Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

January 2025 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2025 examination should study this examination guide carefully in order to prepare themselves for the examination.

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

R06 – Financial planning practice

Contents

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination 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 examination, 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 examination conditions.

Before the examination

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 examination are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

Read widely
It is vital that your knowledge is widened beyond the scope of one book. *It is quite unrealistic to expect that the study of a single coursebook will be sufficient to meet all your requirements.* While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

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

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your examination preparation. The Examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables
Familiarise yourself with the tax tables printed at the back of the Examination 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 examination, these are provided in the portal as you sit the exam (see page 6).*

Know the structure of the examination

- The paper is made up of two written case studies.
- The paper will carry a total of 150 marks.
- Each question clearly shows the maximum marks which can be earned.

Two weeks before the examination

The case studies
The case studies, containing client information which will form the basis of the examination questions, will be available on the CII website and in RevisionMate.

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 case studies.

How should I use the case studies to help me prepare?
- Study the client circumstances presented in the case study.
- Consider the financial objectives of the clients and look for other possible areas of need.
- Look for technical areas that you may wish to revise, e.g. investment portfolios, pensions.

Practice some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.

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, Directgov website, National Savings and Investments liaison office.

For each of the possible solutions, consider how appropriate it might be to the client.

Understand the skills the examination seeks to test
The examination is based on two case studies for fictional clients whose details you will have received two weeks prior to the examination day. The case studies will enable you to familiarise yourself with the clients' circumstances.

Test yourself under timed conditions

To gain most benefit from this exercise you should:

- Study the details in the case studies over the two-week period as you would for the real examination.
- Set yourself three clear hours to complete the question paper, taking into account the financial objectives provided.
- Compare your answers against the model answers once the three hours have elapsed. The model answers will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently detailed and if the 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 case studies are available to focus on the client details and prepare yourself for the examination day.

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 also access past exam papers here: https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/exam-papers-and-test-specifications/

You can access the familiarisation test at any time.

https://www.cii.co.uk/learning/qualifications/assessment-information/on-screen-written-exams-by-remote-invigilation/exam-familiarisation/

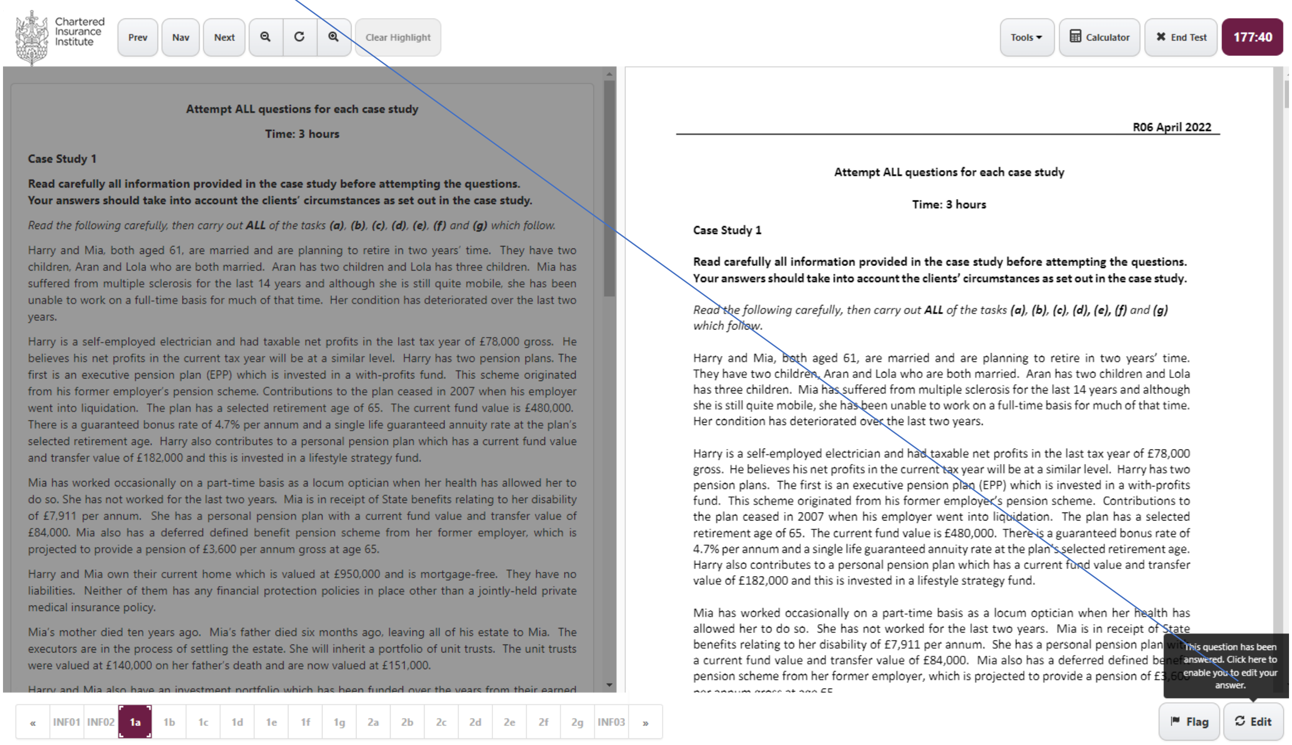
Although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

We strongly advise that you try the familiarisation test once you have received your login details and well in advance of the actual exam day.

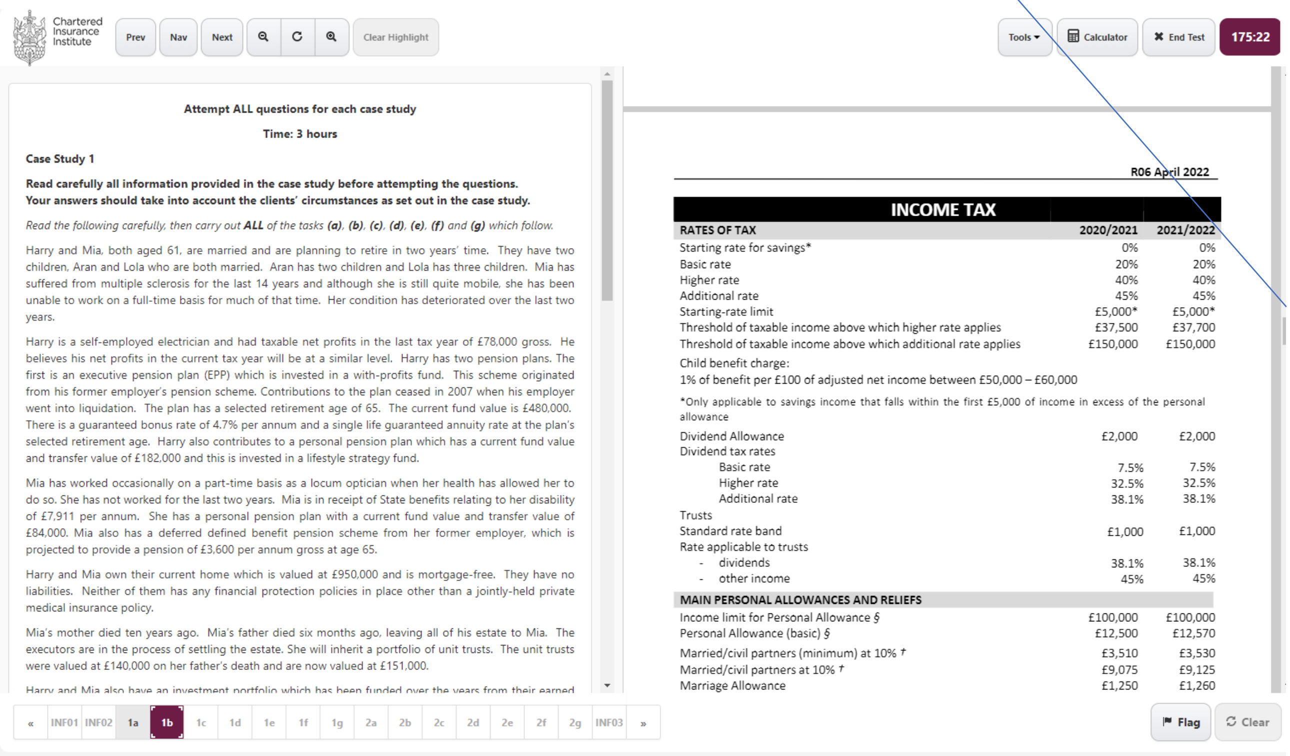
Please note you are strongly advised not to use a laptop provided by your employer.

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.

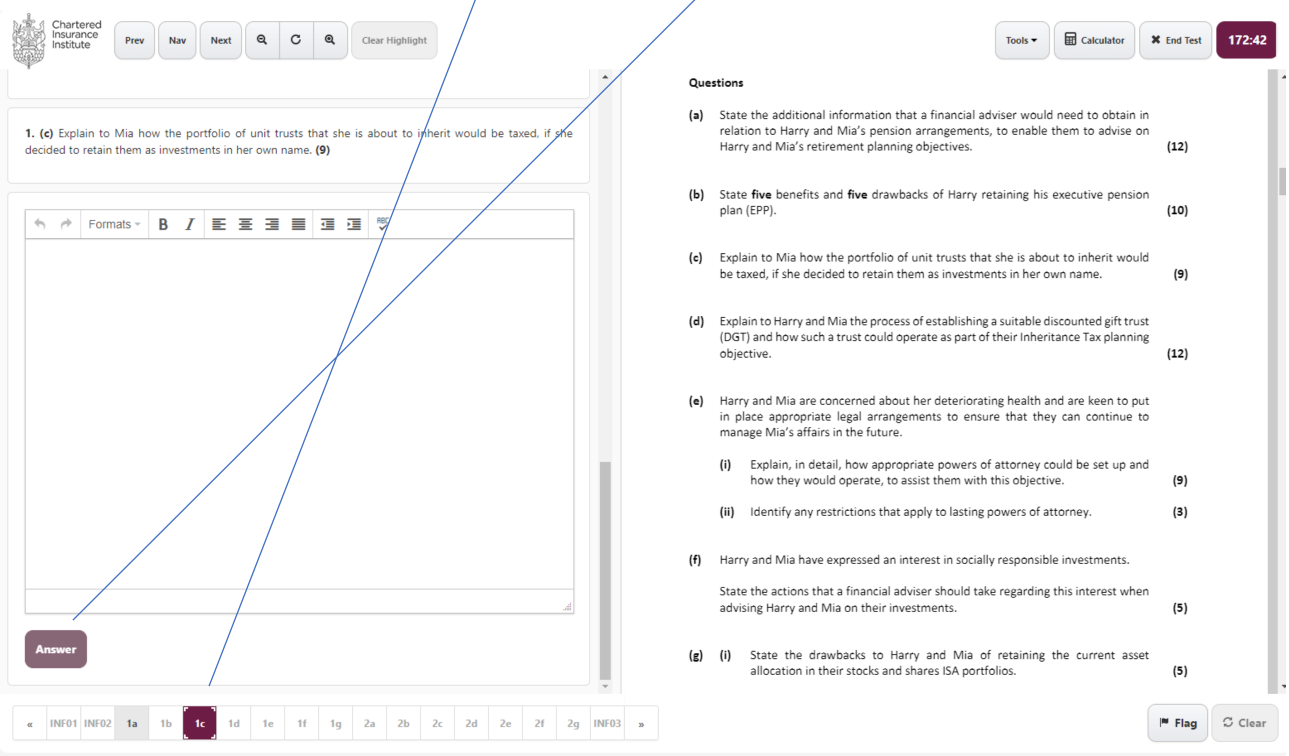
1. From the familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them. To return to edit any answer you have already typed, you must press ‘Answer’ for the question you are already in otherwise it will not let you select a previous question you have answered to edit.



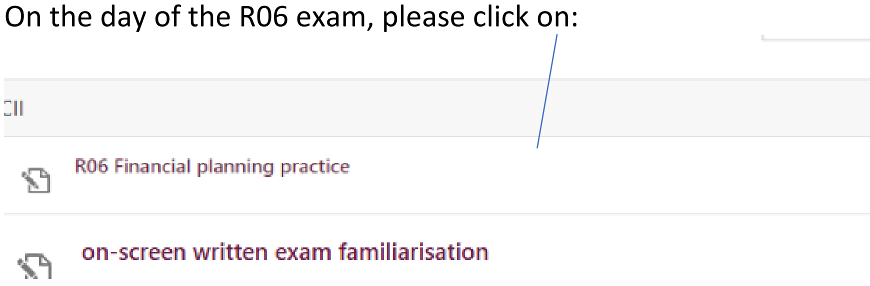
2. Tax tables and the Case Studies are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CIIs multiple choice exams. Please do not bring your own copies into the exam. Scroll up and down using the navigation bar.



3. Once you have typed in your answer ensure you click the red ‘**Answer**’ box, this will save your answer and move you onto the next question. Unless you press ‘Answer’, you will not be permitted to move onto other questions. Furthermore, please do not type all of your answers for every question into the answer space for Q1a. You should familiarise yourself with all questions prior to starting the exam.



4. On the day of the R06 exam, please click on:



5. The above screenshot shows the point before the exam has started; 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: **R06 Financial planning practice**.

In the examination

The case studies

You will not be able to take your pre-released copy of the case studies into the examination with you. The case studies will be provided on screen in the examination. There will not be any new or different information contained within the case studies. The instructions are focused on the client objectives identified from the case studies.

Assuming you have prepared adequately, you will only do justice to yourself in the examination if you follow two crucial common-sense rules:

1. **Spend your time in accordance with the number of marks given next to each question.** The number of marks allocated is the best indication of how much time you should spend on each question. If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking, so a long answer is a waste of time. Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the examination is not completed, your chances of passing will be reduced considerably. Do not spend excessive time on any one question; if the time allocation for that question has elapsed, go on to the next question and return to the incomplete question, if you have time.

2. **Take great care to answer the precise question set.** The model answers provided in this Examination Guide are quite focused and precise; alternative answers will only be acceptable if they still answer the question. *However well a candidate writes on a particular topic, if it does not provide a satisfactory answer to the precise question as set, the candidate will not achieve the marks allocated*.

Order of answering questions

Answer the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which are felt to be challenging until the more familiar questions have been attempted but *remember not to spend excessive time on the questions you are most confident about.* You are able to flag questions and then go back to them.

Answering different question parts

Always read all parts of a question before starting to answer it otherwise, you may find that after answering part (a), the answer you have given is more appropriate to part (b) and it may be necessary to duplicate some of the answer.

Answer format

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

Marks are not lost due to poor spelling or grammar.

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

Performance was very good across the paper with many candidates able to achieve a satisfactory performance across both Case Studies. It was noted that candidates who had prepared in detail for this examination in prior study of the Case Studies were able to achieve high marks across the paper, whereas candidates who had not reviewed the Case Studies carefully, failed to provide sufficiently detailed answers to several questions.

It was disappointing to note that a number of candidates had not done sufficient research in respect of the options available to Kathy in Case Study One and were unable to provide sufficient technical detail in respect of the assets that she had inherited from her late husband. This indicated a poor level of preparation on the part of some candidates.

Case Study 1

1 (a)

Candidates were asked to 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 her husband, Alan. Most candidates performed well here but it was disappointing to note that very few candidates identified the fact that Kathy might be eligible to receive some element of State Pension from her late husband.

1 (b)

This question required candidates to outline the benefits for Kathy of using the services of a financial adviser on an ongoing basis to monitor her financial arrangements. Overall performance was good here and most candidates demonstrated a good understanding of the benefits of ongoing services for Kathy.

1 (c)

This question asked candidates to explain to Kathy how she could use her uncrystallised pension plan to provide her with further guaranteed sustainable income in retirement. It was disappointing to note that a significant number of candidates did not understand the difference between Purchased Life annuities and Lifetime annuities which would use the proceeds of the pension plan. Poor understanding was demonstrated of the different tax treatment of these two products. Some candidates would benefit from a careful review of annuities in general and also Purchased Life annuities.

1 (d)

Candidates were asked to recommend and justify the actions that Kathy could take to generate a tax-efficient income in retirement from the ISA and OEIC portfolios. Most candidates performed well here although some candidates failed to achieve high marks as they did not identify the actual tax allowances that were available to Kathy, nor the applicable tax rates.

1 (e)

Candidates were asked to identify the key reasons why an equity release arrangement may not be appropriate for Kathy in meeting her long-term objectives. Very good performance overall here.

1 (f)
Candidates were asked to explain to Kathy the conditions that must be met for regular gifts out of monthly income to be effective for IHT purposes using the normal expenditure out of income exemption. Most candidates did well here but it was noted that some candidates failed to recognise that this exemption is in addition to the annual gift allowance of £3,000. Well-prepared candidates had no difficulty with this question.

1 (g)
Candidates were asked to explain to Kathy how she can use the Additional Permitted Subscription (APS) to preserve the favourable tax status of Alan's ISA portfolio and the benefits for her of doing this. The majority of candidates performed reasonably well here but a number of candidates were unable to explain the technical details of how an APS could be used.

Case Study 2

2 (a)
Candidates were asked to outline the additional information that a financial adviser would need to obtain to provide retirement planning advice to Bartek and Zofia. Overall performance here was good with most candidates able to identify a wide range of information that would be needed.

2 (b)
This question required candidates to identify six advantages and six disadvantages for Bartek and Zofia of purchasing a property, rather than remaining in their current rental property. Overall performance was very good here.

2 (c)
This question asked candidates to outline the key family and financial issues that a financial adviser should take into account when identifying Bartek and Zofia's protection needs. Good performance was shown here from the majority of candidates.

2 (d)
Candidates were asked to recommend and justify a range of actions that Bartek and Zofia could take to help them in meeting their objective of retiring at age 60. Overall performance was mixed here with many candidates failing to identify the relevant tax rates and the potential benefits for Bartek, in particular, of increasing his pension contributions.

2 (e)
This question asked candidates to explain to Bartek and Zofia the financial benefits for tax purposes of their new married status. Performance was generally good here with most candidates able to give a clear explanation of the benefits.

2 (f)

This question required candidates to 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. Performance was slightly disappointing here as only a limited number of candidates had noted Zofia's interest in property funds which was indicated in the Case Study and therefore failed to provide sufficient detail in respect of REITs.

2 (g)

This was a standard review question which asked candidates to identify eight key issues that a financial adviser should discuss with Bartek and Zofia at the next annual review. Overall performance here was very good and most candidates were able to achieve high marks.

Unit R06 – Financial planning practice

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2024/2025, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

If you are sitting via remote invigilation please

- **Write down the following number +44 (0)80 8273 9244. This is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these 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

- 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.
- 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.
- **Tax tables are provided at the right-hand side of the interface after the question paper.**
- For each answer, please type in the full question number you are answering e.g. **1a**
- **Please note each answer must be typed in the correct corresponding answer box.**
- If you are wearing a headset, earphones, smart watch please take them off. No watches are allowed.
- Please familiarise yourself with **all** questions before starting the exam.

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.*

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.

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

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)**

(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

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)

- Current monthly expenditure.
- Capital needs/lump sum needs/ Emergency fund requirement/ any debts/liabilities.
- Any future care costs? /Longevity/ family health history.
- Any inherited State Pension claimed from Alan?
- Escalation of Defined Benefit (DB) scheme.
- Use of allowances (ISA/CGT).
- Has she registered Additional Permitted Subscription (APS) for Alan's ISAs?
- Base cost on OEICs/ capital losses.
- Interest rate on deposit account/yield on OEICS/ ISAs
- Asset allocation.
- Income options available on Personal Pension (FAD/UFPLS).
- Is she willing to erode her capital? /Give up access to capital/Priority of objectives (income vs. inheritance for children).
- Any inheritances expected?
- Charges.
- Capacity For Loss (CFL)

Candidates would have gained full marks for any ten of the following:

(b)

- Expertise/professional management/research/ receive recommendations.
- Less admin for Kathy/ peace of mind.
- Her tax position / tax efficiency/ use of allowances (ISA/CGT/gift allowances).
- Charges review.
- Can benchmark portfolio against appropriate indices/monitor performance/income yield.
- Likely to result in improved returns/ identify shortfalls/swift action to remedy.
- Attitude to risk/capacity for loss.
- Diversification/rebalancing.
- Cash flow modelling/ budgeting.
- New funds/new investment opportunities/new products/change in legislation/tax regulations.
- Regulated advice/ Consumer Duty/ identify vulnerabilities.

(c)

- Annuity purchase.
- Take 25% Pension Commencement Lump Sum (PCLS) (tax-free).
- Can use PCLS to buy Purchased Life Annuity (PLA).
- PLA offers tax-free return of capital element.
- No investment risk.
- Escalation.
- Capital protection/guarantees.
- Income taxable to Income Tax at 20% (she is Basic Rate Taxpayer).
- Taxed at source/paid net.
- No admin/no ongoing costs/no need for further advice.

(d)

- Use ISA/Bed & ISA.
- Tax-free income and growth.
- Use Capital Gains Tax exemption of £3,000.
- Register capital losses.
- Switch OEIC (UK mid cap) to dividend-paying equities.
- UK mid cap stocks often pay lower dividends.
- Can use Dividend Allowance of £500.
- Dividend Tax of 8.75%.
- Use Additional Permitted Subscription (APS) to transfer Alan's ISAs.
- APS protects tax-free wrapper/ retains £420k tax free.
- Take income from fixed-interest (OEIC/Alan's ISA).
- Can use Personal Savings Allowance (PSA) of £1,000 on OEIC interest.
- Excess interest charged at 20%.
- Diversify income streams to maximise allowances.

(e)

- She has sufficient assets at present/ no need to do this.
- May be taking on debt.
- Interest may need to be paid.
- Interest may be rolled up.
- Interest could be high.
- May reduce estate value for children (lower property value).
- House may need to be sold on her death to repay debt/ pay for long term care/ she wishes to pass it to her children.
- Set up charges/ Need for advice/complex arrangement.

(f)

- Gifts must be from excess income.
- Cannot be funded from capital/ cannot use current ISA withdrawals.
- Immediately IHT exempt/no 7-year rule.
- In addition to annual gifting exemptions (£3K).
- Must not impact standard of living/can vary each year.
- Accurate records must be kept/ Must be a pattern.
- Can be challenged by HMRC post death/not guaranteed.
- Gift must be outright/no retained value.
- Could be treated as Potentially Exempt Transfer (PET) if gift fails.

(g)

- ISA is a continuing account.
- Obtain value of ISA at date of death/Probate value/date of transfer.
- Claim/apply/register the Additional Permitted Subscription (APS).
- APS protects the tax-free ISA wrapper/remains tax free/cannot add to Alan's ISA.
- APS available as married to Alan/living together on date of death.
- Can still use her own ISA allowance each year.
- APS can be used up to 3 years from date of death/to date of estate wind-up/date of closure of continuing account.
- She can transfer existing holdings in specie/retain existing investments/can switch to cash ISA.
- Can invest in line with her Attitude to Risk (ATR).
- She can transfer personal cash to the ISA.

Model answer for Question 2

Candidates would have gained full marks for any fourteen of the following:

(a)

- Affordability/current surplus income/ purchase cost of house.
- Job security/ planned job changes.
- Target income in retirement.
- Expected cost of travel at age 60/budget for travel.
- Duration/ likely cost of school fees.
- Family health/longevity.
- Employer matching (for Bartek).
- Salary sacrifice / bonus sacrifice available.
- Death benefit nominations.
- Charges.
- Inheritances expected/ windfalls.
- Fund choices available within their plans.
- Ethical concerns/considerations.
- Priority of this objective (retirement vs. property purchase?).
- Capacity for loss.

(b) Advantages:

- Security/cannot be evicted/no restrictions on use of property.
- Lifetime ISA available / Government bonus.
- Mortgage may be cheaper than rent.
- Potential for long-term capital growth.
- Tangible asset.
- Could assist with retirement plans (sell or rent).

Disadvantages:

- Interest rates could rise.
- Debt/liability (currently debt-free).
- Lack of liquidity/ lack of flexibility.
- Might impact retirement plans/lack of affordability for other objectives/loss of emergency fund/ pay deposit.
- Maintenance/buildings insurance costs/solicitor costs and purchase costs.
- Cost of Life cover (insufficient Death-In-Service).

(c)

- Affordability/planned capital expenditure/monthly expenditure/emergency fund requirements.
- Liabilities/debts /credit cards.
- Employer sick pay? / How long is this paid?
- No personal protection in place (PMI/CIC/IPI/ASU).
- Period of dependency for Kara/more children planned?
- Job security/change in jobs? /Loss of Death-in-Service for Bartek.
- Cost of childcare/school fees/no cover in place for childcare / Full school fee cost for Kara (if Zofia changes employment).
- Support from family/financial or practical/ State benefits.
- Inheritances/windfalls expected.
- Will? /Nomination?
- Willing to use current assets/savings/investments.
- Family health history /health/hazardous pursuits/ smoker?

(d)

- Increase pension contributions.
- Salary sacrifice.
- Tax relief at 40% Bartek/20% for Zofia.
- Reduce to Basic Rate Taxpayer (BRT) for Bartek.
- Recovers £1K Personal Savings Allowance (PSA).
- Employer matching available for Zofia (10%).
- Use ISA/Lifetime ISA (LISA).
- Tax-free growth and income (on pension and ISA).
- Government bonus of 25% on LISA.
- Switch into equity funds (pensions).
- Switch Cash ISA to S&S ISA.
- Greater potential for growth.
- Take out Income Protection (IPI) policy.
- IPI protects future income/retirement savings.

(e)

- Interspousal transfer of assets is CGT free.
- Transfer of assets allows greater use of Dividend Allowance/Personal Savings Allowance/CGT exemptions.
- Can use Zofia's lower tax rate for CGT and Income Tax.
- Nil Rate Band and Residence Nil Rate Band can be inherited on first death.
- No IHT on first death.
- Additional Permitted Subscription (APS)/inherited ISA/retains tax-free ISA status.

(f)

- Global exposure/not just UK.
- Larger number/wider range of properties/sectors held/ diversified.
- Shares/not bricks and mortar.
- Liquidity/traditional funds can be illiquid.
- Cannot impose withdrawal restrictions.
- Must pay out 90% of income to retain REIT tax benefits/ beneficial internal tax treatment.
- Cost-effective/ usually lower charges.
- Does not have to hold large cash reserves/could outperform traditional fund/ improved growth.

(g)

- Change in personal circumstances/health/any more children?
- Change in income/expenditure/tax status/salary increases for either/bonuses for Bartek/ loss of job.
- Attitude to Risk/Capacity for Loss.
- Rebalance/asset allocation/performance.
- Have they purchased a property? /Mortgage details? /protection needs.
- Use of allowances/Lifetime ISA/ISA/Pension.
- Charges.
- Change in legislation/taxation/new products/economic conditions/interest rates.

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

- ATR – Attitude to risk
- APS – Additional Permitted Subscription
- BRT – Basic rate taxpayer
- BIK – Benefit in kind
- CETV – Cash equivalent transfer value
- CLT – Chargeable Lifetime Transfer
- CFL – Capacity for loss
- CGT – Capital Gains Tax
- DOV – Deed of variation
- DIS – Death-in-Service
- DFM – Discretionary Fund Manager
- EIS – Enterprise Investment Scheme
- ESG – Environmental, Social and Governance
- EPT – Excluded Property Trust
- EPA – Enduring Power of Attorney
- ERC – Early repayment charges
- EPP - Executive pension plan
- FAD – Flexi access drawdown
- FSCS – Financial Services Compensation Scheme
- FOS – Financial Ombudsman Service
- GAR – Guaranteed annuity rate
- HRT – Higher rate taxpayer
- IHT – Inheritance Tax
- IVA – Individual Voluntary Arrangement
- LPOA – Lasting Power of Attorney
- LTA – Lifetime allowance
- MVR – Market value reduction
- MPAA – Money purchase annual allowance
- NICs – National Insurance contributions
- NPA – Normal pension age
- NRA – Normal retirement age
- NRB – Nil rate band
- OPG – Office of the Public Guardian
- OEIC – Open ended investment company
- PAYE – Pay As you Earn
- PPP – Personal pension plan
- PCLS – Pension commencement lump sum
- PA – Personal Allowance
- PSA – Personal Savings Allowance
- RAC – Retirement annuity contract
- RNRB – Residence nil rate band
- SIPP – Self-invested personal pension plan
- SEIS – Seed Enterprise Investment Scheme
- TPD – Total Permanent Disability
- UFPLS – Uncrystallised funds pension lump sum
- VCT – Venture Capital Trust

January 2025 Examination - R06 Financial Planning Practice	
Question No.	**Syllabus learning outcomes being examined**
1.	1. Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process. 2. Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions. 3. Analyse a client's situation and the advantages and disadvantages of the appropriate options. 4. Formulate suitable financial plans for action and explain and justify recommendations. 5. Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.
2.	1. Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process. 2. Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions. 3. Analyse a client's situation and the advantages and disadvantages of the appropriate options. 4. Formulate suitable financial plans for action and explain and justify recommendations. 5. Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances.

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

INCOME TAX

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

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

	2023/2024	2024/2025
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	2023/2024	2024/2025
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£4,010	£4,280
Married/civil partners at 10% †	£10,375	£11,080
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance†	£34,600	£37,000
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,870	£3,070
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

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

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

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

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

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

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

***Secondary threshold.*

CLASS 2 (self-employed)*

Flat rate per week	£3.45
Small profits threshold per year	£6,725

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

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

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

PENSIONS

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

**Lifetime allowance removed from 6 April 2024.*

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

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

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

ANNUAL ALLOWANCE

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

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

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

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

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

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

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

INHERITANCE TAX

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

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

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

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

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

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

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

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

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

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

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

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

CORPORATION TAX

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

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

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

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

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

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

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