Chartered Insurance Institute

R04

Diploma in Regulated Financial Planning

Unit 4 – Pensions and retirement planning

Based on the 2024/2025 syllabus
examined from 1 September 2024 until 31 August 2025

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Contents

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Unit 4 – Pensions and retirement planning

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Introduction

This examination guide has been produced by the Qualifications and Assessment at the Chartered Insurance Institute (CII) to assist students in their preparation for the R04 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of an R04 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the R04 reading list, which is located on the syllabus in this examination guide and on the CII website at **www.cii.co.uk.**

Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

1) Visit **www.cii.co.uk/learning/qualifications/unit-pensions-and-retirement-planning-r04/**
2) Select 'exam guide update' on the right-hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

Syllabus

The R04 syllabus is published on the CII website at **www.cii.co.uk. Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Supporting information for the syllabus which contains a detailed overview of the areas covered can be found on the unit page. Select Supporting information for the 2024/2025 syllabus on the right-hand side of the page.

Skill Specification

The examination syllabus categorises R04 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand, analyse, explain and evaluate the subject matter. Each learning outcome begins with one of these cognitive skills:

Understanding - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both.

Analysis - To answer questions requiring analysis, the candidate must be able to break information down into parts, identify how each piece relates to the whole, associate relevant aspects and determine courses of action. Typically questions will relate to a given set of circumstances or provide data which requires *analysis* so a conclusion can be drawn.

Evaluation - To answer questions requiring evaluation or critical evaluation, the candidate must be able to assess and judge information presented and reach a conclusion. Typically questions will relate to a given set of circumstances and behaviours and require the selection of the correct or best evaluation.

Explain - Candidates must typically be able to demonstrate an understanding of the relationships between different aspects or concepts. They may be asked how one part may impact upon or be linked to another. They may also be asked to perform a calculation to evidence an explanation of how certain elements interact with one another.

Examination Information

The method of assessment for the R04 examination is 50 multiple choice questions (MCQs): 39 standard format and 11 multiple response format. 1 hour is allowed for this examination.

The R04 syllabus provided in this examination guide will be examined from 1 September 2024 until 31 August 2025.

Candidates will be examined on the basis of English law and practice in the tax year 2024/2025 unless otherwise stated. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

For areas of the syllabus that are focused on taxation, the general rule is that the new tax year and changes arising from the Finance Act will be examined from 1 September each year. Other changes, not related to the Finance Act, will not be examined earlier than 3 months after they come into effect.

R04 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

Extracts from tax tables will be provided at each examination, an example of which can be found in this examination guide. Candidates may find it beneficial to familiarise themselves with this information in advance of the examination. Candidates may <u>**not**</u> take their own tax tables into the examination.

A standard format multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

A multiple response format question consists of a problem, followed by between four to six options. For each question more than one option is correct. Candidates must select **all** the correct options to gain the mark.

If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

Candidates are permitted to make rough notes. Candidates are not permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

Before the Examination

Before sitting the examination, please visit the preparation page on the CII website to familiarise yourself with the different requirements for sittings via remote invigilation and at an exam centre
www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

Pensions and retirement planning

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of and ability to analyse:

- main tax and legal frameworks that govern retirement benefits under registered pension schemes;
- features of defined contribution and defined benefit pensions.

Summary of learning outcomes		Number of questions in the examination*
1.	**Understand the political, economic and social environment factors which provide the context for pensions planning**	**5 standard format**
2.	**Understand how the HM Revenue & Customs (HMRC) tax regime applies to pensions planning**	**10 standard format**
3.	**Understand the relevant aspects of pensions law and regulation to pensions planning**	**4 standard format**
4.	**Understand the structure, characteristics and application of Defined Benefit (DB) schemes to an individual's pension planning**	**7 standard format**
5.	**Analyse the range of Defined Contribution (DC) scheme options as they apply to an individual's pension planning**	**4 standard format/ 2 multiple response**
6.	**Analyse the options and factors to consider for drawing pension benefits**	**5 standard format/ 4 multiple response**
7.	**Explain the structure, relevance and application of State Schemes to an individual's pension planning**	**4 standard format**
8.	**Evaluate the aims and objectives of retirement planning, including the relevant investment issues**	**5 multiple response**

* The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

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Important notes

- Method of assessment: 50 questions: 39 standard format and 11 multiple response questions. 1 hour is allowed for this examination.
- This syllabus will be examined from 1 September 2024 to 31 August 2025.
- Candidates will be examined on the basis of English law and practice in the tax year 2024/2025 unless otherwise stated.
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- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit *www.cii.co.uk/qualifications*
  2. Select the appropriate qualification
  3. Select your unit from the list provided
  4. Select qualification update on the right hand side of the page

1. Understand the political, economic and social environment factors which provide the context for pensions planning

1.1 Describe the role of Government, policy direction, challenges and reforms.

1.2 Describe corporate responsibilities, their challenges and impact on pension planning.

1.3 Describe demographic trends, longevity and the ageing population.

1.4 Describe incentives, disincentives and attitudes to saving.

1.5 Explain the main pension scheme types and methods of pension provision.

2. Understand how the HM Revenue & Customs (HMRC) tax regime applies to pensions planning

2.1 Explain how the HMRC tax regime applies to pensions planning – Contributions and tax relief; Pension scheme investment funds; Death benefits; Retirement benefits; Transitional reliefs.

2.2 Explain how the following are applied – Annual allowances; Tapering of the annual allowance; Lifetime allowance; Lump sum allowance; Lump sum and death benefit allowance; Overseas transfer allowance; Associated charges.

2.3 Outline the tax treatment of other types of schemes.

3. Understand the relevant aspects of pensions law and regulation to pensions planning

3.1 Explain the relevant aspects of pensions law and regulation.

3.2 Describe the role and duties of trustees and administrators of pension schemes.

4. Understand the structure, characteristics and application of Defined Benefit (DB) schemes to an individual's pension planning

4.1 Describe the main types, attributes and benefits of DB pension provision, including the rules and operation of DB schemes.

4.2 Outline the funding methods and related issues.

4.3 Explain the role of trustees and other parties, including scheme reporting.

4.4 Describe the factors to consider and the benefits on leaving, early and normal retirement, including the main transfer issues in broad terms.

4.5 Explain the benefits available on ill health and death.

4.6 Explain eligibility and top-up options.

4.7 Describe the structure, main attributes and benefits of public sector schemes.

5. Analyse the range of Defined Contribution (DC) scheme options as they apply to an individual's pension planning

5.1 Analyse the types of DC schemes, their main attributes and benefits.

5.2 Explain the legal bases of DC schemes and their impact on an individual's pension planning.

5.3 Outline the benefits on leaving, and death before and after age 75.

5.4 Outline transfer issues and considerations.

6. Analyse the options and factors to consider for drawing pension benefits

6.1 Analyse the options to consider in drawing State Retirement Benefits.

6.2 Analyse the options available from DB schemes for drawing pension benefits.

6.3 Analyse the options available from DC schemes for drawing pension benefits.

6.4 Analyse the suitability of phased retirement.

6.5 Explain the small pots and trivial commutation rules.

7. Explain the structure, relevance and application of State Schemes to an individual's pension planning

7.1 Explain the structure, relevance and application of State Retirement Benefits, State Death Benefits and the Pension Credit framework as part of an individual's pension planning.

8. Evaluate the aims and objectives of retirement planning, including the relevant investment issues

8.1 Evaluate the aims and objectives of retirement planning in relation to – An individual's aims, objectives and circumstances; Investments available to meet these objectives; Alternative sources of retirement income; Regular reviews and the factors affecting them; Asset allocation factors; The main characteristics of self-investment.

Reading list

The following list provides details of further reading which may assist you with your studies.

Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII study texts
Pensions and retirement planning. London: CII. Study text R04.

Books
A modern approach to lifetime tax planning for private clients (with precedents). Christopher Whitehouse, Lesley King. Bristol: Jordans, 2016.

eBooks
The following eBooks are available via *www.cii.co.uk/elibrary* (CII/PFS members only):

Recreating sustainable retirement: resilience, solvency and tail risk. P. Brett Hammond, et al. Oxford: Oxford University Press, 2014.

Journals and magazines
Financial adviser. London: FT Business. Weekly. Available online at *www.ftadviser.com*.

Personal finance professional. London: CII. Four issues a year. Available online at *www.pfp.thepfs.org* (CII/PFS members only).

Money management. London: FT Business. Monthly. Available online *www.ftadviser.com/brand/money-management*.

Money marketing. London: EMAP Publishing Limited. Weekly. Available online at *www.moneymarketing.co.uk*.

Pensions age. London: Perspective. Monthly. Available at *www.pensionsage.com*.

Pensions Expert. London: FT Finance. Weekly. Available at *www.pensions-expert.com*.

Pensions insight. Newsquest Specialist Media. Monthly. Available at *www.pensions-insight.co.uk*.

Professional pensions. London: Incisive Media. Weekly. Available at *www.professionalpensions.com*.

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (*ciigroup.org/login*). Details of how to access Revisionmate are on the first page of your study text. It is recommended that you only study from the most recent version of the examination guide.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

1. The **principal** purpose of the National Employment Savings Trust (NEST) is to
   A. comply with European pensions legislation.
   B. enable smaller employers to meet the auto-enrolment obligations.
   C. raise revenue for the Government.
   D. reduce public sector borrowing.

2. Employers **must** be prepared to make pension contributions to a qualifying scheme of what **minimum** percentage of the qualifying earnings for eligible employees?
   A. 1%
   B. 2%
   C. 3%
   D. 4%

3. What is the currently projected State Pension age for a client who is now 30 years old?
   A. 66 years old.
   B. 67 years old.
   C. 68 years old.
   D. 70 years old.

4. What incentive does an employer receive from the Government to provide access to financial advice for members of its pension scheme?
   A. The cost of pensions advice up to £500 per annum for each employee is not a taxable benefit for employees.
   B. The Government matches the amount paid by the employer up to £250 per annum for each employee.
   C. The Money and Pensions Service will offer a grant of up to £1,000 to the employer.
   D. The employee can take up to £500 from their defined contribution scheme every tax year to pay for the cost of advice.

5. When an employee is auto-enrolled into a qualifying pension scheme, he should be aware that
   A. charges are capped at 0.5% in all schemes used for auto-enrolment.
   B. the employer’s contributions must at least match his own contributions.
   C. he can take a part of his fund tax free at retirement.
   D. if he does not opt out within one month, he is obliged to maintain pension contributions during that employment.

6. A Section 32 buy-out policy includes provision for the employees contracted-out portion of State Earnings-Related Pension Scheme (SERPS) by the provision of a guaranteed minimum pension (GMP). If the fund value is insufficient to provide the GMP element, which party is liable for the shortfall?
A. The ceding employer.
B. The ceding provider.
C. The current provider.
D. The individual.

7. Marc is a higher-rate taxpayer. He was the beneficiary of an uncrystallised pension fund valued at £450,000, which had belonged to his mother and represented her only pension benefits. His mother died on 15 July 2024, having turned age 75 on 31 May 2024. If Marc takes the entire fund as a lump sum, what is the tax treatment?
A. It is not subject to tax.
B. It is subject to Inheritance Tax.
C. It is subject to a 45% tax charge.
D. It would be taxed at Marc's marginal rate.

8. Gordon is employed and has a salary of £65,000. He has **NOT** yet made a pension contribution for the tax year 2024/2025 and has a total unused carry forward allowance of £70,000. What is the **maximum** tax-relievable personal contribution he can make in the tax year 2024/2025?
A. £60,000
B. £65,000
C. £70,000
D. £130,000

9. How is dividend income earned by a pension fund treated for tax purposes?
A. It is tax free.
B. Any dividend income which applies to an individual investor, in excess of their dividend allowance, is subject to dividend tax.
C. It is subject to Capital Gains Tax and deducted from the fund.
D. It is subject to dividend tax and deducted from the fund.

10. Claudia, aged 57, has triggered the money purchase annual allowance (MPAA) in the current tax year, as a result of accessing flexi-access drawdown for the first time. She should be aware that the MPAA will apply
A. in the current tax year only.
B. in the current and all subsequent tax years.
C. until the next review date of the drawdown arrangement.
D. until Claudia reaches State Pension age.

11. Harper, aged 45, has been told she has a life expectancy of less than 12 months. Having received acceptable evidence from her consultant, her pension provider has said she is able to take her entire pension fund, valued at £2,000,000, as a serious ill health lump sum. Harper should be aware that

A. the full amount can be paid to her tax free.

B. she is entitled to £1,073,100 tax free, with the remaining £926,900 subject to tax at her marginal rate.

C. the full amount is taxed as pension income.

D. she is entitled to £1,073,100 tax free, with the remaining £926,900 subject to tax at 45%.

12. Simon is considering purchasing a property to live in using the funds from his self-invested personal pension (SIPP). He should be aware that

A. as long as he pays enough rent to cover the mortgage payments, there are no further tax charges.

B. as long as the property is kept in the pension fund for at least 10 years, there are no tax implications.

C. he would be subject to an unauthorised payment charge on the value of the property.

D. he would be subject to Capital Gains Tax on the value of the property.

13. Jason resides abroad and receives income from a pension purchased in the UK. There is no double taxation agreement in place. In respect of the taxation of his UK pension income, he should be aware that the income will

A. be paid net of basic-rate tax only.

B. be taxable under PAYE in the UK and may be taxable in his country of residence.

C. normally be paid gross.

D. only be taxable in his country of residence.

14. John, aged 60, works on a part-time basis. He intends to take the benefits from his former occupational pension scheme which includes a pension commencement lump sum (PCLS) of £38,000. He currently pays £300 gross per month into a personal pension and once he receives his PCLS he plans to pay in a single contribution of £15,000 gross. He should be aware that in respect of recycling

A. the entire PCLS is likely to be treated as an unauthorised payment.

B. only the £15,000 single contribution is likely to be treated as an unauthorised payment.

C. only £7,500 of the £15,000 single contribution is likely to be treated as an unauthorised payment.

D. the single contribution will be allowed as it is less than 40% of the PCLS.

15. How does a higher-rate taxpayer receive tax relief when making contributions to an occupational pension scheme under a net pay arrangement?

A. At the basic tax rate as soon as the contribution is paid, with higher-rate relief paid via self-assessment.

B. At the basic tax rate only as soon as the contribution is paid.

C. At the employee's marginal tax rate as soon as the contribution is paid.

D. All tax relief is paid via self-assessment.

16. Paul died in August 2024, aged 78, after taking a pension commencement lump sum of £100,000 and placing his remaining pension provision into flexi-access drawdown in November 2023. His widow Suzi, aged 72, was an additional-rate taxpayer. If the crystallised fund remaining was £75,000, what was the net amount received by Suzi?

A. £33,750

B. £41,250

C. £45,000

D. £75,000

17. Scheme X and scheme Y are both occupational pension schemes but only scheme X is covered by The Pension Protection Fund. This is because

A. scheme X started in 1995 and scheme Y started in 2002.

B. scheme X was contracted-out and scheme Y includes a bridging pension.

C. scheme X is a defined benefit scheme and scheme Y is a defined contribution scheme.

D. scheme X is contributory and scheme Y is non-contributory.

18. An employer has set up a group personal pension scheme for its staff. The scheme members should be aware that

A. the employer must match members' contributions up to 5% per annum.

B. higher-rate tax relief is granted at source.

C. if a member leaves service within two years, he may receive a refund of his own contributions.

D. members' contributions can continue after leaving service.

19. Mary and Jim are in the process of divorcing. In respect of their pension funds, offsetting would involve

A. Jim becoming a deferred member of Mary's pension fund.

B. Jim transferring an amount into Mary's pension fund.

C. Mary making a lump-sum contribution into Jim's pension fund.

D. Mary retaining her own pension fund by transferring other assets to Jim.

20. An employer has asked the trustees of its qualifying occupational defined contribution pension scheme to introduce higher charges for deferred members of the scheme. The trustees should be aware that

A. all member-nominated trustees must agree to such a change before it can be implemented.

B. the trustees can levy a higher charge on one class of member to another.

C. the trustees have a duty to take into account the interests of all members.

D. the trustees must put the interests of members who are nearer to retirement ahead of younger members.

21. Kevin, a higher-rate taxpayer, has been a member of an occupational defined benefit pension scheme for 18 months and has made personal contributions of £6,000 gross. If he now leaves the scheme, how will any refund be treated for tax purposes?

A. It will be subject to a 20% tax charge.

B. It will be subject to a 50% tax charge.

C. It will be taxed at Kevin's marginal rate of tax.

D. £5,000 will not be subject to tax and £1,000 will be taxed at Kevin's marginal rate of tax.

22. Paul became a deferred member of a defined benefit occupational pension scheme in January 2014, after two years' service. What **minimum** rate of revaluation, if any, will be applied to his deferred benefits?

A. Any discretionary rate of revaluation agreed by the trustees may be applied.

B. A minimum rate of 5% per annum or inflation, if higher, will be applied.

C. A rate of 2.5% per annum or inflation, if lower, will be applied.

D. There is no minimum revaluation rate.

23. Connor is a member of his employer's defined benefit pension scheme and wishes to make increased pension contributions. He should be aware that

A. additional voluntary contributions (AVCs) cannot be used to provide tax-free cash at retirement.

B. he may pay additional contributions to a personal pension up to £3,600 per annum only.

C. his employer must offer a salary sacrifice arrangement in relation to additional voluntary contributions (AVCs).

D. the scheme will normally offer the option of paying additional voluntary contributions (AVCs).

24. The technical provisions of a defined benefit occupational pension scheme are the

A. scheme's actuarial assumptions.

B. scheme's investment strategy.

C. amount of annual scheme contributions.

D. valuation of the scheme's liabilities.

25. Within what **maximum** period, if any, should a newly-appointed trustee of a defined benefit occupational pension scheme reach the required level of trustee knowledge and understanding?

A. Prior to the appointment.

B. Six months.

C. One year.

D. There is no time limit.

26. What retirement options, if any, exist for an employee, aged 48, who has just been declared unfit to work through ill health?

A. Benefits may be paid in all circumstances subject to HM Revenue & Customs rules only.

B. Benefits may be paid subject to the agreement of the scheme trustees acting in accordance with the scheme rules.

C. Benefits may not be paid in any circumstances until age 55.

D. Benefits may not be paid unless the member has a life expectancy of less than 12 months.

27. Under a public sector pension scheme, what is **normally** the **maximum** permissible pension commencement lump sum at retirement?

A. 120/80ths final pensionable salary only.

B. 40/60ths final pensionable salary only.

C. 3 times the residual annual pension payable.

D. 25 times the residual annual pension payable.

28. Emilio, aged 45, owns his own company. The company has been making gross contributions into Emilio's personal pension as follows

Date of contribution	Amount
1 June 2021	£12,000
1 June 2022	£20,000
1 June 2023	£20,000
1 June 2024	£20,000

If Emilio's earnings are £50,000 per annum, what is the **maximum** further amount that the company can contribute without him incurring an annual allowance charge in the tax year 2024/2025?

A. £88,000

B. £108,000

C. £128,000

D. £168,000

29. Marcus, aged 64, is discussing his retirement options with his financial adviser. He has the following pension arrangements

Scheme	Type	Status	Current fund value
X	Self-Invested Personal Pension Scheme	Fully Crystallised	£240,000
Y	Personal Pension	Uncrystallised	£100,000
Z	Retirement Annuity Contract	Uncrystallised	£12,000

When considering the options available, of what should his adviser make Marcus aware?

A. Should he die now, his beneficiaries would receive £112,000 free of tax, with the balance taxable.

B. Taking all the benefits from scheme Z as an annuity would be a relevant benefit crystallisation event.

C. Taking the pension commencement lump sum only from scheme Y would not trigger the Money Purchase Annual Allowance.

D. Transferring scheme Y to X would be a relevant benefit crystallisation event.

30. Bethany has asked her financial adviser whether she should consolidate her existing pension arrangements which are as follows

Scheme	Type	Dates of Service	Status
X	Occupational Money Purchase Plan	1995 -1999	Deferred
Y	NHS Pension Scheme	1999 -2010	Deferred
Z	Group Personal Pension Plan	2010 - present	Active

With regards to any possible transfers, Bethany should be aware that scheme

A. X may allow Bethany the right to a pension commencement lump sum of more than 25%.

B. X will always allow her to flexibly access her benefits.

C. Y could only be transferred if the transfer value was less than £30,000.

D. Z would be unable to accept a transfer from X or Y.

31. The occupational pension scheme membership periods for two clients are as follows

Client	Type of scheme	Date joined scheme	Date left scheme
Jane	Defined benefit	1 January 2019	1 June 2020
Ali	Defined contribution	1 August 2020	1 September 2020

What is the correct position with regard to any refund by Jane and Ali's employers of their own contributions?

A. Only Ali is entitled to a refund.

B. Only Jane is entitled to a refund.

C. Both Jane and Ali are entitled to a refund.

D. Neither Jane nor Ali are entitled to a refund.

32. Nigel and Ellen are both due to reach State Pension age in 2025, at which point Nigel will have 35 qualifying years of National Insurance contributions and Ellen will have 30 qualifying years. To what proportion of the State Pension will they be entitled?

A. Ellen will receive 30/35ths and Nigel will receive the full pension.

B. Ellen will receive 30/39ths and Nigel will receive 35/39ths.

C. Ellen will receive 30/44ths and Nigel will receive 35/44ths.

D. Both will receive the full pension.

33. Jackie is entitled to a scheme pension of £20,000 per annum from her defined benefit scheme. Under the scheme rules, she is permitted to commute some of this pension for a pension commencement lump sum (PCLS) of up to £60,000 using a commutation factor of 15:1. If she elects for the £60,000 PCLS, what will her residual annual pension be?

A. £4,000

B. £6,667

C. £15,000

D. £16,000

34. Ann is in poor health and would qualify for an enhanced annuity rate. She has a retirement annuity with guaranteed annuity rates as follows

Date of contribution	Rates	Basis
Guaranteed annuity	8.0%	Single life, yearly in advance, no guarantee and level
Enhanced annuity	8.0%	Single life, monthly in arrears, 10-year guarantee and Limited Price Indexation increases

What can be deduced from this information?

A. Both annuities are equally attractive.

B. The enhanced annuity provides greater potential death benefits.

C. The guaranteed annuity provides the greater inflation protection.

D. Payments under the enhanced annuity commence earlier than payments under the guaranteed annuity.

35. John, aged 65 and a basic-rate taxpayer, decides to start drawing benefits from his personal pension under phased retirement using an annuity. If annuity rates are 5.3% and he crystallises funds worth £20,000, what is his **maximum** total net income in year 1?

A. £848

B. £1,060

C. £5,636

D. £5,795

36. Belinda, aged 78, has provided her financial adviser with her total pension arrangements as follows

Type of Scheme	Status	Value
Capped Drawdown	Crystallised	£40,000
Personal Pension	Uncrystallised	£100,000
Group Money Purchase Scheme	Uncrystallised	£65,000

The financial adviser is considering commutation of Belinda's pension arrangements on the grounds of serious ill health. Belinda should be made aware that

A. commutation will be a relevant benefit crystallisation event for the purposes of Belinda's lump sum allowance.

B. the entire serious ill health lump sum will be taxed at her marginal rate.

C. the entire serious ill health lump sum will be tax free.

D. she will be able to commute the full £205,000 as a serious ill health lump sum.

37. Which category(ies) of National Insurance contribution(s) may an employed individual pay to top up their State Pension entitlement?

A. Class 1 only.

B. Class 2 only.

C. Class 2 and Class 4.

D. Class 3 only.

38. Joan is approaching State Pension age and is looking at the possibility of claiming Pension Credit. Which State benefit is taken into account when assessing her eligibility for Pension Credit?

A. Attendance Allowance.

B. Carer's Allowance.

C. Disability Living Allowance.

D. Personal Independence Payment.

39. Sofia, aged 64, has been advised that her foundation amount will be higher than the full rate State Pension. She should be aware that at State Pension age she

A. can commute the excess foundation amount as a lump-sum payment.

B. must cease National Insurance contributions from the end of the current tax year.

C. will receive the excess foundation amount as additional income.

D. will receive the lower of the foundation amount and the full State Pension.

For Questions 40-50 more than 1 option is correct. You must select all the correct options to gain the mark.

40. A financial adviser is considering his client's annual allowance and seeking to determine the total pension input amount relevant to his personal pension portfolio. He should be aware that

A. employer contributions made on behalf of the client must be excluded.

B. if the annual allowance is exceeded, the client is subject to tax on the excess at his marginal rate.

C. investment growth in the value of the fund is ignored.

D. the annual allowance will not apply in the year the member wholly crystallises his benefits.

41. Peter, a financial adviser, is looking to set up either a small self-administered scheme (SSAS) or a self-invested personal pension scheme (SIPP) for two directors of a company. When comparing the two types of pension arrangements, he should be aware that the

A. SIPP will be regulated by the Financial Conduct Authority.

B. SIPP would normally be set up under contract.

C. SSAS will issue Statutory Money Purchase Illustrations at least annually.

D. SSAS would normally be set up under a master trust.

42. Stephen is about to commence taking benefits from his personal pension scheme, which was previously contracted out of the State Second Pension (S2P). He should be aware that

A. he can take up to 25% of the total fund as a pension commencement lump sum.

B. he has the right to exercise the open market option.

C. his whole pension fund must provide Limited Price Indexation in payment.

D. the element of the fund accrued as a result of contracting out of S2P will not count towards the lump sum and death benefit allowance.

43. Jeff, aged 68, has just retired and has a capped drawdown pension. He also has a small occupational money purchase arrangement valued at £40,000, from which he wishes to take benefits immediately. With regards to his options, he should be aware that he

A. may be able to take an uncrystallised funds pension lump sum.

B. may be able to use flexi-access drawdown.

C. will not be able to purchase a flexible annuity.

D. will not be able to use capped drawdown.

44. Claudia, aged 58 and in good health, has a number of small personal pension arrangements and is interested in taking their benefits as a lump sum. In respect of the small pots rules, she should be aware that

A. she must wait until she reaches age 60 before taking any small pots payment.

B. a small pots payment is not a relevant benefit crystallisation event.

C. the limit on each small pot payment is £10,000.

D. there is no limit to the number of small pots payments that can be made.

45. Benson, who has been in receipt of the State Pension since 2015, has asked his financial adviser whether he can defer taking benefits. The adviser should explain that

A. he must defer for at least 5 weeks to receive any increase in income.

B. he must defer for at least 9 weeks to receive any increase in income.

C. his deferred pension will annually increase at the rate of 5.78%

D. he will have the option to take a lump sum if he delays for at least 12 months.

46. Ben is considering whether to join his new employer’s group personal pension scheme or save for retirement using a stocks and shares ISA. He should be aware that

A. he will be able to draw a tax-free income from the ISA at retirement.

B. he will receive tax relief under the net pay method on his pension contributions.

C. the overall size of his fund at retirement is likely to be higher under the pension scheme compared to the ISA, assuming he makes the same net payments into both.

D. pension saving will become compulsory for most employees from the employer’s staging date.

47. A 25-year-old is considering how much to pay into a personal pension plan in order to achieve a retirement income of half his salary. He should be aware that the

A. Government Actuary’s Department recommends 8% of qualifying earnings as an adequate level of saving.

B. higher the growth rate he assumes for his investments, the lower the level of contribution required to meet his target income.

C. maximum prescribed growth rate in a key features illustration is 9% per annum.

D. rate of return he receives on his savings is likely to be linked to how much risk he is prepared to take in his investment strategy.

48. A client is starting a new job and his employer’s pension scheme has a target date fund as its default fund. He should be aware that **normally**

A. the fund’s asset allocation strategy assumes that benefits will be drawn on the target date.

B. the fund targets a specific minimum level of income linked to the level of his contributions.

C. he will not have the option of choosing an alternative fund.

D. the move into lower risk assets happens gradually as retirement approaches based on the fund manager’s view of investment market conditions.

49. A client, aged 50, has an existing investment portfolio and other pension schemes. He has a high appetite for investment risk and asks for advice on which fund to invest in through his new employer's defined contribution occupational pension scheme. In terms of asset allocation when considering his fund choices, he should be aware that **normally**

A. the default fund is likely to be best suited to his needs.

B. he should consider when he is likely to be drawing his retirement benefits.

C. he should take into account his other investments and pensions in order to achieve appropriate diversification.

D. his investment strategy is unaffected by whether he plans to buy an annuity or start a drawdown pension.

50. A self-employed client is considering the direct purchase of a buy-to-let property as part of his retirement planning. He should be aware that

A. the capital repayments on any loan used to purchase property can be offset against the rental income for tax purposes.

B. he may be subject to Capital Gains Tax on the sale of the property.

C. the property will normally be included in his estate on death.

D. rental income, after allowing for costs, will be subject to Income Tax at his highest marginal rate.

INCOME TAX

RATES OF TAX	2024/2025
Starting rate of 0% on savings income up to*	£5,000
Personal Savings Allowance	
Basic rate	£1,000
Higher rate	£500
Additional rate	Nil
Basic rate of 20%	£0 to £37,700
Higher rate of 40%	£37,701 to £125,140
Additional rate of 45%	£125,141 and over

**For non-savings income less than £17,570 only. The starting rate for savings applies for up to a maximum of £5,000 of savings income.*

Dividend Allowance	£500
Dividend tax rates	
Basic rate	8.75%
Higher rate	33.75%
Additional rate	39.35%

Trusts	
Income exemption up to**	£500
Rate applicable to trusts	
- Dividends	39.35%
- other income	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
Personal Allowance (basic) §	£12,570
Marriage Allowance	£1,260
Rent-a-room scheme - tax-free income allowance	£7,500

§ *Reduced allowance of £1 for every £2 of adjusted net income over and above £100,000*

NATIONAL INSURANCE CONTRIBUTIONS

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

Class 1	Employee	Employer
NICs rate	8%	13.8%
No NICs on the first (per week)*	£242	£175**
NICs rate charged up to (per week)	£967	No limit
NICs rate on earnings over UEL	2%	n/a

** 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.*
*** 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 £50,270. 2% on profits above £50,270.

PENSIONS

	2024/2025
Annual Allowance*	£60,000
Lump sum and death benefit allowance (LSDBA)	£1,073, 100
Lump sum allowance (LSA)	£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

** 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.*

CAPITAL GAINS TAX

TAX RATES	2024/2025	
Individuals:	Pre 30/10/24	Post 30/10/24
Up to basic rate limit	10%	18%
Above basic rate limit	20%	24%
Surcharge for residential property and carried interest gains up to basic rate limit	8%	n/a
Surcharge for residential property above basic rate limit	4%	n/a
Surcharge for carried interest gains above basic rate limit	8%	4%
Trustees and Personal Representatives:		
Residential property	24%	24%
Other chargeable assets	20%	24%
Business Asset Disposal Relief*	10%	
Lifetime limit	£1,000,000	

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

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

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 still apply as below.

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

INHERITANCE TAX

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

MAIN EXEMPTIONS

Transfers to

- UK-domiciled spouse/civil partner	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000
- main residence nil-rate band*	£175,000
- UK-registered charities	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
- Annual small gifts exemption per donor	£250

Wedding/civil partnership gifts by

- Parent	£5,000
- Grandparent/bride or groom	£2,500
- other person	£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%

CORPORATION TAX

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

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

MAIN SOCIAL SECURITY BENEFITS

		2024/2025
Child Benefit	First child	£25.60
	Subsequent children	£16.95
	Guardian's Allowance	£21.75
Basic State Pension	Category A & B full rate	£169.50
	Category B (lower) full rate	£101.55
New State Pension	Full rate	£221.20
Pension Credit	Standard minimum guarantee - single	£218.15
	Standard minimum guarantee - couple	£332.95
Bereavement Support Payment	Higher rate - lump sum	£3,500
	Higher rate - monthly payment	£350
	Standard rate – lump sum	£2,500
	Standard rate – monthly payment	£100

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Standard Format Questions						**Multiple Response Questions**		
Learning Outcome 1			**Learning Outcome 4**			**Learning Outcome 5, 6 & 8**		
1	B	1.1	21	A	4.4	40	B, C	5.1
2	C	1.2	22	C	4.1	41	A, B	5.2
3	C	1.3	23	D	4.6	42	A, B	6.3
4	A	1.4	24	D	4.2	43	A, B	6.3
5	C	1.4	25	B	4.3	44	B, C	6.5
6	C	1.5	26	B	4.5	45	A, D	6.1
6 Questions			27	A	4.7	46	A, C	8.1
			7 Questions			47	B, D	8.1
Learning Outcome 2						48	A, D	8.1
7	D	2.1	**Learning Outcome 5**			49	B, C	8.1
8	B	2.1	28	C	5.1	50	B, C, D	8.1
9	A	2.1	29	C	5.1	**11 Questions**		
10	B	2.2	30	A	5.4			
11	B	2.1	31	B	5.3			
12	C	2.1	**4 Questions**					
13	B	2.3						
14	A	2.1	**Learning Outcome 6**					
15	C	2.1	32	A	6.1			
16	B	2.1	33	D	6.2			
10 Questions			34	B	6.3			
			35	C	6.4			
Learning Outcome 3			36	B	6.1			
17	C	3.1	**5 Questions**					
18	D	3.1						
19	D	3.1	**Learning Outcome 7**					
20	C	3.2	37	D	7.1			
4 Questions			38	B	7.1			
			39	C	7.1			
			3 Questions					