

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

April 2016 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 2016 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

Important guidance for candidates	3
Examiners comments	8
Fact Find	12
Question paper	23
Model answers	28
Tax tables	35

Published August 2016

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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 Advanced Diploma in Financial Planning information for candidates and important notes for candidates

Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current Advanced Diploma in Financial Planning Information for Candidates and important notes for candidates, which is *essential reading* for all candidates. It is available online at www.cii.co.uk or from 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-\(af5\)](http://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-\(af5\)](http://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:

Candidates performed very well in general on this paper and it was pleasing to note some excellent performance from a number of candidates.

It was clear that the majority of candidates had taken time to review the fact-find in detail and identify the issues that would be of significance for this particular client.

Many candidates demonstrated a clear and detailed understanding of the additional requirements and duties placed on advisers when dealing with a potentially vulnerable client. This is a topical issue and candidates performed very well in demonstrating their understanding in this area.

Task 1

This was a two-part question asking for additional information that an adviser would require in order to provide advice to their client. This scenario involved a recent widow with little financial experience.

The fact-find stated that this lady was very anxious about her financial security and this was a key point that candidates needed to bear in mind throughout this paper.

Part (a) asked candidates to identify the key additional information that would be required in order to advise Sue on establishing a suitable method to draw benefits from her late husband's pension arrangements. The majority of candidates performed well and were able to identify the key information that would be required.

Part (b) asked candidates to identify additional information that would enable them to assess the suitability of the investment portfolio that Sue will inherit. A number of candidates focused purely on the cash element which Sue has already inherited from David, rather than the investment portfolio. It would be necessary to obtain information on the existing holdings in order to assess suitability of these investments for Sue and many candidates correctly identified information such as the current asset allocation, performance of the funds and fund charges. Unfortunately, few candidates identified sufficient key details relating to the investment portfolio to score high marks.

Task 2

This was a two-part question which focused on Sue's current vulnerable status.

Part (a) asked for a brief explanation of why Sue should be classified as a vulnerable client. This was very well answered by the majority of candidates and it was pleasing to note that candidates were aware that Sue was vulnerable not just because of her recent bereavement but also because of her lack of experience in financial matters.

Part (b) required candidates to describe actions that should be taken to provide Sue with an appropriate level of service, reflecting the fact that she is a 'vulnerable' client at present. Many candidates performed well and identified a number of appropriate measures that should be taken to assist Sue. Well prepared candidates were able to achieved high marks by referring specifically to the details provided in the fact-find and identifying that any actions and outcomes should be flexible as Sue is uncertain of her future plans.

Task 3

This question related to Sue's entitlement to her late husband's ISA portfolio. The majority of candidates performed very well here and provided a detailed explanation of the Additional Permitted Subscription which would enable Sue to inherit the value of David's portfolio on his death.

Task 4

This question focused on Sue's objective to mitigate Inheritance Tax.

Part (a) asked candidates to comment on the Inheritance Tax efficiency of Sue's current financial position. Many candidates performed very well here and identified most of the key issues. It was pleasing to note that most candidates were able to accurately identify the Inheritance Tax efficiencies of the AIM portfolio as well as the self-invested personal pension plan.

Part (b) required candidates to recommend and justify a suitable trust arrangement to enable Sue to achieve an immediate reduction in the value of her estate whilst retaining entitlement to a regular tax-efficient income. Many candidates performed well here and correctly identified that a discounted gift trust would achieve an immediate reduction in her estate whilst retaining the entitlement to a regular tax-efficient income. However, a number of candidates recommended a deed of variation on her late husband's Will to re-direct monies to their children. Whilst this would achieve the aim of reducing Sue's estate immediately, it would not provide any entitlement to a regular tax-efficient income.

Task 5

This question focused on the joint life last-survivor policy which had been purchased by David some years ago without taking advice. Sue had very few details on this policy and candidates were asked to describe the key policy details that they should consider in order to advise Sue on the suitability of this policy. Many candidates correctly identified the key policy details that should be considered in respect of this plan. This question was generally well answered by the majority of candidates.

Task 6

This was a two-part question relating to David's self-invested personal pension.

Part (a) asked candidates to explain briefly the three main options for using this plan to provide Sue with an income. The question also asked candidates to include any Income Tax or Inheritance Tax implications for each of these options. The majority of candidates performed very well here and achieved high marks.

Part (b) required candidates to recommend and justify how Sue could use the self-invested personal pension (SIPP) to meet her objective of maximising her estate for the benefit of her children. Most candidates correctly identified the use of flexi-access drawdown to achieve this objective but did not achieve high marks as they did not go on to justify their recommendation.

Candidates who achieved high marks correctly identified the fact that the SIPP plan would continue to grow tax-free and Sue could use other assets to draw an income, leaving the SIPP fund to be passed down to her children, free of Inheritance Tax.

Task 7

This was a four-part question focusing on the investments that Sue will shortly inherit from her late husband.

Part (a) required candidates to explain to Sue why these investments may not be suitable for her. It was disappointing that many candidates focused purely on the cash funds that Sue had already inherited, rather than on the investment portfolio which she is due to receive in the near future. As a result, few candidates achieved high marks in this part of the question. Only the better prepared candidates identified that this was a complex portfolio and hence, potentially unsuitable for an inexperienced investor.

Part (b) asked candidates to recommend and justify any changes that should be made to Sue's cash deposits and the investments to ensure that these meet her stated financial objectives. The majority of candidates performed well here and recommended a number of suitable changes that would assist Sue in her objectives. Few candidates identified the issue of lack of liquidity in both the AIM shares and the commercial property funds although these were key issues for Sue who is concerned about her future income needs and unsure if she needs any capital lump sums in the near future.

Part (c) asked candidates to identify and briefly explain the key investment risks associated with the portfolio of AIM shares. The majority of candidates performed extremely well here and correctly identified the risks.

Part (d) focused on the benefits and drawbacks of the 'index-tracking' funds that Sue will shortly inherit. Few candidates performed well here with many candidates providing general information on open-ended investment companies and Unit Trusts, rather than focusing on the 'index-tracking' funds. As a result, few candidates achieved high marks here.

Task 8

This question asked candidates to identify the financial planning issues that should be discussed with Sue at the next review meeting, taking into consideration her recent change of circumstances. Most candidates performed well here and correctly identified the key issues such as re-writing her Will and drawing benefits from her late husband's SIPP in a timely fashion.

THE CHARTERED INSURANCE INSTITUTE

AF5 - FINANCIAL PLANNING PROCESS



FACT-FIND

April 2016

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

PART 1: BASIC DETAILS		
	Client 1	Client 2
Surname	White	White (deceased)
First name(s)	Sue	David
Address	1 Crescent Way, Bolton	
Date of birth	15.09.1951	01.08.1949
Domicile	UK	UK
Residence	UK	UK
Place of birth	Leeds	Bolton
Marital status	Widowed	Deceased
State of health	Good	
Family health	Good	
Smoker	No	
Hobbies/Interests	Walking, cycling	
Notes:		
<p>For ease of reference, the late David White's relevant details are included as Client 2, although you are advising Sue White solely.</p> <p>Sue White has been referred to you by her solicitor who is the executor of her late husband's estate.</p> <p>David White died in January 2016 following a sudden illness. His Will left all of his assets to his wife and probate has recently been granted. The executors of his Will are preparing to distribute his full estate to Mrs White, his sole beneficiary.</p>		

PART 2: FAMILY DETAILS						
Children and other dependants						
Name	Relationship	Age	D.O.B	Health	Occupation	Financially dependent?
Karen	Daughter	42	01.03.1974	Good	Teacher	No
Peter	Son	39	25.02.1977	Good	Surveyor	No
Notes:						
Sue has two grandchildren who are aged 10 and 15.						

PART 3: EMPLOYMENT DETAILS		
	Client 1	Client 2
Employment		
Occupation	Retired Secretary	
Job title	Secretary	
Business name		
Business address		
Year business started		
Remuneration		
Salary		
State Pensions	£6,029	
Overtime		
Benefits		
Benefits-in-kind		
Pension scheme (see Part 11)		
Life cover (see Part 8)		
Private Medical Insurance	N/A	
Income Protection	N/A	
Self Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		
Notes:		
	Client 1	Client 2
Previous Employment		
Previous employer	N/A	N/A
Job title		
Length of service		
Pension benefits (see Part 11)		

Notes:

Both Sue and David retired several years ago and have drawn benefits from all of their pension schemes (see Part 11).

Sue has applied to the State Pension Service for the transfer of any additional entitlement to State Pension following David's death.

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	Client 2
Accountant		
Bank	Access Bank	
Building Society		
Doctor	Dr Knowles	
Solicitor	Hendry Davies LLP	
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income						
	Client 1		Client 2		Joint	
	Monthly £	Annually £	Monthly £	Annually £	Monthly £	Annually £
State Pensions		6,029				
Private Pensions		7,500				
Salary						
Benefits-in-kind						
Investment income (gross)		1,200				
ISA income		2,800		6,000		
Dividend (net)				1,395		
Notes:						
<p>David was drawing £24,000 per annum (gross) from his pension plan. This income ceased on his death.</p> <p>Sue's investment income is derived from the cash deposit account which was previously held jointly with David. On his death, this was automatically transferred in full to Sue. She also receives income from her corporate bond holdings in her ISA portfolio to the value of £2,800 per annum.</p> <p>David's remaining personal investments are in the process of being transferred 'in specie' to Sue by the executors of David's estate. This process should be completed in the next few weeks. The dividend income from these holdings is currently paid to David's executors.</p>						
	Client 1		Client 2			
Income Tax	£				£	
Personal allowances	10,600					
Taxable income						
Tax						
National Insurance						
Net Income						
Notes:						

Expenditure

	Monthly £			Annually £		
	Client 1	Client 2	Joint	Client 1	Client 2	Joint
Household Expenditure						
Mortgage/Rent						
Council tax				1,500		
Buildings and contents insurance				750		
Gas, water and electricity				800		
Telephone				500		
TV licence and satellite				300		
Property maintenance				1,000		
Regular Outgoings						
Life assurance (see Part 8)	120					
Health insurance (see Part 9)						
Savings Plans (see Part 10)						
Car tax, insurance and maintenance				1,000		
Petrol and fares				950		
Loans						
Hire purchase						
School fees						
Childcare						
Further education						
Subscriptions	25					
Food, drink, general housekeeping	650					
Pension contributions (see Part 11)						
Other Expenditure						
Magazines and newspapers	35					
Entertainment	150					
Clubs and sport						
Spending money				3,000		
Clothes				800		
Maintenance						
Other (Holidays)				1,000		
Total Monthly Expenditure	980					
Total Annual Expenditure	11,760			11,600		
Total Outgoings				23,360		

Notes:

Sue has provided the above analysis to the best of her knowledge. Sue has never dealt with the family finances before and is quite anxious to ensure that she will have sufficient income to cover her expenditure in the future. Sue does not expect any significant change in her expenditure following David's death.

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

Notes:

As David has died recently, Sue is very unsure as to her plans for the future.

PART 6: ASSETS

	Asset	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence	500,000			
2.	Contents/car	65,000			
3.	Current account – Access Bank	110,000			
4.	Easy Access Savings Account – Access Bank	80,000			1,200
5.	OEIC/Unit Trust holdings – Global Index Trackers		55,000		300
6.	OEIC/Unit Trust holdings – UK Commercial Property		45,000		1,250
7.	Stocks & Shares ISAs	80,000	200,000		8,800
8.	Individual AIM Shares		90,000		

Notes:

The family home was transferred to Sue's sole name on David's death as this was jointly held. This is mortgage-free.

Sue's current account and Easy Access Savings Account were jointly held with David and these were transferred to her sole name on his death.

Sue's ISA portfolio is held in a range of collective funds investing in UK corporate bonds from which she draws the annual income of £2,800 (gross).

David's Stocks and Shares ISA holdings are held in a range of collective funds investing in global equities and UK equities. David was a keen investor and selected his own portfolio without taking advice.

David's portfolio of Unit Trusts and OEICs is held in a range of Global Index-Tracker funds and UK commercial property funds. David has held these funds for a number of years.

David purchased a range of individual AIM shares after reading about their benefits.

Sue will inherit all of David's investment holdings and the executors of David's estate are in the process of distributing his assets to Sue following the grant of probate.

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:

Sue and David had no outstanding mortgages.

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

Notes:

Sue and David had no outstanding loans.

Other Liabilities (e.g. tax)

Notes:

David's final Income Tax bill has been settled by his executors prior to distribution of his estate.

PART 8: LIFE ASSURANCE POLICIES

	Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust?	Surrender Values £
1.	Joint	Joint	120,000	120 p.m.	Whole of life	2012	Unknown	Unknown
2.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

Sue and David purchased a joint life last-survivor policy in 2012 with a view to covering their Inheritance Tax liability. They did not take advice on this policy.

PART 9: HEALTH INSURANCE POLICIES

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

Notes:

Sue does not have any health insurance policies.

PART 10: REGULAR SAVINGS

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

Notes:

Sue does not make any 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:		
Sue and David do not have any occupational pension scheme entitlements.		

Additional Voluntary Contributions (including free standing additional voluntary contributions)

	Client 1	Client 2
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		
Notes:		
Sue and David do not have any additional voluntary contribution schemes.		

Personal Pensions

	Client 1	Client 2
Type of scheme	Lifetime Annuity (in payment)	Self-invested personal pension (SIPP)
Company	UK Life Ltd	UK Life Ltd
Fund		Global Equity/UK Equity collective funds/cash
Contributions		
Retirement date	January 2013	January 2013
Fund value		£400,000
Date started		

Notes:

Sue has a lifetime annuity which was purchased in January 2013 and which increases each year in line with the Retail Prices Index. The current payment level is £7,500 per annum (gross).

David's SIPP was in capped drawdown. Sue is the sole nominated beneficiary on this plan. The trustees have been notified of David's death and have written to Sue asking her how she wishes to deal with this plan. The SIPP holds £30,000 in the SIPP bank account with the remainder invested in a range of collective equity OEICs and Unit Trusts.

Previous pension arrangements

	Client 1	Client 2
Employer		
Type of scheme		
Date joined scheme		
Date left		
Preserved benefits		

Notes:

State Pension

	Client 1	Client 2
Basic pension	£6,029	
SERPS/S2P		
Graduated pension		
Total	£6,029	

Notes

Sue is awaiting notification from the State Pension Service of the transfer of any additional benefits from David's State Pension following his death.

PART 12: INHERITANCES

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

Notes:

Sue’s Will was made several years ago and names David as her sole beneficiary.

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

Notes:

Gifts	Client 1	Client 2
Give details of gifts made and received	None	None

Notes:

Inheritances	Client 1	Client 2
Give details of any inheritances received or expected		

Notes:

Sue has inherited David’s full estate under the terms of his Will. The executors are due to transfer the investment holdings to Sue ‘in specie’ in the near future (see Parts 5 & 6).

Sue does not expect to receive any further inheritances.

PART 13: ATTITUDE TO RISK

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

Notes:

Sue is a medium-risk investor but has little experience as she relied on David to make investment decisions.

David was a high-risk investor who made investment decisions without seeking advice.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	01.04.2016	
Client agreement issued	01.04.2016	
Data Protection Act	01.04.2016	
Money laundering	01.04.2016	
Consultations		
Dates of meetings	01.04.2016	
Marketing		
Client source	Solicitor	
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		
Notes:		

PART 15: OTHER INFORMATION

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AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

April 2016 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2015/2016, 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.

Candidates should answer based on the legislative position immediately BEFORE the 2016 budget.

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 client has the following financial objectives:

Immediate objectives

- To generate sufficient income for Sue's immediate and future needs whilst maximising tax efficiency.
- To establish a suitable method for Sue to draw benefits from her late husband's pension arrangements.
- To assess the suitability of the investment portfolio that Sue will inherit.

Longer-term objectives

- To maximise the estate for the benefit of Sue's children.
- To improve the tax-efficiency of Sue's investment portfolio.

Attempt ALL tasks**Time: 3 hours**

1. Identify the key additional information required to enable you to advise Sue on how she could meet the following immediate financial objectives:
 - (a) establish a suitable method for Sue to draw benefits from David's pension arrangement; (8)
 - (b) assess the suitability of the investment portfolio that Sue will inherit. (12)

2.
 - (a) Explain briefly why Sue should be classified at present as a 'vulnerable' client. (3)
 - (b) Describe briefly the actions you should take to provide Sue with an appropriate level of service to reflect her current 'vulnerable' client status. (7)

3. Explain in detail Sue's entitlement to her late husband's ISA portfolio and the actions that need to be taken to maintain the tax-efficiency of this portfolio. (12)

4. In respect of Sue's longer-term financial objective to mitigate Inheritance Tax (IHT).

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

 - (a) Comment on the IHT efficiency of Sue's financial position. (14)
 - (b) Recommend and justify a suitable trust arrangement to enable Sue to achieve an **immediate** reduction in the value of her estate whilst retaining entitlement to a regular tax-efficient income. (15)

5. David and Sue purchased a joint life last-survivor life policy to cover their potential Inheritance Tax liability four years ago. Sue has asked whether she should retain this policy or cancel it.

Describe briefly the key policy details that you would consider in order to advise Sue on the suitability of this life policy. (12)

6. In respect of David's self-invested personal pension (SIPP).

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

(a) Explain briefly to Sue the **three** main options available with this plan to provide her with an income, including any Income Tax and IHT implications for each of these options. (14)

(b) If Sue retains the SIPP plan, recommend and justify how Sue could use this to meet her stated financial objective of maximising her estate for the benefit of her children. (7)

7. In respect of the investments that Sue will inherit from David.

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

(a) Explain in detail to Sue why the investments may not be suitable for her. (10)

(b) Recommend and justify the changes that should be made to Sue's cash deposits and the investments that she will shortly inherit to ensure that these meet her stated financial objectives. (16)

(c) Identify and explain briefly to Sue the key investment risks that are associated with a portfolio of AIM shares. (*Excluding systematic and non-systematic risk*). (10)

(d) Describe **six** benefits and **six** drawbacks of the 'index-tracking' OEICs and Unit Trusts that Sue will shortly inherit. (12)

8. Identify **eight** financial planning issues that you should discuss with Sue at your next review meeting, taking into consideration her recent change of circumstances. (8)

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 Task 1

- (a) *Candidates would have gained full marks for any eight of the following:*
- Income/capital requirement/expenditure.
 - Asset allocation.
 - Need for guaranteed/flexible/escalating income?
 - Death benefits for children/priority of Inheritance Tax objective.
 - Self-invested personal pension (SIPP) charges/willingness to pay fees/cost of advice.
 - Investment options/fund choice.
 - Willing to draw income from investments/other assets/downsize/inherited State Pension from David.
 - Capacity for loss.
 - Need for simplicity.
- (b) *Candidates would have gained full marks for any twelve of the following:*
- Asset allocation/diversification/geographical split.
 - Liquidity/commercial property/AIM/sale restrictions.
 - Fund performance.
 - Fund charges/exit penalties.
 - Held on platform/directly held?
 - Date of purchase of AIM shares/held for at least 2 years?/Business Property Relief.
 - Capacity for loss/attitude to risk.
 - Value of investments on date of David's death.
 - Objective/income/growth/timescale.
 - Ethical preferences.
 - Use of ISA allowance/Capital Gains Tax exemption.
 - Willingness to make changes to portfolio/sentimental reasons.
 - Type of service required/Discretionary Fund Management/Advisory etc.

Model Answer for Task 2

- (a)
- Recent change of circumstances/recently widowed.
 - Lack of financial knowledge/experience.
 - Anxious/need for decision-making by Sue.
- (b) *Candidates would have gained full marks for any seven of the following:*
- Family member/trusted friend present at meetings.
 - Clarity of explanation/no jargon/check her understanding.
 - Set out explanations in writing.
 - Give sufficient time to consider decisions/Ensure no 'undue influence' exerted over Sue by others.
 - Flexible outcomes required/her position is changing.
 - Record 'difficult' information/no need to repeat this.
 - Strict confidentiality for information revealed.
 - Fact-finding/compliance/recommendations/reviews.

Model Answer for Task 3

- ISA wrapper ceases for David on death.
- Obtain value of David's ISA on date of his death.
- Additional Permitted Subscription (APS).
- Protects the ISA wrapper/tax efficiency.
- Can use her own ISA allowance/£15,240.
- Growth/income post death is taxable/received by Sue.
- Sue must register her Additional Permitted Subscription (APS) with a provider/death certificate.
- Can transfer holdings '*in specie*'/can retain existing investments.
- Can sell holdings and transfer cash to ISA/can invest personal cash up to value of APS.
- Additional Permitted Subscription can be used up to 3 years from date of death.
- Or up to 180 days after estate is wound up whichever date is later.

Model Answer for Task 4

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

- No Inheritance Tax (IHT) liability, spousal exemption.
- Sue has inherited an IHT inefficient portfolio.
- Sue has David's nil rate band/2x nil rate band/£650,000.
- IHT @ 40% on excess.

- David's self-invested personal pension is tax free/IHT efficient.
- Sue should nominate children/beneficiaries/successors.
- Will pass to them IHT/tax free on Sue's death.

- AIM shares might offer Business Property Relief/IHT free.
- Business Property Relief gives IHT-relief after 2 years/if qualifying/she inherits his holding period.

- Sue has Whole of Life Cover/£120,000.
- This policy may not be in trust/unknown/may increase estate.
- Whole of Life policy does not cover full IHT liability.

- Not used her annual gift allowances/small gifts/out of income/can make gifts of £6,000.
- Can use trusts/lifetime gifts/Potentially Exempt Transfers/Chargeable Lifetime Transfers/not used presently.

- Will is out of date/needs updating.

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

- Discounted gift trust.
- Discount on amount invested/reduces value of estate immediately/Sue loses access to capital.
- Calculated on her age/health/underwritten.
- Sue is in good health/larger discount/greater IHT saving.
- Capital growth is outside estate.
- Provides fixed income/known at outset.
- Can use investment bond.
- Tax-efficient/5% withdrawals/non income producing asset.
- Investment Bond reduces administration for trustees.
- Held in discretionary/flexible trust.
- For benefit of children/grandchildren/offers flexibility to change.
- Discounted Gift Trust is a Chargeable Lifetime Transfer.
- Will be IHT free after seven years.
- If gift into Discounted Gift Trust is below Nil Rate Band, no 20% tax charge due.
- Periodic or exit charges may apply.
- On Sue's death, fund passes to beneficiaries.

Model Answer for Task 5

- Premiums guaranteed or reviewable.
- Frequency of premium review/When is next premium review?
- Was premium rated?
- Cost of replacement cover.

- Maximum/standard/balanced/guaranteed basis.
- Is sum assured index-linked?
- Option to increase sum assured/guaranteed insurability.
- Any additional benefits e.g. Waiver of Premium/Critical Illness.

- Is policy in trust?/trust details.
- Surrender value/performance of funds.
- Current fund/fund options under plan.
- Financial strength of provider.

Model Answer for Task 6

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

- David died before age 75.
- Two year period to select option/otherwise taxable.

Option 1:

- Take a lump sum of full fund value.
- Tax-free.
- Invest this for income which is taxable.
- Capital forms part of her estate.

Option 2:

- Purchase annuity.
- Income would be tax-free.
- Capital not in estate/any capital guarantee would be IHT free.

Option 3:

- Flexi access drawdown/capped drawdown no longer applies.
- Income would be tax-free.
- Potential for investment growth/tax-efficient.
- Sue must nominate successors.
- Pension fund is outside her estate/IHT efficient.
- If Sue dies pre 75 income can be taken tax free/post 75 taxable.

- (b)
- Flexi-access drawdown.
 - Fund grows tax free/potential for investment growth.
 - Can invest to suit attitude to risk/SIPP offers range of investment options.
 - Does not form part of her estate/IHT-efficient.
 - Use other assets (as SIPP is IHT free).
 - Can nominate any beneficiaries/skip generations.
 - Two year period to select Flexi access drawdown/otherwise taxable.

Model Answer for Task 7

- (a)
- High risk investment strategy.
 - Does not suit her attitude to risk.
 - Inexperienced investor/low capacity for loss at present.
 - Funds are invested for growth/funds provide low level of income.
 - Lack of liquidity – commercial property funds/AIM shares.
 - Not all funds are tax-efficient/ISA-wrapped/no use of NS&I.
 - OEICs/ISAs are not Inheritance Tax (IHT) efficient.
 - Difficult to administer/complex portfolio.
 - Limited Financial Services Compensation Scheme protection for investments.
 - Lack of diversification within self-invested personal pension plan.
- (b)
- Make full use of ISA allowance/tax free NS&I.
 - Use full value of Additional Permitted Subscription – protected ISA allowance.
 - For tax-efficiency.
 - Move cash deposits to a new bank.
 - Do not exceed £75,000 Financial Services Compensation Scheme limit per institution.
 - Move current account to interest bearing account.
 - Earning low interest/improve returns.
 - Rebalance/increase diversification/sell as does not match attitude to risk/too high risk/reduce risk.
 - Switch to income funds/consider taking income from portfolio.
 - Reduce exposure to commercial property/AIM as can be illiquid/she may need capital/reduce risk.
 - Use annual Capital Gains Tax exemption.
 - Move investment holdings to platform arrangement.
 - Simpler administration/online access/ease of switching.
 - Consider use of Discretionary Fund Manager/multi-asset funds.
 - Limited investment experience/make decisions for Sue.
 - Use SIPP to provide tax efficient income/IHT efficiency.
- (c)
- Liquidity risk**
- May be difficult to sell/small trading volumes.
- Diversification risk**
- Invested in one asset class/small companies/single shares.
- Event Risk**
- Company affected by specific event/retirement/loss of Director.
- Regulatory Risk**
- Lower level of regulation/lower reporting standards/fraud.
- Taxation/Legislation Risk**
- Business Property Relief/IHT relief may be removed/reduced/company no longer qualifies for BPR/leaves AIM market.

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

Benefits:

- Low cost/cost effective.
- Run by computer system/no human judgement.
- Potential for growth.
- Perform in line with the index.
- Exposure to different asset classes.
- Geographical diversification/global.
- Can track any index/wide range of indices to track.
- Simple to understand/ease of access to markets/ease for Sue.

Drawbacks:

- Will underperform the market due to charges.
- Tracking error/will never match market exactly.
- Perform poorly in falling market.
- No active management/no Alpha.
- Currency risk due to global index-trackers.
- Lack of control over underlying assets.

Model Answer for Task 8

- Change in circumstances/objectives/health/moving house/tax status.
- Attitude to risk/capacity for loss/rebalancing/performance.
- Income needs/capital requirements/expenditure needs/Inherited State Pension.
- SIPP benefits elected/chosen/SIPP review.
- Use of ISA allowance/transfer of Additional Permitted Subscription/Capital Gains Tax allowance.
- Will updated/gifts to the children/pension nominations.
- Taxation/Legislation changes.
- Market/economic changes/new products/charges.

All questions in the October 2016 paper will be based on English law and practice applicable in the tax year 2016/2017, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are those that were used in October 2015 and April 2016 examinations. The October 2016 examination will use the published 2016/2017 Tax Tables which can be found online on the CII website: www.cii.co.uk.

INCOME TAX

RATES OF TAX	2014/2015	2015/2016
Starting rate for savings*	10%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£2,880*	£5,000*
Threshold of taxable income above which higher rate applies	£31,865	£31,785
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
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**Restricted to savings income only and not available if taxable non-savings income exceeds starting rate band.*

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic if born after 5 April 1948) §	£10,000	£10,600
Personal Allowance (if born between 6 April 1938 and 5 April 1948) §	£10,500	£10,600
Personal Allowance (if born before 6 April 1938) §	£10,660	£10,660
Married/civil partners (minimum) at 10% †	£3,140	£3,220
Married/civil partners at 10% †	£8,165	£8,355
Transferable tax allowance for married couples/civil partners	N/A	£1,060
Income limit for age-related allowances §	£27,000	£27,700
Blind Person's Allowance	£2,230	£2,290
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)	£2,750	£2,780
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,010	£16,105

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly	Monthly	Yearly
Lower Earnings Limit (LEL)	£112	£486	£5,824
Primary threshold	£155	£672	£8,060
Upper Accrual Point	£770	£3,337	£40,040
Upper Earnings Limit (UEL)	£815	£3,532	£42,385

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS	
	Contracted-in rate	Contracted-out rate (final salary)
Up to 155.00*	Nil	Nil
155.01 – 770.00	12%	10.6%
770.01 – 815.00	12%	12%
Above 815.00	2%	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £112 per week. This £112 to £155 band is a zero rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. Basic State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS		
	Contracted-in rate	Contracted-out rate	
		<i>Final salary</i>	<i>Money purchase</i>
Below 156.00**	Nil	Nil	Nil
156.01 – 770.00	13.8%	10.4%	13.8%
770.01 – 815.00	13.8%	13.8%	13.8%
Excess over 815.00	13.8%	13.8%	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.80 where profits exceed £5,965 per annum.
Class 3 (voluntary)	Flat rate per week £14.10.
Class 4 (self-employed)	9% on profits between £8,060 - £42,385. 2% on profits above £42,385.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE	ANNUAL ALLOWANCE
2006/2007	£1,500,000	£215,000
2007/2008	£1,600,000	£225,000
2008/2009	£1,650,000	£235,000
2009/2010	£1,750,000	£245,000
2010/2011	£1,800,000	£255,000
2011/2012	£1,800,000	£50,000
2012/2013	£1,500,000	£50,000
2013/2014	£1,500,000	£50,000
2014/2015	£1,250,000	£40,000
2015/2016	£1,250,000	£40,000 §

ANNUAL ALLOWANCE CHARGE

20% - 45% member's tax charge on the amount of total pension input in excess of the annual allowance.

MONEY PURCHASE ANNUAL ALLOWANCE	2014/2015	2015/2016
	N/A	£10,000*

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.

§ increased to £80,000 from 6 April - 8 July 2015. If not used, can be carried forward to 9 July 2015 - 5 April 2016, subject to a maximum of £40,000.

* transitional rules apply to the calculation for pre/post 8 July 2015 position.

CAPITAL GAINS TAX

EXEMPTIONS	2014/2015	2015/2016
Individuals, estates etc	£11,000	£11,100
Trusts generally	£5,500	£5,550
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
TAX RATES		
Individuals:		
Up to basic rate limit	18%	18%
Above basic rate limit	28%	28%
Trustees and Personal Representatives	28%	28%
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	2014/2015	2015/2016			
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%			
<i>For deaths after 5 April 2015, a lower rate of 36% applies where at least 10% of deceased's net estate is left to charity.</i>					
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			
- UK-registered charities	No limit	No limit			
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	£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%

CAR BENEFIT FOR EMPLOYEES

The charge for company car benefits is based on the carbon dioxide (CO₂) emissions. There is no reduction for high business mileage users.

For 2015/2016:

- The percentage charge is 5% of the car's list price for CO₂ emissions of 50g/km or less.
- For cars with CO₂ emissions of 51g/km to 75g/km the percentage is 9%.
- For cars with CO₂ emissions of 76g/km to 94g/km the percentage is 13%.
- Cars with CO₂ emissions of 95g/km have a percentage charge of 14% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 210g/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 CO₂ emissions % relevant to the car and that % applied to a set figure (£22,100 for 2015/2016) e.g. car emission 100g/km = 15% on car benefit scale. 15% of £22,100 = £3,315.

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

2014/2015 Rates 2015/2016 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

	2014/2015	2015/2016
Plant & machinery (excluding cars) 100% annual investment allowance (first year) §	£500,000	£500,000
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 2015 (Corporation Tax) or 06 April 2015 (Income Tax)

CO ₂ emissions of g/km:	75 or less*	76-130	131 or more
Capital allowance:	100%	18%	8%
	first year	reducing balance	reducing balance

*If new

§ From 01 January 2016 allowance will decrease to £200,000.

CORPORATION TAX

	2014/2015	2015/2016
Full rate	21%	20%
Small companies rate	20%	20%
Small companies limit	£300,000	£300,000
Effective marginal rate	21.25%	20%
Upper marginal limit	£1,500,000	£1,500,000

VALUE ADDED TAX

	2014/2015	2015/2016
Standard rate	20%	20%
Annual registration threshold	£81,000	£82,000
Deregistration threshold	£79,000	£80,000

MAIN SOCIAL SECURITY BENEFITS

		2014/2015	2015/2016
		£	£
Child Benefit	First child	20.50	20.70
	Subsequent children	13.55	13.70
	Guardian's allowance	16.35	16.55
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.35	Up to 57.90
	Aged 25 or over	Up to 72.40	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 101.15	Up to 102.15
	Support Group	Up to 108.15	Up to 109.30
Attendance Allowance	Lower rate	54.45	55.10
	Higher rate	81.30	82.30
Retirement Pension	Single	113.10	115.95
	Married	180.90	185.45
Pension Credit	Single person standard minimum guarantee	148.35	151.20
	Married couple standard minimum guarantee	226.50	230.85
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment (lump sum)		2,000.00	2,000.00
Widowed Parent's Allowance		111.20	112.55
Jobseekers Allowance	Age 18 - 24	57.35	57.90
	Age 25 or over	72.40	73.10
Statutory Maternity, Paternity and Adoption Pay		138.18	139.58