



Chartered
Insurance
Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

February 2026 Exam Guide

SPECIAL NOTICES

Candidates entered for the September 2026 exam should study this exam guide carefully in order to prepare themselves for the exam.

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

AF5 – Financial planning process

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This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Exam Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit.

During your preparation for the exam, it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under exam conditions.

Before the exam

Study the syllabus carefully

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

Read widely

To get the most out of your learning, it's important to explore beyond just one textbook. Relying solely on a single study text may not give you all the depth or perspectives you need. While the main study materials are designed to cover the syllabus, they might not always explain things in a way that works for you—or offer alternative viewpoints that deepen your understanding.

That's why reading around the subject is so valuable. If a topic feels unclear or you're curious to see how others approach it, looking at different sources can really help. Think of it as building a richer, more rounded picture of what you're learning.

Build confidence in your knowledge and ability to apply it.

Make full use of the Exam Guide

This Exam Guide contains a full exam 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 Exam Guides can be treated as 'mock' exam papers. Attempting them under exam 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 exam guides free of charge at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the tax tables printed at the back of the Exam Guide. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to use your own tax tables in the exam, these are provided in the portal when you sit the exam.*

Note the assumed knowledge

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

Understand the nature of assessment

Assessment is by means of a three-hour paper.

This Exam Guide contains a full exam paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

Familiarise yourself with the fact-find

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

Appreciate the standard of the exam

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

Test yourself under timed conditions

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

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

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the fact-find details arrive to focus on the client details and prepare yourself for the exam day.

You can also access previous exam papers and test specifications [here](#).

Assessment Information and Rules and Policies for candidates

Please review the [assessment information](#) and [rules and policies](#) for candidates. Full details of the administrative arrangements and the regulations governing your exam entry are available online.

Understand the skills the exam seeks to test

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

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

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

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

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

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

Two weeks before the exam

What will I receive?

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

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

How should I use my time over the two-week period?

It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

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

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

Preparing the groundwork – considering possible solutions

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

You may need to read about particular products; try product providers for technical information, tax offices etc.

On-screen written exam familiarisation

The familiarisation test allows you to experience using the assessment platform before your exam.

Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

You can access the familiarisation test at any time. It can be found [here](#).

We strongly recommend that you take the familiarisation test to ensure you are familiar with the on-screen assessment platform experience.

If you have previously sat any of the CII's multiple-choice exams, please note this familiarisation experience has a different set up.

On the day of the AF5 exam, upon accessing the platform, you will need to click on the highlighted section below to start the exam:



AF5 Financial planning process



on-screen written exam familiarisation

We would recommend that prior to starting the exam, you may wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam.

Please note the exam timer will not start until you click the exam titled: **AF5 Financial planning process**.

Important information for remote invigilation candidates only

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

You will receive the below information via email before your exam date.

You must check the equipment you plan to use on the exam day is suitable. The system requirements are [here](#)

EXAM TUTORIAL:

- [Launch Tutorial Test](#)
- Duration: The tutorial will take approximately 30 minutes to complete.
- Attempts: Launch the tutorial test up to three (3) times to familiarize yourself with the environment. We suggest saving one attempt for 2-3 days prior to your exam date.
- Timing: The Launch link will expire 150 minutes (2 hours and 30 minutes) prior to your scheduled exam time.

To access your exam on the exam day click on the "Launch Exam" link beside your scheduled exam within the Bookings and Results area of MyCII [Dashboard](#). If you have any difficulty accessing your MyCII account, you should contact CII customer service at the contact details below.

This Exam Tutorial will help you feel confident and prepared for exam day. It guides you through the system and helps identify any potential issues with your equipment in advance, reducing the risk of technical problems during your exam.

Please note you are strongly advised not to use a laptop provided by your employer.

Laptops and IT equipment provided by your employer typically include security protocols that conflict with any remote invigilation software. You should also avoid using a corporate Wi-Fi or any other internet connection that may include firewalls that you cannot personally control.

The exam platform no longer supports Windows 10 or macOS Ventura for any online testing.

These operating systems no longer meet the minimum technical requirements. Continuing to use them may introduce compatibility issues, affecting performance during test sessions.

It is fundamentally important that, if you are sitting an exam via remote invigilation, you read all of the documents on this page; [How to prepare for your on-screen written exam by remote invigilation](#).

If there is anything you are unsure of, or if you have not received the tutorial email, please contact Customer Service (telephone +44 (0)20 8989 8464 Mon to Fri: 9am – 5pm (UK time), email customer.serv@cii.co.uk, Webchat service: Mon-Fri: 8am-4pm (GMT)) as soon as possible, as this may affect your exam sitting.

In the exam

What will I receive?

The fact-find

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

Supplementary information

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

The tasks

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

Answer format

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

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

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

Marks are not lost due to poor spelling or grammar.

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

Calculators

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator. You are permitted to use your own calculator.

EXAMINERS' COMMENTS

Candidates' overall performance:

Overall candidate performance was good for this exam. It was pleasing to see that the majority of candidates had prepared well for the examination by prior study of the Fact Find.

Question 1 (a)

This was a standard Fact-Finding question. The majority of candidates performed well, although it was noted that some candidates did not recognise the importance of obtaining additional information in respect of the proposed property purchase. This was a key immediate objective for Owen and Alice, and more information was required to advise them on the suitability of their current financial arrangements.

Question 1 (b)

This question required candidates to identify the issues that you would need to take into consideration to determine if you are providing 'fair value' in your services to Owen and Alice to ensure that you comply with Consumer Duty rules. General performance was good with most candidates identifying the key issues. It was pleasing to note that most candidates understood and appreciated the importance of this element of the Consumer Duty rules.

Question 2 (a)

This question required candidates to explain to Owen why he may wish to consider deferring his State Pension. The majority of candidates performed very well, although some candidates incorrectly stated that the deferred State Pension would retain the Triple Lock for inflation-proofing. Additional study in respect of the inflation-proofing of deferred State Pensions would be of benefit to some candidates.

Question 2 (b)

Candidates were asked to identify the tax issues that you should discuss with Owen in respect of the contributions into his new workplace pension scheme. Most candidates performed well and understood that Owen had triggered the Money Purchase Annual Allowance and therefore has restrictions on the maximum level of tax-relievable pension contribution that he can make.

Question 3 (a)

Candidates were asked to explain to Alice why she should consider adjusting the level of income withdrawals from her pension plan. The majority of candidates performed very well on this question.

Question 3 (b)

Candidates were asked to identify the key issues that Alice should take into consideration when establishing a safe level of withdrawal from her pension fund. Most candidates performed well although very few recognised the need to identify the natural yield on the existing funds, or the fact that she needs to consider the value of other assets which she has available to her.

Question 4 (a)

This question asked candidates to explain to Owen and Alice the financial and tax implications for them if they purchase a property in their names to provide a temporary home for their daughter. Overall performance was good, although some candidates did not identify the relevant tax rates when identifying the applicable taxes.

Question 4 (b)

This question required candidates to identify the Inheritance Tax (IHT) implications for Owen and Alice of paying Helen's rent and continuing to support her financially during her divorce. Most candidates performed well here but only a few candidates recognised that Owen and Alice could provide financial support for maintenance for Helen as a dependent adult which would be immediately IHT free.

Question 5 (a)

This question asked candidates to recommend and justify the actions that Owen and Alice should take to protect any future inheritance for Helen from her impending divorce proceedings. Mixed performance by candidates, with some providing detailed answers but a number of candidates recommended a range of options that were unsuitable, as they would result in the immediate loss of assets for Owen and Alice which would be unaffordable for them taking into consideration their retirement objectives.

Question 5 (b)

This question required candidates to explain to Owen and Alice the tax issues they should consider before using a withdrawal from the Loan Trust to assist them in purchasing a property for Helen to rent during her divorce. Overall good performance by candidates was shown here.

Question 6 (a)

Candidates were asked to recommend and justify a range of actions that Owen and Alice can take to improve the tax-efficiency of their current financial arrangements. Most candidates performed well although some did not identify the exact tax rates that would apply and hence were unable to achieve high marks.

Question 6 (b)

Candidates were asked to outline the key issues that Owen should take into consideration before deciding to transfer his pension benefits from his new employer's workplace pension scheme into his Monarch Life personal pension when his contract ends. Excellent performance with most candidates achieving high marks.

Question 7 (a)

This question asked candidates to outline the reasons why the Mixed Bond funds held in Owen and Alice's Loan Trust may be unsuitable in meeting their long-term objectives. Some candidates performed well here but it was noted that a number of candidates did not achieve high marks as they focused their answers on the Loan Trust and its' structure, rather than the suitability of the Mixed Bond funds held within the Trust.

Question 7 (b)

This question asked candidates to explain to Owen why he may wish to consider investing in a Global Exchange Traded fund in his workplace pension scheme. General performance was very good with most candidates providing detailed answers to explain why this type of fund might be suitable for him.

Question 8 (a)

This question asked candidates to identify the key drawbacks for Owen and Alice of retaining the National Savings & Investments (NS&I) Premium Bonds throughout retirement. Overall performance from candidates was good, although only a few recognised that they already hold excess cash funds so the Premium Bonds would provide further exposure to cash-based holdings which exceed their emergency fund needs.

Question 8 (b)

This question required candidates to state the key issues that you should discuss with Owen and Alice at your next review meeting in respect of the tax-efficiency of their financial arrangements. Overall performance was good and most candidates were able to achieve high marks.

FACT-FIND

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

PART 1: BASIC DETAILS		
	Client 1	Client 2
Surname	Wilkins	Wilkins
First name(s)	Owen	Alice
Address	Chester	Chester
Date of birth	10.12.1958	02.01.1958
Domicile	UK	UK
Residence	UK	UK
Place of birth	Chester	Manchester
Marital status	Married	Married
State of health	Good	Good
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Walking	Theatre
Notes:		
<p>Owen and Alice retired two years ago. Owen has recently started a two-year contract with a new employer to assist with the development of a new product. Owen and Alice are seeking advice to ensure that the income from Owen's new contract can be managed as tax-efficiently as possible.</p>		

PART 2: FAMILY DETAILS					
Children and other dependants					
Name	Relationship	Age	Health	Occupation	Financially dependent?
Helen	Daughter	41	Good	Optician (part-time)	Yes
Matthew	Son	38	Good	Teacher	No
Notes:					
<p>Helen has recently separated from her husband. She has two children who both live with her. At present, Owen and Alice are paying for a rental property for Helen and the children whilst she is going through divorce proceedings.</p>					

PART 3: EMPLOYMENT DETAILS		
Employment	Client 1	Client 2
Occupation	Product Designer	Retired
Job title		
Business name		
Business address		
Year business started		
Salary		
Salary (gross per annum)	£95,000	
State Pensions	£12,600	£11,973
Overtime (gross per annum)		
Benefits		
Benefits-in-kind		
Pension Scheme	See Part 11	
Life cover	See Part 8	
Private Medical Insurance		
Income Protection Insurance		
Self-Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		
Notes:		
Owen has recently started a two-year contract for a new employer in January 2026. He has been automatically enrolled in his employer's qualifying workplace pension scheme.		
Previous Employment		
	Client 1	Client 2
Previous employer		
Job title		
Length of service		
Pension benefits	See Part 11	See Part 11
Notes:		
See Part 11		

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	Client 2
Accountant		
Bank	Astira Bank	Astira Bank
Doctor		
Financial Adviser		
Solicitor	Henson Phipps LLP	Henson Phipps LLP
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE						
Income						
	Client 1		Client 2		Joint	
	Monthly £	Annually £	Monthly £	Annually £	Monthly £	Annually £
State Pensions		12,600		11,973		
Pension Income (gross)			1,000			
Salary (gross)		95,000				
Overtime (gross)						
Benefits-in-kind						
Savings income (interest)						2,450
Dividends (ISA)		3,400		2,800		
Notes:						
<p>Owen and Alice are both in receipt of their State Pensions which they took at their State Pension Age. Alice draws a monthly income of £1,000 (gross) via Flexi-Access Drawdown from her personal pension plan (see Part 11).</p>						
	Client 1		Client 2			
Income Tax	£		£			
Personal allowances						
Taxable income						
Tax						
National Insurance						
Net Income						
Notes:						

Expenditure						
	Monthly £			Annually £		
Household Expenditure	Client 1	Client 2	Joint	Client 1	Client 2	Joint
Mortgage/Rent						
Council tax			376			
Buildings and contents insurance						450
Gas, water and electricity			270			
Telephone/Mobile	36	36	60			
TV licence and satellite			85			
Property maintenance						2,000
Regular Outgoings						
Life assurance (see Part 8)						
Savings Plans						
Car tax, insurance and maintenance				1,500	1,000	
Petrol and fares	160	120				
Loans						
Rental costs for Helen			800			
Childcare/School Clubs						
Further education						
Subscriptions			60			
Food, drink, general housekeeping			800			
Pension contributions (see Part 11)	380					
Other Expenditure						
Magazines and newspapers						
Entertainment			400			
Clubs and sport						
Spending money	300	400				
Clothes						1,600
Other (Holidays)						6,000
Total Monthly Expenditure	876	556	2,851			
Total Annual Expenditure	10,512	6,672	34,212	1,500	1,000	10,050
Total Outgoings						63,946

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

Notes:

Owen and Alice are considering the option of purchasing a property for their daughter and grandchildren, which they would rent to her for a nominal amount for the next few years whilst she completes her divorce.

PART 6: ASSETS					
	Assets	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence			650,000	
2.	Contents/cars			80,000	
3.	Current account			10,000	
4.	Deposit Account – Variable Rate/Instant Access			70,000	2,450
5.	National Savings & Investments (NS&I) Premium Bonds	50,000	50,000		
6	Stocks & shares ISAs – Global Growth funds (income units)	170,000			3,400
7	Stocks & shares ISAs – UK Mixed Investment 40-85% Shares funds (income units)		140,000		2,800
8	Onshore Investment Bond – Mixed Bond funds (Loan Trust)			200,000	
Notes:					
<p>Owen received an inheritance of £170,000 from his late mother in 2020. He invested this fully into a jointly held onshore investment bond within a Loan Trust in January 2020, with both of them as the lives assured. They have made no withdrawals from this Loan Trust. Owen and Alice are considering taking a withdrawal from the Loan Trust to assist them in funding the purchase of a property to rent to their daughter.</p> <p>Owen and Alice both draw the natural income from their stocks & shares ISA holdings.</p> <p>Owen and Alice have been disappointed with their prize winnings from the NS&I Premium Bonds and have asked for your comments on these holdings.</p> <p>Owen and Alice have used their full ISA allowance every year since they retired. They have also used their allowances for the current tax year.</p>					

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			
Type of mortgage			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Life policies (see Part 8)			

Notes:

Owen and Alice repaid their mortgage using the tax-free lump sums from their pensions when they retired.

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

Notes:

Owen and Alice do not have any other loans.

Other Liabilities (e.g. tax)

Notes:

Owen and Alice have no other liabilities.

PART 8: LIFE ASSURANCE POLICIES

Life/Lives assured	Type	Sum assured £	Premium £	Term	Start date	In trust?	Surrender Values £
Owen	Death-in-service	285,000	N/A	N/A	2026	Yes	N/A

Notes:

Owen is a member of his new employer’s death-in-service scheme. He has nominated this in favour of Alice.

PART 9: HEALTH INSURANCE POLICIES

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

Notes:

Owen and Alice have no health insurance policies.

PART 10: REGULAR SAVINGS

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

Notes:

Owen and Alice do not make any regular savings.

PART 11: PENSION DETAILS		
Occupational pension scheme		
	Client 1	Client 2
Member of employer's scheme		
Type of scheme		
Date joined		
Retirement age		
Pension benefits		
Death benefits		
Dependant's benefits		
Contracted-in/out		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		
Notes:		
Neither Owen nor Alice has any occupational pension schemes.		
Additional Voluntary Contributions		
	Client 1	Client 2
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		
Notes:		
Neither Owen nor Alice has any additional voluntary contribution schemes.		

Personal Pensions		
	Client 1	Client 2
Type	Assentim Life Workplace Pension Scheme	
Fund	Default UK Managed fund	
Contributions	6% employee/6% employer	
Retirement date	December 2028	
Current value	£980	
Date started	January 2026	
Notes:		
<p>Owen has joined his new employer's workplace pension scheme, and his first contribution has been placed in the default UK Managed fund. The contributions are based on his annual salary of £95,000 (gross). The scheme offers a wide range of funds which cover all major asset classes as well as a range of Exchange Traded funds.</p>		
Previous/other pension arrangements		
	Client 1	Client 2
Pension Provider	Monarch Life	Monarch Life
Type of scheme	Personal Pension	Personal Pension
Date joined scheme		
Date of retirement	December 2023	December 2023
Current value	£380,000	£175,000
Notes:		
<p>Owen and Alice both took their maximum tax-free lump sums from their personal pensions when they retired in December 2023. These funds were used to repay their mortgage and invest in NS&I Premium Bonds.</p> <p>The pension funds are invested in a range of Global and UK Equity funds.</p> <p>Owen and Alice have entered Flexi-Access Drawdown and have been drawing lump sums of £1,000 per month (gross) from each of their personal pension plans since January 2024. As Owen started his new job in January 2026, he stopped his monthly pension income payments from his personal pension in December 2025.</p>		
State Pension		
	Client 1	Client 2
State Pension	£12,600	£11,973
Notes		
<p>Both Owen and Alice started drawing their State Pensions when they reached State Pension Age.</p>		

PART 12: INHERITANCES		
Wills	Client 1	Client 2
Do you have a current Will?	Yes	Yes
Notes:		
<p>Owen and Alice have mirror Wills which leave all assets to the survivor on first death and the residual estate split equally between Helen and Matthew on second death.</p> <p>They have up-to-date Lasting Powers of Attorney in place.</p>		
Trusts	Client 1	Client 2
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	Yes	Yes
If yes, give details	Loan Trust	Loan Trust
Notes:		
<p>Owen and Alice are both settlors and trustees of the Loan Trust which was set up in 2020 with the inheritance from Owen's mother.</p>		
Gifts	Client 1	Client 2
Rental income for Helen	£400 per month	£400 per month
<p>Owen and Alice are currently supporting their daughter Helen by paying for a rental property whilst she is going through a divorce. Owen and Alice are not expecting to receive any repayment from the financial support they provide to their daughter.</p>		
Inheritances	Client 1	Client 2
	None	None
Notes:		
<p>Owen received an inheritance of £170,000 from his late mother in January 2020. Alice's parents are alive and in good health, but she is not expecting to receive any inheritance from them. No further inheritances are expected from any other sources.</p>		

PART 13: ATTITUDE TO RISK

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

Notes:

Owen and Alice are both medium risk investors. This has been confirmed using appropriate risk-profiling software in conjunction with a detailed discussion.

Alice has a general interest in Environmental, Social and Governance (ESG) investments but does not wish to make any adjustments to her existing portfolio as she believes this to be suitable. Owen has no interest in ESG investments.

Owen and Alice have a moderate capacity for loss.

PART 14: BUSINESS RECORDS

Compliance

Date fact-find completed	15.01.26	
Client agreement issued	15.01.26	
Data Protection Act	15.01.26	
Money laundering	15.01.26	

Dates of meetings	15.01.26	
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Marketing

Client source		
Referrals		

Documents

Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

Unit AF5 – Financial planning process

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this exam are based on English law and practice applicable in the tax year 2025/2026 unless stated otherwise in the question and should be answered accordingly. It should be assumed that all individuals have long-term UK residence status unless otherwise stated.

If you are sitting via remote invigilation please

- Write down the following number +44 (0)80 8273 9244. This is the number to call if you experience any technical issues.
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

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

For candidates sitting via remote invigilation or at a test centre

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

CLIENTS' FINANCIAL OBJECTIVES

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

Immediate objectives

- Improve the tax-efficiency of their financial arrangements.
- Evaluate the affordability of purchasing a property as a temporary home for their daughter.
- Assess the suitability of their current investment funds.

Longer-term objectives

- Ensure that their daughter's share of their estate is protected during her divorce.
- Mitigate any future Inheritance Tax liability on second death.
- Ensure they have sufficient income throughout retirement.

1. (a) Identify the additional information that you would require in order to advise Owen and Alice on the suitability of their current financial arrangements to meet their immediate objectives. (15)

(b) Identify the issues that you would need to take into consideration to determine if you are providing 'fair value' in your services to Owen and Alice to ensure that you comply with Consumer Duty rules. (8)
2. (a) Explain to Owen why he may wish to consider deferring his State Pension. (10)

(b) Identify the tax issues that you should discuss with Owen in respect of the contributions into his new workplace pension scheme. (10)
3. (a) Explain in detail to Alice why she should consider adjusting the level of income withdrawals from her personal pension plan. (10)

(b) Identify the key issues that Alice should take into consideration when establishing a safe level of withdrawal from her pension fund. (14)
4. (a) Explain to Owen and Alice the financial and tax implications for them if they purchase a property in their names to provide a temporary home for their daughter. (10)

(b) Identify any Inheritance Tax implications for Owen and Alice of paying Helen's rent and continuing to support her financially during her divorce. (8)
5. (a) Recommend and justify the actions that Owen and Alice should take to protect any future inheritance for Helen from her impending divorce proceedings. (10)

(b) Explain to Owen and Alice the tax issues they should consider, before using a withdrawal from the Loan Trust to assist them in purchasing a property for Helen to rent during her divorce. (10)

6. Owen and Alice wish to improve the tax-efficiency of their financial arrangements now that Owen has started his new contract.
- (a) Recommend and justify a range of actions that Owen and Alice can take to improve the tax-efficiency of their current financial arrangements. (15)
 - (b) Outline the key issues that Owen should take into consideration before deciding to transfer his pension benefits from his new employer's workplace pension scheme into his Monarch Life personal pension plan when his contract ends. (8)
7. (a) Outline the key reasons why the Mixed Bond funds held in Owen and Alice's Loan Trust may be unsuitable in meeting their long-term objectives. (8)
- (b) Explain to Owen why he may wish to consider investing in a Global Exchange Traded fund in his workplace pension scheme. (8)
8. (a) Identify the key drawbacks for Owen and Alice of retaining the National Savings & Investments Premium Bonds throughout retirement. (8)
- (b) State the key issues that you should discuss with Owen and Alice at your next review meeting in respect of the tax-efficiency of their financial arrangements. (8)

Total marks: 160

NOTE ON MODEL ANSWERS

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

Model answer for Question 1

- (a)
- Emergency fund needs/capital expenditure planned/ disposable income.
 - Further gifts to daughter/son.
 - Income need when fully retired/Prospect of longer contract for Owen.
 - Owen's exact income in current tax year/loss of Personal Allowance (PA)/reduced Personal Savings Allowance (PSA)?
 - Longevity/family health.
 - Term of support for daughter/how long will Helen live in property/timeframe of divorce.
 - Cost of property for daughter/Solicitor costs/maintenance costs.
 - Purchase date for property/when are funds needed?
 - Willing to use a mortgage for property/use of own funds? /Downsize?
 - Has Owen deferred State Pension (SP) before? /Owen willing to defer SP.
 - Willing to transfer savings to Alice for tax-efficiency/Alice willing to stop Flexi-Access Drawdown (FAD) for tax-efficiency.
 - Asset allocation/fund choice/diversification/Alice's Environmental, Social and Governance (ESG) interests.
 - Charges/ performance/Premium Bond prizes.
 - Need for guaranteed versus flexible income in retirement?
 - Nominations.
- (b)
- Conduct 'Fair Value' Assessment/assess products held/assess suitability.
 - Cost of service provided.
 - Identify benefits of service for client/Identify limitations of service.
 - Check if better/cheaper products are available.
 - Make appropriate changes/no unnecessary change of investments.
 - No cross subsidy.
 - Price paid must be comparable to benefit received/fees appropriate for services provided.
 - Must ensure good outcomes/improved financial outcomes/avoid foreseeable harm.

Model answer for Question 2

- (a)
- Owen does not need the income.
 - Improved tax-efficiency/saves Higher Rate Income Tax.
 - State Pension will result in loss of Personal Allowance (PA)/can recover PA.
 - Income over £100,000 with State Pension.
 - Loss of £1 for every £2 (of Personal Allowance).
 - Effective 60% tax rate.
 - Increases by 1% for every 9 weeks deferred/5.8% per annum.
 - Higher level of guaranteed income when Owen finishes contract.
 - Improved inflation-linked income.
 - Owen is in good health and likely to benefit long term.
- (b) *Candidates would have scored full marks for any ten of the following:*
- Owen has triggered Money Purchase Annual Allowance (MPAA).
 - Will employer offer alternative salary/pension option?
 - Maximum contribution is £10,000 (Annual Allowance).
 - Must report MPAA to workplace provider (91 days deadline).
 - Fine (£300) for not notifying workplace pension scheme.
 - For current tax year there is no excess /within £10,000 in current Tax Year (started in January).
 - Contribution will exceed £10,000 in new Tax Year (2026/2027).
 - Cannot use carry forward.
 - Tax charge payable (once over £10,000).
 - Must notify HMRC and pay tax charge/Must complete self-assessment tax return.
 - Greater tax-efficient pension fund/tax relief/Inheritance Tax (IHT) changes/pension commencement lump sum (PCLS).

Model answer for Question 3

- (a)
- Increased household income available from Owen's new job
 - State Pension is under her Personal Allowance (PA)/total pension income exceeds her PA.
 - Reducing Flexi-Access Drawdown (FAD) saves 20% tax on withdrawals.
 - Reinstates Alice's Starting Rate Band for savings £5,000/£17,570.
 - Exceeds Safe Withdrawal Rate (6.8%)/pound-cost-ravaging/sequencing risk/capital erosion of pension plan.
 - Protects tax-free wrapper.
 - Preserves death benefits.
 - Protects value for potential annuity purchase.
 - Tax-efficient income from ISA's/Loan Trust/can use other assets.
 - Potential for growth/improves prospects for future retirement income.

Model answer for Question 3 continued

- (b)**
- Current pension withdrawal rate is unsustainable (6.8%)
 - Income needs/Owen's salary now available.
 - Capital/income needed to support daughter/how long will they support daughter?
 - Natural income/dividend yield on funds.
 - Current value of assets/performance/charges/asset allocation
 - Current market conditions/inflation expectations/growth expectations.
 - Potential for future funding available/£3,600 (gross).
 - Pound-cost ravaging/sequencing risk/capital erosion.
 - Tax treatment of withdrawals/withdrawals lose tax-efficiency.
 - Use other assets/she has other assets.
 - Can she delay withdrawals in poor market conditions?
 - State Pension provides guaranteed income/inflation-linked income.
 - Capacity for Loss.
 - Longevity/annuity options/critical yield.

Model answer for Question 4

- (a)** *Candidates would have scored full marks for any ten of the following:*
- High initial costs/capital needed/Solicitor costs/survey costs/ongoing property costs (maintenance etc)/Affordability.
 - Additional Stamp Duty (5% surcharge) as 2nd home.
 - Illiquid/may be difficult to sell in future/void periods in future.
 - Lack of diversification.
 - Limited income /nominal rent.
 - Loss of tax-efficient wrappers to fund it/could trigger chargeable event on loan trust/sequencing risk/loss of growth on investments/could provide growth.
 - Mortgage costs/interest charges/protection costs.
 - 18%/24% Capital Gains Tax (CGT) on sale.
 - CGT payable within 60 days.
 - Rent is taxable at 20%/40%.
 - No Residence Nil-Rate Band (RNRB) on 2nd property/rent could be considered to be a Potentially Exempt Transfer (PET).
- (b)**
- Helen is a dependent adult.
 - Gifts for maintenance and education are exempt.
 - Can also use £3,000 Annual Gifting Allowance /£6,000 (for both).
 - Can use last year's allowance (if unused/£12,000 total).
 - Could use gifts out of income (income available from Owen's new job).
 - 7-year rule for Inheritance Tax.
 - Must keep detailed records.
 - If gifts do not meet criteria, they will be Potentially Exempt Transfers (PETs).

Model answer for Question 5

- (a)
- Review Will/remove Helen from Will.
 - Current Will does not protect Helen's share.
 - Set up Discretionary Trust in Will.
 - Helen's share of estate to pass into Trust.
 - Under Discretionary Trust, Helen has no absolute right to monies.
 - Nominate Trustees who understand their wishes.
 - Review beneficiaries under Loan Trust/Pensions.
 - Remove Helen from Loan Trust/pension nominations until divorce complete/can include grandchildren.
 - No gifting to Helen until divorce is complete other than rent/Loan rather than gift/Helen must spend any gifts given to her.
 - Helen's husband can currently claim share of inheritance/stops claim from husband.
- (b)
- How much do they need?
 - Held for 7 years so £59,500 available/5% cumulative of original value.
 - Higher withdrawal would be chargeable event (Income Tax).
 - Higher withdrawal for Owen would be charged at 20%/25% if pushes him into Additional Rate Tax.
 - Large withdrawal for Owen might result in loss of Personal Allowance (PA).
 - Could assign segments to Alice.
 - Assignment is not a chargeable event.
 - She is Basic Rate Taxpayer (BRT)/may have £5,000 Starting Rate Band.
 - Can withdraw with no tax in Alice's name/BRT paid within Bond.
 - Reduces IHT benefit of Loan Trust/reduction in IHT-free growth.

Model answer for Question 6

- (a)
- Use ISA/transfer Cash to ISA in new tax year/stop ISA income.
 - Tax-free income and growth.
 - Pension contribution of £10,000 for Owen/£3,600/£2,880 for Alice.
 - Tax relief of 40%/20%.
 - Owen to defer State Pension.
 - State Pension deferral saves 40% Income Tax.
 - State Pension deferral saves loss of Personal Allowance in new tax year/effective 60% tax.
 - Transfer cash savings to Alice.
 - Alice has higher Personal Savings Allowance (PSA) £1,000/he has £500 PSA.
 - Alice pays 20% tax on savings interest/he will pay 40% tax on savings interest.
 - Invest in OEIC/General Investment Account (GIA) to use CGT exemption of £3,000/dividend allowance £500.
 - Alice to stop withdrawals from pension.
 - Alice will save tax at 20% on reduced pension withdrawals/recovers £5,000 Starting Rate Band for Savings.
 - Use £3,000 Gifting Allowances/£6,000/Gifts out of normal income.
 - Use of gifting exemptions reduces IHT liability.

Model answer for Question 6 continued

- (b)
- Current charges on each scheme/employer subsidised?
 - Market timing risk.
 - Fund options on both schemes.
 - Performance.
 - On-line access/ease of administration.
 - Will Monarch Life accept transfer?
 - Cost of transfer/advice costs.
 - Retirement benefit flexibility (UFPLS/FAD)/death benefit options under both schemes.

Model answer for Question 7

- (a)
- Low growth potential/unsuitable for long term investment.
 - Limited inflation protection/inflation risk.
 - Interest rate risk.
 - Default risk.
 - Does not match Attitude to Risk (ATR)/No Environmental, Social & Governance (ESG) for Alice.
 - Lack of diversification/only one asset class.
 - Poor historic performance (on their fund).
 - Higher charges/ actively managed fund.
- (b) *Candidates would have scored full marks for any eight of the following:*
- Diversification.
 - Can invest in specialist/niche sectors.
 - Transparent/full disclosure of holdings.
 - Matches Attitude to Risk/Capacity for Loss.
 - Potential for growth/inflation hedge/benefit from currency movements.
 - Low charges.
 - Pound cost averaging.
 - Pound cost averaging could benefit from volatility (in global markets)/reduces risk.
 - Frequent trading/fully liquid/Real time pricing.

Model answer for Question 8

- (a)
- They have excess cash/emergency fund.
 - No interest/income paid.
 - No capital growth.
 - Unknown returns/may not win a prize/performance has been poor.
 - Inflation risk/returns unlikely to match inflation.
 - They need positive/real returns (for retirement income)/better returns from other assets.
 - Suitable for short-term/not suitable for long-term/liable for IHT.
 - Does not match their Attitude to Risk/ Capacity for Loss.
- (b)
- Income generated (from all sources).
 - Use of ISA allowances/use of 5% deferred income on Bond/ transferred cash deposit to Alice/made Pension contributions.
 - Is there an Annual Allowance (AA) charge? /maximum £10K (for Owen).
 - Has Alice stopped pension income/recovered Starting Rate Band(£5K)
 - Has Owen deferred State Pension?/has Owen lost Personal Allowance? (PA.)
 - Use of gifting allowances/ capital used to support daughter?
 - Identify estate value/Identify IHT liability/current investment values.
 - Change in taxation/ allowances/legislation.

Glossary of terms

Some abbreviations candidates can use in financial planning online exams:

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

All questions in the September 2026 paper will be based on English law and practice applicable in the tax year 2026/2027, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the September 2025 and February 2026 exams.

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	

*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
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Dividend allowance	£500	£500
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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
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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
	Support Group	Up to 138.20	Up to 140.55
Attendance Allowance	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%