Chartered Insurance Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

March 2025 Examination Guide

SPECIAL NOTICES

Candidates entered for the September 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.

AF7 – Pension Transfers

Contents

This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is a free extension that is available from **https://speechify.com/**. If for accessibility reasons you require this document in an alternative format, please contact us at **online.exams@cii.co.uk** to discuss your needs.

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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 candidates' knowledge and their ability to apply this to a case study scenario. You can then use this understanding to help you in your preparation for the examination.

Before the examination

Read the Qualifications Brochure
Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current CII Qualifications Brochure and important notes for candidates, which is *essential reading* for all candidates. It is available online at www.cii.co.uk.

Study the syllabus carefully
This 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.

There are books specifically produced to support your studies that provide coverage of all the syllabus areas; however, 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.

Note the assumed knowledge
For the Advanced Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Diploma in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

Read widely
If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook 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. It is vital that your knowledge is widened beyond the scope of one book. 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 exam preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent 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 are provided as part of the examination and 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.*

Know the structure of the examination
Assessment is by means of a two-hour online paper in two sections. All questions are compulsory:

Section A consists of 36 marks.
Section B consists of two case studies worth a total of 64 marks.

You will be expected to carry out a variety of tasks based upon the information provided.

Each question part will clearly show the maximum marks which can be earned.

Appreciate the standard of the examination
Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

Read the Assessment Information and Exam policies for candidates
Details of administrative arrangements and regulations which form the basis of your examination entry are available online at https://www.cii.co.uk/learning/qualifications/assessment-information/. This is *essential reading* for all candidates.

On-screen written exam familiarisation

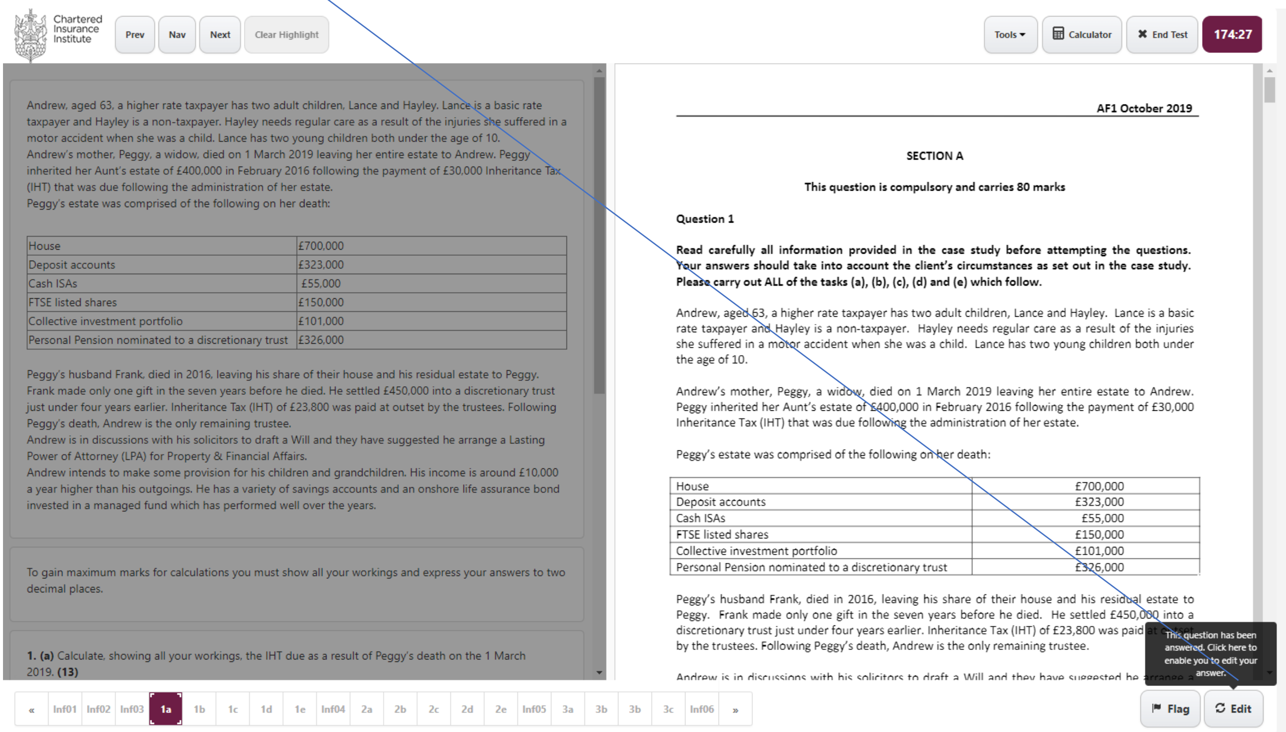
The familiarisation test allows you to experience using the assessment platform before your exam. Please note that while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only. You can also access past exam papers [here](#).

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

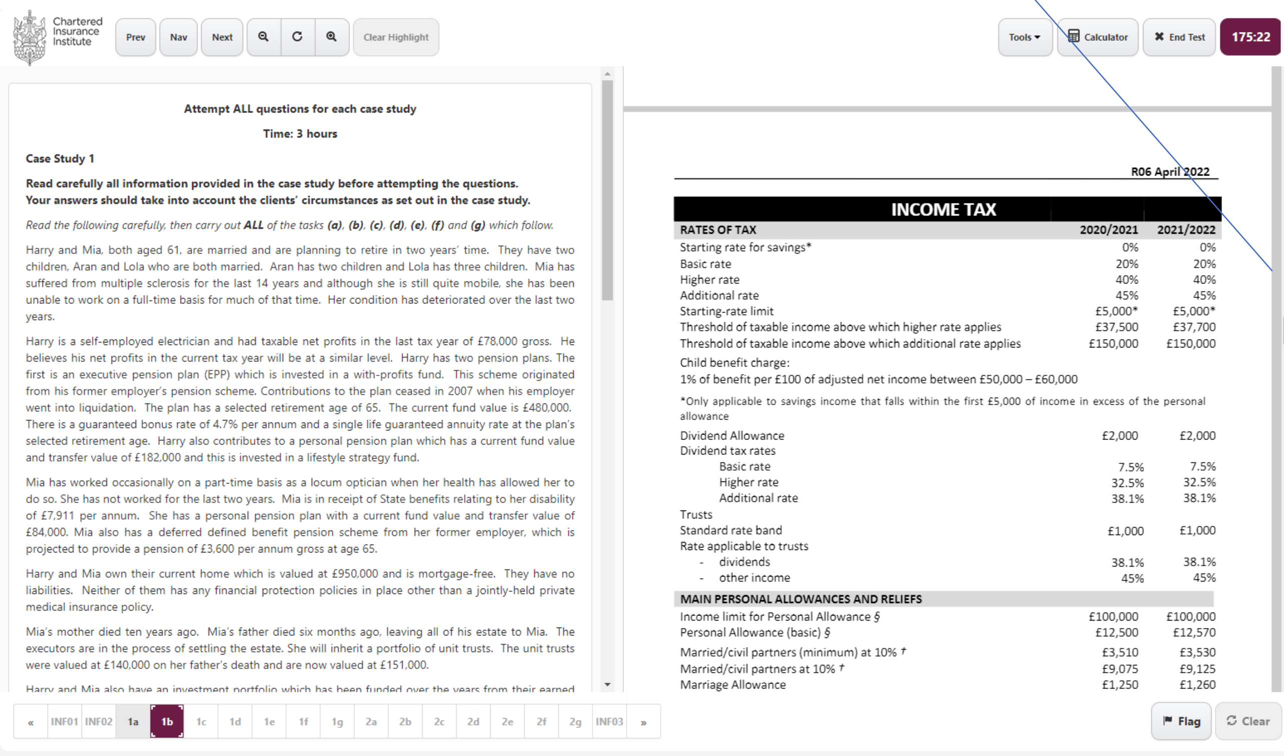
Although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

Once you have received your exam login details, we strongly advise that you try the familiarisation test to ensure you are familiar with the navigation for the exam.

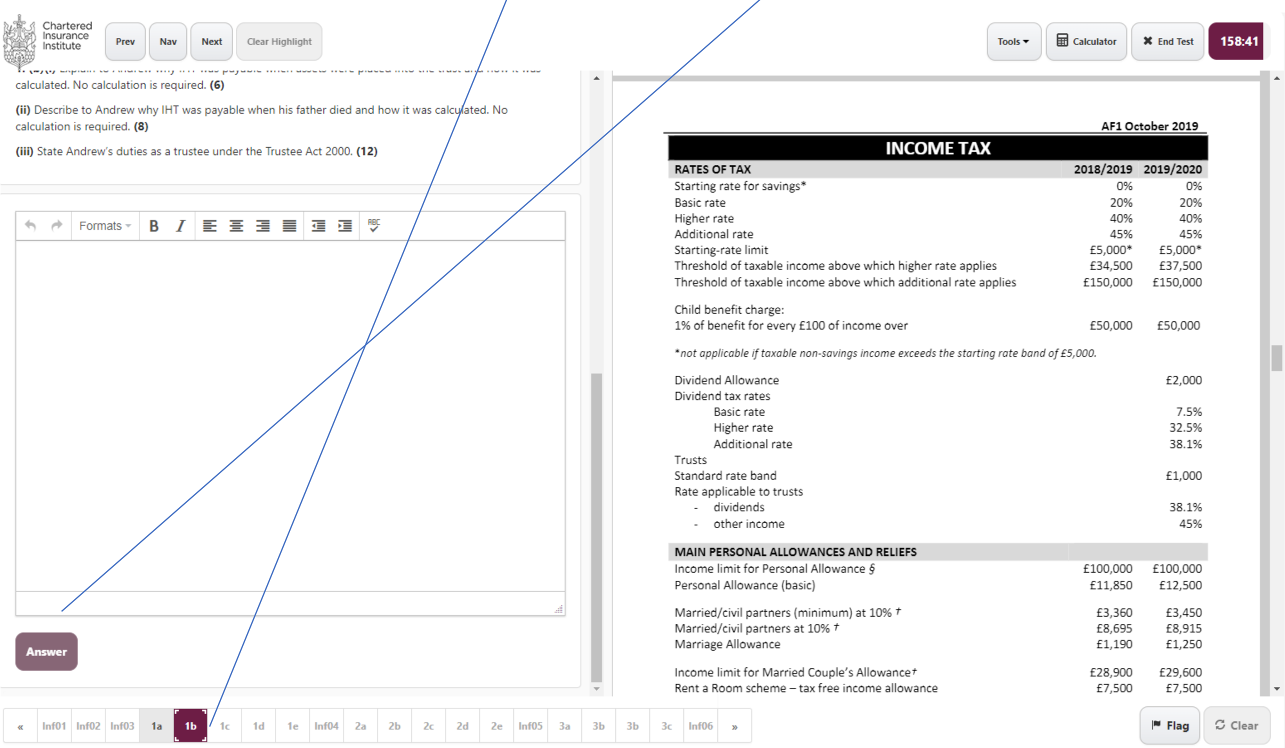
1. From the familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them. To return to edit any answer you have already typed, you must press '**Answer**' for the question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



2. Tax tables and supplementary information 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. 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 AF7 exam, please click **AF7 Pension transfers**

AF7 Pension Transfers

on-screen written exam familiarisation

5. The above screenshot shows the point before the examination 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: **AF7 Pension transfers.**

Important information for remote invigilation candidates only

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

You should have received the below information via email before your examination date.

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

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

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

This Exam tutorial of the invigilation system will help you feel confident on exam day and can prevent technical issues by alerting you to potential issues with your equipment.

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.

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

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

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper 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 been used up, leave some space, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time. You can use the flag button to indicate which questions are incomplete.

Take great care to answer the question that has been set.

- Many candidates finish the examination confident that they have written a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before answering.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Tackling questions

Tackle the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates' should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i) as this often leads to candidates unintentionally failing to fully complete the examination paper. This can make the difference between achieving a pass or a narrow fail.

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

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 question.

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

Marks are not lost due to poor spelling or grammar.

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, even if you have used a calculator.

EXAMINERS' COMMENTS

Candidates' overall performance
Overall, candidate performance at this siting was in line with that of recent sittings. That said, performance on some of the subject areas that have been tested previously, particularly questions three, nine and ten, was below expectations.

Question 1
Whilst a high proportion of candidates gained maximum marks, there were a few candidates that did not perform well on this question. Where marks were lost, it tended to be as a result of either giving several examples of the same driver, failing to give the specific name of the driver, or for getting mixed up between the drivers, e.g., putting a poor health explanation as an example of capability or resilience.

Question 2
Most candidates gained at least half marks with a small number of candidates gaining maximum marks. That said, there were some low (even nil) scores too. Where candidates did not perform well, it tended to be as a result of stating 'fact find' type points such as Attitude to Risk, Capacity for Loss, income need in retirement, death benefit requirements etc., as opposed to the specific elements the FCA expects an adviser to consider when undertaking an appropriate pension transfer analysis.

Question 3
A reasonable proportion of candidates performed well on this question but there were some candidates that showed very little knowledge of GMP benefits. We also continued to see errors in respect of revaluation and escalation rates/tranches; despite this information being provided in the exam paper as part of the supplementary information to the tax tables.

Question 4
This question tested a new subject area (transitional tax-free amount certificates). It was pleasing to see that most candidates had a reasonable knowledge of this subject area with some candidates gaining maximum marks. Where marks were lost, it tended to be as a result of failing to cover the second and last points in the model answer.

Question 5
Most candidates did quite well, but a few candidates stated things that would be more 'fact find' related as opposed to things that the scheme administrator would know. There was no particular pattern to the answers that were typically missed by candidates although most gained at least half marks with quite a few gaining maximum (or close to maximum) marks.

Question 6
Most candidates performed well on this question. Where marks were lost, it was typically as a result of stating 'beneficiary or nominee' instead of 'dependent' under point two or for failing to cover the IHT position under points eight and nine of the model answer.

Question 7
This question was well answered by the majority of candidates (6+ marks). Points two, three and eleven from the model answer were the points that tended to be missed.

Question 8
Whilst some candidates performed well in this question, overall, the performance was disappointing with a general failure to link the ‘features’ to the client ‘objectives’.

Question 9
Few candidates gained high marks and performance felt worse than when tested previously. A lot of candidates gave vague answers such as ‘model first death’ as opposed to ‘model <u>early</u> death of one of them’ or gave multiple examples of stress testing.

Question 10
This question was not well answered by most candidates, which was surprising as it is an area that has been frequently tested before. Where candidates did not perform well, it was generally as a result of failing to link their answer to the specific circumstances of the case study, particularly for points three, six, seven and eight on the model answer.

Unit AF7 – Pension transfers

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

- **Two hours** are allowed for this paper which carries a total of 100 marks as follows:
- Section A: 36 marks
- Section B: 64 marks
- You are strongly advised to attempt **all** questions to gain maximum possible marks.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper, this is different to the multiple choice exams.**
- Supplementary information is also included at the end of the tax tables on the right-hand side of the interface.
- For each answer, please type in the full question number you are answering e.g., 1
- **Please note each answer must be typed in the correct corresponding answer box.**
- **If you are wearing headset, earphones, smart watch please take them off. No watches are 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.

SECTION A

The following questions are compulsory and carry a total of 36 marks

ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

1. The Financial Conduct Authority (FCA) have identified four drivers of actual or potential vulnerability.

Identify the **four** drivers and provide an example of **each**. **(8)**

2. When considering the potential transfer of benefits from a defined benefit pension scheme, the Financial Conduct Authority (FCA) requires advisers to undertake an appropriate pension transfer analysis (APTA).

Outline the elements that the FCA expect an adviser to consider when undertaking an APTA. **(12)**

3. Kemi, aged 57, is single. She was a member of a former employer's defined benefit pension scheme between 1992 and 2001. Kemi has received a statement of entitlement that shows part of her scheme benefits are made up of a guaranteed minimum pension (GMP).

Outline the information you would consider, **in respect of the GMP benefits**, when evaluating a potential transfer of the cash equivalent value to a personal pension plan. **(10)**

4. Rob is aged 63. In 2022, he crystallised the benefits from a defined benefit pension scheme taking them in the form of a scheme pension, plus a pension commencement lump sum. Having taken advice, he now intends to set up a personal pension plan and transfer the benefits held in his second defined benefit pension scheme to this plan. This is Rob's only other private pension.

Rob's adviser has recommended that Rob apply for a transitional tax-free amount certificate (TTFAC).

Explain how Rob would apply for a TTFAC. **(6)**

Total marks available for this question: 36

SECTION B

All questions in this section are compulsory and carry an overall total of 64 marks

Case study 1

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

Mia, aged 48, is married to Jonah, aged 41. Both are in excellent health. They have two financially dependent children, aged 11 and 14.

Mia is an architect. She has recently been promoted and now earns £96,000 per annum. She and her employer each contribute 10% of her earnings into a workplace pension plan, which is currently worth £192,000.

Mia also has preserved benefits in her previous employer's defined benefit pension scheme. She has been provided with a cash equivalent transfer value (CETV) of £265,000. Her benefits in the scheme are summarised below:

Normal pension age	65
Total pension at date of leaving	£10,600
Death benefits post-retirement	50% dependant's pension

Jonah is an office manager and earns £36,000 per annum. He is a member of his employer's group personal pension plan (GPP) into which he contributes 5% of his salary and his employer contributes 3%. His GPP is currently worth £132,000.

A recent review of their income and expenditure shows they have a disposable income each month of £1,200.

The couple's home is valued at £650,000 and has an outstanding mortgage of £146,800. They have an emergency fund of £20,000 and no other savings or investments.

The couple have recently completed attitude to risk (ATR) questionnaires. These show Mia has a low ATR and Jonah has a medium ATR.

The couple have made it clear that their priority is ensuring there are sufficient benefits payable on either of their deaths to provide financial support for their children until they are financially independent.

The couple have not decided on a retirement age or how much income they will need in retirement. They would like advice on whether they should transfer the benefits from Mia's defined benefit pension scheme into her workplace pension plan so that she can access the benefits flexibly in the future and have the potential to leave a legacy for their children.

Questions

ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

5. State the additional information you would require, from the scheme administrators, before advising Mia on the potential suitability of transferring her pension benefits within the defined benefit pension scheme. **(10)**

6. Outline the death benefit options available to Jonah, including the tax treatment, should Mia transfer her defined benefit pension scheme to a personal pension plan and subsequently die before State Pension Age. **(9)**

7. Explain, based on the information provided in the case study, the factors that would support a recommendation for Mia to retain her pension benefits within the defined benefit pension scheme. **(10)**

Total marks available for this question: 29

Case study 2

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

Jin, aged 59, is married to Katya, who is aged 64. The couple have no children. Katya is retired and Jin has recently been made redundant. Jin is in excellent health and his parents, who are in their mid-80s, are both in good health. Katya has type 1 diabetes and other than a few minor issues, she is in reasonable health. Both of her parents died in their early 70s.

The couple, who both have a medium attitude to risk (ATR), live in a mortgage free house valued at £420,000. They have a jointly held investment portfolio of £200,000. Katya has a personal pension plan (PPP) currently valued at £120,000. Both are invested in line with their ATRs. Jin expects to receive an inheritance of approximately £600,000 following the death of his parents.

Jin and Katya both have deferred benefits held in previous employers' defined benefit pension schemes and Jin has no other private pension arrangements. Their benefits in their schemes are as follows:

	Green Crayon Ltd	**Blue Shell Ltd**
	Jin	**Katya**
Date of joining scheme	May 1988	September 1985
Date of leaving scheme	February 2025	June 2010
Normal retirement age (NRA)	60	65
Scheme pension at NRA	£32,000 per annum gross	£18,000 per annum gross
PCLS (via commutation)	£96,000 with a commutation factor of 20:1	£54,000 with a commutation factor of 12:1
Spouses'/civil partner pension	50% in deferment and retirement	65% in deferment and retirement
Increases to pension in payment	Retail Prices Index capped at 5% per annum	Statutory minimum
Cash equivalent transfer value (CETV)	£880,000	£440,000

As a result of Jin's redundancy, he has decided to retire. They would like advice on whether they should transfer their pension benefits, and if so, should it be from one or both of their defined benefit schemes.

They have calculated that they will need a net income of £3,800 per month to cover essential and lifestyle expenditure; of this their essential expenditure is estimated to be £2,000 per month. They would also like a capital lump sum of £30,000 to buy a car and an estimated sum of £10,000 per annum to cover ad-hoc capital requirements such as holidays. The net income requirement will fall to £3,000 per month, in the event of either of their deaths. They are both entitled to a full State Pension.

The couple's main objective is to enjoy their retirement while Katya is in reasonable health. They would like their essential expenditure to be covered by a secure inflation proofed income. They plan to leave any residual pension funds to family members but having a comfortable retirement is a more important objective than leaving a legacy.

Questions

ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

8. You have recommended that Katya transfers her pension benefits within the Blue Shell Ltd defined benefit pension scheme into her PPP and that Jin should retain his benefits within the Green Crayon Ltd defined benefit pension scheme.

Explain, based on the information provided in the case study, why you have made this recommendation. **(15)**

9. Outline why you would include cash flow forecasts as part of your suitability assessment when advising Jin and Katya. **(10)**

10. Outline, based on the information provided in the case study, the factors you would consider when designing an investment strategy for the transferred funds in Katya's PPP. **(10)**

Total marks available for this question: 35

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

- Health/ill health;
- physical disability/hearing or visual impairment/poor mental health/mental capacity/cognitive disabilities.

- Life events;
- Unemployment/caring responsibilities/bereavement/income shock/relationship breakdown.

- Resilience;
- low income/over indebtedness/low savings/low emotional resilience/lack of support structure/financial difficulty.

- Capability;
- low knowledge or confidence in managing financial matters/poor literacy or numeracy skills/poor or non-existent digital skills/learning impairments.

Model answer for Question 2

Candidates would have scored full marks for any twelve of the following:
- Rates of return should reflect the underlying investments selected.
- FCA prescribed assumptions should be used.
- Impact of transferring on the members tax position and;
- any means tested State benefits.
- Comparison between schemes;
- in respect of the pattern of income and;
- the death benefits and;
- the charges.
- An age beyond average life expectancy should be used for any planning calculations.
- Consider alternative ways of meeting client objectives and;
- any trade-offs needed to prioritise client needs.
- More cautious assumptions should be used whenever appropriate.
- A Transfer Value Comparator should be produced.
- Cashflow modelling should include stress testing.

Model answer for Question 3

- What method of revaluation applies/is it fixed or S.148 revaluation/if fixed it will be 6.25%.
- The age from which GMP will be paid/paid from age 60.
- Whether a bridging pension is payable.
- Post 88 GMP must increase by a minimum of CPI capped at 3%.
- Spouse's pension (of at least 50%) is included/not needed.
- Whether GMP benefits have been reconciled/equalised.
- How much of the deferred benefit/CETV is made up of GMP/what is the value of the GMP.
- GMP cannot provide PCLS.
- Are partial transfers allowed/can she leave GMP and transfer the rest.
- GMP is lost on transfer.

Model answer for Question 4

- Application for TTFAC must be made to one of Rob's pension schemes;
- providing documentary evidence (bank statement/BCE statement);
- of how much LTA has been used and;
- all tax-free cash sums received.
- The application must be made before the first Relevant Benefit Crystallisation/RBC;
- after 06/04/2024.

Case Study 1

Model answer for Question 5

Candidates would have scored full marks for any ten of the following:
- The rate used for revaluation/used for escalation.
- Scheme's definition of dependant.
- Are children's pensions payable.
- Earliest age benefits can be taken without reduction/early retirement factors.
- Are partial transfers allowed.
- Scheme commutation rates/amount of PCLS payable.
- Guarantee period.
- Any lump sum death benefits/return of member contributions.
- Scheme funding status/recovery plan details.
- Does the scheme offer Pension Increase Exchange/bridging pension.
- Was the scheme contracted-out/level of GMP/ has GMP been equalised.

Model answer for Question 6

- Lump sum up to LSDBA.
- Dependant's;
- Flexi-access drawdown (FAD) or;
- Annuity.
- Paid tax free;
- if designated within 2 years of date of death.
- Taxable as earned income if paid to Jonah outside of 2 years/over LSDBA.
- Not currently liable to Inheritance Tax on death.
- Within her estate for IHT if death occurs after 05/04/2027.

Model answer for Question 7

Candidates would have scored full marks for any ten of the following:
- She/they are in excellent health;
- and can purchase life assurance;
- to cover the period between now and the children reaching financial independence.
- She has a low attitude to risk/her attitude to risk does not support a transfer.
- They have limited investment experience.
- They have other DC pension plans that can provide income flexibility in retirement;
- and death benefits can be nominated in favour of the children.
- She does not know when she will retire/retirement may be a long way off.
- She does not know how much income she will need in retirement.
- There is no need to make a decision now.
- Objectives/circumstances may change.

Case Study 2

Model answer for Question 8

Candidates would have scored full marks for any fifteen of the following:

- Jin's pension provides a greater secure income;
- with greater inflation protection;
- which covers their essential income requirements;
- in line with their objective of having their essential income needs covered by a secure income;
- once their State pensions come into payment their essential and lifestyle income requirements will be met.
- Katya's transferred funds could meet any shortfall to Jin's NRA.
- Katya's pension offers a higher percentage death benefit.
- Jin's pension provides a higher monetary spouse's pension.
- However, Katya is more likely to pre-decease Jin;
- and Jin does not require the spouse's pension from Katya's scheme.
- Katya will have sufficient income/assets upon Jin's death.
- Katya's transferred funds are likely to have a residual value to pass to family members (in line with their objectives).
- The commutation rate from Jin's defined benefit scheme is more generous than from Katya's scheme;
- and his PCLS entitlement is higher;
- although their lump sum requirements can be met from the transferred fund/their investment portfolio.
- They have CFL.
- The transfer is in line with Katya's medium ATR.

Model answer for Question 9

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

- Provides visual representation/easily understood.
- Demonstrates likely sustainability/when funds may be exhausted/possible shortfalls;
- over extended lifetime/beyond age 100/shows longevity risk.
- Take account of the likely amount/pattern of withdrawals;
- and whether these should come from the pension fund/investment portfolio/future inheritance/IHT planning;
- using client specific assumptions for investment returns.
- Can model different scenarios/compare income from the ceding and receiving scheme.
- Can build in stress testing/poor performance/market crash/overspending/sequencing risk.
- Can also demonstrate impact of Katya's early death/demonstrate the effect of a reduced lifespan.
- Can help determine CFL.
- Can help meet firm's consumer duty requirements around foreseeable harm/client understanding.

Model answer for Question 10

- The couple have a medium attitude to risk.
- Do they have any ethical/sustainability requirements.
- Jin’s scheme pension covers the couple’s essential income needs/they have CFL.
- They have investment experience.
- They have no requirement to leave a legacy/have no children.
- Their essential and lifestyle income needs will be fully covered when they both reach SPA.
- The rate of withdrawal required is low.
- They have an immediate income need until Jin’s NRA.
- The existing investment split within the PPP/their investment portfolio.
- Jin is in good health and Katya is in reasonable health / funds can be invested for the longer term.

Glossary of terms

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

1. ATR – attitude to risk
2. BRT – Basic rate taxpayer
3. BIK – Benefit in kind
4. CLT – Chargeable Lifetime Transfer
5. CFL – capacity for loss
6. CGT – Capital Gains Tax
7. DOV – Deed of variation
8. DIS – Death-in-Service
9. DFM – Discretionary Fund Manager
10. ESG – Environmental, Social and Governance
11. EPT – Excluded Property Trust
12. EPA – Enduring Power of Attorney
13. ERC – Early repayment charges
14. FAD – flexi access drawdown
15. FSCS – Financial Services Compensation Scheme
16. FOS – Financial Ombudsman Service
17. GAR – guaranteed annuity rate
18. HRT – Higher rate taxpayer
19. IHT – Inheritance Tax
20. IT – Income Tax
21. IVA – Individual Voluntary Arrangement
22. LPA – Lasting Power of Attorney
23. LTA – lifetime allowance
24. MVR – market value reduction
25. MPAA – money purchase annual allowance
26. NICs – National Insurance contributions
27. NPA – Normal pension age
28. NRA – Normal retirement age
29. NRB – nil rate band
30. OPG – Office of the Public Guardian
31. OEIC – open ended investment company
32. PAYE – Pay As you Earn
33. PPP – personal pension plan
34. PCLS – pension commencement lump sum
35. PA – Personal Allowance
36. PSA – Personal Savings Allowance
37. RAC – retirement annuity contract
38. RNRB – residence nil rate band
39. SIPP – self-invested personal pension plan
40. SEIS – Seed Enterprise Investment Scheme
41. UFPLS – uncrystallised fund pension lump sum
42. VCT – Venture Capital Trust

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

The Tax Tables and Supplementary Information which follow are applicable to the September 2024 and March 2025 examinations.

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		
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 30/10/2024	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 minimumguarantee - 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%

SUPPLEMENTARY INFORMATION PENSION PAPERS – AF7 2024/2025

REVALUATION

Guaranteed Minimum Pension – Fixed rate

Date of leaving service	Fixed rate of revaluation
Before 6 April 1988	8.5%
Between 6 April 1988 and 5 April 1993	7.5%
Between 6 April 1993 and 5 April 1997	7.0%
Between 6 April 1997 and 5 April 2002	6.25%
Between 6 April 2002 and 5 April 2007	4.5%
Between 6 April 2007 and 5 April 2012	4.0%
Between 6 April 2012 and 5 April 2017	4.75%
Between 6 April 2017 and 5 April 2022	3.5%
After 5 April 2022	3.25%

Non GMP benefits – statutory minimum rates

Date of leaving service	Statutory rate of revaluation
Before 1 January 1986	No requirement to revalue benefits
Between 1 January 1986 and 31 December 1990	CPI capped at 5% in respect of non GMP benefits accrued from 1 January 1985
Between 1 January 1991 and 5 April 2009	CPI capped at 5% in respect of all non GMP benefits
After 5 April 2009	CPI capped at 5% in respect of all non GMP benefits accrued before 6 April 2009 CPI capped at 2.5% in respect of all benefits accrued after 5 April 2009

NOTE: Statutory revaluation is based on RPI for revaluation prior to 2011

ESCALATION

Statutory rates of escalation: Member reached State Pension age before 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	**Scheme:** No requirement to provide any increases in payment **State:** Fully in line with CPI
GMP: Accrual between 6 April 1988 and 5 April 1997	**Scheme:** CPI capped at 3% **State:** Any increases in CPI in excess of 3%
Non GMP: Accrual prior to 6 April 1997	**Scheme:** No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	**Scheme:** CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	**Scheme:** CPI capped at 2.5%

NOTE: Statutory escalation was based on RPI prior to 2011

Statutory rates of escalation: Member reaches State Pension age on or after 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	**Scheme:** No requirement to provide any increases in payment
GMP: Accrual between 6 April 1988 and 5 April 1997	**Scheme:** CPI capped at 3%
Non GMP: Accrual prior to 6 April 1997	**Scheme:** No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	**Scheme:** CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	**Scheme:** CPI capped at 2.5%

NOTE: No increase to GMP is made by the State (via the State Pension) for individuals who reach State Pension age on or after 6 April 2016

PENSION PROTECTION FUND

Compensation cap no longer applies following a Court of Appeal ruling in July 2021 that it was unlawful on the grounds of age discrimination.

PPF Compensation:	
Members who have already reached the scheme's normal pension age when the employer suffers an insolvency event	100%
Members who have not reached the scheme's normal pension age when the employer suffers an insolvency event	90%

Revaluation of deferred benefits within PPF

Service	Rate of revaluation
All service before 6 April 2009	CPI capped at 5%
All service after 5 April 2009	CPI capped at 2.5%

Escalation of benefits in payment from PPF

Service	Rate of revaluation
All service before 6 April 1997	No increases
All service after 5 April 1997	CPI capped at 2.5%