
| State Pension   | £11,500                             | £11,500                              |
| <b>Notes</b>  |                                     |                                      |
| <p>Martin's State Pension is already in payment. Sylvia will be entitled to a State Pension of £11,500 per annum. She has checked this recently via a BR19 form.</p>  |                                     |                                      |

| <b>PART 12: INHERITANCES</b>   |                 |                 |
|--|-----------------|-----------------|
| <b>Wills</b>   | <b>Client 1</b> | <b>Client 2</b> |
| Do you have a current Will?  | Yes             | Yes             |
| <b>Notes:</b>  |                 |                 |
| <p>Martin and Sylvia have mirror Wills leaving all assets to the survivor. On second death, they have left specific bequests to a range of local charities, with the majority of their estate split equally between their two nephews.</p> <p>Martin and Sylvia have registered Lasting Powers of Attorney with the Office of the Public Guardian with each of them acting as sole Attorney for the other.</p> |                 |                 |
| <b>Trusts</b>  | <b>Client 1</b> | <b>Client 2</b> |
| Are you a beneficiary under a trust?   | No              | No              |
| If yes, give details   |                 |                 |
| Are you a trustee?   | No              | No              |
| If yes, give details   |                 |                 |
| <b>Notes:</b>  |                 |                 |
|  |                 |                 |
| <b>Gifts</b>   | <b>Client 1</b> | <b>Client 2</b> |
| Give details of gifts made and received  | None            | None            |
| <b>Notes:</b>  |                 |                 |
|  |                 |                 |
| <b>Inheritances</b>  | <b>Client 1</b> | <b>Client 2</b> |
| Give details of any inheritances expected  | £350,000        |                 |
| <b>Notes:</b>  |                 |                 |
| <p>Martin is due to inherit his late mother's estate which includes her property valued at £225,000 along with her cash holdings of £125,000. He is due to receive the inheritance in the next two months. Probate has been granted and no IHT was due on her estate. His father died many years ago. Sylvia is not expecting any inheritances.</p>  |                 |                 |

**PART 13: ATTITUDE TO RISK**

**What level of risk are you prepared to take to achieve your financial objectives?**

**Notes:**

Martin and Sylvia are inexperienced investors but are both keen to learn about investing as they wish to improve their retirement income prospects following receipt of the inheritance. They have been assessed as cautious to medium risk investors. Neither Martin nor Sylvia are interested in Environmental, Social and Governance (ESG) investments.

Martin and Sylvia have been assessed as having a medium capacity for loss.

**PART 14: BUSINESS RECORDS**

**Compliance**

|                          |            |  |
|--------------------------|------------|--|
| Date fact-find completed | 01.02.2025 |  |
| Client agreement issued  | 01.02.2025 |  |
| Data Protection Act      | 01.02.2025 |  |
| Money laundering         | 01.02.2025 |  |

|                   |  |  |
|-------------------|--|--|
| Dates of meetings |  |  |
|-------------------|--|--|

**Marketing**

|               |  |  |
|---------------|--|--|
| Client source |  |  |
| Referrals     |  |  |

**Documents**

|                                |  |  |
|--------------------------------|--|--|
| Client documents held          |  |  |
| Date returned                  |  |  |
| Letters of authority requested |  |  |

**Notes:**

**PART 15: OTHER INFORMATION**



## Unit AF5 – Financial planning process

### 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

- **Three hours** are allowed for this paper which carries a total of 160 marks.
- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper.**
- The fact-find and the tax tables are provided on the right-hand side of the interface.
- **Client objectives are also provided and you should read them carefully before attempting the tasks.**
- **In this examination you should use the fact-find on the system. You are not allowed to bring into the examination the pre-released copy of the fact-find.**
- For each answer, please type in the full question number you are answering e.g. 1
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off. No watches are permitted.**
- Please familiarise yourself with **all** questions before starting the exam.

## **CLIENTS' FINANCIAL OBJECTIVES**

**You have now been able to determine from the information in the fact-find that your clients have the following financial objectives:**

### **Immediate objectives**

- Ensure sufficient income is in place following Sylvia's recent retirement.
- Put in place a suitable investment strategy for their current and inherited funds.
- Assess the merits of retaining the inherited property as a rental property.

### **Longer-term objectives**

- Provide a sustainable income throughout retirement.
- Ensure Sylvia is protected in the event of Martin's death.
- Improve the tax efficiency of their financial arrangements.

**PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX**

1. (a) Identify the additional information that you would require in order to advise Martin and Sylvia on the suitability of their current financial arrangements to meet their retirement objectives. (14)
- (b) Identify a range of suitable actions that could be taken to improve Sylvia's long-term financial security in the event of Martin's death. (10)
2. (a) Explain to Sylvia how the 'small pots' pension rules would enable her to generate tax-efficient benefits before her State Pension comes into payment. (10)
- (b) Recommend and justify to Sylvia why she may wish to consider making further pension contributions. (10)
3. (a) Recommend and justify how Martin could set up a lifetime annuity with his defined contribution pension plan to support their long-term objectives. (10)
- (b) Outline to Martin the factors that he should consider if he decides to draw the benefits from his defined contribution pension plan using flexi-access drawdown. (12)
4. (a) Explain the key drawbacks for Martin and Sylvia of retaining the inherited property and renting it out to provide additional income in retirement. (10)
- (b) State the reasons why Martin and Sylvia should consider setting up an investment portfolio using the proceeds of the cash inheritance from Martin's mother. (12)

**PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX**

5. (a) Explain to Martin and Sylvia the benefits of using a Discretionary Fund Manager (DFM) to manage their investment portfolio. **(10)**
- (b) Recommend and justify why Martin and Sylvia might consider using Multi-Asset funds to invest some of their cash holdings which are due to mature shortly. **(10)**
6. (a) Explain to Martin and Sylvia why their current Lasting Powers of Attorney (LPA) may be unsuitable and identify the actions that they should take to ensure that their LPAs are suitable for them. **(10)**
- (b) Identify the key strengths and weaknesses of Martin’s defined benefit pension scheme in respect of their overall retirement planning objectives. **(8)**
7. (a) Martin and Sylvia are considering encashing their Whole of Life policy following notification of the increase to the monthly premium.
- State the key factors that Martin and Sylvia should consider when deciding whether to encash or retain their Whole of Life policy. **(10)**
- (b) Explain briefly to Martin and Sylvia how their estate will be treated for Inheritance Tax purposes on second death. *No calculations are required.* **(8)**
8. (a) Identify the reasons why Martin and Sylvia’s capacity for loss may reduce now they are both retired. **(8)**
- (b) State the reasons why it would be appropriate to carry out additional review meetings with Martin and Sylvia over the next few years. **(8)**

**Total marks: 160**

**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)
- Emergency fund/Income required/Budget/ planned expenditure.
  - Cost of modernising inherited property?/likely rental income.
  - Martin's health/longevity/State Benefits for Martin/nominations.
  - Cost of future care/long-term care provision.
  - Enhanced annuity options based on Martin's health.
  - Carry forward/pension contribution history/Sylvia's earned income.
  - Retirement options available on existing Personal Pensions. (FAD/UFPLS)
  - Any guarantees on existing Personal Pensions/Guaranteed Annuity Rates.
  - Reinvestment rates on Fixed rate accounts/FSCS protection on cash/Premium Bond prizes.
  - Willing to erode capital/priority of objectives/need for guaranteed income?
  - Downsize property/equity release.
  - Invest in joint names/transfer assets to Sylvia for tax-efficiency.
  - Asset allocation/fund choice.
  - Charges.
- (b)
- Make pension contributions for tax relief/tax free wrapper.
  - Use annuities.
  - Spouse's pension/Capital guarantees/Indexation.
  - Update nominations/Update Wills.
  - Make use of ISA allowances. (Additional Permitted Subscription available)
  - Hold all assets in joint names/more assets in Sylvia's name.
  - Update Lasting Powers of Attorney (LPA's).
  - Invest in growth assets/reduce cash holdings/diversification.
  - Cash flow analysis/cut expenditure/cancel Whole of Life (WOL) insurance.
  - Consider life insurance for Martin.

**Model answer for Question 2**

- (a)
- Applies to pensions under £10,000.
  - Maximum three permitted Small Pots/she has two pots that meet this.
  - Paid as lump sum/must take full pot.
  - 25% Tax-free.
  - 75% subject to Income Tax at her marginal rate.
  - May fall within Personal Allowance/she may be non-taxpayer.
  - She has Starting Rate Savings Allowance (£5,000).
  - Basic Rate tax deducted at source/reclaim Income Tax from HMRC.
  - Carry out over two Tax Years.
  - Does not count towards Money Purchase Annual Allowance/Lump Sum Allowance.
- (b) *Candidates would have scored full marks for any ten of the following:*
- She has limited pension benefits/additional income in future.
  - She has earned income this tax year.
  - Carry forward may be available as only recently retired/must contribute before end of tax year.
  - Money Purchase Annual Allowance (MPAA) not yet triggered.
  - 20%/40% tax relief/can contribute £2,880 (net) and £3,600 (gross) if no earned income.
  - Tax relief available to age 75.
  - Affordable/large cash holdings/inheritance due.
  - Tax-free wrapper.
  - Could use 'Small Pots' rule in future if below £10,000.
  - Pension Commencement Lump Sum available/lower tax on withdrawals/tax planning.
  - Liquid/flexible retirement options/can access at any time.

**Model answer for Question 3**

- (a)
- Provides guaranteed income.
  - They have current income shortfall/helps to meet income shortfall
  - Can take Pension Commencement Lump Sum (PCLS).
  - Enhanced annuity may be available.
  - Smoker/health issues.
  - If joint, Sylvia is in good health so may reduce enhancement.
  - Guarantee period/capital guarantees/spouse's pension.
  - Indexation available/protects against inflation.
  - Annuity rates have improved recently.
  - Could stagger purchase over several years (may be further health issues).

**Model answer for Question 3 continued**

- (b)
- Tax-efficient growth.
  - Flexible benefits/can stop-start income
  - Can use 25% tax free cash/tax efficient income/tax planning.
  - Complex/ongoing administration/reviews/ongoing advice.
  - Fund charges/adviser charges.
  - Can invest in line with ATR/current fund unsuitable for Flexi-Access Drawdown (FAD).
  - Funds can deplete/income not guaranteed/investment risk/fund performance not guaranteed/sequencing risk.
  - Need to identify Safe Withdrawal Rate (SWR)/monitor SWR.
  - Can be passed to Sylvia/nephews on his death (pot not lost)/reduced life expectancy for Martin?
  - No tax on death before 75/taxable at marginal rate after age 75.
  - IHT efficiency/does not fall inside estate. (under current legislation)
  - Can purchase annuity at any time/enhanced annuity rate may be available/rates may improve/mortality drag/critical yield.

**Model answer for Question 4**

- (a) *Candidates would have scored full marks for any ten of the following:*
- Rental income is taxable/cannot put in tax-efficient wrapper/cannot use ISA or pension.
  - Need to complete a Self-Assessment Tax Return.
  - In Martin's sole name/need to transfer to joint names.
  - Rental income is not guaranteed/void periods.
  - Illiquid asset/cannot sell part of it.
  - Capital Gains Tax (CGT) in future if value rises/cannot stagger purchase for CGT exemption/No CGT on disposal at present.
  - Property could fall in value/may not be a good investment.
  - Capital required to modernise/reduces cash holdings.
  - Increased costs - Letting Agent fees/ongoing maintenance/Landlord insurance/costs if property empty.
  - Hassle/legislation/poor tenants/no experience as landlords.
  - Lack of diversification.
- (b)
- They hold too much cash/FSCS risk on cash.
  - Cash will be eroded by inflation.
  - Interest rates are falling/ Interest rate risk.
  - Improved growth.
  - Can provide dividend income/interest from Fixed-Interest.
  - £500 Dividend Allowance (DA) available.
  - Dividend Tax rates are lower than Savings Interest tax.
  - £3k Capital Gains Tax (CGT) exemptions.
  - Can use Stocks & Shares ISA/Bed&ISA.
  - Diversification (global/asset class)/non-correlation of assets/reduced volatility.
  - Can match revised ATR/use Discretionary Fund Manager/professional management.
  - Low-cost option available.

**Model answer for Question 5**

- (a)
- They are inexperienced investors/Martin in poor health.
  - Discretionary Fund Manager (DFM) expertise/research.
  - Portfolio to meet ATR/risk adjusted.
  - Rebalance/Diversification.
  - Able to act quickly/take advantage of market opportunities.
  - DFM carries out all admin/no hassle/peace of mind/consolidated tax certificates.
  - Improved tax-efficiency/use ISA/CGT exemptions/Dividend Allowance.
  - May use alternatives/specialist funds/hedge funds/Exchange Traded Fund (ETF)/Access to funds that are not available to individual investors.
  - Greater returns/Alpha.
  - Tailor portfolio to their exact criteria/target income to meet shortfall.
- (b) *Candidates would have scored full marks for any ten of the following:*
- They hold too much cash.
  - Inflation risk on cash/poor returns/Multi-Asset (MA) protects against inflation/should out-perform cash/interest rate risk.
  - Diversification.
  - Non-correlation of assets.
  - Reduces volatility/risk.
  - Can be active/passive/professionally managed/expertise.
  - Cost-effective.
  - No need to monitor/automatic rebalancing.
  - Risk rated to meet their ATR/cash does not match revised ATR.
  - Could provide dividend income/sustainable income.
  - Allows use of Dividend Allowance/can Bed&ISA/Personal Savings Allowance exceeded/CGT exemption.

**Model answer for Question 6**

- (a)
- No replacement Attorney/they are sole Attorneys.
  - Replacement Attorney cannot be added as already registered.
  - Cannot be used in event of first death.
  - May not be usable if Attorney is ill/disabled/Martin is in poor health.
  - Court of Protection may be needed/Deputy would be put in place.
  - Expensive/time-consuming/may not be someone that Martin & Sylvia would choose.
  - Revoke current Lasting Powers of Attorney (LPA) with Office of the Public Guardian.
  - Set up new LPAs with Office of the Public Guardian.
  - Add replacement attorneys.
  - Act on joint and several basis (Ensures replacement attorney can still act if Martin or Sylvia are no longer able to act).



**Model answer for Question 6 continued**

- (b)
- Guaranteed income.
  - No investment risk/no potential for investment growth.
  - Scheme fully funded/PPF backup if needed.
  - Inflation-protected.
  - No costs/no administration.
  - Allows continued investment in other assets due to guaranteed income underpin.
  - Inflexible income/no access to capital.
  - Reduced income for Sylvia on Martin's death (50%).

**Model answer for Question 7**

- (a)
- Do they need the policy?/no dependants/are they concerned about IHT?
  - Is revised premium level affordable?/would nephews pay?
  - Surrender value is available tax-free (£5,700)/low surrender value.
  - Options to amend sum assured/reduce Sum Assured (SA) to retain existing premium/Estimate of IHT/SA too low?
  - How much are they leaving to charity?/reduced IHT rate/any plans for gifting/spending to reduce estate.
  - Policy is not in Trust (so adds to estate value).
  - No underwriting/guaranteed insurability/additional benefits.
  - Frequency of future reviews/maximum or standard basis.
  - Rebroke/more competitive premiums elsewhere/is alternative cover possible?
  - Is Sum Assured indexed?
- (b)
- Estate will be valued/Executors will apply for Probate.
  - Debts/funeral costs deducted from gross estate.
  - Identify failed Potentially Exempt Transfers (PETs)/identify previous gifts.
  - Survivor will inherit Nil Rate Band (NRB) of deceased spouse so £650,000 (£325,000 x2).
  - No Residence Nil Rate Band (RNRB) available.
  - 40% IHT paid on taxable estate.
  - If 10%+ to charity, reduced IHT applies of 36%/charity bequests are exempt from IHT.
  - IHT must be paid within 6 months of death/estate cannot be distributed until IHT is paid.

**Model answer for Question 8**

- (a) *Candidates would have scored full marks for any eight of the following:*
- Loss of Sylvia's employment income.
  - State Pension not due for two years for Sylvia.
  - Guaranteed income does not cover expenditure/income shortfall.
  - Eroding capital to meet expenditure.
  - Limited growth on assets
  - Inflation risk on cash/interest rate risk.
  - Shorter timeframe for investment/sequencing risk.
  - Capital required if modernising property/reduces cash holdings.
  - Potential cost of long-term care/Martin's health might deteriorate.
  - Reduction in Defined Benefit income in event of Martin's death/loss of his State Pension.
- (b)
- Vulnerability/consumer duty.
  - Health issues/need for care/care fees?/eligibility for State Benefits.
  - New process/no advice before/ inexperienced investors.
  - Inherited assets/need to invest/rental property (rent/sell).
  - Income needs/recently retired so income needs unclear/State Pension for Sylvia.
  - ATR changed?/rebalance portfolio.
  - Self-Assessment/rental/dividend income/tax position.
  - Change of circumstances/objectives/economic conditions.

**Glossary of terms**

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

1. ATR – Attitude to risk
2. APS – Additional Permitted Subscription
3. BRT – Basic rate taxpayer
4. BIK – Benefit in kind
5. BADR – Business Asset Disposal Relief
6. CLT – Chargeable Lifetime Transfer
7. CFL – Capacity for loss
8. CGT – Capital Gains Tax
9. DOV – Deed of variation
10. DIS – Death-in-Service
11. DFM – Discretionary Fund Manager
12. EIS – Enterprise Investment Scheme
13. ESG – Environmental, Social and Governance
14. EPT – Excluded Property Trust
15. EPA – Enduring Power of Attorney
16. ERC – Early repayment charges
17. FAD – Flexi access drawdown
18. FSCS – Financial Services Compensation Scheme
19. FOS – Financial Ombudsman Service
20. GAR – Guaranteed annuity rate
21. HRT – Higher rate taxpayer
22. IHT – Inheritance Tax
23. IT – Income Tax
24. IVA – Individual Voluntary Arrangement
25. LPA – Lasting Power of Attorney
26. LTA – Lifetime allowance
27. MVR – Market value reduction
28. MPAA – Money purchase annual allowance
29. NICs – National Insurance contributions
30. NPA – Normal pension age
31. NRA – Normal retirement age
32. NRB – Nil rate band
33. OPG – Office of the Public Guardian
34. OEIC – Open ended investment company
35. PAYE – Pay As you Earn
36. PPP – Personal pension plan
37. PCLS – Pension commencement lump sum
38. PA – Personal Allowance
39. PSA – Personal Savings Allowance
40. PMI – Private Medical Insurance
41. RAC – Retirement annuity contract
42. RNRB – Residence nil rate band
43. SIPP – Self-invested personal pension plan
44. SEIS – Seed Enterprise Investment Scheme
45. SWR – Safe withdrawal rate
46. SP – State Pension
47. UFPLS – Uncrystallised fund pension lump sum
48. VCT – Venture Capital Trust

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

**The Tax Tables which follow are applicable to the September 2024 and February 2025 examinations.**

## 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 |           |
| <i>*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.</i> |   |           |
| 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

|  |          |          |
|--|----------|----------|
| 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.          |        |

|                                |  |
|--------------------------------|--|
| <b>Class 3 (voluntary)</b>     | Flat rate per week £17.45.   |
| <b>Class 4 (self-employed)</b> | 6% on profits between £12,570 and up to £50,270.<br>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**

| <b>ANNUAL EXEMPTIONS</b>  | <b>2023/2024</b> | <b>2024/2025</b>  |             |
|---|------------------|-------------------|-------------|
| 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            |             |
| <b>TAX RATES</b>  |                  | <b>Pre</b>        | <b>Post</b> |
| Individuals:  |                  | <b>30/10/2024</b> |             |
| 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 main residence. 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 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% 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. 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%              |