



Chartered
Insurance
Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

October 2025 examination

SPECIAL NOTICES

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

It should be assumed that all individuals have long-term UK residence status unless otherwise stated.

Unit R06 – Financial planning practice

Instructions to candidates

Read the instructions below before answering any questions

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

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

Attempt ALL questions for each case study**Time: 3 hours****Case Study 1**

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

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

Jeremy and Anna, both aged 65, are married with two children, Ellen and Tim. Jeremy and Anna have five grandchildren. The family are all in good health. Jeremy plans to reduce his working hours to a three-day week starting in January 2026 with his current employer and intends to retire fully in June 2028. Jeremy's State Pension will begin in June 2026, while Anna's will start in September 2026. They are both expecting to receive the full State Pension.

Jeremy is employed as a production manager. He receives a gross salary of £70,000 per annum which will reduce to £42,000 per annum once he starts his new three-day week in January. He is a member of his employer's workplace pension scheme and contributes 8% of his gross salary to the scheme. His employer contributes 3% of his gross salary to the scheme. Jeremy's pension fund has a current value of £380,000 and is invested in a range of adventurous managed funds. Jeremy is also a member of his employer's death-in-service scheme which will pay out three times his basic salary on death whilst in service. Jeremy's pension and death-in-service have up-to-date nominations in favour of Anna.

Anna is employed as a staff manager at a local community centre. She receives a gross salary of £40,000 per annum and intends to continue to work full-time until June 2028. Anna is a member of her employer's workplace pension scheme and contributes 5% of her gross salary to the scheme. Her employer contributes 3% of her gross salary to the scheme. Anna's pension fund has a current value of £210,000 and is invested in a UK equity tracker fund. Anna's employer does not offer any further benefits. Anna's pension has an up-to-date nomination in favour of Jeremy.

Jeremy and Anna have an interest-only mortgage with an outstanding balance of £90,000 on their home, which is currently valued at £400,000. They have been paying occasional lump sums towards the outstanding mortgage balance over the lifetime of the mortgage but are now wishing to repay it in full before Jeremy reduces his working hours in January. They have no financial protection in place to repay the mortgage in the event of either death.

Jeremy and Anna have a portfolio of ISAs and open-ended investment companies (OEICs) which are invested in a range of UK and global equity funds. Jeremy also holds an onshore investment bond which was set up just over ten years ago with an initial investment of £80,000. No withdrawals have been made from this bond. Jeremy and Anna wish to review their investment portfolio to ensure that they are able to generate additional income to cover the reduction in Jeremy's earnings from next January. Jeremy and Anna have used this year's ISA allowance.

Jeremy and Anna made a loan of £20,000 to their daughter, Ellen, a few years ago. They are considering the option of writing off this loan and instead treating it as a gift to Ellen.

Jeremy and Anna have mirror Wills leaving their estate on second death split equally between their two children.

Jeremy and Anna have a high attitude to risk and neither of them has any interest in Environmental, Social and Governance (ESG) investments. They have never sought financial advice in the past but now wish to do so, given their upcoming change in circumstances.

Jeremy and Anna have the following assets:

Assets	Ownership	Value (£)
House	Joint	400,000
Current account	Joint	15,000
Deposit account – Instant access	Joint	120,000
OEICs – UK & Global Equity funds	Joint	170,000
Stocks & shares ISA – Global Equity funds	Anna	210,000
Stocks & shares ISA – UK Equity funds	Jeremy	180,000
Onshore Investment Bond – Cautious Managed fund	Jeremy	120,000

Jeremy and Anna's financial aims are to:

- ensure they have sufficient income to allow Jeremy to reduce his working hours to a three-day week in January 2026;
- repay their outstanding mortgage;
- generate a tax-efficient and sustainable income throughout retirement.

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 in order to advise Jeremy and Anna on whether Jeremy can afford to reduce his working hours in January. (15)
- (b) Outline to Jeremy and Anna the key factors that they should take into consideration before deciding whether they should draw their State Pensions in 2026 or defer them. (10)
- (c) Explain to Jeremy and Anna the key reasons why it is important to review their investment holdings within their pensions before they reach retirement. (10)
- (d) Recommend and justify a range of options to enable Jeremy and Anna to supplement their income from January 2026, if Jeremy reduces his working hours. (14)
- (e) Explain to Jeremy and Anna how they could draw a tax-efficient lump sum from the Onshore Investment Bond to enable them to repay their outstanding mortgage. *No calculations are required.* (10)
- (f) Jeremy and Anna are considering writing off the loan that they made to Ellen and instead treating it as a gift.

Explain to Jeremy and Anna the Inheritance Tax implications of this course of action. (7)
- (g) Identify the actions that a financial adviser could take to ensure that they meet their Consumer Duty obligations when working with Jeremy and Anna. (10)

Total marks available for this question: 76

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), and (g) which follow.*

Paul and Sangita, are both aged 34, and are unmarried. They do not intend to marry. They have two children, aged 7 and 5. Paul and Sangita are both in good health.

Sangita is employed as a marketing manager and earns a salary of £125,000 gross per annum. Sangita is a member of her employer's workplace pension scheme and contributes 5% of her gross salary to the scheme. Her employer contributes 5% of her gross salary to the scheme. Sangita's pension fund has a current value of £65,000 and is invested in the default UK cautious managed fund. The pension fund has an up-to-date nomination in favour of Paul. Sangita is also a member of her employer's death-in-service scheme which will pay out four times her basic salary on death whilst in service.

Paul is employed part-time as a software designer and earns a salary of £35,000 gross per annum. Paul opted out of his employer's workplace pension scheme as he did not believe the contributions were affordable on his part-time salary. His employer does not offer any further benefits.

Paul and Sangita have a repayment mortgage with an outstanding balance of £250,000 on their home which is currently valued at £300,000. The mortgage is protected in full by a decreasing term assurance policy which was set up when they took out the mortgage. They have no other protection policies in place.

Paul and Sangita have a limited range of assets but are keen to build up their savings and investments for the future. Neither of them has used their ISA allowances for the current tax year.

Paul and Sangita are concerned that they do not have sufficient financial protection for either themselves or their children in the event of death or disability. They believe this is a priority as they are heavily reliant on Sangita's income to support the family.

Paul and Sangita have an interest in Environmental, Social and Governance (ESG) investments, but this is not a primary concern for them. They are inexperienced investors but consider themselves to have an adventurous attitude to risk.

Paul and Sangita do not have Wills or Lasting Powers of Attorney.

Paul and Sangita have the following assets:

Assets	Ownership	Value (£)
House	Joint	300,000
Current account	Paul	1,500
Current account	Sangita	3,000
Deposit account – Instant access	Paul	50,000
Cash ISA – Instant access	Sangita	20,000
Stocks & shares ISA – Global Index-Tracker fund	Paul	30,000

Their financial aims are to:

- ensure that sufficient financial protection is in place to support the family in the event of either death or disability;
- improve the tax-efficiency of their current financial arrangements;
- set up an appropriate investment strategy to build up their retirement savings.

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

Questions

- (a) Identify the key weaknesses in Paul and Sangita's current financial arrangements. (10)
- (b) Explain to Paul why it would be beneficial for him to opt into his employer's workplace pension scheme. (12)
- (c) Recommend and justify a range of actions that would enable Paul and Sangita to improve the tax-efficiency of their current financial arrangements. (12)
- (d) Explain to Paul and Sangita how their individual estates would be distributed on death if they do not have valid Wills. *No calculations are required.* (10)
- (e) Recommend and justify a suitable life assurance policy to provide a lump sum to the survivor in the event of either death and explain how it should be set up. (14)

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

- (f) Explain to Sangita why she should consider adjusting the investment strategy within her workplace pension plan. (8)
- (g) Identify **eight** key issues that a financial adviser should discuss with Paul and Sangita at their next annual review. (8)

Total marks available for this question: 74

INCOME TAX

RATES OF TAX	2024/2025	2025/2026
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge:	1% of benefit per £200 of adjusted net income between £60,000 – £80,000	
<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	£500	£500
Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Trusts		
Income exemption up to**	£500	£500
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

** Where net income exceeds £500, the full amount is subject to Income Tax. Further, the £500 may need to be divided between other trusts in existence.

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£4,280	£4,360
Married/civil partners at 10% †	£11,080	£11,270
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£37,000	£37,700
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£3,070	£3,130
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

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

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,700 (£37,000 for 24/25) until minimum reached.

*** Investment above £1,000,000 must be in knowledge-intensive companies.

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£125
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

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

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £125 per week. This £125 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below £96.00**	Nil***
Over £96.00	15%

***Secondary threshold.*

****No employer NICs on the first £967 pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481 pw for employees at freeports and investment zones in Great Britain in the first 36 months of employment*

Employment allowance £10,500 Per business – not available if sole employee is a director

CLASS 2 (self-employed) *	
Flat rate per week	£3,50
Small profits threshold per year	£6,845
Class 2 contributions are credited automatically where profits equal or exceed £6,845 per annum.	
Class 2 contributions can be made voluntarily where profits are below £6,845 per annum.	

Class 3 (voluntary)	Flat rate per week £17.75.
Class 4 (self-employed)	6% on profits between £12,570 and up to £50,270. 2% on profits above £50,270.

PENSIONS

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

*Lifetime allowance abolished from 6 April 2024.

	2024/2025	2025/2026
Lump sum and death benefit allowance (LSDBA)	£1,073,100	£1,073,100
Lump sum allowance (LSA)	£268,275	£268,275

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
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ANNUAL ALLOWANCE	
TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**
2024/2025	£60,000**
2025/2026	£60,000**

*Between 2016/17 and 2019/20 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £150,000 to a minimum of £10,000 where 'threshold income' is over £110,000.

*Between 2020/21 and 2022/23 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.

**From 2023/24 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

ANNUAL EXEMPTIONS	2024/2025		2025/2026
Individuals, estates etc	£3,000		£3,000
Trusts generally	£1,500		£1,500
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000		£6,000
TAX RATES	Pre	Post	2025/2026
	30/10/2024		
Individuals:			
Up to basic rate limit	10%	18%	18%
Above basic rate limit	20%	24%	24%
Surcharge for residential property - Basic Rate	8%	n/a	0%
Higher Rate	4%	n/a	n/a
Surcharge for carried interest**	8%	4%	**32%
Trustees and Personal Representatives:			
Residential property	24%	24%	24%
Other chargeable assets	20%	24%	24%
Business Asset Disposal Relief*		10%	14%
Lifetime limit		£1,000,000	£1,000,000

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

** For 25/26, rate for carried interest for all tax bands is 32%

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2024/2025	2025/2026
Transfers made on death		
- Up to £325,000 (nil-rate band)	Nil	Nil
- Excess over £325,000	40%	40%
- Reduced rate (where appropriate charitable contributions are made)	36%	36%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

MAIN EXEMPTION

Transfers to		
- Long-term UK resident spouse/civil partner	No limit	No limit
- Spouse/civil partner who is not a long-term UK resident (from long-term UK resident spouse/ civil partner)	£325,000	£325,000
- UK-registered charities	No limit	No limit
- Residence nil rate band*	£175,000	£175,000

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

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

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

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

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

50% relief: certain other business assets

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

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

		2024/2025	2025/2026
		£ (per week)	£ (per week)
Child Benefit	First child	25.60	26.05
	Subsequent children	16.95	17.25
	Guardian's allowance	21.75	22.10
Employment and Support Allowance	Assessment Phase	Up to 71.70	Up to 72.90
	Age 16 - 24		
	Aged 25 or over	Up to 90.50	Up to 92.05
	Main Phase		
	Work-related Activity Group	Up to 126.45	Up to 128.60
Attendance Allowance	Support Group	Up to 138.20	Up to 140.55
	Lower rate	72.65	73.90
	Higher rate	108.55	110.40
Basic State Pension	Category A full rate	169.50	176.45
	Category B (lower) full rate	101.55	105.70
New State Pension	Full rate	221.20	230.25
Pension Credit	Standard minimum guarantee - single	218.15	227.10
	Standard minimum guarantee - couple	332.95	346.60
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	71.70	72.90
	Age 25 or over	90.50	92.05
Statutory Maternity, Paternity and Adoption Pay		184.03	187.18

CORPORATION TAX

	2024/2025	2025/2026
Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%
Companies with profits between £50,000 and £250,000 will pay tax at the effective rate of 26.5%.		
This provides a gradual increase in the effective Corporation Tax rate.		

VALUE ADDED TAX

	2024/2025	2025/2026
Standard rate	20%	20%
Annual registration threshold	£90,000	£90,000
Deregistration threshold	£88,000	£88,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

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

- *First-time buyers benefit from SDLT relief on first £300,000 for properties up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,001 and £500,000, a flat rate of 5% is charged on the balance above £300,000.*
- *Additional SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *Additional SDLT of 2% may apply to purchases by non-UK residents over £40,000.*
- *SDLT may be charged at 17% on interests in residential properties costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*

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