Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment Planning

March 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.

AF4 – Investment planning

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners assess candidates' knowledge and their ability to apply this to a case study scenario. You can then use this understanding to help you in your preparation for the examination.

Before the examination

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

There are books specifically produced to support your studies that provide coverage of all the syllabus areas, however you should be prepared to read around the subject. This is important particularly if you feel that further information is required to fully understand a topic or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

Note the assumed knowledge
For the Advanced Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Diploma in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

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 exam preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables
Familiarise yourself with the information contained within the tax tables printed at the back of each Examination Guide. These tax tables will be provided to candidates as part of the examination paper. 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.*

Know the structure of the examination
Assessment is by means of a three-hour written paper in two sections. All questions are compulsory:

Section A consists of one case study, worth 80 marks. You will be expected to carry out a variety of tasks, after analysing the information provided.

Section B consists of two shorter case studies worth a total of 80 marks. Again you will be expected to carry out a variety of tasks based upon the information provided.

Each question part will clearly show the maximum marks which can be earned.

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 more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

Read the Assessment information and Exam policies for candidates
The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at www.cii.co.uk/qualifications/assessment-information/introduction/. This is *essential reading* for all candidates. For further information contact Customer Service.

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, leave some space, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

Take great care to answer the question that has been set.

- Many candidates leave the examination room confident that they have written a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before putting pen to paper.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Tackling questions

Tackle the three questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i)) as this often leads to candidates unintentionally failing to fully complete the examination paper. This can make the difference between achieving a pass or a narrow fail.

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

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

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.

Provided handwriting is legible, candidates will **not** lose marks if it is 'untidy'. Similarly, marks are not lost due to poor spelling or grammar.

Calculators
If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, **non-programmable** calculator. The use of electronic equipment capable of being programmed to hold alphabetical or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements. The majority of the marks will be allocated for demonstrating the correct method of calculation.

EXAMINERS' COMMENTS

Candidates' overall performance

Overall, candidates performed very well in this paper, performing better when compared to October 2024.

The specific composition of the question paper tests 'core' and 'peripheral' content from across the syllabus to allow well-prepared candidates the opportunity to perform to a pass standard, while offering better-prepared candidates the capability to excel without prejudicing less-good candidates.

In weaker candidates, the main contributory factor to performance was a lack of in-depth knowledge, displayed through vague and/or superficial answers. Too many candidates presented answers that were only able to be awarded a small number of the available marks, often identifying those marks equivalent to RQF Level 3 or 4 but not having a more detailed level of knowledge that is expected at Level 6. At this Level, it is reasonable to expect candidate to know not just the factor, e.g. 'interest rates' but also the directionality, e.g. 'increasing'. This is particularly relevant – and important – in question-parts testing macro-economics and where the question-part asks the candidate to consider the effect, impact or consequence.

Across the calculation questions, the majority of candidates showed all the relevant workings and – compared to previous, recent sittings – appeared to present answers that were more closely aligned with the model answers as detailed in the exam guides, thereby allowing them to be awarded a greater proportion of the available marks. Those who did not perform well either used incorrect variables in the correct formula or the incorrect formula.

It was pleasing to see fewer candidates writing expansive, narrative-style answers in favour of more candidates answering with a succinct, bullet-point focused style. This produces more effective exam technique.

A well-prepared candidate having undertaken robust revision would have been able to achieve the pass standard.

Question 1

In part (a) candidates performed very well, with the majority of candidates being awarded full marks. The few candidates who did not perform well either provided multiple examples of the same factor or set out a list of general factors that would be obtained during fact-finding rather than in relation to the attitude to risk.

In part (b) candidates performed well with the majority of candidates achieving a third of the available marks. In part (b)(i) candidates who did not perform well provided vague descriptions of beta and/or did not identify specific differences for alpha. In part (b)(ii), the few candidates who did not perform well generally used an incorrect variable in their calculation process, often resulting in a positive alpha figure. Very few candidates did not perform well in part (b)(iii) having performed well in part (b)(ii).

In part (c) candidates performed well, with the majority of candidates identifying two or more for each of the benefits and drawbacks. Those candidates who did not perform well provided generic answers, with benefits and/or drawbacks that were too general and not specific to the type of collective fund.

In part (d) candidates performed adequately. In part (d)(i), candidates who knew the main types of fund generally knew the respective time periods. Those candidates who did not perform well did not know the types of fund and instead offered answers that included types of main asset class; types of fixed interest assets and other unrelated investment products. Part (d)(ii), was tested for this first time so it was pleasing to see the majority of candidates performing well. Those who did not perform well in part (d)(ii) either provided superficial differences or got the differences the wrong way around.

In part (e) candidates performed well with the majority identifying at least one correct bias and related reason. Those candidates who did not perform well tended to repeat the same reason using different words, as well as presented a list of biases that were not relevant to the case study.

In part (f) candidates performed adequately. Candidates who did not perform well in parts (f)(i) and (f)(ii) either got the descriptions the wrong way around, or provided a description of other economic terms, including GDP and in several instances, that of an individual's current account. In part (f)(iii) candidates who did not perform well repeated the same function several times and included monetary policy, often repeating it using different descriptions, despite the question specifically stating it should be excluded from the answer. Knowledge and understanding of macro-economics remains poor in many candidates.

In part (g) candidates performed very well with almost all candidates being awarded full marks. It was very pleasing to see candidates set out their workings as per the format contained in previous exam guides and this allowed them to be awarded from across the available marks. The few candidates who did not perform well, either did not show one or two calculation stages or did not apply the correct dividend allowance and/or personal savings allowance. A small number of candidates also calculated Anna's Income Tax liability in order to identify the rate of tax to apply, rather than applying the higher-rate tax that could be deduced without calculation from her salary contained in the first line of the case study.

In part (h) candidates performed very well with almost all candidates being awarded in the upper half of the available marks. In part (h)(i), the use of 'fixed' in the question was intended to highlight the different characteristics compared to 'interim'. The vast majority of candidates understood this and answered accordingly. A very small number of candidates interpreted 'fixed' as referring to a characteristic of the dividend payable from a preference share, despite preference shares not being mentioned in the case study. These candidates were awarded marks for any correct characteristic of a fixed dividend on a preference share compared to an interim dividend on an ordinary share and therefore were not disadvantaged. Those candidates who did not perform well in part (h)(i) generally provided vague answers that were too generic to be identified as belonging to either type of dividend. In part (h)(ii) candidates performed well, with most being awarded high marks. It was pleasing to see the majority of candidates analyse the case study for content that related to relevant factors.

Question 2

In part (a) candidates performed adequately with the majority of candidates being awarded around half of the available marks. Part (a)(i) was tested for the first time and showed a low level of existing knowledge. Those candidates who performed well generally identified two of the available marks with those who did not perform well either provided incorrect differences for the DJIA, notably how many constituent stocks it contains; got the market capitalisation and/or sector bias the wrong way around or stated that the two Indices were themselves types of index replication strategy for passive investing. In part (a)(ii) most candidates' answers demonstrated a good level of understanding. Those candidates who did not perform in part (a)(ii) generally repeated answers for the same mark for the various types of risk. Stronger candidates identified the directional benefit of exposure to US Dollar-denominated assets.

In part (b) candidates performed very well with a good number of candidates being awarded full marks. EMH is core content, and its various forms are tested regularly, with candidates clearly undertaking robust revision in this syllabus area. Those candidates who did not perform well either provided only superficial answers; a generic description of passive investment or listed the assumptions of MPT/CAPM.

In part (c) candidates performed adequately. In part (c)(i) a small number of candidates attempted the calculation long-hand and were awarded the relevant marks compared to the model answer. In part (c)(ii) candidates performed better than in part (c)(i), likely due to part (c)(i) having been tested for the first time. As with other question-parts, several of the marks were awarded for the correct function and/or operator, which allowed candidates to be awarded marks for understanding the formula even if their numerical calculations were incorrect. Across both question-parts, candidates who did not perform well showed minimal workings, possibly as a result of using a calculator but then being unable to show the calculator's functions as their workings.

In part (d) candidates performed well with the majority of candidates being awarded in the upper half of the available marks, with a small number of candidates being awarded full marks. Candidates who did not perform well generally provided expansive answers that talked about investment in generic terms rather than the switch to a volatility managed fund with several candidates repeating volatility several times using different words and explanations.

In part (e) candidates performed adequately. In part (e)(i) the majority of candidates did not perform well, either not realising that the portfolio was held on a platform – as stated in the question – or answering part (e)(i) on the same basis as their subsequent answers to parts (e)(iii) and (e)(iv). The latter emphasises the importance of reading all the question-parts before attempting to answer them. In part (e)(ii), candidates performed better, with most being awarded two or three of the available marks. Those candidates who did not perform well repeated the same factor through various different examples. In parts (e)(iii) and (e)(iv) most candidates were awarded the majority of the available marks demonstrating a good knowledge of the rebalancing process. Those candidates who did not perform well tended to get the benefits and drawbacks the wrong way around or stated neither, perhaps in the belief that they had already answered with them in parts (e)(i) and/or (e)(ii).

Question 3

In part (a) candidates performed well with the majority of candidates gaining over half of the available marks. While the content of part (a)(i) was not tested for the first time, the format of the question, combining three elements tested previously in a single question-part, was new. This allowed candidates to be tested on their knowledge of the respective differences. Most candidates performed well in respect of the running and redemption yields, although fewer candidates performed well in respect of the coupon with too many candidates believing the coupon to be the same as the yield.

In part (a)(ii) candidates performed adequately to well. Candidates find redemption yield calculations challenging and as with other calculation question-parts, the focus has shifted toward awarding more marks for the correct function and/or operators, i.e. rewarding candidates who know the stages of a formula, rather than solely the numerical variables used in the calculation. Candidates who did not perform in part (a)(i) tended to also not perform well in the calculation, either missing out stages or adding in unrelated stages. In previous sittings where a redemption yield calculation has been tested, the period to redemption has been provided for candidates as a number within the case study or table. In this sitting, the redemption date was stated in Table 1 and candidates were required to determine the period to redemption. The exact redemption date to the individual day was not shown as candidates would not be expected to perform a calculate to this level of detail without ready access to a calendar. While the model answer shows a specific period, candidates were only required to show an awareness of the period to redemption and were awarded marks accordingly. Candidates were not disadvantaged if they used a correct period to redemption that could be determined from the information contained in the table.

In part (b) candidates performed adequately to well with the majority of candidates awarded around half of the available marks. Candidates who performed well demonstrated an awareness of the relationship between the target and actual yields, with several showing workings to calculate the latter. Candidates who did not perform well provided generic answers about fixed interest as an asset class within any portfolio, rather than the suitability to meet the stated income need. It is important to read the question carefully as several candidates wrote expansive answers about portfolio construction and asset allocation, which was not what the question asked.

In part (c) candidates performed adequately with the majority of candidates gaining around half of the available marks. Candidates who did not perform well generally provided client-related factors.

In part (d) candidates performed adequately to well with the majority being awarded over half of the available marks, with several candidates being awarded full marks. Well-prepared candidates provided relevant answers with the risks and reasons being distinct to the case study. In contrast, those candidates who did not perform well, wrote out a list of general investment risks where most were not relevant to the question.

In part (e) candidates did not perform well with the majority of candidates being awarded only one or two of the marks available. In part (e)(i) most candidates did identify the numerator correctly but beyond that, candidates used the figures provided in Table 2 in various constructed calculations. In part (e)(ii) candidates who performed well showed an awareness of the consistency and level of the dividend. Candidates who did not perform well in part (e)(ii) listed drawbacks of relying on the ROE/ROCE metrics, as these are tested more regularly and candidate knowledge of them is higher.

Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment planning

March 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 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.

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit AF4 – Investment planning

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 160 marks as follows:

- Section A: 80 marks
- Section B: 80 marks

- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B.

- 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.

- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.

- It is important to show all steps in a calculation, even if you have used a calculator.

- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

- Tax tables are provided at the back of this question paper.

- Answer each question on a new page and leave six lines blank after each question part.

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

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

Anna, aged 49, is a research chemist. She is employed on a salary of £70,000 per annum. Over the past two decades, she has invested in various UK equities, both on a direct basis and within a Stocks and Shares ISA.

Details of her overall portfolio are set out in **Table 1** below:

Table 1

Asset	Current value £	Current gross yield
Direct UK equities	70,000	2.8%
Stocks and Shares ISA (direct UK equities)	190,000	4.3%
Stocks and Shares ISA (money market fund)	20,100	-
Current and deposit accounts	30,000	3.1%

Prior to this year, Anna had not had a financial adviser. She has instead based her investment decisions on articles she has read as part of her work, and conversations with friends and colleagues who have made similar investments. Anna has invested exclusively in pharmaceutical companies based upon their announcements of new discoveries or medical breakthroughs, believing that a company's success will be repeated in the future. Anna has no formalised attitude to risk.

Anna recently had an initial meeting with Jens, a financial adviser within an authorised advisory firm. Having outlined her financial circumstances, Anna has stated that there are two specific areas that she would like to explore in greater detail. Firstly, she is concerned at her reliance upon investment in individual companies. However, she does not want to stop investing in pharmaceutical companies and Jens has mentioned that a thematic collective fund could meet her needs. Jens has highlighted one actively-managed open-ended investment company (OEIC), Future Medical Trends, although he has commented that the fund's alpha may warrant further analysis.

Financial information on this fund is set out in **Table 2** below:

Table 2

Fund return	Index return	Beta	Risk-free rate	Standard deviation
10.4%	9.2%	1.6	3.75%	1.7

Secondly, as a result of reading about deficits in the economy, Anna invested this tax year's ISA subscription into a money market fund, believing this is the same as holding cash. However, she has noticed that the fund manager uses a derivatives overlay to increase performance and protect against downside volatility.

Anna takes an interest in financial matters but is confused by much of the commentary she reads from the Bank of England, as she believes that its sole function is to set interest rates. She has asked Jens to explain this to her in more detail.

One of the equities held within the ISA, Chemotaxis Receptor plc, has recently announced it intends to commence paying an interim as well as the existing final dividend. Chemotaxis Receptor plc's share price has also risen sharply over the past three months, despite the FTSE SmallCap Index in which it sits having fallen over the same period.

Anna has previously not taken any income from her portfolio, with any dividends and interest being re-invested. However, going forward she would like to receive this income.

Questions

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

(a) Identify **five** client-related factors that Jens would discuss with Anna to help establish her attitude to risk. *Exclude time horizon/retirement date from your answer.* **(5)**

(b) **(i)** Explain **two** relative differences between what is measured by beta and what is measured by alpha. **(4)**

(ii) Calculate, **showing all your workings**, the alpha for the Future Medical Trends fund. **(6)**

(iii) Comment on what can be deduced from the alpha figure calculated in **part (b)(ii)** above and the performance of the fund. **(5)**

(c) **(i)** State **four** benefits of investing in a thematic or trend-based fund. **(4)**

(ii) State **four** drawbacks of investing in a thematic or trend-based fund. **(4)**

(d) **(i)** State the **two** main types of money market fund and identify the key differences in the weighted average maturity and weighted average life of their respective assets. **(6)**

(ii) Outline briefly the **main** differences between futures and options derivatives. **(6)**

QUESTIONS CONTINUE OVER THE PAGE

(e) Identify **two** main investor biases that Anna is displaying and give **one** reason for **each** bias. **(4)**

(f) **(i)** Describe briefly what is meant by the term 'current account' in respect of the UK economy. **(3)**

(ii) Describe briefly what is meant by the term 'capital account' in respect of the UK economy. **(3)**

(iii) Describe **five** main roles and functions of a central bank. *Exclude setting monetary policy from your answer*. **(5)**

(g) Calculate, **showing all your workings**, the net income that Anna could generate from **each** of her portfolio assets if she decided to take the interest and dividends. **(13)**

(h) **(i)** Explain briefly **three** main differences between an interim and fixed dividend. **(6)**

(ii) Identify **six** factors that would cause the significant increase in Chemotaxis Receptor's share price. *Exclude the increase in dividend from your answer.* **(6)**

Total marks available for this question: 80

SECTION B

Both questions in this section are compulsory and carry an overall total of 80 marks

Question 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. Please carry out ALL of the tasks (a), (b), (c), (d) and (e) which follow.

Brenno and Diane are new retail clients of an authorised advisory firm. They are married and are both chartered surveyors. Both are planning to retire at their respective State Pension ages and their forecasted State Pension and private pension plan income is sufficient to meet their planned fixed retirement expenditure. To provide for additional discretionary expenditure in retirement, they plan to use the capital held within their respective investment portfolios. Brenno and Diane each hold a number of collective funds on a platform.

Details of one fund held within each of their portfolios are set out in **Table 1** below:

Table 1

Owner	**Fund Name**	**Value at 1st March 2021 £**	**Value as of 1st March 2025 £**	**10-year average nominal return**
Brenno	UK Equity Tracker	25,205	35,500	6%
Diane	Global Equities Managed	29,946	48,300	8%
Total		55,151	83,800	-

While these funds were each set up initially with a £20,000 investment, Diane has noticed that the value of her fund has increased by a greater amount than Brenno's, particularly over the most recent four-year period. Diane has read in the fund manager's most recent commentary that the performance of Global Equities Managed has benefited from 'taking tactically overweight positions in the main US indices' and 'not subscribing to the Efficient Market Hypothesis in any form'. They would like to understand what is meant by these terms.

Brenno has a lower attitude to risk than Diane and prefers not to see the value of his portfolio fluctuate significantly in the short-term. However, having seen the difference in performance between the two funds, he is considering switching his investment, either into the same investment as Diane's, or into an alternative fund that may be more suitable.

Brenno and Diane have become increasingly aware of the impact of higher inflation. They would like to know what their investments might be worth in today's terms upon their retirement in 9 years' time. They believe that 3% is a reasonable annual inflation figure. The effects of inflation will be discussed with their financial adviser at a forthcoming review meeting, which will also include a rebalancing of their respective portfolios.

Questions

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

(a) **(i)** Describe briefly the main differences in the structure and composition of the Dow Jones Industrial Average Index and the Standard and Poor's 500 US stock market indices. **(4)**

(ii) Identify **four** reasons why a UK investor would consider investing in a US equities fund. **(4)**

(b) Describe briefly what is meant by the Strong form efficiency of the Efficient Market Hypothesis. **(5)**

(c) **(i)** Calculate, **showing all your workings**, the real value of Diane's fund at retirement. *Assume that the figures contained in the case study continue unchanged for the period until retirement.* **(5)**

(ii) Calculate, **showing all your workings**, the compound annual return of the total investment portfolio over the four-year period shown in **Table 1**. **(6)**

(d) Identify **four** reasons why switching to a volatility managed fund might be more suitable to Brenno than switching to the Global Equities Managed fund. **(4)**

(e) **(i)** State **three** factors relating to the rebalancing process that an adviser would consider when preparing to rebalance a portfolio held on a platform. **(3)**

(ii) State **three** investment-related factors that might trigger a need to rebalance a portfolio. **(3)**

(iii) Identify **three** main **benefits** of rebalancing a client's investment portfolio. **(3)**

(iv) Identify **three** main **drawbacks** of rebalancing a client's investment portfolio. **(3)**

Total marks available for this question: 40

Question 3

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.

Marek, aged 66, is a retail client of an authorised advisory firm. He is due to retire within the next three months and has requested a meeting with his financial adviser, Theresa. Theresa has previously calculated Marek's gross income from his pension arrangements to be £27,500 per annum.

Marek's objective is income generation for the long-term. Having identified his gross total income need as £36,500, Theresa has calculated a target yield of 6.9% per annum from his investment portfolio. The portfolio consists of a directly-held government gilt and an investment grade corporate bond, which are held in a general investment account (GIA). Marek has a cautious attitude to risk.

Details of the two holdings are set out in **Table 1** below:

Table 1

	S&P credit rating	Current value £	Price £	Redemption date	Coupon
Gilt	AA	75,000	126.20	October 2034	5.6p
Corporate bond	BBB	55,000	98.30	April 2026	8.5p

In addition, Marek holds a small number of private company shares in one of his former employers, River Grey Logistics Ltd. The company used to be listed on the FTSE SmallCap Index but delisted several years ago. The shares are not held on the platform. Since then, Marek has continued to receive annual dividends. He does not know how much his shares may be worth. Theresa has suggested that it may be possible to calculate the share price using a dividend discount model.

Details of this shareholding are set out in **Table 2** below:

Table 2

Dividend	Return on equity	Return on capital employed
14.5p	18%	11%

An objective of the meeting will be to review the portfolio's composition and determine a sustainable withdrawal rate for Marek, in relation to the target yield and income from the GIA.

Questions

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

(a) **(i)** Describe briefly the main differences between the coupon, running yield and redemption yield of a fixed interest security. *No calculations are required.* **(7)**

(ii) Calculate, **showing all your workings**, the redemption yield for the gilt. *You should use the simplified method in your answer*. **(7)**

(b) Comment on Marek's target yield and the suitability of the fixed interest assets to meet his income need. **(5)**

(c) Identify **five** investment-related factors that Theresa would take into consideration when assessing a sustainable withdrawal rate. **(5)**

(d) Identify **five** investment-specific risks to which Marek's investment portfolio within the GIA is exposed and give **one** reason for each risk. **(10)**

(e) **(i)** Calculate, **showing all your workings**, the theoretical share price for River Grey Logistics Ltd using the dividend discount model. **(3)**

(ii) Identify **three** factors that should be taken into consideration when using a dividend discount model. **(3)**

Total marks available for this question: 40

NOTE ON MODEL ANSWERS
The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

(a) *Candidates would have scored full marks for any five of the following:*
- Level of acceptable loss/CfL.
- Perception of risk/investor psychology.
- Level of knowledge/understanding/previous investment experience.
- Family background/dependents/health.
- Other assets/liabilities.
- Objectives/goals.

(b) **(i)** *Candidates would have scored full marks for any four of the following:*
- Beta measures market risk.
- Alpha measures added-value/difference between actual and expected return/ return not explained by CAPM/beta.
- Beta explained by movements in relation to/correlation with market/benchmark.
- Alpha not explained by movements in relation to/correlation with market.
- Beta measures volatility.
- Alpha measures stock-picking skills.

(ii) 10.4 - [3.75 + 1.6(9.2 - 3.75)] = -2.07

(iii) *Candidates would have scored full marks for any five of the following:*
- Manager has not added value;
- despite outperforming the index.
- Down to poor stock-picking.
- Return doesn’t justify risk/less than expected return/CAPM.
- Influenced by high beta.
- May be better off passive/active costs not justified.

(c) **(i)** *Candidates would have scored full marks for any four of the following:*

- Potential for higher return/growth;
- over the long-term.
- Invest in line with Anna's preferences/objectives.
- Specialist manager/greater expertise/track record.
- Increased diversification.

(ii) *Candidates would have scored full marks for any four of the following:*

- Higher volatility.
- Smaller investible universe/fewer specialist managers/niche.
- Higher charges.
- More difficult to compare performance/with other funds.
- Will still be positively correlated with equities/decreased diversification.
- Trend may be short-lived/not last/fund may close.

(d) **(i)**

- **Short-term**
- Up to 60 days maturity.
- Up to 120 days life.

- **Standard**
- Up to 6 months maturity.
- Up to 12 months life.

(ii) *Candidates would have scored full marks for any six of the following:*

Futures

- Legally binding contract/obligation.
- Buyers are long/sellers are short.
- Physical settlement.
- Margin payment.
- Daily mark to market.
- Unlimited potential losses/downside.

Options

- No obligation/don't have to exercise;
- can expire worthless.
- Buyer pays premium.
- Seller makes margin payment.
- Put is to sell/Call is to buy.
- American/European types.

(e) *Candidates would have scored full marks for any four of the following:*

- **Herding**
- Following colleagues/friends.
- Believes in trend.

- **Availability/Familiarity**
- Works in sector.
- Believes history will repeat.

(f) **(i)**

- Balance of payments/net balance of trade;
- of goods/visible trade and;
- services/invisible trade.

(ii) *Candidates would have scored full marks for any three of the following:*

- Flow/movement of money through;
- overseas investors investing in UK/UK investors investing overseas.
- Real assets and;
- financial assets.

(iii) *Candidates would have scored full marks for any five of the following:*

- Control inflation.
- Manage money supply.
- Maintain economic stability/respond to market shocks.
- Manage currency/foreign reserves.
- Act as lender of last resort.
- Oversee/regulate banking system.

(g) **Direct equities**

70,000 x 2.8% = £1,960
£1,960 - £500 = £1,460
£1,460 x 33.75% = £492.75
£1,960 - £492.75 = £1,467.25

Stocks and Shares ISA

£190,000 x 4.3% = £8,170

Deposits

£30,000 x 3.1% = £930
£930 - £500 = £430
£430 x 40% = £172
£930 - £172 = £758

(h) **(i)** *Candidates would have scored full marks for any six of the following:*

- Interim declared during financial year/before AGM.
- Final/fixed declared after financial year/at AGM.

- Interim declared by board.
- Final/fixed declared by shareholder.

- Interim can be revoked.
- Final/fixed cannot be revoked.

- Interim only if Articles permit.
- Final/fixed right of shareholders/not subject to Articles.

(ii) *Candidates would have scored full marks for any six of the following:*

- Investor sentiment/broker view/supply & demand.
- Company announcement/research breakthrough/approval.
- Competitor announcement.
- Profit/earnings expectation.
- Merger/takeover activity.
- Inclusion in Index.
- Change in management.
- Political/tax/regulation changes.
- Capital event.

Model answer for Question 2

(a) **(i)** *Candidates would have scored full marks for any four of the following:*

- DJIA consists of 30 stocks and S&P 500 of 500 stocks.
- DJIA is price-weighted.
- S&P is market-cap weighted.
- DJIA not all sectors included/S&P all major sectors included.
- DJIA focuses on blue-chip companies.
- S&P focuses on large cap/technology companies.

(ii) *Candidates would have scored full marks for any four of the following:*

- Geographical diversification/reduce systematic risk.
- Historical higher returns.
- US is largest global economy/represents majority of global stock market value.
- Market sentiment/access to tech stocks.
- Better suited to growth/momentum investment styles.
- Potential for additional returns from positive currency movement/Dollar strengthening.

(b) *Candidates would have scored full marks for any five of the following:*

- Prices reflect;
- all information;
- public and;
- private.
- Fundamental analysis useless.
- Technical analysis useless.

(c) **(i)** Real return = (8% - 3%) = 5%

$(1 + 0.05)^9 = 1.5513282$
(£48,300 x 1.5513282)
= £74,929.15283 = £74,929.15

(ii) (£83,800 / £55,151) = 1.5194647
$\sqrt[4]{1.5194647}$ *or* $1.5194647^{1/4}$ = 1.1102547
-1 x 100 = 11.02547% = 11.03%

(d) *Candidates would have scored full marks for any four of the following:*

- Proximity to retirement/shorter 9-year time horizon.
- In line with AtR/CfL.
- Provides diversification;
- due to size of portfolio.
- Reduce/mitigate volatility risk.
- May provide more consistent/smoothed returns.
- May have lower correlation with equities.

(e) **(i)** *Candidates would have scored full marks for any three of the following:*

- Is process automatic/manual.
- Pre-funding of switches.
- Level of cash/ability to maintain any income payments.
- Liquidity/dealing frequency of funds.

(ii) *Candidates would have scored full marks for any three of the following:*

- Fund performance.
- Change of benchmark/mandate.
- Market/economic outlook/legislation/tax.
- Fund specific event.

(iii) *Candidates would have scored full marks for any three of the following:*

Benefits

- Re-aligns portfolio to risk profile/asset allocation.
- Minimises style drift.
- Maximise returns/take profits from good performing funds.
- Use tax allowances.

(iv) *Candidates would have scored full marks for any three of the following:*

Drawbacks

- Transaction fees.
- Time out of the market.
- Best performing fund may be sold/worst performing fund may be topped up.
- May create tax liability.
- May affect income.

Model answer for Question 3

(a) **(i)** *Candidates would have scored full marks for any seven of the following:*

Coupon
- Set at issue.
- Is the amount received/a monetary value.
- Based upon nominal/par value.

Running Yield
- Varies;
- based upon current price/is a percentage.
- Excludes capital return.

Redemption Yield
- Varies/uses running yield;
- based upon time to maturity/redemption.
- Includes capital/total return.
- May be negative/show a loss.

(ii) 126.20 - 100 = 26.20
26.20 / 9.6~ = 2.7291667
2.7291667 / 126.20 x 100 = 2.1625726
5.6 / 126.20 x 100 = 4.4374009
(4.4374009 - 2.1625726) = 2.2748283 = 2.27%

~ Calculated as 4 March 2025 to 4 October 2034, a period of 9 years 7 months, taken as 9.6 years.

(b)
- Target yield not aligned with/too high for AtR.
- Running yield does not meet target.
- Yields gross/need to allow for tax.
- Income is short-term/corporate bond will be redeemed in under two years/gilt in approx. 10 years.
- Unlikely to be able to re-investment at similar coupon.

(c) *Candidates would have scored full marks for any five of the following:*
- Charges.
- Taxation.
- Level of interest payments.
- Timing of interest payments.
- Volatility/sequencing risk.
- Economic outlook.

(d) *Candidates would have scored full marks for any ten of the following:*

- **Concentration**
- All in fixed interest/one asset class/only two holdings.
- **Specific/Non-systematic**
- Only direct holdings.
- **Credit**
- Risk of corporate bond being downgraded/loss of investment grade.
- **Default**
- Doesn’t make coupon payment/capital repayment.
- **Inflation**
- Income/capital eroded by inflation.
- **Interest rate**
- Price/capital value adversely affected by increase in interest rates.
- **Reinvestment**
- Some capital repaid in short term/may not be able to reinvest on same terms/obtain same coupon.

(e) **(i)** 14.5 / 18 = 80.555555 = 80.56p

(ii) *Candidates would have scored full marks for any three of the following:*

- Assumes dividends are constant/pays yearly.
- Assumes dividends are level/don’t increase.
- Simplistic/single factor model.
- Relies on ROE.
- Not suitable where dividend payment is small/for growth companies.

Glossary of terms

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

1. AA – Annual allowance
2. ACD – Authorised capital director
3. AEA – Annual exempt amount
4. AER – Annual equivalent rate
5. AMC – Annual management charge
6. APR – Annual percentage rate
7. APS – Additional permitted subscription
8. ART – Additional-rate tax
9. AtR – Attitude to risk
10. BoE – Bank of England
11. BRT – Basic-rate tax
12. CAPM – Capital Asset Pricing Model
13. CDS – Credit default swap
14. CfL – Capacity for loss
15. CGT – Capital Gains Tax
16. CPI – Consumer Prices Index
17. CTF – Child trust fund
18. DA – Dividend allowance
19. DB – Defined benefit
20. DC – Defined contribution
21. DCF – Discounted cash flow
22. D/E – Debt-to-equity
23. DJIA – Dow Jones Industrial Average
24. DIM – Discretionary investment management
25. DFM – Discretionary fund manager
26. EBIT/EBITDA – Earnings before interest and tax/depreciation and amortisation
27. EIS – Enterprise investment scheme
28. EMH – Efficient market hypothesis
29. ESG – Environmental, social and governance
30. ETC – Exchange traded commodity
31. ETF – Exchange traded fund
32. ETN – Exchange traded note
33. ETP – Exchange traded product
34. EPS – Earnings per share
35. FAD – Flexi-access drawdown
36. FCA – Financial Conduct Authority
37. FoF – Fund of funds
38. FOS – Financial Ombudsman Service
39. FSCS – Financial Services Compensation Scheme
40. FTSE – Financial Times Stock Exchange
41. GAARP – Growth at a reasonable price
42. GDP – Gross domestic product
43. GIA – General investment account
44. HRT – Higher-rate tax
45. HTBISA – Help to Buy individual savings account
46. IA – Investment Association
47. ICVC – Investment company with variable capital

48. IHT – Inheritance Tax
49. ISA – Individual savings account
50. IPO – initial public offering
51. IFISA – Innovative finance individual savings account
52. IT – Income Tax
53. JISA – Junior individual savings account
54. LCF – Lifetime cash flow
55. LISA – Lifetime individual savings account
56. LTA – Lifetime allowance
57. MoM – Manager of managers
58. MPC – Monetary Policy Committee
59. MPT – Modern portfolio theory
60. MSCI – Morgan Stanley Capital International
61. MVR – market value reduction
62. MPS – Model portfolio service
63. MSCI – Morgan Stanley Capital International
64. MVR – Market value reduction
65. MWR – Money-weighted rate of return
66. NASDAQ – National Association of Securities Dealers Automated Quotations
67. NAV – Net asset value
68. NICs – National Insurance contributions
69. NPA – Normal pension age
70. NRA – Normal retirement age
71. NRB – Nil rate band
72. NS&I – National Savings and Investments
73. OCF – Ongoing charges figure
74. OEIC – Open-ended investment company
75. OPA – Ordinary power of attorney
76. OEIC – open ended investment company
77. P/B – Price-to-book
78. P/E – Price-earnings/price-to-earnings
79. PAIF – Property authorised investment fund
80. PAYE – Pay As you Earn
81. PET – Potentially exempt transfer
82. PIA – Property Income Allowance
83. PID – Property income distribution
84. PPP – Personal pension plan
85. PCLS – Pension commencement lump sum
86. PRA – Prudential Regulation Authority
87. PA – Personal Allowance
88. PSA – Personal Savings Allowance
89. PTM – Panel of Takeovers and Mergers
90. QE – Quantitative easing
91. QT – Quantitative tightening
92. REIT – Real estate investment trust
93. ROCE – Return on capital employed
94. ROE – Return on equity
95. RPI – Retail Prices Index
96. S&P – Standard and Poor’s
97. SICAV - Société d'investissement à capital variable
98. SD – Stamp Duty

99. SDLT – Stamp Duty Land Tax
100. SDRT – Stamp Duty Reserve Tax
101. SIPP – Self-invested personal pension plan
102. SEIS – Seed enterprise investment scheme
103. SRI – Socially responsible investing
104. TER – Total expense ratio
105. TWR – Time-weighted rate of return
106. UCITS – Undertakings for collective investment in transferable securities
107. UCIS – Unregulated collective investment scheme
108. UFPLS – Uncrystallised fund pension lump sum
109. VCT – Venture capital trust

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

The Tax Tables which follow are applicable for examinations from 1 September 2024 until 31 August 2025.

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.*

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

***Secondary threshold.*

CLASS 2 (self-employed)*	
Flat rate per week	£3.45
Small profits threshold per year	£6,725

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

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

PENSIONS

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

**Lifetime allowance removed from 6 April 2024.*

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

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

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

ANNUAL ALLOWANCE

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

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

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

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

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

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

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

INHERITANCE TAX

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

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

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

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

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

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

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

50% relief: certain other business assets

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

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

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

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

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

CORPORATION TAX

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

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

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

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

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

- *First-time buyers benefit from SDLT relief on first £425,000 for properties up to £625,000 when purchasing their mainresidence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 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. 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%