Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

October 2018 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2019 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

Contents

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Telephone: 020 8989 8464
Fax: 020 8530 3052
Email: customer.serv@cii.co.uk

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.

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

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 general in this paper was good and demonstrated a broad spread of knowledge across key financial planning topics as well as detailed preparation work based on the Fact Find that was provided in advance.

It was pleasing to note that many candidates had prepared very well and applied their knowledge to the question paper.

Well-prepared candidates had no difficulty with the paper and were rewarded with good marks across the paper.

Question 1

This was a new style of question, asking candidates to focus on the key client-specific issues identified in the Fact Find that should be taken into consideration when assessing Nick and Jane's capacity for loss. Unfortunately, many candidates gave a list of generic factors and did not apply their answers directly to Nick and Jane and their current circumstances. These candidates gained few marks as their answers did not relate directly to Nick and Jane. Well-prepared candidates were able to achieve good marks but many candidates performed less well.

Question 2

This was a three-part question focusing on Nick's benefits from his new employer.

Part (a) asked candidates to identify the key additional information that you would require to enable you to evaluate the health-related benefits available to Nick. Most candidates performed extremely well and identified the majority of the key information without any difficulty.

Part (b) required candidates to explain in detail the benefits to Nick of joining his new employer's pension scheme. Candidate performance was very good and this question did not cause any difficulties for well-prepared candidates.

Part (c) asked candidates to explain to Nick how a Target Date fund operates and why this may be a suitable choice for him. This type of fund was identified in the Fact Find. Many candidates performed well but lack of preparation was evident for a number of candidates who described a 'lifestyle' fund, rather than a Target Date fund.

Question 3

This was a two-part question focusing on Nick's deferred defined benefit scheme from his previous employer.

Part (a) asked candidates to explain the reasons why Nick might wish to consider transferring the deferred benefit into a personal pension arrangement. This was clearly indicated in the Fact Find and most candidates performed very well.

Part (b) asked candidates to outline the key drawbacks for Nick and Jane of transferring the deferred benefit to a personal pension arrangement. Performance overall was very good and most candidates were able to identify some of the key drawbacks. Given the current market issues surrounding defined benefit transfers, this was pleasing to note.

Question 4

This was a three-part question focusing on future planning for Nick and Jane.

Part (a) asked candidates to explain to Nick and Jane how a lifetime cashflow model could be used to assist them in meeting their objectives. General performance was good and most candidates achieved high marks.

Part (b) required candidates to recommend and justify the actions that they could take to ensure that they will have a tax-efficient and sustainable income from their pensions and investments throughout retirement. Performance was mixed as some candidates focused on just one or two of the couple's assets and ignored others entirely. Well-prepared candidates were able to gain good marks as they identified key actions in respect of all of their holdings.

Part (c) candidates were asked to outline the key issues that Nick and Jane should consider when planning a strategy to meet any long-term care needs. Some candidates did not perform very well in this question part as they focused purely on investment options and ignored issues such as identifying the likely cost of care and care fee inflation.

Question 5

This question focused on Jane's inherited self-invested personal pension (SIPP).

Part (a) required candidates to recommend and justify why Jane should use a diversified portfolio of collective investment funds within this SIPP. Many candidates performed well and were able to identify most of the key points.

Part (b) asked candidates to identify the key factors that you should consider when establishing a reasonable rate of withdrawal from this SIPP in future. General performance was very good with the majority of candidates achieving at least half marks or higher.

Question 6

This question related to Nick and Jane's investments and future Inheritance Tax liability.

In part (a) candidates were asked to explain to Nick and Jane why their existing choice of investment funds within their non-pension investments may not be suitable to meet their longer-term objectives. Performance was generally below the expected standard. Many candidates focused on their cash holdings although the question clearly required an exploration of their investment funds. Well-prepared candidates were able to achieve reasonable marks and identified most of the key points.

In part (b) candidates were required to explain in detail to Nick and Jane how investing in Alternative Investment Market (AIM) ISAs could help them to mitigate their future Inheritance Tax liability. General performance was good.

Part (c) required candidates to identify the key drawbacks of using AIM ISA's for Nick and Jane. Candidate performance was good with most candidates identifying the majority of the key points.

Question 7

This was a three-part question focusing on Nick and Jane's plan to assist their son with the purchase of his first home.

Part (a) asked candidates to state five benefits and five drawbacks of encashing their investment bond on the 20-year anniversary. This was clearly indicated in the Fact Find. Well-prepared candidates had no problems but less-prepared candidates struggled. This question also identified a lack of knowledge with some candidates stating that there would be issues with Capital Gains Tax on encashment of the Bond, rather than issues with Income Tax.

Question 8

This was a standard review question which asked candidates to state six factors to consider when reviewing Nick and Jane's pension arrangements at their next annual review. General performance was good.

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 Johnson recently.

PART 1: BASIC DETAILS

	Client 1	Client 2
Surname	Johnson	Johnson
First name(s)	Nick	Jane
Address	15, Lark Close, Dudley	15, Lark Close, Dudley
Date of birth	15.06.1960	22.04.1962
Domicile	UK	UK
Residence	UK	UK
Place of birth	Birmingham	Stafford
Marital status	Married	Married
State of health	Good	Good
Family health	Poor	Good
Smoker	Yes	No
Hobbies/Interests	Cricket, Golf	Walking

Notes:

Nick was recently made redundant and is due to start a new part-time job within the next few weeks. Nick and Jane are considering the possibility of retiring when Jane reaches age 60. Nick has a family history of poor health and both his parents died when they were in their early 60's from heart-related issues.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	D.O.B	Health	Occupation	Financially dependent?
Sally	Daughter	32	01.12.85	Good	Doctor	No
Daniel	Son	26	15.11.91	Good	Builder	No

Notes:

Daniel is due to purchase his first home soon and Nick and Jane are considering assisting him with this purchase.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Telecoms Engineer	Accountant
Job title	Engineer	Accounts Manager
Business name	Aston Communications	Dudley Allied
Business address		
Year business started		
Remuneration		
Salary	£36,000 (from 01.11.18)	£54,000
State Pensions		
Overtime		
Benefits		
Benefits-in-kind		
Pension Scheme	See Part 11	See Part 11
Life cover	See Part 8	See Part 8
Private Medical Insurance	See Part 9	N/A
Critical Illness cover	See Part 9	N/A
Income Protection Insurance	See Part 9	N/A
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:

Nick is due to join Aston Communications on a part-time basis on 1 November. He has been offered a range of employee benefits. He is able to join the company Income Protection scheme, as well as the employer Private Medical Insurance scheme. The company also offers group Critical Illness cover of £36,000.

Nick will have automatic membership of the company death-in-service scheme, which offers four times basic salary on death whilst in service when he joins the company qualifying workplace pension scheme.

Previous Employment	Client 1	Client 2
Previous employer	Arden Link	
Job title	Manager	
Length of service	25 years	
Pension Scheme	See Part 11	

Notes:

Nick worked for Arden Link for 25 years on a full-time basis and was made redundant in August. Arden Link offered a defined benefit pension scheme and Nick was a member of this throughout his career with them. Nick received a redundancy payment of £40,000 when he left the company. This was the net payment after tax.

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	Client 2
Accountant		
Bank	Securebank	Securebank
Doctor		
Financial Adviser		
Solicitor	Briggs LLP	Briggs 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 (gross)	3,000		4,500			
Benefits-in-kind						
Investment income (gross)						1,740
Rental (gross)						
Dividend (gross)		2,400				

Notes:

Nick's income is based on his new salary from Aston Communications where he starts his new job on 1 November 2018.

	Client 1	Client 2
Income Tax	£	£
Personal allowances	11,850	11,850
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						
Council tax						2,000
Buildings and contents insurance						480
Gas, water and electricity						1,400
Telephone			40			
TV licence and satellite			60			
Property maintenance						700
Regular Outgoings						
Life assurance (see Part 8)						
Health insurance (see Part 9)						
Savings Plans (see Part 10)						
Car tax, insurance and maintenance				800	750	
Petrol and fares	180	150				
Loans (see Note 1)						
School fees						
Childcare						
Further education						
Subscriptions	20					
Food, drink, general housekeeping			800			
Pension contributions (see Part 11)		108				
Other Expenditure						
Magazines and newspapers			20			
Entertainment			150			
Clubs and sport				1,200		
Spending money						5,000
Clothes				600	2,000	
Maintenance						
Other (Holidays)						7,200
Total Monthly Expenditure	200	258	1,070			
Total Annual Expenditure	2,400	3,096	12,840	2,600	2,750	16,780
Total Outgoings						**40,466**
Notes:						

See below.

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

Notes:

Nick and Jane may provide £50,000 to Daniel within the next six months to assist him with the purchase of his first home.

PART 6: ASSETS

	Asset	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence			450,000	
2.	Contents/car			60,000	
3.	Current account – Securebank			8,000	
4.	Deposit Savings Account – Securebank			145,000	1,740
5.	Individual share portfolio				
6.	National Savings & Investments Premium Bonds	40,000			
7.	Stocks and shares ISAs	220,000	170,000		
8.	Unit Trust – European Equity fund	160,000			2,400
9.	Onshore Investment Bond – With-Profit fund			295,000	

Notes:

Nick and Jane have made full use of their Individual Savings Account allowances each year by making lump sum investments.

Nick's redundancy payment is now held in National Savings & Investments Premium Bonds.

Nick's stocks and shares ISA is invested in a range of US Equity Growth funds and Jane's ISA is invested in several UK Corporate Bond funds. All of these funds are invested in accumulation units. Jane is not very happy with the performance of her ISA holdings and would like to review these funds in the light of their retirement plans.

Nick has a Unit Trust holding in a European Equity fund. Nick is keen to retain this fund as it has performed well although he is slightly concerned as to the longer-term suitability of this fund for both himself and Jane.

Nick and Jane hold an Onshore Investment Bond that was purchased with a lump sum of £130,000. This was funded using part of an inheritance from Nick's father. This Bond is invested in a unitised With-Profit fund and following a recent statement, they have been advised that the Bond is reaching its twenty-year anniversary when they can withdraw from the Bond without penalty. They have not taken any withdrawals from this Bond. The With-Profit fund offers a guaranteed annual bonus of 4% and they are pleased with the performance of this Bond.

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			
Type of mortgage			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Life policies (see Part 8)			

Notes:
Nick and Jane repaid their mortgage some years ago with the inheritance received from Nick's late father.

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

Notes:
Nick and Jane have no outstanding loans.

Other Liabilities (e.g. tax)

Notes:
Nick and Jane have no other liabilities.

PART 8: LIFE ASSURANCE POLICIES

	Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust ?	Surrender Values £
1.	Jane	Jane	162,000	N/A	To retirement			N/A

Notes:

Jane has an employer death-in-service policy offering three times her basic salary on death whilst in service. Jane has completed a nomination form in favour of Nick.

Nick will become a member of his employer's death-in-service scheme which offers a benefit of four times his basic salary when he joins the qualifying workplace pension scheme.

PART 9: HEALTH INSURANCE POLICIES

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

Notes:

Nick will join the Aston Communications' company Income Protection scheme which is provided for all staff.

Nick has been offered membership of Aston Communications' company Private Medical Scheme and Group Critical Illness scheme. Nick has not yet decided if he will join either of these schemes.

PART 10: REGULAR SAVINGS

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

Notes:

Nick and Jane are not making any current regular savings.

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:
Nick and Jane do not have any current 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:
Nick and Jane do not have any Additional Voluntary Contribution schemes.

Personal Pensions

	Client 1	Client 2
Type		Qualifying Workplace Pension scheme
Company		UK Life Ltd
Fund		Balanced Lifestyle fund
Contributions		3% employer/3% employee
Retirement date		65
Current value		£114,000
Date started		August 1998
Notes:		

Jane has been a member of her employer's pension scheme since it was set up in August 1998. She has completed a nomination in favour of Nick. Jane's employer will match any employee contributions up to 5% so Jane is considering an increase to her contributions as soon as Nick starts his new job.

Nick will join his new company pension scheme as soon as he starts with Aston Communications. This will offer him matched employer contributions up to 7% of his basic salary. The company scheme is a qualifying workplace scheme and offers a wide range of investment funds including several Target Date funds. The current default fund is a Cautious Lifestyle fund.

Previous pension arrangements

	Client 1	Client 2
Employer	Arden Link	Self-invested personal pension (SIPP)
Type of scheme	Defined Benefit	Midlands Life
Date joined scheme	August 1993	Inherited from late brother
Date left	August 2018	
Preserved benefits	£24,000 per annum from age 65	£280,000
Notes:		

Nick was a member of the defined benefit pension scheme until he was made redundant in August 2018. The last pension statement that he received showed an annual pension of £24,000 (gross) per annum from age 65 with a 50% spouse's benefit for Jane. Nick has completed a nomination form in favour of Jane. Nick is aware that the scheme trustees will not permit early retirement other than in cases of ill health. Nick has requested further details along with a Cash Equivalent Transfer Value (CETV) from the Pension Scheme Trustees for the Arden Link scheme.

Jane's brother died last year, aged 59, as a result of an accident. He was unmarried with no dependants and had nominated Jane to receive his benefits under his SIPP. This plan is currently held in cash within the SIPP bank account, but Jane wishes to invest this to provide additional income for herself and Nick in retirement.

State Pension

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

Nick and Jane have never checked their State Pension entitlement.

PART 12: INHERITANCES

Wills	Client 1	Client 2
Do you have a current Will?	Yes	Yes
Notes:		
Nick and Jane have up-to-date Wills leaving all of their assets to each other on first death and then to the children in equal shares on second death. They have also recently registered Lasting Powers of Attorney to ensure that their financial affairs can be dealt with by the other in the event of serious illness.		

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

Gifts	Client 1	Client 2
Give details of gifts made and received		

Notes:
Nick and Jane have not made any gifts.

Inheritances	Client 1	Client 2
Give details of any inheritances (see below)	£250,000	£280,000
Notes:		
Jane's mother died several years ago. Her father is currently in a care home and Jane holds sole Lasting Power of Attorney for his finances. Jane does not expect to receive any inheritance from her father as she believes his remaining funds will be exhausted over the next few years in the payment of care fees. Jane inherited her late brother's self-invested personal pension with a value of £280,000 and this is now held in her name as nominee. Jane has not yet updated the nomination on this plan nor has she drawn any benefits from it. Nick inherited £250,000 from his late father and £120,000 of this was used to repay their mortgage and the balance of £130,000 was invested into the jointly-owned Investment Bond.		

PART 13: ATTITUDE TO RISK

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

Notes:
Nick considers himself to be an adventurous investor. Jane is a cautious investor. Risk assessments have been completed confirming these risk profiles. Neither Nick nor Jane are concerned about investing ethically.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	01.10.18	
Client agreement issued	01.10.18	
Data Protection Act	01.10.18	
Money laundering	01.10.18	
Consultations		
Dates of meetings		
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

Chartered Insurance Institute

AF5

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October 2018 examination

SPECIAL NOTICES
All questions in this paper are based on English law and practice applicable in the tax year 2018/2019, 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 analyse the benefits offered to Nick through his new employer.
- To assess the suitability of Nick and Jane's current savings and investments.
- To evaluate Nick's options in respect of his deferred pension benefits.
- To provide a lump sum to assist their son in purchasing his first home.

Longer-term objectives

- To ensure that Nick and Jane are able to generate an adequate and tax-efficient income in retirement.
- To maximise their estate for the benefit of Sally and Daniel.
- To establish a suitable strategy to ensure that any long-term care fees can be met.

Attempt ALL tasks

Time: 3 hours

1. Identify and explain in detail the key client-specific factors that you would take into consideration when assessing Nick and Jane's capacity for loss. **(10)**

2. With regards to the benefits on offer from his new employer:

(a) Identify the key additional information you would require to enable you to evaluate the health-related benefits available to Nick. **(12)**

(b) Explain in detail the benefits to Nick of joining his new employer qualifying workplace pension scheme. **(12)**

(c) Explain to Nick how a Target Date fund operates and why this may be a suitable fund choice for him within his new employer qualifying workplace pension scheme. **(7)**

3. In respect of Nick's deferred defined benefit scheme:

(a) Explain to Nick the reasons why he might wish to consider transferring the deferred benefit into a personal pension arrangement. **(10)**

(b) Outline the key drawbacks for Nick and Jane of transferring this benefit to a personal pension arrangement. **(8)**

4. **(a)** Explain to Nick and Jane how a lifetime cashflow model could be used to assist them in meeting their objectives. **(8)**

(b) Recommend and justify the actions that Nick and Jane could take to ensure that they will be able to generate a tax-efficient and sustainable income from all of their pensions and investments throughout retirement. *Candidates should assume that Nick and Jane do not take out any new investment plans.* **(14)**

(c) Outline the key issues that Nick and Jane should consider when planning a strategy to meet any long-term care costs. **(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.

5. Jane is considering her options in respect of her late brother's self-invested personal pension scheme (SIPP).

(a) Recommend and justify why Jane should use a diversified portfolio of collective investment funds within this SIPP. **(8)**

(b) Identify the key factors that you should consider when establishing a reasonable rate of withdrawal from Jane's SIPP plan in the future. **(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.

6. **(a)** Explain in detail to Nick and Jane why their existing choice of investment funds within their non-pension investments may not be suitable to meet their longer-term objectives. **(10)**

(b) Explain in detail to Nick and Jane how investing in Alternative Investment Market (AIM) ISAs could help them to mitigate their future Inheritance Tax liability. **(7)**

(c) Identify the key drawbacks for Nick and Jane of using AIM ISAs. **(7)**

7. Nick and Jane would like to consider using their existing Investment Bond to provide a lump sum to assist their son with the purchase of his first home.

(a) State **five** benefits and **five** drawbacks for Nick and Jane if they choose to fully encash their Investment Bond when it reaches the twenty-year anniversary. **(10)**

(b) **(i)** Explain in detail to Nick and Jane how an interest-free loan to Daniel would be treated for Inheritance Tax purposes on second death. **(6)**

(ii) State the actions Nick and Jane could take to protect Daniel from a forced repayment of the loan on their deaths. **(5)**

8. State **six** factors you should consider when reviewing Nick and Jane's pension arrangements at your next annual review. *Candidates should assume that there have been no changes in Nick or Jane's personal circumstances since your last review meeting.* **(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

- They have significant assets/wealth/adequate emergency fund.
- They can tolerate some loss/volatility.
- They have earned income/Nick starts his new job soon.
- Level of income required.
- Guaranteed income from Defined Benefit scheme/State Pension.
- No potential inheritances.
- No liabilities.
- Loan/gift to Daniel.
- Short time frame to retirement.
- History of poor family health/they are currently in good health.

Model answer for Question 2

(a) **Income Protection Insurance**

- Level of benefit and term/retirement date.
- Company sick pay policy/period paid/deferred period.
- Is policy indexed in payment?
- Are pension contributions covered.
- Taxable benefit.

Private Medical Cover

- Comprehensive/restricted cover/level of cover.
- Exclusions/pre-existing conditions covered/moratorium.
- Cover for Jane available.

Critical Illness Cover

- Conditions covered/matches Association of British Insurers definitions/exclusions.
- Survival period.

- Underwriting (initially).
- Value for benefit-in-kind charge/tax charge.

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

- Tax relief on contributions at 20%/40%.
- Paid net/deducted from payroll/no administration/no need to reclaim tax.
- Matched employer contribution up to 7%.
- Could use salary sacrifice to save National Insurance contributions.
- Employer may rebate National Insurance saving into plan.
- Benefit from death in service scheme/otherwise unavailable.
- Death-in-service is valuable to Nick as he has poor family health/smoker.
- Inheritance Tax efficient fund for Jane/children.
- Tax-efficient growth within fund.
- Range of income options in retirement/flexible income.
- Can draw benefits at age 62/in four years' time.
- Wide range of investment funds/to meet attitude to risk.
- Normally lower cost/employer sponsored.
- Increased pension in retirement/pension commencement lump sum (PCLS).

(c)

- Target date matches his normal retirement date.
- Can be used for drawdown/not targeted solely to annuity.
- Growth potential in consolidation phase/in four years to normal retirement date.
- Actively managed/no forced sales/market timing.
- Can switch retirement date/switch to new target date.
- Asset allocation changes to reduce risk/volatility.
- Nick can select fund to match his attitude to risk.

Model answer for Question 3

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

- Defined Benefit scheme may offer enhanced/attractive Cash Equivalent Transfer Value (CETV).
- Financial strength of employer/funding position of Defined Benefit scheme.
- Nick cannot take benefits before 65/he wishes to retire at 62.
- Personal Pension offers flexible death benefits/personal pension provides death benefits to children/Defined Benefit provides spouses' pension only.
- Inheritance Tax-free/it meets estate planning objectives/larger estate for family/ Income tax-free on death before age 75.
- Nick has poor family health/longevity.
- Nick is a smoker so enhanced annuity rates may be available.
- Potential for growth/can match attitude to risk/adventurous risk.
- Personal Pension can vary income/Defined Benefit income is fixed at outset.
- Personal Pension can manage Income Tax/Defined Benefit inflexible for Income tax.
- Personal Pension may offer higher Pension Commencement Lump Sum.
- They have substantial assets so do not need guaranteed income/can use other assets for income.

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

- Loss of guaranteed lifetime income.
- Loss of guaranteed spouse's benefit.
- Loss in index-linking/expensive to replicate.
- Cost of transfer/advice charges/cost of setting up alternative scheme/ongoing costs.
- Administration/time to monitor/complexity.
- Investment risk.
- Loss of Pension Protection Fund (PPF) protection.
- Cash Equivalent Transfer Value (CETV) may improve in future/CETV may not be attractive.
- Does not match Jane's attitude to risk.
- Longevity risk/Nick may live for a long time.

Model answer for Question 4

(a)

- Identify shortfalls.
- Based on existing portfolio/contributions.
- Returns required/increased contributions required.
- Stress-test existing portfolio (losses/market crash).
- Apply range of growth rates/based on attitude to risk.
- Show impact of inflation.
- Impact of withdrawals/sequencing risk.
- Can be adjusted/reviewed as circumstances change.

(b)

- Use ISA allowance for tax efficiency.
- Use Capital Gains Tax exemption/£11,700.
- Transfer some of Nick's unit trust to Jane.
- Uses Jane's dividend allowance/Nick exceeds his dividend allowance.
- Interspousal transfer/base cost transfers to Jane.
- Switch ISA/unit trust holdings to income-generating funds.

- Retain investment bond until both basic rate taxpayers/assign bond to Nick.
- Can take 5% tax-deferred cumulative withdrawals.
- Top-slicing available.

- Draw benefits from Jane's inherited self-invested personal pension (SIPP).
- Tax-free as brother died aged 59/before age 75.
- Use flexi-access drawdown/uncrystallised funds pension lump sum to draw benefits from Jane's defined contribution scheme.
- Can use SIPP for Inheritance Tax efficiency/use SIPP last.
- Maximise pension contributions for tax relief/for employer matching contributions.

(c)

- Family health for Jane/longevity.
- Type of care required/at home/care facility.
- Estimated cost of long-term care.
- Care fee inflation/general inflation.
- Budget/affordability.
- Availability of state benefits e.g. Attendance/Carer's Allowance.
- Willingness to downsize/equity release.
- The use of an immediate needs annuity.
- Investment bond not considered for care fees.
- They have significant assets so must self-fund.

Model answer for Question 5

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

- Cash holdings are losing real value/effects of inflation.
- Reduces risk/volatility.
- Non-correlation of assets/negative correlation of assets.
- Invest in real assets/equities provide inflation proofing/growth.
- Can select different management styles/active/passive/can match Jane's attitude to risk.
- SIPP allows wide range of investments.
- Geographic diversification can improve returns/minimise volatility.
- Meets her income needs.
- More potential for a legacy.

(b)

- Income needs in retirement/capital needs.
- Income available from other sources/State Pension amount.
- Future tax position for Jane/use of Jane's Personal Allowance/tax allowances/SIPP income is tax-free.
- SIPP investment strategy.
- Projected SIPP value/growth assumption.
- Economic conditions/inflation rate.
- Sequencing risk/pound cost ravaging.
- SIPP charges/admin charges/cost of advice.
- Longevity/Jane's state of health.
- Death benefits/Nick or children/Inheritance Tax free.

Model answer for Question 6

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

Nick:

- US Equity fund/European Equity fund lacks diversification/all equity.
- Currency risk/all overseas.
- Investment risk/potential for significant capital loss.
- Dividend income exceeds his allowance/tax due of 7.5% on excess.
- Capital gain within Unit trust/potential Capital Gains Tax of 10% on disposal.

- US Equity fund lacks geographical diversification.
- Limited income stream/growth funds/accumulation units.

Jane – UK Corporate Bond:

- May fall in value if interest rates rise/interest rate risk.
- Lack of growth potential/may not keep pace with inflation.

Joint – With-Profit bond:

- With-Profit fund does not match Nick's attitude to risk.
- Opaque/investment strategy unclear/taxed at 20% internally/cannot use Capital Gains Tax exemption.
- No guarantee of final value on encashment /reliant on actuary/market value adjustment.

(b)

- Alternative Investment Market (AIM) shares qualify for Business Relief.
- Inheritance Tax does not apply to qualifying Business Relief assets/saves 40% Inheritance Tax.
- After two years.
- Asset must be held on death to qualify.
- Monitoring required/Business Relief can be lost.
- ISA can be transferred to spouse/use Additional Permitted Subscription on death.
- Holding period transferred to beneficiary/Inheritance Tax efficiency retained.

(c)

- Can be illiquid.
- High annual charges.
- Does not match Jane's attitude to risk.
- Shares may lose qualifying status/legislation may change.
- Limited income potential.
- Limited number of providers/complex investment.
- Very high investment risk/volatility/risk of capital loss/lower reporting standards.

Model answer for Question 7

(a) Benefits

- No market value adjustment guarantee on 20th anniversary.
- Can reinvest in more tax-efficient fund/can reinvest in more diversified portfolio/more in line with attitude to risk/income objective.
- Money available for gift to Daniel.
- Top slicing may be available.
- Market currently high/may offer terminal bonus/crystallises accumulated bonuses.

Drawbacks

- Loss of 4% annual guaranteed bonus.
- Loss of smoothing/reduces volatility.
- Loss of ability to take tax-deferred income in retirement.
- Tax charge/could lead to loss of personal allowance.
- Bond cannot be assigned to children in future.

(b) (i)

- Loan remains part of the estate/debt owed to estate.
- Loan must be reported to HM Revenue & Customs (HMRC).
- Executors can demand repayment of loan.
- Loan can be written off by executors.
- Loan is not a gift/exemptions cannot be used.
- Estate liable to Inheritance Tax at 40% if exceeds Inheritance Tax exemptions on 2nd death/Inheritance Tax still due on debt.

(ii) *Candidates would have gained full marks for any five of the following:*

- Re-write Will to reflect loan details.
- Draw up loan agreement and full details/interest-only.
- Write letter of wishes to be given to executors.
- Request that loan be written off on second death.
- Discuss and gain agreement from Sally.
- Insure against debt/whole of life, joint life last survivor, £50,000.

Model answer for Question 8

- Change in income needs/budget/affordability/tax status/objectives/State Pension forecast.
- Investment performance/attitude to risk/capacity for loss/rebalance/charges/SIPP invested/asset allocation.
- Pension contributions increased for employer matching/contributions.
- Change in market conditions/inflation/economy.
- Change in regulations/legislation/new products.
- Has Nick transferred Defined Benefit scheme/has Jane drawn from SIPP/pension nominations made.

All questions in the April 2019 paper will be based on English law and practice applicable in the tax year 2018/2019, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the October 2018 and April 2019 examinations.

INCOME TAX

RATES OF TAX	2017/2018	2018/2019
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	£33,500	£34,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
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		£2,000
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)	£11,500	£11,850
Married/civil partners (minimum) at 10% †	£3,260	£3,360
Married/civil partners at 10% †	£8,445	£8,695
Transferable tax allowance for married couples/civil partners	£1,150	£1,190
Income limit for Married couple's allowance†	£28,000	£28,900
Rent a Room relief	£7,500	£7,500
Blind Person's Allowance	£2,320	£2,390
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.
*** maximum for 'standard' investment but for 'knowledge intensive' investment, the limit is £2,000,000.*

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)	£116
Primary threshold	£162
Upper Earnings Limit (UEL)	£892

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 162.00*	Nil
162.01 – 892.00	12%
Above 892.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £116 per week. This £116 to £162 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 162.00**	Nil
162.01 – 892	13.8%
Excess over 892.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.95 where profits exceed £6,205 per annum.
Class 3 (voluntary)	Flat rate per week £14.65.
Class 4 (self-employed)	9% on profits between £8,424 - £46,350. 2% on profits above £46,350.

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
2018/2019	£1,030,000

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*
2018/2019	£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	2017/2018	2018/2019
	£4,000	£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.

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2017/2018	2018/2019
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	£125,000
- 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 2018/2019:

- The percentage charge is 13% 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 16%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 19%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 20% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 190g/km and above).

There is an additional 4% 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 (£23,400 for 2018/2019) e.g. car emission 90g/km = 19% on car benefit scale. 19% of £23,400 = £4,446.

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

	2017/2018 Rates	2018/2019 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

	2017/2018	2018/2019
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:	50 or less*	51-110	111 or more
Capital allowance:	100% first year	18% reducing balance	8% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2017/2018	2018/2019
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.70	17.20
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 109.65	Up to 110.75
Attendance Allowance	Lower rate	55.65	57.30
	Higher rate	83.10	85.60
basic State Pension	Single	122.30	125.95
	Married	195.60	201.45
new State Pension	Single	159.55	164.35
Pension Credit	Single person standard minimum guarantee	159.35	163.00
	Married couple standard minimum guarantee	243.25	248.80
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment*		2,000.00	2,000.00
Bereavement Support Payment**	Higher rate - First payment	3,500.00	3,500.00
	Higher rate - monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		140.98	145.18

**Only applicable where spouse or civil partner died before 6 April 2017.*
*** Only applicable where spouse or civil partner died on or after 6 April 2017.*

CORPORATION TAX

	2017/2018	2018/2019
Standard rate	19%	19%

VALUE ADDED TAX

	2017/2018	2018/2019
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£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 and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.

Additional 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.

First-time buyers benefit from SDLT relief on purchases up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,000 and £500,000, a flat rate of 5% is charged on the balance above £300,000.