Chartered Insurance Institute

R06

Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

October 2026 examination

SPECIAL NOTICES

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

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

Unit R06 – Financial planning practice

Instructions to candidates

Read the instructions below before answering any questions

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

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

Attempt ALL questions for each case study

Time: 3 hours

Case Study 1

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

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

Colin and Judith, both aged 68, are married with one daughter, Rose. Colin and Judith have two grandchildren. The family are all in good health. Both Colin and Judith retired several years ago and have recently downsized from their family home to a smaller property with a current value of £275,000. Colin and Judith are concerned about the potential impact of long-term care fees and wish to use the residual proceeds of £200,000 from their property sale to provide an easily accessible pot of money to meet these fees, should this be necessary in the future.

Colin and Judith are both receiving their State Pensions of £12,500 per year each, as well as fixed withdrawals of £850 per month each from their ISA portfolios.

Colin and Judith have defined contribution workplace pensions from their former employers and are now considering how best to draw from them. Colin's pension plan has a current value of £240,000. This is invested in a global managed fund. The pension plan offers him the full range of pension withdrawal options. Judith's pension plan has a current value of £190,000. This is invested in a UK multi-asset fund and offers the full range of pension withdrawal options. Colin and Judith have not accessed these pensions as they have had sufficient assets available to them to meet their needs. This is no longer the case, and they wish to start accessing these pension arrangements as tax-efficiently as possible in the near future.

Colin and Judith have stocks & shares ISAs which are invested in a range of global equity tracker funds. Colin also holds a portfolio of AIM Shares that he inherited from his late father eight years ago. These are currently valued at £80,000. Colin has never reviewed the suitability of these shares and is unsure if there is any benefit in retaining them. Colin and Judith have both used this year's ISA allowance.

Colin and Judith have mirror Wills leaving their assets to the survivor and their residual estate, on second death, to their daughter.

Colin and Judith have a moderate attitude to risk and neither of them has any interest in Environmental, Social and Governance (ESG) investments.

Colin and Judith have the following assets:

Assets	Ownership	Value (£)
House	Joint	275,000
Current account	Joint	8,000
Deposit account – Instant access	Colin	200,000
Stocks & shares ISA – Global Equity Tracker funds	Colin	320,000
AIM Shares – various	Colin	80,000
Stocks & shares ISA – Global Equity Tracker funds	Judith	315,000

Colin and Judith's financial aims are to:

- ensure they have sufficient income to support their long-term income needs;
- invest the proceeds of the house sale to provide a pot for potential long-term care fees;
- assess the suitability of their current investment portfolio.

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

Questions

(a) State the additional information that a financial adviser would require in order to assess if Colin and Judith will be able to support their long-term income needs from their existing savings, pensions and investments. **(15)**

(b) Explain in detail to Colin and Judith the options available to them which allow them to draw a flexible and tax-efficient income from their pension arrangements. **(10)**

(c) Outline the **key** reasons why Colin and Judith should consider investing in a diversified portfolio of collective investment funds to meet any future long-term care fees. **(15)**

(d) Explain briefly to Colin and Judith the Inheritance Tax implications on their estate following the downsizing of their home to a smaller property. **(8)**

(e) Identify **five** benefits and **five** drawbacks for Colin of retaining the portfolio of AIM shares. **(10)**

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

(f) Recommend and justify a range of actions that Colin and Judith could take to improve the tax-efficiency of their current financial arrangements. **(15)**

Total marks available for this question: 73

Case Study 2

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

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

Kavi, aged 38, is single with two children, aged 7 and 10. Kavi is separated from Helen, who is the mother of his children. He has sole custody of the children. Kavi and the children are all in good health. Kavi and Helen never married and have no shared financial assets.

Kavi currently works part-time as a management consultant and earns a salary of £40,000 gross per annum. He does not plan to return to full-time work until his youngest child is aged 11. He receives *ad hoc* maintenance payments for the children from Helen, but these are irregular and amount to approximately £5,000 per year.

Kavi is a member of his employer's workplace pension scheme and contributes 4% of his gross salary to the scheme. His employer contributes 4% of his gross salary to the scheme. His pension fund has a current value of £78,000 and is invested in a UK equity fund. He is considering opting out of his workplace pension scheme until he returns to full-time work. The pension fund has no nomination in place. Kavi 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.

Kavi has a repayment mortgage with an outstanding balance of £180,000 on his home which is currently valued at £325,000. The mortgage is protected in full by a single life mortgage protection policy which was set up when he took out the mortgage. He has no other protection policies in place. Kavi is concerned about the financial security of the children in the event of him suffering a long-term illness or dying before they are financially independent. His former partner, Helen, has limited financial resources to be able to support the children.

Kavi's parents have recently decided to gift Kavi a monthly sum of £1,000 for the foreseeable future out of their excess income. Kavi's parents wish to provide financial support until Kavi is able to return to full-time work. Kavi's parents are paying for him to receive financial advice. They are aware that he is struggling to support the children and he has been forced to draw funds from both his cash deposit account and his stocks & shares ISA to meet the ongoing family expenses. He has not used his ISA allowance for the current tax year.

Kavi has an interest in Environmental, Social and Governance (ESG) investments, but this is not a primary concern for him. He considers himself to be a moderate to high-risk investor but appreciates that at present his capacity for loss is low.

Kavi does not have a Will or Lasting Powers of Attorney.

Kavi has the following assets:

Assets	Value (£)
House	325,000
Current account	2,000
Deposit account – Instant access	15,000
Stocks & shares ISA – Global Ethical Equity fund	35,000

Kavi's financial aims are to:

- ensure that sufficient financial protection is in place to support the children in the event of either his death or long-term illness;
- rebuild his emergency fund;
- make the most appropriate use of the monthly income from his parents.

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

Questions

(a) Explain the **key** factors that Kavi should take into consideration when prioritising his various financial objectives. **(12)**

(b) State the reasons why Kavi might be categorised as a vulnerable client. **(8)**

(c) Identify the **key** information that a financial adviser should take into consideration when preparing a cashflow model to assist Kavi with his financial planning. **(12)**

(d) Explain to Kavi the reasons why he should **not** opt out of his employer's qualifying workplace pension scheme. **(10)**

(e) Recommend and justify a suitable protection policy that would provide Kavi with an ongoing income for the family in the event of him suffering a long-term illness. **(15)**

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

(f) Explain to Kavi the reasons why he should set up a Will with a Bereaved Minors Trust and identify the benefits of this course of action. **(12)**

(g) Identify **eight** key issues that a financial adviser should discuss with Kavi at his next annual review. **(8)**

Total marks available for this question: 77

INCOME TAX

RATES OF TAX	2025/2026	2026/2027
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge:	1% of benefit per £200 of adjusted net income between £60,000 – £80,000	

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

Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend allowance	£500	£500
Dividend tax rates		
Basic rate	8.75%	10.75%
Higher rate	33.75%	35.75%
Additional rate	39.35%	39.35%
Trusts		
Income exemption up to**	£500	£500
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

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

From 6 April 2026, carried interest is taxed as Income Tax, not Capital Gains Tax.
Qualifying carried interest is subject to a 72.5% multiplier before applying Income Tax rates.
Class 4 NICs may also apply.

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% *†*	£4,360	£4,530
Married/civil partners at 10% *†*	£11,270	£11,700
Marriage/civil partners' Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance*†*	£37,700	£39,200
Rent a Room scheme	£7,500	£7,500
Blind Person's Allowance	£3,130	£3,250
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%	20%

§ 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 £39,200 (£37,700 for 25/26) 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)	£129
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 £129 per week. This £129 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	£3.65
Small profits threshold per year	£7,105

Class 2 contributions are credited automatically where profits equal or exceed £7,105 per annum.

Class 2 contributions can be made voluntarily where profits are below £7,105 per annum.

Class 3 (voluntary)	Flat rate per week £18.40.
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.*

	2025/2026	2026/2027
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 (MPAA)	£10,000	£10,000

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**
2024/2025	£60,000**
2025/2026	£60,000**
2026/2027	£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	2025/2026	2026/2027
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	**2025/2026**	**2026/2027**
Individuals:		
Up to basic rate limit	18%	18%
Above basic rate limit	24%	24%
Higher Rate	n/a	n/a
Trustees and Personal Representatives:		
Residential property	24%	24%
Other chargeable assets	24%	24%
Business Asset Disposal Relief*	14%	18%
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%*
For 26/27, rate for carried interest for all tax bands is 34.075%

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2025/2026	2026/2027
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

100% relief on first £2.5m* of combined qualifying agricultural property relief and business property relief assets.

50% relief on qualifying assets exceeding £2.5m

AIM listed shares generally restricted to 50% relief regardless of value

* The £2.5m allowance is frozen until April 2031.
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

		2025/2026	2026/2027
		£ (per week)	£ (per week)
Child Benefit	First child	26.05	27.05
	Subsequent children	17.25	17.90
	Guardian's allowance	22.10	22.95
Employment and Support Allowance	Assessment Phase Age 16 - 24	Up to 72.90	75.65
	Aged 25 or over	Up to 92.05	95.55
	Main Phase Work-related Activity Group	Up to 128.60	Up to 133.50
	Support Group	Up to 140.55	Up to 145.90
Attendance Allowance	Lower rate	73.90	76.70
	Higher rate	110.40	114.60
Basic State Pension	Category A full rate	176.45	184.90
	Category B (lower) full rate	105.70	110.75
New State Pension	Full rate	230.25	241.30
Pension Credit	Standard minimum guarantee - single	227.10	238.00
	Standard minimum guarantee - couple	346.60	363.25
	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	72.90	75.65
	Age 25 or over	92.05	95.55
Statutory Maternity, Paternity, Adoption, Neonatal Care, Shared Parental and Parental Bereavement Pay		187.18	194.32

CORPORATION TAX

	2025/2026	2026/2027
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

	2025/2026	2026/2027
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 mainresidence. 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 residential and all corporate residential properties £40,000 or more – add 5% to SDLT rates, 8% to LBTT. LTT has separate higher rate bands.*
- *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. 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%

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