Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

April 2025 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2024/2025 unless stated otherwise and should be answered accordingly.

It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

Unit R06 – Financial planning practice

Instructions to candidates

Read the instructions below before answering any questions

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

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

Attempt ALL questions for each case study

Time: 3 hours

Case Study 1

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

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

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

Robin is an engineer and earns £70,000 per annum (gross). Robin is a member of his employer's death-in-service scheme which will pay out three times his basic salary on death whilst in service. Robin is a member of his employer's qualifying workplace pension scheme and contributes 5% of his gross salary to the scheme. This is matched by his employer. His pension plan has a current value of £300,000 and is invested in a range of UK and global equity funds.

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

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

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

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

Robin and Kerry have the following assets:

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

Robin and Kerry's financial aims are to:

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

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

Questions

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

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

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

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

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

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

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

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

Total marks available for this question: 75

Case Study 2

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

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

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

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

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

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

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

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

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

Samir and Lydia have the following assets:

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

Their financial aims are to:

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

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

Questions

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

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

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

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

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

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

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

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

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

Total marks available for this question: 75

INCOME TAX

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

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

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.

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

PENSIONS

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

**Lifetime allowance removed from 6 April 2024.*

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

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

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

ANNUAL ALLOWANCE

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

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

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

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

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

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

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

INHERITANCE TAX

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

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

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

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

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

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

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

50% relief: certain other business assets

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

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

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

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

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

CORPORATION TAX

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

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

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

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

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

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

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