Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

October 2017 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2018 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.

AF5 – Financial planning process

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the examination it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under examination conditions.

Before the examination

Read the Assessment information and Exam policies for candidates
The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at www.cii.co.uk/qualifications/assessment-information/introduction/. This is *essential reading* for all candidates. For further information contact Customer Service.

Study the syllabus carefully
It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk or from Customer Service. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

Read widely
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
The best way to understand what the examiners require is to study the CII Examination Guides. You can purchase copies of Examination Guides online at www.cii.co.uk. CII members can download free copies of past Examination Guides online at www.cii.co.uk/knowledge. 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. The examiner's comments on candidates' actual performance in each question should be noted carefully.

Know the layout of the tax tables
Familiarise yourself with the tax tables printed at the back of each examination paper and the Examination Guide. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to take your own tax tables into the examination.*

Note the assumed knowledge
For this Advanced Diploma in Financial Planning, candidates are assumed to have already the knowledge gained from studying the relevant units of the Advanced Diploma, Diploma and Certificate in Financial Planning or the equivalent.

Understand the nature of assessment
Assessment is by means of a three-hour written paper. 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.

Familiarise yourself with the fact-find
The examination has been specially written by practitioners with relevant technical knowledge and experience. It is then put through a rigorous editing procedure by a panel of active practitioners to ensure that the fact-find is both technically and structurally correct. At least one qualified practitioner then acts as a scrutineer by sitting the paper in advance and writing a report on it. The scrutineer's comments are taken into account in producing the final examination paper.

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 sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

Test yourself under timed conditions
You should test your report writing skills under timed conditions. A good way to do this and to assess your technical knowledge at the same time is to set yourself a mock examination using the Examination Guide. To gain the most benefit from this exercise you should:

- Study the fact-find detail over the two week period as you would for the real examination.
- Set yourself three clear hours to complete the question paper taking into account the financial objectives provided.
- Compare your answers against the model answer once the three hours are up. The model answer will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently holistic and if your technical knowledge was correct.
- Go back and revise further any technical weaknesses revealed in your responses.

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the fact-find details arrive to focus on the client details and prepare yourself for the examination day.

Understand the skills the exam seeks to test

The examination is based on a fact-find for imaginary clients whose details you will have received two weeks prior to the exam date. The fact-find will contain all the client details available. The actual financial objectives of the client will be supplied in the actual examination.

Tasks in the exam will not require candidates to produce a full financial plan. They will instead be focussed on the various elements in the syllabus which are based on the following steps in the financial planning process:

- The relationship between adviser and client.
- Evaluation of the client's objectives.
- Understanding the client's financial status.
- Putting forward appropriate recommendations.
- Reviewing the financial plan.

They may also be focused on other aspects of the syllabus which we believe are key to the customer receiving an effective financial planning service. These include an explanation of technical terms, selection of appropriate remuneration terms etc.

In this way, we are able to test key aspects of the financial planning process. If all aspects of the process are carried out thoroughly, an effective financial plan will be produced.

It is anticipated that at each exam session, a significant proportion of the total marks will be allocated to putting forward recommendations supported by relevant evidence. In this exercise, candidates will always be rewarded for thinking logically about the various objectives and potential solutions to the client.

Two weeks before the examination

What will I receive?
A fact-find will be available to candidates two weeks before the examination and it can be viewed at www.cii.co.uk/qualifications/unit-financial-process-(af5). It will contain client information which will form the basis of the report you will be required to prepare in the examination.

How should I use my time over the two week period?
It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

How should I use the fact-find to help me prepare?

- Study the client details to find areas of need identified by the clients and look for other potential areas of need.
- Look for technical areas you may wish to revise, e.g. trusts, partnerships.
- Practise some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.
- Do not attempt to 'learn' the answers to such calculations but make sure you are confident with the method and know what to include in your workings. You should be able to see from the fact-find whether the clients are higher-rate taxpayers or close to the threshold. You will be able to ascertain the financial position on death and whether there is likely to be an income shortfall which needs addressing.
- If the client has an investment portfolio, ensure that you are familiar with all the investments held within the portfolio. For example, you should understand the risk profile, tax treatment, accessibility and yield of each investment.

Preparing the groundwork – considering possible solutions
Once you have identified the clients' likely needs you should start to consider possible solutions to meet those needs and how the financial planning process would be properly applied to the client(s). You may need to research some details of the solutions you are considering. You may want to go back to your revision notes.

You may need to read about particular products; try product providers for technical information, tax offices etc.

AF5 Examination Technique Exam Guide
To help you prepare for the AF5 examination a FREE AF5 Examination Technique Exam Guide is available to download on the following link www.cii.co.uk/qualifications/unit-financial-process-(af5).

In the examination

What will I receive?

The fact-find
You will not be able to take your pre-released copy of the fact-find into the examination with you. You will be issued with an identical fresh copy. There will not be any new or different information contained within the fact-find.

Supplementary information
A summary of the client's key financial objectives will be supplied as part of the examination paper. You should spend some time studying this information before you commence your financial plan.

The tasks
The instructions are focused on the main steps required to write a financial plan. Mark allocations will be shown and you should use these to guide you on how long to spend on each section of your report. The task that gains most marks is invariably that requesting candidates to outline their key recommendations, supported by relevant evidence.

Answer format
You should provide sufficient technical details to enable you, in the role of financial adviser, to analyse your clients' needs and to demonstrate that the recommendations you make are appropriate and holistic. Merely reproducing quantities of technical detail which is not directly relevant or would be provided through stock paragraphs or appendices in a finished report will not achieve high marks.

Marks will be awarded for demonstrating the holistic consequences of your analysis and recommendations, i.e. how one part of the financial planning process affects all the other parts: how they all interrelate and interact.

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.

Provided handwriting is legible, candidates will **not** lose marks if it is 'untidy'. Similarly, marks are not lost due to poor spelling or grammar.

Calculators
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 alphabetical or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements. The majority of the marks will be allocated for demonstrating the correct method of calculation.

EXAMINERS' COMMENTS

Candidates overall performance:

Candidate performance in this examination was very good overall. Many candidates had studied the fact-find in detail and prepared well for the examination.

It was pleasing to note that candidates had looked in detail at the issues facing Alan and Kim and had carefully considered the various options open to these clients. This enabled many candidates to provide suitable and detailed solutions to the issues that were presented in the question paper.

Most candidates had looked in detail at the various savings and investment options which would be available to this couple and carefully considered the merits of newer savings options such as the Lifetime ISA. This clear demonstration of up-to-date knowledge and application was very pleasing and shown by many candidates in this examination.

Question 1

This was a two-part question and overall performance was very good.

Part (a) focused on fact-finding and many candidates performed very well. It was important to note that this question focused purely on 'non-pension' assets and a few candidates provided detail on pension holdings which did not achieve any marks. Despite this, overall performance was very good.

Part (b) asked candidates to describe in detail the process that an adviser would follow to ensure that Alan and Kim's existing pensions and investments are on target to provide their desired level of income at Alan's planned retirement age. Most candidates performed very well and clearly described the process of evaluating Alan and Kim's current position and projecting this forward to their chosen retirement date. Well-prepared candidates scored high marks and did not have any difficulties in providing a range of structured, logical answers.

Question 2

This was a three-part question focusing on Alan and Kim's protection needs.

Part (a) asked candidates to explain briefly the issues that should be considered before making any changes to their existing joint life first death level term policy. Unfortunately, many candidates did not perform well here, as they did not identify the key issues relating to this policy. Very few candidates identified the importance of retaining this policy until a more suitable alternative was fully in force or identified the fact that the clients were older now so replacement cover might be more expensive.

Part (b) asked candidates to describe briefly five benefits and five drawbacks to Alan and Kim of using a decreasing term assurance policy, to provide protection in the event of either death during the term of the mortgage. Many candidates were able to describe several benefits and drawbacks of using this type of policy but only a few candidates scored high marks in this question part.

Part (c) asked candidates to recommend and justify a suitable protection policy to provide Alan with a regular income payment to cover childcare costs in the event of Kim's death. Most candidates performed well here but unfortunately, a number of candidates identified an incorrect policy in the form of an Income Protection Policy for Kim. As this would not pay out on death, this policy would not meet the client's needs.

Question 3

This question related to Alan's new company which offers him the option of making his pension contributions by salary sacrifice. Candidates were asked to explain in detail to Alan how a salary sacrifice arrangement would operate in respect of his pension contributions and the tax benefits this would provide for him. Candidates performed extremely well here and related their answers directly to the fact-find and Alan's personal circumstances. Most candidates were able to identify issues such as the impact on Child Benefit for Alan and Kim as well as tax benefits for both Alan and his employer.

Question 4

This question was a two-part question.

Part (a) asked candidates to explain in detail how the gift of £100,000 from Alan's father would be treated for Inheritance Tax purposes if Alan's father died in the next seven years. No calculations were required here. Unfortunately, few candidates performed well and many incorrectly stated that taper relief would be available on the gift for Inheritance Tax purposes. Most candidates correctly identified that this gift would be treated as a potentially exempt transfer. Only a few candidates gave sufficiently detailed answers to achieve high marks.

Part (b)(i) focused on the tax treatment of the pension contributions that Kim's father proposed to make for Kim to enable her to build up adequate retirement savings. Many candidates performed very well here and identified most of the key tax issues relating to these payments. A few candidates incorrectly stated that Kim's father could claim tax relief on these contributions.

Part (b)(ii) asked candidates to explain the key drawbacks for Kim and her father of setting up these proposed pension contributions. Most candidates performed very well and identified most of the key drawbacks for both Kim and her father.

Question 5

This was a two-part question focusing on Alan and Kim's long-term savings options.

Part (a) asked candidates to explain in detail to Alan and Kim how a Lifetime ISA would operate. Most candidates performed extremely well here and identified all of the features of the new Lifetime ISA and how this could be used by Alan and Kim.

Part (b) required candidates to recommend and justify why increasing his personal pension contributions to his group personal pension plan, may be a more suitable option to assist Alan in his objective of generating sufficient income in retirement. Most candidates performed very well and identified the merits of using the personal pension arrangement for this objective.

Question 6

This question focused on Alan's pension benefits.

Part (a) asked candidates to comment briefly on the factors that Alan should take into consideration when deciding on whether to transfer his previous pension arrangement into his new employer's scheme. Many candidates did not explain that it was important to consider the features of both schemes and focused purely on either the new employer's scheme, or Alan's previous scheme. This question required candidates to consider the comparative features of each scheme such as the level of charges in both schemes and availability of suitable funds in each scheme.

Part (b) asked candidates to outline the key factors that Alan should consider when building a diversified pension portfolio within his pension fund. Many candidates performed well and identified most of the key factors.

Part (c) required candidates to explain in detail to Alan, the key risks of investing in a UK commercial property fund within his pension plan. Unfortunately, few candidates were able to identify many of the key risks that relate specifically to commercial property funds and many identified more general risks that relate to all asset classes in general.

Question 7

This was a three-part question focusing on Kim's unit trust and ISA holdings.

Part (a) required candidates to identify four benefits and four drawbacks of using a UK index tracking fund for her long-term savings. Many candidates performed very well and identified most of the key benefits and drawbacks.

Part (b) asked candidates to state the information you would require to calculate the Capital Gains Tax liability on the sale of the unit trust holding. No calculation was required. Most candidates performed very well and described both the key information required and the process for carrying out the calculation. Some candidates did not identify the importance of assessing Kim's current tax status in the tax year of encashment, but otherwise most candidates were able to identify the majority of the key information required.

Part (c) asked candidates to explain to Kim the benefits of purchasing a Stocks and Shares ISA using a fund platform. Most candidates performed well and identified many of the benefits. Only a few candidates correctly identified the fact that most platforms offer a cash option for investors which would benefit Kim whilst she made investment decisions.

Question 8

This was a standard 'review' question which required candidates to identify the issues that you should discuss with Alan and Kim, in respect of Alan's new employer pension scheme at the next financial review meeting. Unfortunately, many candidates focused on general issues rather than issues that related specifically to the pension scheme and hence did not achieve many marks. Candidates who focused on the pension scheme and key issues such as the use of salary sacrifice, and the transfer of the former pension scheme achieved high marks.

FACT-FIND

You are a financial adviser authorised under the Financial Services and Markets (FSMA) Act 2000. You completed the following fact-find when you met Mr and Mrs Carter recently.

PART 1: BASIC DETAILS		
	Client 1	**Client 2**
Surname	Carter	Carter
First name(s)	Alan	Kim
Address	47 Oak Avenue, Birmingham	47 Oak Avenue, Birmingham
Date of birth	11.08.1978	15.06.1980
Domicile	British	British
Residence	UK	UK
Place of birth	Birmingham	Coventry
Marital status	Married	Married
State of health	Good	Good
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Rugby	Swimming and Tennis
Notes:		

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	D.O.B	Health	Occupation	Financially dependent?
Helen	Daughter	5	15.08.2012	Good	N/A	Yes
Joe	Son	2	01.06.2015	Good	N/A	Yes
Notes:						
Helen has recently started primary school and Joe will start school in September 2020.						

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Manager	Manager
Job title	Purchasing Manager	Office Manager
Business name	Aston Products	
Business address		
Year business started		
Remuneration		
Salary	£60,000	Nil
State Pensions		
Overtime		
Benefits		
Benefits-in-kind	See Notes below	
Pension Scheme	See Part 11	
Life cover	3 times salary (Death in Service)	
Private Medical Insurance	No	
Income Protection Insurance	No	
Self Employment		
Net relevant earnings	N/A	N/A
Accounting date	N/A	N/A
Partnership/Sole trader	N/A	N/A
Other Earned Income		

Notes:

Alan has recently joined a new employer on a starting salary of £60,000. Alan is entitled to a range of benefits from his new employer, including a contributory group personal pension scheme (see Part 11), and death in service cover.

Kim left First Services Ltd in 2012 when Helen was born. She is hoping to return to work at First Services Ltd in September 2020 when Joe starts primary school. She will work on a part-time basis initially and return to full-time work in September 2021.

Previous Employment	Client 1	Client 2
Previous employer	ATK Products	First Services Ltd
Job title	Purchasing Manager	Office Manager
Length of service	10 years	8 years
Pension benefits	See Part 11	See Part 11

Notes:

Alan has recently left his previous employer and has built up benefits under his former employer's group personal pension scheme (see Part 11).

Kim has pension benefits in the First Services Ltd group personal pension scheme from her service in the company (see Part 11).

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	**Client 2**
Accountant		
Bank	BK Bank	BK Bank
Building Society		
Doctor		
Solicitor	Phipps LLP	Phipps LLP
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		Client 2		Joint	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions						
Private Pensions						
Salary		60,000				
Benefits-in-kind						
Savings income (gross)		54		54		140
Rental (gross)						
Dividend paid (gross)				950		

Notes:

Alan and Kim's savings income is derived from their Cash ISA holdings and their Fixed Rate Savings Bond.

Their dividend income is derived from Kim's Global Equity fund.

	Client 1	Client 2
Income Tax	**£**	**£**
Personal allowances	11,500	11,500
Taxable income		
Tax		
National Insurance		
Net Income		

Notes:

Expenditure

	Monthly £			Annually £		
Household Expenditure	**Client 1**	**Client 2**	**Joint**	**Client 1**	**Client 2**	**Joint**
Mortgage/Rent			1,124			
Council tax			175			
Buildings and contents insurance						630
Gas, water and electricity			120			
Telephone			30			
TV licence and satellite			50			
Property maintenance						750
Regular Outgoings						
Life assurance (see Part 8)			25			
Health insurance (see Part 9)						
Savings Plans (see Part 10)						
Car tax, insurance and maintenance						1,000
Petrol and fares						1,500
Loans (see Note 1)						
School fees						
Childcare						
Further education						
Subscriptions						
Food, drink, general housekeeping			750			
Pension contributions (see Part 11)	200					
Other Expenditure						
Magazines and newspapers						250
Entertainment						
Clubs and sport						
Spending money						1,500
Clothes				600	500	
Maintenance						
Other (Holidays)						3,000
Total Monthly Expenditure	200		2,274			
Total Annual Expenditure	2,400		27,288	600	500	8,630
Total Outgoings						39,418

Notes:

Alan and Kim have only recently moved into their own property. They previously lived in rented accommodation.

Do you foresee any major/lump sum expenditure in the next two years?

Notes:

Alan and Kim do not foresee any major expenditure in the next two years.

PART 6: ASSETS

	Asset	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence			315,000	
2.	Contents/car	25,000	12,000	15,000	
3.	Current account – BK Bank	2,500	1,200		
4.	Fixed-Rate Savings Account – BK Bank			14,000	140
5.	Cash ISAs	6,000	6,000		108
6.	Stocks & Shares ISAs – UK Index-Tracker funds (accumulation units)	16,000	16,000		
7.	Unit Trusts – Global Equity fund (accumulation units)		38,000		950

Notes:

Alan and Kim have recently purchased their first property after living in rented accommodation for a number of years. Alan's elderly father gifted the sum of £100,000 in June 2017 to provide them with the deposit on the property.

Kim's Unit Trust is invested in a single Global Equity fund. This was recommended to her by her father some years ago, but Kim has never reviewed this investment since it was purchased although she is aware that it has performed very well.

Alan and Kim have not used their ISA allowances for the current tax year 2017/2018, but are keen to do so.

Their Stocks & Shares ISA holdings are in UK Index-Tracker funds, but both would like to consider a more diversified portfolio, with a view to providing long-term growth for their retirement.

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			SecureBank
Type of mortgage			Repayment
Amount outstanding			£215,000
Start date			July 2017
Term/maturity			25 years
Monthly payment			£1,124
Interest rate			3.9% (Variable)
Life policies (see Part 8)			

Notes:
Alan and Kim have set up a mortgage on their new property on a repayment basis. They are keen to put in place a life policy to cover the full mortgage in the event of either death.

Other Loans	Client 1	Client 2	Joint
Lender			
Type of loan			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Payment protection			

Notes:
Alan and Kim have no outstanding loans.

Other Liabilities (e.g. tax)

Notes:
Alan and Kim have no other liabilities.

PART 8: LIFE ASSURANCE POLICIES

	Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust ?	Surrender Values £
1.	Alan/Kim	Joint	£75,000	£25 per month	18 years	August 2012	No	Nil

Notes:

Alan and Kim set up a joint life first death level term policy when Helen was born. This was intended to meet childcare costs for Helen until she reached age 18. Alan and Kim now believe that this policy is inadequate for their needs and wish to review it.

Alan has a death in service cover of three times basic salary. This is nominated for Kim (see Part 3).

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured £	Start Date	Term/ Review	Deferred Period	Premium £

Notes:

Alan and Kim have no health insurance policies.

PART 10: REGULAR SAVINGS

Type	Company	Ownership	Fund	Amount Saved £	Sum Assured	Maturity Date	Current Value £

Notes:

Alan and Kim do not have any regular savings plans although they are keen to start a savings plan as soon as possible to build up their savings for retirement.

PART 11: PENSION DETAILS

Occupational pension scheme

	Client 1	Client 2
Member of employer's scheme		
Type of scheme		
Date joined		
Retirement age		
Pension benefits		
Death benefits		
Dependant's benefits		
Contracted-in/out		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		

Notes:
Alan and Kim do not have any Occupational pension schemes.

Additional Voluntary Contributions (including free standing additional voluntary contributions).

	Client 1	Client 2
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		

Notes:
Alan and Kim do not have any Additional Voluntary Contribution schemes.

Personal Pensions

	Client 1	Client 1
Type	Group Personal Pension	
Company	Secure Life	
Fund	Balanced Managed (Default)	
Contributions	5% Employer/5% Employee	
Retirement date	65	
Current value	£1,250	
Date started	August 2017	

Notes:

Alan has joined his new employer's group personal pension scheme. He receives a 5% employer contribution based on his basic salary and makes a personal contribution of 5% of basic salary. Alan has completed a nomination in favour of Kim on the Secure Life pension.

The contribution is invested in the scheme default fund but Alan would like to select his own investment funds. The scheme offers a wide range of collective funds investing across a range of different asset classes.

Previous pension arrangements

	Client 1	Client 2
Employer	ATK Products	First Services Ltd
Type of scheme	Group personal pension	Group personal pension
Date joined scheme	January 2007	May 2004
Date left	August 2017	June 2012
Preserved benefits	£62,000	£28,000

Notes:

Kim is happy to retain her holdings within the First Services Ltd group scheme as she would like to return to the company in 2020 when Joe starts full-time primary school

Alan wishes to review his holding in the ATK Products scheme as he would like to consider transferring this into his new employer's scheme to reduce administration and paperwork. Alan's ATK Products pension is currently invested in a UK Commercial Property fund and a UK Smaller Companies fund.

Nominations have not been completed on either the First Services Ltd or the ATK Products schemes.

State Pension

	Client 1	Client 2
Basic Pension		
SERPS/S2P		
Graduated Pension		
Total		

Notes

Alan and Kim have not checked their entitlement to State Pensions.

PART 12: INHERITANCES

Wills	Client 1	Client 2
Do you have a current Will?	Yes	Yes

Notes:

Alan and Kim set up new Wills following the birth of Joe. They leave all of their assets to the survivor and on second death, to the two children in equal shares. They have a guardianship agreement in place with Kim's sister for the two children in the event that both Alan and Kim die before the children reach age 18.

Trusts	Client 1	Client 2
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?		
If yes, give details		

Notes:

Gifts	Client 1	Client 2
Give details of gifts made and received	£100,000	

Notes:

Alan received a gift of £100,000 in June 2017 from his elderly father. This gift was to assist Alan and Kim with the purchase of their first property. Alan has received no other gifts from his father or any other sources.

Kim's father wishes to make regular gifts for Kim to help her to build up her long-term retirement savings. Kim's father intends to make these annual gifts to Kim for at least the next ten years.

Inheritances	Client 1	Client 2
Give details of any inheritances expected	£300,000	

Notes:

Alan is the sole beneficiary for his elderly father and he expects to receive approximately £300,000. Alan is the executor of his father's Will. His mother died a number of years ago and used her full Nil Rate Band at that time.

Kim's parents are both alive and well and she does not believe she will receive any significant inheritance from her parents or from any other source in the foreseeable future.

PART 13: ATTITUDE TO RISK

What level of risk are you prepared to take to achieve your financial objectives?

Notes:
Alan and Kim have recently completed a full risk profiling assessment and have been identified as having different risk profiles. Alan is a high risk investor. Kim is a moderate risk investor.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	20.09.17	
Client agreement issued	20.09.17	
Data Protection Act	20.09.17	
Money laundering	20.09.17	
Consultations		
Dates of meetings	20.09.17	
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

THE CHARTERED INSURANCE INSTITUTE

CII

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

October 2017 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2017/2018, 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.

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit AF5 – Financial planning process

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 160 marks.
- You are strongly advised to attempt **all** tasks to gain maximum possible marks. The number of marks allocated to each task is given next to the task and you should spend your time in accordance with that allocation.
- **In this examination you should use the fresh copy of the fact-find provided. You are not allowed to bring into the examination the pre-released copy of the fact-find.**
- **Client objectives are provided overleaf and you should read them carefully before attempting the tasks.**
- Read carefully all tasks and information provided before starting to answer. Your answer will be marked strictly in accordance with the task set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show all steps in a calculation, even if you have used a calculator.
- 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.
- Tax tables are provided at the back of this question paper.
- Answer each task on a new page and leave six lines blank after each task.

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

CLIENTS' FINANCIAL OBJECTIVES

You have now been able to determine from the information in the fact-find that your clients have the following financial objectives:

Immediate objectives

- To ensure that the family has sufficient financial protection in place to repay the mortgage in the event of the death or serious illness of either Alan or Kim.
- To review the suitability of their current pensions and investments.
- To maximise the tax-efficiency of their current savings.

Longer-term objectives

- To implement a suitable and tax-efficient strategy for their longer-term retirement savings.
- To provide financial security for the family until the children are financially independent.

Attempt ALL tasks

Time: 3 hours

1. **(a)** Identify the additional information that you would require to enable you to advise Alan and Kim on the suitability of their current non-pension savings and investments. **(12)**

(b) Describe in detail the process an adviser would follow to ensure that Alan and Kim's existing pensions and investments are on target to provide their desired level of income when Alan reaches his planned retirement age. **(12)**

2. Alan and Kim are keen to put in place suitable protection policies to meet their immediate and longer-term objectives.

(a) Explain briefly to Alan and Kim the issues that should be considered before making any changes to their existing joint life first death level term policy. **(6)**

(b) Describe briefly **five** benefits and **five** drawbacks to Alan and Kim of using a decreasing term assurance policy to provide protection in the event of either death during the term of the mortgage. **(10)**

(c) Recommend and justify a suitable protection policy that will provide Alan with a regular income payment to cover childcare costs in the event of Kim's death. **(10)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

3. Alan's company offers the option of making his pension contributions via salary sacrifice.

Explain in detail to Alan how a salary sacrifice arrangement would operate in respect of his pension contributions and the tax benefits this would provide for him. **(9)**

4. **(a)** Explain in detail to Alan and Kim how the gift of £100,000 from Alan's father would be treated for Inheritance Tax purposes if Alan's father died within the next seven years. *(No calculations are required*). **(8)**

(b) Kim's father wishes to make annual pension contributions to a personal pension for Kim to help her to build up adequate retirement savings.

(i) Comment on the tax treatment of the proposed contributions for both Kim and her father. **(8)**

(ii) Explain the key drawbacks for Kim and her father of setting up these proposed pension contributions. **(5)**

5. Alan and Kim are considering setting up new Lifetime ISAs to save for retirement.

(a) Explain in detail to Alan and Kim how the Lifetime ISA will operate. **(12)**

(b) Recommend and justify why increasing his personal pension contributions to his group personal pension plan may be a more suitable option to assist Alan in his objective of generating sufficient income in retirement. **(14)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

6. In respect of Alan's pension benefits:

(a) Comment briefly on the factors that Alan should take into consideration when deciding on whether to transfer his previous pension arrangement (ATK Products) into his new employer's scheme. **(8)**

(b) Outline the key factors that Alan should consider when building a diversified investment portfolio within his pension fund. **(10)**

(c) Explain in detail to Alan the key risks of investing in a UK commercial property fund within his pension plan. **(8)**

7. With regard to Kim's existing unit trust and ISA holdings:

(a) Identify **four** benefits and **four** drawbacks of using a UK index tracking fund for her long-term savings. **(8)**

(b) State the information you would require to calculate the Capital Gains Tax liability on the sale of the unit trust holding. *(No calculation is required).* **(7)**

(c) Explain to Kim the benefits of purchasing a Stocks and Shares ISA using a fund platform. **(7)**

8. Identify **six** issues that you should discuss with Alan and Kim in respect of Alan's new employer pension scheme at your next financial review meeting. *(Candidates should assume that there have been no changes in either Alan or Kim's personal circumstances).* **(6)**

NOTE ON MODEL ANSWERS

The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

(a)

- Objectives/income/capital required/timeframe/ earmarked for specific objectives.
- Emergency fund required.
- Fund choices/asset allocation/switching options.
- Willingness to switch/sell Kim's global fund/sentimental value.
- Fund performance.
- Charges.
- Platform/Wrap/directly held.
- Term of fixed-rate cash account/early exit penalties.
- Base cost of unit trust/global fund/gain on global fund.
- Carry forward losses/any gains realised/use of Capital Gains Tax exemption.
- Ethical preferences.
- Capacity for loss.

(b) *Candidates would have gained full marks for any twelve of the following:*

- Establish income required/target level of benefits at assumed retirement age.
- Other assets to be used/ISA.
- BR19/State Pension forecast.
- Inflation assumptions/tax status in retirement.
- Growth rate.
- Fund choice based on attitude to risk/growth rates/FCA guidelines etc).
- Projections of existing funds/pensions.
- Include current/ongoing contributions.
- Consider longevity/term of income required/guaranteed lifetime income from annuity.
- Establish withdrawal rates/annuity rates.
- Calculate fund required (to meet target)/calculate shortfall.
- Calculate contributions/lump sum required to meet shortfall.
- Ongoing reviews.

Model answer for Question 2

(a) *Candidates would have gained full marks for any six of the following:*

- Establish level of cover required/term required.
- Sum assured too low on existing policy.
- Term too short on existing policy.
- No critical illness cover on existing policy.
- Health/lifestyle/was existing policy rated?
- Comparison with new policy e.g. cost/features.
- Can existing policy be amended/guaranteed insurability.
- Continuous cover/should not cancel existing policy until replacement policy is fully in force.

(b) **Benefits:**

- Cheaper premiums/affordability.
- Sum assured matches decreasing mortgage balance/mortgage repaid in event of death.
- Not paying for unnecessary cover.
- Simple to understand.
- Currently in good health/no adverse underwriting.

Drawbacks:

- No additional funds available on death.
- No Critical Illness Cover.
- Health may deteriorate/cheaper to buy higher cover now.
- Cover maybe insufficient/may not be able to increase sum assured/cannot be amended.
- No investment content/no surrender value.

(c)

- Family Income Benefit on Kim's life/Kim as life assured.
- Alan as policy owner/life of another/in trust.
- Avoids probate/speedy payment/known beneficiaries.
- Provides tax free income.
- Sum assured to meet childcare costs/nursery costs.
- Term to age when both children are independent/16 years minimum.
- Terminal illness cover/Total and Permanent Disability Insurance included.
- Guaranteed premiums for affordability/known cost.
- Indexation to keep pace with inflation/childcare costs.
- Guaranteed insurability option/in event of additional children.

Model answer for Question 3

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

- Agreement with employer/in writing.
- Employer reduces Alan's gross salary by agreed amount.
- Net pay unchanged.
- No administration for Alan.
- Treated as employer contributions/count for annual allowance purposes.
- Reduces Income Tax.
- Reduced National Insurance (NI) contributions for Alan as lower salary.
- Employer saves NI and may add this saving to Alan's pension.
- Reduced salary for Child Tax benefit purposes.
- Increased pension for Inheritance Tax benefits.

Model answer for Question 4

(b) **(i)**

- Maximum contribution is £3,600 gross/paid net £2,880.
- Father can use annual gift exemption/£3,000/Gifts out of normal expenditure.
- No impact on father's annual allowance/he can make own contributions.
- Contribution will count towards Kim's annual allowance.
- No Income Tax relief for Kim's father.
- Kim receives 20% /basic rate tax relief.
- Kim has no earned income/she is a house person.
- Pension provider claims tax relief/paid by HM Revenue & Customs.

(ii)

- Limited contributions permitted/£3,600 gross.
- Kim cannot access before retirement age.
- Only 25% pension commencement lump sum /75% balance taxable.
- Uses Kim's father's annual gift exemptions/Inheritance Tax allowances.
- Ongoing affordability for Kim's father.

Model answer for Question 5

(a)

- Maximum contribution is £4,000 per annum.
- Part of normal ISA allowance/not in addition.
- Tax free.
- 25% Government bonus (based on contribution)/£1,000 max.
- Lump sum bonus added to plan in April 2018/end of tax year.
- Bonus added monthly after April 2018/from May 2018.
- Penalty free access from age 60;
- otherwise penalty of 25%.
- Earlier access without penalty on terminal illness/Additional Permitted Subscription available.
- Eligible as both under 40.
- After age 50 no further contributions permitted/no further bonus after age 50.
- Choice of stocks and shares or cash.

(b)
- Higher contributions allowed/up to annual allowance/100% salary.
- Can use carry forward.
- 40% tax relief.
- Can use salary sacrifice/saves employee National Insurance/employer may match.
- No tax relief on Lifetime ISA (LISA) contributions/25% bonus.
- Ease of administration/employer scheme.
- Wider choice of funds/providers/limited LISA providers.
- Longer-term contributions permitted/beyond 50.
- Does not form part of estate/Inheritance Tax purposes.
- Improved death benefits.
- Pension contribution reduces Child Benefit Tax charge.
- Access from age 55/LISA access at 60.
- Pension protected from creditors/LISA is not protected.
- Lower charges as employer scheme.

Model answer for Question 6

(a) *Candidates would have gained full marks for any eight of the following:*
- Charges on new and existing scheme.
- Cost of advice/initial cost.
- Any transfer penalties.
- Any guarantees in previous scheme/flexible benefits in new scheme e.g flexi-access drawdown.
- Fund choice within both plans.
- Ease of administration of both schemes/online access.
- Future career changes planned.
- Will new scheme accept transfers.
- Liquidity (property fund).
- Out of market during transfer.

(b)
- Use of different asset classes.
- Uncorrelated/non-correlation/negative correlation.
- Attitude to risk/capacity for loss/timescale.
- Assess current market conditions.
- Geographical spread.
- Cost/fund charges.
- Liquidity of assets.
- Currency risk/hedging.
- Passive versus active/ethical investment.
- Personal control/time/administration/monitoring.

(c) *Candidates would have gained full marks for any eight of the following:*

- Liquidity risk.
- Bid/offer switch on pricing/reduced returns.
- Value of property not guaranteed/valuers' opinion.
- Forced sale of properties reduces fund value.
- Cash holdings dilute returns within fund.
- High ongoing charges/transaction costs.
- Income returns not guaranteed/rental yields can reduce/systematic risk.
- Lack of geographical diversification/UK only.
- Taxation risk.

Model answer for Question 7

(a) **Benefits:**

- Low cost.
- Simple to understand.
- No human error/no active management.
- Tracks market/potential for growth.

Drawbacks:

- Underperforms index/no ability to outperform/no Alpha.
- Tracking error/impact of charges.
- Will follow market down in downturn/market risk.
- Lack of diversification/may not match attitude to risk.

(b)

- Base cost.
- Current value.
- Sales since original purchase/transaction costs.
- Any dividend income reinvested.
- Kim's taxable income for the current tax year/her tax status/10% Capital Gains Tax.
- Carried forward losses from previous tax years/registered with HM Revenue & Customs.
- Annual exemption available.

(c)

- Ease of administration/monitoring/online access/accessibility.
- Wide fund choice/ease of fund switching/rebalancing.
- Low charges.
- Cash option normally available.
- Access to platform research.
- Can switch platforms/*in specie* transfer.
- Can use discretionary fund managers/model portfolio/Fund of Funds/specialist funds.

Model answer for Question 8

- Change in finances/tax status/salary/affordability.
- Asset allocation/fund performance/attitude to risk/capacity for loss/fund range available.
- Economic/market conditions/pension legislation changes.
- Salary sacrifice used/made additional contributions over 5%.
- Has he transferred old scheme?
- Change in target retirement date/plans/on track to meet objectives.

All questions in the October 2017 and April 2018 paper will be based on English law and practice applicable in the tax year 2017/2018, unless stated otherwise and should be answered accordingly.

INCOME TAX

RATES OF TAX	2016/2017	2017/2018
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	£32,000	£33,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge from 7 January 2013:		
1% of benefit for every £100 of income over	£50,000	£50,000

**not applicable if taxable non-savings income exceeds the starting rate band.*

Dividend Allowance	£5,000
Dividend tax rates	
Basic rate	7.5%
Higher rate	32.5%
Additional rate	38.1%
Trusts	
Standard rate band	£1,000
Rate applicable to trusts	
- dividends	38.1%
- other income	45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,000	£11,500
Married/civil partners (minimum) at 10% †	£3,220	£3,260
Married/civil partners at 10% †	£8,355	£8,445
Transferable tax allowance for married couples/civil partners	£1,100	£1,150
Income limit for age-related allowances†	£27,700	£28,000
Rent a Room relief	£4,250	£7,500
Blind Person's Allowance	£2,290	£2,320
Enterprise Investment Scheme relief limit on £1,000,000 max	30%	30%
Seed Enterprise Investment relief limit on £100,000 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.

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,780	£2,780
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,105	£16,105

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£113
Primary threshold	£157
Upper Earnings Limit (UEL)	£866

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 157.00*	Nil
157.01 – 866.00	12%
Above 866.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £113 per week. This £113 to £157 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 157.00**	Nil
157.01 – 866.00	13.8%
Excess over 866.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.85 where profits exceed £6,025 per annum.
Class 3 (voluntary)	Flat rate per week £14.25.
Class 4 (self-employed)	9% on profits between £8,164 - £45,000. 2% on profits above £45,000.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013	£1,500,000
2013/2014	£1,500,000
2014/2015	£1,250,000
2015/2016	£1,250,000
2016/2017	£1,000,000
2017/2018	£1,000,000

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.
25% of excess over lifetime allowance if taken in the form of income, which is subsequently taxed under PAYE.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2011/2012	£50,000
2012/2013	£50,000
2013/2014	£50,000
2014/2015	£40,000
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*

~ increased to £80,000 for pension input between April - 8 July 2015. If not used, can be carried forward to pension input period of 9 July 2015 - 6 April 2016, subject to a maximum of £40,000.

**tapered at a rate of £1 for every £2 of adjusted income in excess of £150,000 where threshold income exceeds £110,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2016/2017	2017/2018
	£10,000	£4,000

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

EXEMPTIONS	2016/2017	2017/2018
Individuals, estates etc	£11,100	£11,300
Trusts generally	£5,550	£5,650
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
Entrepreneurs' Relief* – Gains taxed at:	10%	10%
Lifetime limit	£10,000,000	£10,000,000

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2016/2017	2017/2018
Transfers made on death after 5 April 2015		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers made after 5 April 2015		
- Lifetime transfers to and from certain trusts	20%	20%

A lower rate of 36% applies where at least 10% of deceased's net estate is left to a registered charity.

MAIN EXEMPTIONS		
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*	£100,000	£100,000
- 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
- Small gifts exemption	£250	£250
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 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%

CAR BENEFIT FOR EMPLOYEES

The charge for company car benefits is based on the carbon dioxide (CO_2) emissions. There is no reduction for high business mileage users.

For 2017/2018:

- The percentage charge is 9% of the car's list price for CO_2 emissions of 50g/km or less.
- For cars with CO_2 emissions of 51g/km to 75g/km the percentage is 13%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 17%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 18% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 200g/km and above).

There is an additional 3% supplement for diesel cars not meeting Euro IV emission standards. However, the maximum charge remains 37% of the car's list price.

Car fuel The benefit is calculated as the CO_2 emissions % relevant to the car and that % applied to a set figure (£22,600 for 2017/2018) e.g. car emission 100g/km = 17% on car benefit scale. 17% of £22,600 = £3,842.

1. **Accessories** are, in most cases, included in the list price on which the benefit is calculated.
2. **List price** is reduced for capital contributions made by the employee up to £5,000.
3. **Car benefit** is reduced by the amount of employee's contributions towards running costs.
4. **Fuel scale** is reduced only if the employee makes good **all** the fuel used for private journeys.
5. **All car and fuel benefits** are subject to employers National Insurance contribution's (Class 1A) of 13.8%.

PRIVATE VEHICLES USED FOR WORK

	2016/2017 Rates	2017/2018 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2016/2017	2017/2018
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000	£200,000
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	8%	8%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

Motor cars: Expenditure on or after 01 April 2016 (Corporation Tax) or 06 April 2016 (Income Tax)

CO_2 emissions of g/km:	75 or less*	76-130	131 or more
Capital allowance:	100% first year	18% reducing balance	8% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2016/2017	2017/2018
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.55	16.70
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 109.30	Up to 109.65
Attendance Allowance	Lower rate	55.10	55.65
	Higher rate	82.30	83.10
basic State Pension	Single	119.30	122.30
	Married	190.80	195.60
new State Pension	Single	155.65	159.55
Pension Credit	Single person standard minimum guarantee	155.60	159.35
	Married couple standard minimum guarantee	237.55	243.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment Support Payment*		2,000.00	2,000.00
Higher rate - lump sum		N/A	3,500.00
Higher rate - monthly payment		N/A	350.00
Standard rate – lump sum		N/A	2,500.00
Standard rate – monthly payment		N/A	100.00
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay *Only applicable where spouse or civil partner died on or after 6 April 2007**		139.58	140.98

CORPORATION TAX

	2016/2017	2017/2018
Standard rate	20%	19%

VALUE ADDED TAX

	2016/2017	2017/2018
Standard rate	20%	20%
Annual registration threshold	£83,000	£85,000
Deregistration threshold	£81,000	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 and £925,000	5%
£925,001 and £1,500,000	10%
£1,500,001 and over	12%

Stamp Duty Land Tax (SDLT) is payable in England, Wales and Northern Ireland only. Land and Buildings Transaction Tax (LBTT) is payable in Scotland at different rates to the above.

Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.

SDLT is charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.

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