



Chartered  
Insurance  
Institute

**R06**

# **Diploma in Regulated Financial Planning**

## **Unit 6 – Financial planning practice**

**January 2025 examination**

### **SPECIAL NOTICES**

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

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

## Unit R06 – Financial planning practice

### Instructions to candidates

#### Read the instructions below before answering any questions

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

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

**Attempt ALL questions for each case study**

**Time: 3 hours**

## Case Study 1

**Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the client 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.*

Kathy is aged 67. Her husband, Alan, died 8 months ago at age 68. Kathy is in good health and has coped well following the loss of her husband. Alan had been in very poor health for several years and his death was expected. Kathy has three children and six grandchildren. Her children are all married. Most of Alan's assets had been transferred into Kathy's name during Alan's lifetime. Alan did not want Kathy to have any difficulties with administration or probate after his death.

Kathy's income consists of her State Pension of £10,300 per annum gross and a personal pension with an uncrystallised value of £200,000. This is invested in a UK managed fund. She is in receipt of the spouse's pension from Alan's defined benefit entitlement from his former employer's pension scheme. Following Alan's death, she now receives £11,200 per annum gross from his former employer's pension scheme. Kathy is concerned that her revised level of pension income following Alan's death is unlikely to meet her long-term retirement needs and wishes to review this.

Alan held a range of open-ended investment companies (OEICs), valued at £130,000 in total. These are now held in Kathy's name. Alan also held an ISA portfolio valued at £420,000. This is invested in a range of global equity and fixed-interest funds and has not yet been transferred to Kathy. Kathy holds a range of UK equity income funds within her ISA with a total current value of £200,000. She takes a fixed capital withdrawal of £7,000 per annum from her ISA portfolio. All these assets are held on the same platform.

Kathy is keen to ensure that she mitigates any future Inheritance Tax (IHT) liability so that she can maximise her estate for the benefit of her children and grandchildren. She would like to consider making gifts from her income to her six grandchildren but is unsure how to identify a suitable level of gifting following her recent change in circumstances.

Kathy has been considering the option of using an equity release arrangement. Her home is mortgage-free, and she would like to stay in the property for the rest of her life, passing it to her children on death.

Kathy is a cautious to medium-risk investor and is happy to consider a wide range of investments. She is interested in Environmental, Social and Governance investing, but does not wish to make major changes to her portfolio at this stage as she feels that she would like to retain Alan's investment portfolio for sentimental reasons.

Assets	Ownership	Value (£)
Family home	Kathy	600,000
Current account	Kathy	20,000
Deposit account – Fixed-term (matures in January 2026)	Kathy	80,000
Stocks & Shares ISAs – UK Equity Income funds	Kathy	200,000
OEICs – UK Mid-Cap Equity and UK Fixed Interest funds	Kathy	130,000
Stocks & Shares ISAs – Global Equity and UK Fixed Interest funds	Alan (deceased)	420,000

Kathy's financial aims are to:

- ensure she has sufficient income throughout retirement;
- review her investments to ensure they meet her ongoing needs;
- mitigate any potential IHT liability.

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

### Questions

- (a) State the additional information that a financial adviser would require to enable them to identify a suitable level of ongoing income for Kathy, following the death of Alan. (15)
- (b) Outline the benefits for Kathy of using the services of a financial adviser on an ongoing basis to monitor her financial arrangements. (10)
- (c) Explain to Kathy how she could use her uncrystallised pension plan to provide her with further guaranteed sustainable income in retirement. (10)
- (d) Recommend and justify the actions that Kathy could take to generate a tax-efficient income in retirement from the ISA and OEIC portfolios. (14)
- (e) Identify the key reasons why an equity release arrangement may not be appropriate for Kathy in meeting her long-term objectives. (8)

- (f) Explain to Kathy the conditions that must be met for regular gifts to be effective for IHT purposes using the normal expenditure out of income exemption. (9)
- (g) Explain to Kathy how she can use the Additional Permitted Subscription to preserve the favourable tax status of Alan's ISA portfolio and the benefits for her of doing this. (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.*

Bartek and Zofia, both aged 32, have recently married. They have one daughter, Kara, who is five years old. The family are all in good health.

Bartek is employed as a logistics manager for a haulage company and earns a salary of £60,000 per annum gross. Bartek also receives regular bonuses which, in recent years, have been £15,000 per annum gross. He expects these bonuses to continue at a similar level in the future.

Bartek receives a range of benefits from his employer, including comprehensive private medical insurance which covers Zofia and Kara. He 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. Bartek is a member of his employer's qualifying workplace pension scheme, and he contributes 5% of his gross salary to the scheme. This is matched by his employer. Bartek's pension has a current value of £37,000 and is invested in the default balanced managed fund.

Zofia is a teacher at a private school and earns a salary of £42,000 per annum gross. Kara is now a pupil at the same school, and they receive a reduction in the normal school fees of 50% whilst Zofia remains employed in her current role. Zofia is a member of her employer's qualifying workplace pension scheme, and she contributes 5% of her gross salary to the scheme. Her employer contributes 8% of her gross salary and will increase this contribution to 10% if Zofia increases her personal contribution to the same level. Zofia's pension plan is invested in a multi-asset fund and has a current value of £23,000. Zofia is interested in investing into property funds within her pension plan. Zofia's employer offers no further benefits.

Bartek and Zofia currently rent their home for which they pay £1,800 per month. The monthly rental is due to increase to £2,000 from next month. They are now considering the possibility of purchasing a property due to the rising rental costs but are unsure if this will be affordable for them in the long-term.

Bartek and Zofia have cash ISAs which they fund from surplus income and have each set up Lifetime ISAs which they intend to fully fund every year. They do not have any other investments at present. They wish to start building up a portfolio of investments to enable them to retire at age 60, with a view to spending several years travelling widely to visit family and friends around the world.

Bartek and Zofia consider themselves to be adventurous investors.

Assets	Ownership	Value (£)
Current account	Joint	5,000
Cash ISA – variable rate – instant access	Bartek	25,000
Cash ISA – variable rate – instant access	Zofia	25,000
Lifetime ISA – Cash ISA	Bartek	5,200
Lifetime ISA – Cash ISA	Zofia	5,200

Their financial aims are to:

- assess the affordability of purchasing their first home;
- improve their current financial protection arrangements;
- build up a portfolio of investments to assist with their retirement objectives.

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

### Questions

- (a) Outline the additional information that a financial adviser would need to obtain to provide retirement planning advice to Bartek and Zofia. (14)
- (b) Identify **six** advantages and **six** disadvantages for Bartek and Zofia of purchasing a property, rather than remaining in their current rental property. (12)
- (c) Outline the key family and financial issues that a financial adviser should take into account when identifying Bartek and Zofia's protection needs. (12)
- (d) Recommend and justify a range of actions that Bartek and Zofia could take to help them meet their objective of retiring at age 60. (14)
- (e) Explain to Bartek and Zofia the financial benefits for tax purposes of their new married status. (6)

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

- (f) Explain to Zofia why an investment into a global Real Estate Investment Trust (REIT) fund within her pension is likely to be more suitable than a traditional UK commercial property fund. (8)
- (g) Identify **eight** key issues that a financial adviser should discuss with Bartek and Zofia at their next annual review. (8)

**Total marks available for this question: 74**



## INCOME TAX

RATES OF TAX	2023/2024	2024/2025
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge:	1% of benefit per £200 of adjusted net income between £60,000 – £80,000	
<i>*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.</i>		
Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend Allowance	£1,000	£500
Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Trusts		
Standard rate band	£1,000	n/a
Income exemption up to**	n/a	£500
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

\*\* Where net income exceeds £500, the full amount is subject to Income Tax.

### MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£4,010	£4,280
Married/civil partners at 10% †	£10,375	£11,080
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£34,600	£37,000
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,870	£3,070
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

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

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,000 (£34,600 for 23/24) until minimum reached.

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

## NATIONAL INSURANCE CONTRIBUTIONS

### Class 1 Employee

Weekly

Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

### Total earnings £ per week

### CLASS 1 EMPLOYEE CONTRIBUTIONS

Up to 242.00*	Nil
242.00 – 967.00	8%
Above 967.00	2%

*\*This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

### Total earnings £ per week

### CLASS 1 EMPLOYER CONTRIBUTIONS

Below 175.00**	Nil
Over £175.00	13.8%

*\*\*Secondary threshold.*

### CLASS 2 (self-employed)\*

Flat rate per week                      £3.45

Small profits threshold per year   £6,725

Class 2 contributions are credited automatically where profits equal or exceed £6,725 per annum.

Class 2 contributions can be made voluntarily where profits are below £6,725 per annum.

### 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
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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 30/10/2024	Post
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 main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 17% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. 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%