R06 July 2020

These notes aim to cover all the key points arising from the July case studies. I have aimed to be as accurate as possible but the odd error may have crept through. So please don't rely on this as your only guide, read other sources and carry out your own research.

Good luck

Case study 1 Seth and Kaitlyn

Key points in case study

Kaitlyn's inherited pension

- As her husband died aged 76 all withdrawals will be taxable
- No mention of nominations, presumably she would want to nominate her children

Her deferred state pension

- Having reached SRA before 2016 it is increasing at 10.4% a year (1% for every 5 week deferred) plus if she decided to take a lump sum she could take it with interest of base rate plus 2% and probably taxed at 20%
- It would be a mix of BSP SERPS. We don't know how much this is

Seth's SIPP

- Could apply for both FP16 and IP 16
- He can do FP as no input since after 2016, would give an LTA of £1.25m
- IP would fix it as the value at April 2016 but he could have further input

House in joint tenancy together with their wills

- Deceased's share would go into an IPDI trust
- Survivor gets the right to live there for rest of life
- Then property to first deceased's children

BUT the will was done before they got married so unless the will was written "in anticipation of marriage" the will has become invalid and they will both die intestate

Obtain an adequate income in retirement

See
April 2019 case study 2 (a) (e)
July 2019 case study 2 (a) (e)
October 2019 case study 1(a) (c)
January 2020 case study 1 (g) case study 2 (a) (b) (c)

Fact find questions

- What income do they need?
- Likely pattern of spending in retirement/essential and discretionary spending
- Amount of state pension (K)
- State Pension forecast for Seth
- Income from existing assets
- Does Kaitlyn have a pension from former employment?
- Any future inheritances
- Capacity for loss
- Importance of secure income v flexible income
- Importance of PCLS
- Are they likely to need future capital?
- Importance of passing capital on death.
- Does his business have a sale value if so how much?
- Does he intend to do some work after he retires

Factors to consider

- The £1,500 (£18,000) income Kaitlyn is drawing from her late husband's pension will be taxable as he was over 75 when he died.
- Withdrawal rate is 3.6%
- No cash or Bonds within fund

- She has a pre 2016 state pension so her deferment means it is increasing at 10.4% a year or she can take a lump sum, her pension would then be at the current level
- Seth will have a Single Tier Pension £168.60 for (19/20) but will be £175.20 in 20/21
- His fund is currently above the LTA but he could apply for both FP 16 and IP 16
- He is on the verge of additional rate tax and will have lost his PA
- Likely to be paying tax at a lower rate in retirement
- Both have a medium to high ATR
- They have substantial assets
- If he sells his business would qualify for entrepreneur relief

- No liabilities/no mortgage
- Both in good health

If you are asked to **state the additional information**, you must list information that isn't in the case study but you need to know to give advice.

If asked to s**tate the factors**, you should include any information in the case study and any other relevant information you would take into account in drawing up a recommendation

In more detail

Technical note Deferring State pension

Kaitlyn being pre 2016 gets a higher increase compared to anyone reaching SPA after April 2016
She can only defer once so if she decides to take the pension she cannot defer again.
If she decides to take the deferment as income. i.e. a regular payment it will be taxed as non-savings income.
If she takes it a lump sum (amount of deferred pension) it will be increased by base rate + 2% a year.
It will be taxed at a single rate depending on which band the first £ of income falls.
For example if your other non-savings income is £500 below the higher rate threshold and there is a £30,000 lump sum it is all taxed at 20%
Seth could defer but the increase is 1% for every 9 weeks deferred which is about 5.4% with no option of a lump sum

Pension protection for Seth

- Can do FP 16 as he has had no input since 2016
- Will give a LTA of £1.25m
- He is already close to that and any excess will be taxable
- But he cannot have further input
- That may not be a problem as he is close to the LTA but it would be very tax efficient to make a substantial contribution
- He will be almost certainly subject to Tapered Annual Allowance

- IP 16 would fix his protection at fund value at 5/4/16
- This could be lower than £1.25m
- But he could have further input

- On balance probably go for FP on basis that
- It is likely to be higher than IP
- Not having further contributions is unlikely to be an issues

Is there a case for a final contribution?

- He probably has the full AA of £40,000 or very close to it
- He could use carry forward to make up to £120,000
- Would get back his PA and could make his income subject to 20% max in year of retirement.
- He has funds (deposit account to do this)
- Would cut him off from FP but could still do IP. Still worth doing because it would give a higher LTA than the current one
- By phasing crystallisation events he could defer incurring a LT charge
- And it is increasing each year
- With possibility it might be abolished

Similar points if he doesn't claim either. Until he crystallises sufficient to breach the LTA there is no charge

Options for him.

<u>Lifetime annuity</u>

Pro

- Secure lifetime income
- Can shape annuity (spouse's pension/escaslation)
- Kaitlyn can receive a spouse's pension
- No admin or fees once purchased

Con

- Annuity rates are very poor
- Cannot renegotiate terms
- Poor value if he dies earlier than expected
- Will end on second death

FAD

- Can vary the income
- More options for Kaitlyn if he dies before her
- Fund is high. Assuming current value of £1,220,000 then he could and with some form of protection taken he could take a PCLS of £305,000 leaving £915,000 so a 3% withdrawal rate would give a gross income of £27, 450

- If there is no need for capital sum could use PCLS and draw capital from it to supplement their income
- Matches ATR
- Has other assets

Con

- Subject to investment risk
- Money may be exhausted
- If he nominates Kaitlyn and dies before her he cannot stop her passing money to her children
- Lots of admin and fees
- He could either ask that a percentage goes to K and the other to his children
- Or designate a trust to receive any amount

<u>Leave uncrystallised</u>

Pros

- Does not trigger a BCE
- Fund may grow
- When he dies remaining fund is outside estate

Con

- No immediate income
- Subject to investment risk

<u>Blended approach</u>

- Try to ensure that essential spending is covered by guaranteed/secured income.
- This would be state pension and lifetime annuity. Get secure income from State pension (approx. £16 to £18K)
- Then make up the remainder to cover discretionary spending by using FAD or UFPLS

Comment on her FAD fund strategy

- All equities so no negative correlation
- There should be an element of cash to fund immediate withdrawals and pay charges.
- There should also be bonds to hedge the annuity risk

Technical note: Managing drawdown

If the intention is to maintain the drawdown fund for as long as the individual lives, there must be a plan to establish that the income being taken is sustainable.
This will normally involve drawing up a cash flow model built over a time scale beyond average life expectancy taking onto account the regular amount being taken, assumed inflation rate, and assumed investment returns.
This should be reviewed every 12 months

Drawdown exposes you to investment risk and **Sequencing Risk**

A cash flow model may assume a 3.5% average return. In real life the average return might be 3.5% but this will vary year to year. If the early years produce poor returns the fund will be diminished more quickly than anticipated. On the other hand, if the early years produce good returns the fund will last longer.

To reduce this risk you should:

- Use other funds or cash to fund the first year's withdrawals.
- Stop withdrawals from the drawdown fund in times of market turbulence
- Could consider using the PCLS to fund the first years withdrawals

As a very rough rule a withdrawal rate of 4% or under is usually considered to be safe

Ensure their current investment holdings are suitable and tax efficient

See

July 2019 Case study 2 (d)
October 2019 case study 2 (d)
January 2020 case study 1 (a)

Key questions

- Do their holdings match their ATR?
- Is their sufficient diversification?
- Are they held in the most tax efficient?
- Are there better alternatives?

We also need to know:

- What was the initial investment?
- What income is being produced?
- Seth's tax rate after he retires?
- Are any funds earmarked?
- Have they used the ISA allowance for this year?
- Do their ISA providers allow a transfer to other ISA funds?
- What are the assets in each fund?
- Are other funds available within the IB?
- When was the IB taken out?
- Any withdrawals taken

Do they match ATR?

Ignoring the current account Seth has £504,000 assets

Cash	27.8%
Gilts	25.20%
Emerging markets	47%

- In terms of risk the Emerging Markets/Asian Equity is rather stretching the high risk definition particularly as almost half the holding is in this.
- Then over 25% is in cash and a similar holding in Bonds
- A "dumbbell" approach. Heavily weighted at either end of the risk spectrum
- Holding in cash is above FSCS compensation limit

Diversification

- Very little diversification
- No UK/US/European equities

Tax efficiency

- Interest from deposit account is likely to be between £1,000 and £1,400. He is edging close to the additional rate threshold when he would lose his PSA
- Bonds are within an Isa so income tax and CGT free

Offshore investment Bond

- He will have no tax liability until there is a chargeable event
- He can take withdrawals of 5% of the original investment on a tax deferred basis. At present, assuming he has made no withdrawals he could take 35% of £200,000 = £70,000
- When there is a CE he would have to pay income tax on the gain at 20%, 40% or 45%
- He should wait until he is retired so that he pays tax at a lower rate
- He can use top slicing but only to stop him going into the next tax band
- Switching to a different fund is not a CE

Recommendation

- If available use the deposit account to open £20,000 cash ISA to reduce income tax and to avoid losing his PSA
- Agree emergency fund and use remainder to buy collective equity funds
- Transfer part of the gilt fund into other equity ISA funds
- Have holdings in a range of geographical and industry sectors
- Switch holding in IB to get greater diversification as this is not a CE
- Avoid having a CE on his IB until he has retired.
- Consider higher risk tax efficient products such as VCT/EIS

Kaitlyn has £180,000 of assets ex the current account

2/3 in cash 1/3 in property fund

- Does not match her ATR
- Lacks diversification
- ISA holding for property fund

We need to know whether the Global Property Fund is open-ended or closed ended.

Recommendation

- Reduce holding in cash
- Open up cash ISA for £20,000
- Use cash to invest in a wider range of funds
- Consider transferring part of ISA into other ISA funds
- Continue to use ISA allowance each year

Technical note Property Fund.

- If held in an open ended fund (unit trust/OEIC) there could be liquidity issues. Fund may suspend dealings (gated) for some time.
- Also difficult to establish if valuation or property is accurate
- If held in a REIT (Real Estate Investment Trust) that would be a company structure with shares listed and traded on an exchange.
- This takes away the liquidity risk
- Also rents flow through the REIT as Property Income Distribution which would be tax free as held in an ISA
- It should also pay a non-PID which is the dividend flow.

An alternative is a **Property Authorised Investment Fund (PAIF)**

This is an open-ended fund that invests primarily into REITs
It has three payment elements, PID, non-PID and interest

Estate passed on as efficiently as possible.

See
October 2019 Case study 1 (e) (f)
January 2020 Case study 2 (e)

They appear to have done all the right things but unfortunately because of their marriage the will is invalid and therefore they will die intestate and their status will be married with children. It also means the trust will not come into effect

A possible question might be:

Explain why if either Seth or Kaitlyn dies, their estates will not be distributed in accordance with their wishes.

Explain in detail how their estate will be distributed.

Explain how this could be corrected after their death and the conditions for doing this

If Seth dies first his assets would be distributed as follows:

Current account automatically to Kaitlyn as in joint names
Total assets: £475,000 (share of house) plus £504,000 = £979,000 distributed under rules of intestacy.

- Katelyn gets £250,000 outright remaining amount £729,000 split 50/50
- Half to his children split equally and half to Kaitlyn £364,000

This is not what they wanted as Kaitlyn now has £614,500 whereas the intention was that she should only get the right to live in the property. It also means that she could pass these assets on to her children.

This could be rectified by executing a **Deed of Variation**.

- This would be done by Kaitlyn as she is the one who is giving up her inheritance.
- She can do this because she is over 18 and sane,
- It must be done within two years of Seth's death
- It must be signed and wittnessed
- It must contain a statement that the variation is to have effect for IHT as if the deceased had made it
- If it increases the IHT liability it must also be signed by the deceased's personal representatives.

- No money or consideration paid for making the deed.

If Kaitlyn dies first the same situation would arise.

To avoid this we should recommend a new will is drawn up replicating the original one. Assuming Seth dies first this is what would happen

House held in tenants in common so deceased's 50% share (£475,000) will go into trust. His own assets (£504,000) go to his children

Technical note trust

- Type is not specified but would expect this to be an Immediate Post Death Interest Trust (IPDI) with the surviving spouse as the life tenant and their children as the remaindermen.
- So on say Seth's death his share goes into the trust
- This would be an exempt transfer as the life tenant is his spouse
- K gets the right to live there rent free for the rest of her life so has security
- On K's death the house goes to his children

IHT implications

Whether they write a new will or die intestate it appears that both can claim 100% of their former spouse's NRB and RNRB

Technical note Transferring NRB

- The case study says they inherited their late spouse's estates and homes
- Therefore they could claim 100% of the NRB provided there no PETS or CLTs made in the seven years before death
- Whilst death occurred before the introduction of RNRB it is still possible to transfer it to their estates.
- This will be 100% of the RNRB at date of second death.
- Only reduction will be if deceased had a total estate of more than £2m
- Seth and Kaitlyn are going to pass their share of the house into a trust.
- If this is an IPDI trust and remaindermen are their respective children RNRB will apply when the house is passed to the remaindermen
- If it was a discretionary trust RNRB could not be used.
- The executors would have two years from date of death to claim these.
- In principle when either Seth or Kaitlyn die, the surviving spouse can claim their unused NRB as well but you cannot claim more than 100% of a previous souse;s NRB

If a new will was written this is how the IHT liability would be calculated if Seth dies first and for purpose of illustration estate values remain the same.

Seth has £650K NRB
Transfer of his share of house £475K into an IPDI would be an exempt transfer as long as K is the life tenant
Legacy to children £504k is chargeable but below NRB so no charge

K dies Her free estate is £180,000 + £475,000 share of house
She has NRB of £650K + £300K RNRB
The trust property (House) is £475k
RNRB x 2 = £300K

House	£950,000
Less RNRB + NRB	£950,000
	£0

Taxable estate	£180,000 @ 40% = £72,000

Liability shared proportionally between executors and trustees

Trust Property	£475,000/1,130,000 x £72,000 = £30,265
Executors	£655,000/£1,130,000 x £72,000 = £41,735

If K dies first Taxable estate £504,000 @ 40% = £201,600 split in proportion between executors and trustees.

If asked to explain the process, then the following could be a possible answer.

- The second death's free estate is their half share of the property plus their other assets.
- In calculating the IHT the trust property is included as well as the deceased's own assets.
- After deducting the available NRB and RNRB the tax is calculated
- This is then split proportionally between the executors and the trustees

Seth's IB

- Seth's IB. Death would be a CE on his death plus it would be part of his estate. It may be possible to add his wife and become a joint policy second death. This would mean no CE but it would become K's policy.
- An alternative would be to assign the policy into a discretionary trust. This would be a CLT but no tax would be incurred as below NRB.

- If he survives seven years it would be outside his estate
- He could be a trustee and write a letter of intent to state what he would like the other trustees to do with this after his death
- If he wanted his children to benefit the trustees could assign all or part of the plan to them and that would not be a CE
- Unlikely to be periodic or exit charges as it looks well below the NRB
- Downside is that having put it into trust Seth can't benefit.

Otherwise "usual suspects"

- Maintain pension fund and take capital from other assets
- Use annual exemption
- Use small gifts
- Make PETS
- Charitable legacy

There could be a case for taking out insurance to pay the IHT. This would be useful as the trust will probably have no liquid assets to pay their share of the tax.

The usual approach would be whole of life on joint life second death basis written in trust for the beneficiaries.

The practical problem is that the liability is going to be different depending on who dies first.
A compromise figure could be selected to pay at least some of the tax.
It might be possible to have a reviewable sum assured to allow future changes.
A decision could also be deferred until first death when there is unlikely to be an IHT charge but if this was in 10 years time the premiums might be unaffordable

Case study 2 Mita and Harish

Key Points from case study

- Buy to let property with an interest only mortgage of £80K (possible taxation question)
- Harish is a director mix of salary and dividends
- He has a SIPP current value £600K includes bonds and the property that his business occupies. No contributions made for some years
- Mita also higher rate tax payer member of OPS 5% matched by employer Can increase to 7% on a matched basis
- Target Date pension fund value £40,000
- Deferred member of a former DB scheme projected £8,000 at 65 (assume this revalued)
- CETV £190,000
- She has a SIP £16,000 maturing in next 2 months
- He has an enduring power of attorney not yet registered. His mother obviously currently has mental capacity
- They want to set up a new monthly savings plan

Medium risk investors and plan to retire in 10 years time (62 & 65)

Ensure their existing pension arrangements are on target to meet their retirement aims

See
April 2019 case study 2 (a) (e)
July 2019 case study 2 (a) (e)
October 2019 case study 1(a) (c)
January 2020 case study 1 (g) case study 2 (a) (b) (c)

- We know they want to retire in 10 years time
- We don't know their required income
- We don't know the rental income from his BTL property and whether this will form part of his retirement planning
- Mita has a SIPP with a value of £600K but no contributions for several years
- Harish has £40,000 and has input of £6,200 (assuming £62K is her basic pay) This could increase to £8,680

Assessing current situation

- Good amount in the SIPP but no contributions in the past years
- Possible use of carry forward

- Fund is a unbalanced with bonds and commercial property
- He's probably not subject to the TAA

Technical note Tapered Annual Allowance

This reduces the Annual Allowance

- Harish is above the **Threshold Income of £110,000.** We would also have to add in the rental profits.
- If he made personal contributions that would reduce the figure and if this was below £110,000 there would be no further checks
- *Adjusted Income* is total income (no allowance for personal contributions) plus employer contributions.
- As there are no employer contributions he would get the full £40,000 AA
- However if he decided the business would make employer contributions once the adjusted income was more than £150,000 the AA is reduced by £1 for every £2 above £150k to a minimum of £10,000

Technical note. Property in a SIPP

- Rental income flowing into fund not counted as input
- SIPP does not pay tax on this
- Rent is an allowable business expense for the business
- When property is sold no CGT
- If his business fails creditors cannot claim the property
- BUT
- It creates an imbalance in the fund
- Property is illiquid and may be difficult to sell at time of retirement
- If business fails no rent will be coming in

Technical note Target Date Fund

- Mita intends to retire in 10 years time so will have a 2030 Fund
- This would usually switch to safer funds, e.g. bonds as 2030 approaches
- It may direct future contributions from 2025 to Bonds and then gradually switch the rest of the fund into Bonds
- Some funds may allow the manager to change the allocation depending on current economic circumstances

Pro's

- Derisks as retirement approaches so good if annuity purchase is planned
- No work required by the member

Cons

- Not good if you want to take benefits flexibly
- Also if she wants to take benefits earlier or later
- May not match her ATR

She is a deferred member of a DB scheme with a projected pension of £8,000
The CETV is interesting as I wouldn't expect a detailed question on the merits or otherwise of transferring; that's AF7
Could expect to be tested on what she would have to do if she wanted to take this further

- She would have to obtain independent advice as the DB scheme is safeguarded benefits and the CETV is more than £30,000
- The advice must be given or checked by a Pension Transfer Specialist

Something similar was tested in **January 2020 case study 2 (c) (ii).** Advantages of staying in the scheme

- Guaranteed Lifetime Income
- Guaranteed spouse's pension
- Protection against inflation in retirement
- No advice costs/no charges
- No investment risk
- Pension Protection Fund Protection

Getting a retirement income is not just about pensions so in terms of a factfind question we would need to find out the following:

- What income would you need in retirement?
- Pattern of spending
- Affordability of further contributions
- What is the value of the property in the SIPP
- What rent is being paid?
- Have you they a state pension forecast
- Do you intend to use the rent from the BTL to provide a retirement income
- Would you want to use other assets?
- What will Harish do with his business/what is its value
- Did Mita request the CETV or was it offered to her?

- How will her DB pension increase in payment/scheme booklet of her scheme?

Written as a factors question a possible answer might be:

- State pensions would be payable at 67 for both of them so there will be a gap between their retirement date and SPA
- Whether the BTL property will be part of their retirement income
- He has £600,000 in his SIPP
- He has unused allowances so could use carry forward
- Mita has a £40,000 OPS
- She has a deferred DB pension from 65
- They have 10 years to retirement
- They have other assets
- Their likely expenditure in retirement
- Possible capital needs
- Their views on inflation
- Assumed rate of return on their investments
- Affordability
- Charges
- Change in ATR as they get older

Recommendations

- Harrish should consider using carry forward to boost his pension if affordable
- He'd be limited to £60,000 if using his own contribution
- Could be higher if the business paid but that would probably mean he would be subject to the TAA
- Money invested in equities to allow a more diverse fund
- Mita should increase her contributions to at least 7%
- Review situation regularly

Why should Mita take up the offer to increase her contribution to 7%?

- It increases her pension
- She gets tax free growth.
- She gets 40% tax relief on the contributions
- The employer contribution is a pay rise
- There is no tax to pay on this.
- The amount is outside her estate
- It appears to be affordable

Repay the BTL mortgage over 10 years

Technical note: tax on BTL property

- In 19/20 he can offset 25% of interest against rental income with 75% as a tax reducer at basic rate
- In 20/21 no interest can be offset but all interest can be offset as a tax reducer at 20%

Possible question: explain how the CGT would be calculated if the property is sold in 19/20 (no calculation is required)

- The gain for the total period of ownership is calculated.
- The time he occupied it as his main residence will get PPR relief
- In addition the last 18 months of ownership also get PPR relief
- The gain is apportioned Total gain x number of months getting PPR/total time of ownership
- Lettings relief of up to £40,000 could be deducted
- Annual exemption deducted
- Then resulting figure charged at 28%

Note the way in which this is calculated has changed in 20/21 so they may not test it but the fact they've mentioned it was once his main home is there for a reason

Need to know

- What is the rental income?
- What is the mortgage interest/rate/how much are they paying
- When does the mortgage expire?
- Any other charges on the property
-
- Will the lender allow a switch to repayment?
- Will the lender allow one off capital repayments?
- What are the other expenses?
- Does he intend to keep the property after retirement?

A bit of a sidebar but can this be put into Mita's name. Whilst they are both higher rate tax payers it may help Harish get his PA back by making pension or gift aid contributions

Build up Funds for children at university

- Key factor is short term Oldest 2 to 5 years youngest 4 to 7 years
- Therefore unlikely to be suitable for anything other than cash
- However is the intention that they should take out student loans and then repay them later (see below)
- Both will have qualified for Child Trust Fund
- Could make further contributions up to £9k (plan year for CTF) or transfer to JISA with same contribution
- But becomes child's property at 18
- Easiest solution is to open up a standard ISA in parent's name and they can decide how to give the money to the children

Possible factors question?

- Money may be needed in two years time
- Could be one or two years where they are both at university
- In whose name should the funds be invested
- Target amount
- Is it just to repay loans or to provide financial support for living expenses
- Any bursaries or scholarships available
- They qualify for Child Trust Funds
- These could be transferred to a Junior ISA
- Affordability
- Fixed or variable payments
- Amount of risk prepared to take
- Children may not go to university

Student loans

These aren't really loans but a tax surcharge
The loan need never be repaid so should the parents be concerned about paying off this debt

Managing his mother's financial affairs

See
April 2019 case study 2 (e)

Technical notes EPA

- It allows Harish to make supported decisions on his mother's behalf even if it's not been registered with the Office of the Public Guardian
- If he believes his mother is losing mental capacity he can register it with the OPG
- There will be a delay whilst registration is carried out and his ability to make decisions will be suspended
- Provided this is given Mita can then make decisions about his mother's finances but not her welfare.

Reasons for taking out and procedure to set up an LPA to replace the EPA

- His mother is mentally competent so can make one
- It must be signed off by a certificate provider who confirms her mother knows what she is doing
- It comes into force when it is registered with the OPG so it removes doubt that the EPA might not be registered and avoids the delay in having it registered
- He could make his wife a joint attorney but it should be set up on a joint and severally basis. This allows Harish to make decisions on his own but if he died before his mother or became disqualified then Mita could continue as attorney. Otherwise the LPA (or EPA) would lapse
- Her mother can include wishes and instructions and preferences
- It can cover decisions on her welfare which is not possible with an EPA
- The EPA should not be revoked until the LPA has been registered
- If he wants to keep the EPA he can just take an LPA just for welfare needs

Other points

You can expect questions on other points not just on the objectives

Harish's remuneration. Taking a mixture of salary and dividends

Pro's and cons of dividends

- Can use £2,000 dividend allowance
- Dividends taxed at 32.5% rather than 40%
- No class 1 NIC on dividends

Cons

- Dividends aren't classed as NRE for pension purposes

Mita's SIP

- She has probably been contributing the max of £1,800 a year out of pre taxed pay. Possibility of free shares from employer
- If value £16,000 looks like a good return
- At maturity (5 years) she can withdraw without an income tax charge
- If she keeps them in the plan until she sells them there will be no CGT
- But this gives no diversification
- If she takes them out and then sells them they would be subject to CGT but the acquisition price will be the value when taken out
- She could transfer them into an ISA or SIPP perhaps using share exchange to get them into collective funds. This must be done within 90 days of maturity

Protection

There's no mention of this but with two children possibly going off to university this could have serious implications if either Mita of Harish were to die

Case study gives us no details of any Death in Service or other life poicies
Possibly two simple FIB policies to cover costs of university education?

Possible answer if just to cover the university costs (recommend and justify):

- A Family Income Benefit policy on a joint life first death basis
- With a monthly benefit of £2,000 pm (the marking scheme will be fairly flexible as regards the figure)
- To ensure that the survivor can still pay the costs without diminishing their standard of living.
- Term of 7 years to take the youngest to 21
- With indexation to ensure it keeps its value in real terms
- And waiver of premium to ensure premiums can be paid if they are enable to work because of accident or sickness

Harish runs his business as a company but he is the sole director. This could have significant implications if The Articles of Association don't allow his executors to appoint new directors

- On his death the company could still trade
- But its bank accounts would be frozen and couldn't pay its bills

- His executors cannot appoint further directors unless they were entered on to the Company's register of members

Review Question

Standard generic template

- Any changes in personal situation
- Any changes in financial situation
- Any changes in objectives
- Change in ATR/CFL
- Review investment performance, rebalance
- Use available allowances (ISA Pension CGT)
- Change in taxation or legislation
- Review current economic situation
- New products available

In case study 1 there might be a review on pension drawdown:

- Income and capital required in the coming year.
- Fund performance/amount in the fund now compared to 12 months ago.
- Whether fund investments need to be rebalanced
- Any new funds to be designated
- Current annuity rates.
- Any changes in the client's circumstances
- Changes in tax or legislation
- Changes in nomination for death benefits
- Availability of new products.