How did the Wizard Learning R06 Expected Solution compare with the CII Model Answer for the January 2022 exam?

Candidates are provided with **two** different, totally unrelated case studies about fictitious clients two weeks prior to the R06 exam. You are not given full fact finds on these clients, but instead a summary of their current circumstances and a list of their financial objectives – usually three objectives for each case study, although it is sometimes two and sometimes four.

The questions you can expect to be asked in the exam will largely be centred around the stated objectives, although there will be other information in the case study that the Examiner may ask a question about, such as their current fund choices, or the tax treatment of an investment they hold.

Based on the information contained within the pre-released case studies, and on a comprehensive breakdown and analysis of what has appeared in past R06 exam papers, professionals at Wizard Learning use their vast knowledge and experience to try and predict the content and style of the questions that will be set for each case study.

The R06 Expected Solution provides you with - for both case studies - a wide range of possible questions that may be asked in the exam covering all aspects of the client's circumstances, along with possible responses to those questions and any calculations that we believe may be useful.

We don't always predict the exam questions that are presented on the day, but we often predict *similar* questions with responses close enough to earn the available marks, or some of them. Some questions require a little thinking outside the box, so we try to do the same and provide some not so obvious questions and answers for you to consider. Overall, from the selection of questions we include in our R06 Expected Solution, we regularly predict a good proportion of the topics around which the actual exam questions are based.

The total marks available for R06 are 150 over the two case studies (not always 75 marks per case study – sometimes the marks are split 74/76, or 73/77). The nominal pass mark is 55% (the actual pass mark may vary from one session to another to ensure consistency in pass standards), and the latest CII figures show that the pass *rate* is 78%.

HOW DID WE DO?

This is an invaluable resource for students preparing for this examination, but 'the proof of the pudding is in the eating', so let's look at how accurate our predictions were for the January 2022 R06 exam.

Case study 1

- Vidas and Viktoria are both aged 30 and are due to marry in March 2022. They have a two-year old daughter, Juna, and Viktoria is pregnant with their second child, due in May
- Vidas is employed as a regional manager for a large supermarket chain on a basic salary of £95,000 pa gross. He also receives a regular bonus of £20,000 pa gross. He receives death in service benefit of 3x his basic salary, and sick pay of 6 weeks basic salary, SSP thereafter
- Vidas is a member of his employer's qualifying workplace pension, invested in a target date retirement fund
- Viktoria is employed as a solicitor on a basic salary of £72,000 pa gross. She receives death in service benefit of 2x her basic salary, and sick pay of 3 months basic salary, SSP thereafter
- Viktoria is a member of her employer's qualifying workplace pension, contributing 8% of her basic salary with her employer contributing a further 12%
- Viktoria plans to take 6 months off work after the birth of the baby and then return to work full-time, although she is only entitled to Statutory Maternity Pay while absent
- The couple only pay for childcare two days a week with family providing childcare on other days, this will continue when the new baby is born
- Vidas and Viktoria are currently renting at £1,000 pm and neither of them has ever owned a property. They hope to buy their first home for around £500,000 in the next 6 months, and Vidas' parents are considering whether to lend them £20,000 towards the deposit
- They have no protection policies in place but are keen to make suitable arrangements before the new baby is born
- They have a car loan with an outstanding balance of £15,000, which costs £420 pm with 3 years remaining
- They have set up a Junior ISA for Juna with a current balance of £1,000 in a deposit fund, and intend to use this money towards further education costs in the future
- They have a joint current account with a balance of £2,500 and the rest of their assets are in sole names. Vidas has a cash LISA with a balance of £1,100 and a stocks and shares ISA in a UK equity index tracker fund worth £2,000. He has £15,000 in a deposit account and £30,000 worth of individual equities. Viktoria just has a LISA with a balance of £2,000
- They consider themselves to be medium to high-risk investors and neither have any strong ethical views. They have not received advice previously and would like to know the benefits of doing so. Vidas is particularly interested in multi-asset funds and wants to know how these types of funds operate and could match their attitudes to risk

Their financial aims are to:

- Ensure that they have adequate financial protection arrangements.
- Arrange a suitable savings strategy to plan for their children's possible further education.
- Ensure that they have a strategy in place to purchase a new home.

Questions

(a) State the additional information that a financial adviser would need to obtain in relation to Vidas and Viktoria's current pension arrangements, to enable them to assess the suitability of these arrangements. (12 marks)

Unfortunately we did not predict the first question in this paper.

(b) Explain the benefits to Vidas and Viktoria of receiving ongoing regulated financial advice. (12 marks)

We correctly predicted a question of this nature and provided a response with 11 points, so students would have been capable of earning almost full marks for part (b).

(c) Explain to Vidas and Viktoria how their Lifetime ISAs (LISAs) operate. (10 marks)

We accurately predicted this question and provided 8 of the 10 required responses.

(d) State five benefits and five drawbacks of Vidas and Viktoria using Junior ISAs to provide funds for their children's potential further education costs. (10 marks)

We asked students to state the main features of a Junior ISA and explain how such a product could be used by Vidas and Viktoria to make provision for their children's possible future university costs. The response we provided was enough to earn least 6 of the 10 available marks for this benefits and drawbacks question.

(e) Outline the conditions that should be stated within a written loan agreement between Vidas, Viktoria and his parents, in relation to the loan they are considering for the house deposit. (8 marks)

We asked students to explain the factors you would take into account when considering whether Vidas' parents should make their proposed £20,000 deposit contribution as a gift or a loan, and our responses would have helped a student earn around half of the 8 marks available.

(f) Identify the factors that a financial adviser should consider when establishing a suitable suite of financial protection products to meet Vidas and Viktoria's requirements. (10 marks)

We asked students to state the key additional information that you would require to advise Vidas and Viktoria on ensuring that they have adequate financial protection arrangements. The responses we provided included enough to score full marks for this question.

(g)
(i) State the benefits to Vidas of using a multi-asset fund for his ISA investment. (5 marks)
(ii) Recommend and justify the actions that Vidas and Viktoria could take to improve the tax efficiency of their current financial arrangements. (10 marks)

We predicted a question similar to part (i) of this question, with responses capable of picking up all 5 available marks. We did not, unfortunately, predict part (ii)

[Approximately 45 out of 77 predicted points. 58%]

Case study 2

- Tom (54) and Clare (53) are married and in good health, with two adult children
- Tom is a marketing manager on a salary pf £55,000 pa gross and is a member of his employer's qualifying workplace pension contributing 7% of his basic salary, with his employer contributing 5%. His pension fund is worth £110,000 invested in a cautious managed fund
- Clare is an office manager on a salary of £32,000 pa gross and is a member of her employer's qualifying workplace pension contributing 5% of her basic salary, with her employer contributing 3%. Her pension fund is worth £72,000 invested in a UK managed fund and a money market fund
- Clare took time off work to care for her father last year during which time she accrued a credit card debt of £7,000 as she had no earnings. She has recently transferred the balance to a new credit card with 0% interest for the next year
- Her father has subsequently died and Clare is due to receive a lump sum of £150,000 cash in the coming months. Her mother died many years ago leaving her entire estate to her father
- Clare has also been notified by the trustees of her late father's personal pension that she is a nominated beneficiary entitled to 25% of the fund value, which is £125,000
- Clare's father set up a discounted gift trust (DGT) two years ago under a discretionary trust, the potential beneficiaries being Clare and her three brothers (as well as being trustees). The DGT has a total value of £300,000 and is invested in an onshore investment bond in a managed fund
- They wish to retire when Tom is 62 and are considering how best to use Clare's inheritance to assist with this objective
- Their property is worth £350,000 with an outstanding mortgage of £70,000
- They have a joint current account with a balance of £5,000 and a joint deposit account with a balance of £20,000. Clare has £8,000 in a cash ISA and £35,000 in a stocks and shares ISA invested in Sterling high yield bond funds. Tom has £95,000 in a stocks and shares ISA invested in UK equity income bonds
- Both Tom and Clare have an adventurous attitude to risk, and neither has any ethical views in respect of their finances

Their financial aims are to:

- Ensure their existing investments are suitable
- Consider their options in respect of Clare's inheritance from her father
- Ensure they can retire when Tom reaches 62

Questions

(a) Identify the key factors that a financial adviser should take into consideration when recommending how Tom and Clare should utilise the pension plan and lump sum she is due to inherit from her late father. (12 marks)

We accurately predicted that the exam would ask about the inherited pension. We asked students to state the additional information an adviser would need before advising Tom and Clare on their options in respect of Clare's inheritance, and we provided more than enough responses to earn full marks for this question.

(b) Identify the issues that a financial adviser would need to consider when establishing the tax position for Inheritance Tax purposes in respect of Clare's late father's discounted gift trust (DGT). (10 marks)

We included a number of questions about the discounted gifts trust, including one about it's tax treatment. We asked students to explain how the discounted gift trust is treated for tax purposes following Clare's father's death, and although not focussing on the *issues a financial adviser would need to consider*, our responses could still have helped students score perhaps 3 of the 10 marks available with no other input.

(c) Recommend and justify how Clare and Tom could use her share of her late father's pension fund to assist them with their retirement planning objectives. (10 marks)

We asked students to state the options available to Clare with regard to her 25% entitlement to her late father's pension fund, and we provided 7 points all capable of earning a mark for this 10 mark question.

(d) Explain to Tom and Clare the key reasons why their existing pension, savings and ISA investment holdings may not be suitable for their longer-term objectives. (12 marks)

We accurately predicted this question, stating how each separate fund this couple are invested in might not be suitable. Collectively, our responses would have amounted to at least 10 of the 12 valid points required to score full marks here.

(e) Explain the reasons why Clare may wish to consider retaining her existing credit card debt for the next 12 months. (8 marks)

We asked students to state the factors an adviser would consider before recommending to Clare that she uses some of her inheritance to pay off her credit card and provided a 6 point answer. We also asked for the factors an adviser would consider when establishing a suitable emergency fund, some of the responses to which were relevant, so the potential for full marks for part (e).

(f) State the benefits for Tom and Clare of investing some of the lump sum inheritance from Clare's father, into both their pensions and ISAs. (13 marks)

We asked students to recommend and justify to Tom and Clare why they might use some of Clare's inheritance to make lump sum contributions to their respective pensions/personal pensions. We also asked for the changes they could make to their ISAs to enable them to generate enough income to supplement their pensions in retirement. Between the responses to these two questions was sufficient information/points to score at least 10 of the 13 marks available for this question.

(g) Identify eight issues that a financial adviser would take into account when reviewing Tom and Clare's investment portfolio at the next annual review. (8 marks)

We accurately predicted this question (in the context of pensions in the case study, and again in general terms in the Generic Questions) and provided responses capable of earning full marks.

[Approximately 58 out of 73 predicted points. 79%]

Conclusion

Here at Wizard Learning, we acknowledge that we will never be able to predict the exact questions the CII will ask in the R06 exam, but we anticipate that by using our R06 Expected Solution students may score sufficient marks to pass.

However well we predict the content of your R06 exam, there is no substitute for adequate preparation. Our advice is to use our Expected Solution, review the CII past papers and model answers, revise your knowledge and understanding in areas of weakness and keep up to date with developments in the industry and announcements in the media.

For this sitting we did quite well, providing a solution containing enough relevant points for a mark up to around **68% to 69%.**

Also remember that the published CII model answers are not the *only* answers that would score highly, there are often alternatives. In the exam, if you have additional information above the number of points being awarded for the question, and it is **still relevant to the question being asked**, include them – there is *no negative marking*. In this way, you are giving yourself the best possible chance of a high score for the question and constantly moving closer to a pass.