

Case Study Assignment Module 10

Scenario – Stage 1

You have just delivered a 'Retirement Benefits' presentation to members of the XYZ Ltd Group Personal Pension Plan. You explained at the beginning of the presentation that you are unable to provide independent financial advice, but you can provide guidance and information on their options to help them make a more informed decision. The presentation covered among other things: the definition of a pension; the new flexibility offered by the pension reforms; state pensions; tax relief on personal pension contributions; retirement options; and where to get further help.

Question 1: You are asked by a member what the difference is between advice and guidance/information. (4 marks)

Question 2: In the presentation you explained about the State Pension and the changes which took effect from April 2016. A member is still confused about how the changes may affect him and asks you to explain it again. (7 marks)

Scenario – Stage 2

Following the presentation, Mr Jones asks if he can have an individual 1 to 1 meeting with you. He arrives with his current statement from the XYZ Ltd Group Personal Pension Plan, some paperwork from a previous personal pension plan and a statement of his defined benefit pension earned whilst he worked at ABC & Co. On reviewing the statement from the XYZ Ltd Group Personal Pension Plan you notice that his personal and employer contribution reflect his senior position in the company and total contributions paid for the year so far are £34,000.

Question 3: What would you need to bring to Mr Jones's attention? (2 marks)

Question 4: What other recent change may affect Mr Jones's future contributions? (1 mark)

Scenario – Stage 3

Mr Jones is aged 59 and is considering retiring next birthday. However, his employer would like him to carry on working even if it is in a part-time capacity. Mr Jones is not sure at this stage of his income needs, but he has received confirmation that his pension from his defined benefit scheme will start at age 60; he is thinking of taking a lump sum from his personal pensions to purchase a new boat.

Question 5: What options does Mr Jones have and what will the tax treatment be of any lump sums paid? (4 marks)

Question 6: Mr Jones asks you to explain what Marginal Rate means. (2 marks)

Scenario – Stage 4

Mr Jones mentioned that he had rung the pension providers about access to his funds. The provider of the XYZ Ltd Group Personal Pension Plan mentioned that he had the option to take his 25% Tax Free Lump Sum, but the remaining fund would need to move into their Retirement Drawdown Account.

Question 7: Mr Jones asks you to clarify what a Retirement Drawdown Account could be. (4 marks)

Question 8: Is this Mr Jones's only option? (3 marks)

Question 9: What are the key differences between an Annuity and a Flexi-access Drawdown product? (10 marks)

Question 10: Mr Jones asks if he has the same level of freedom and flexibility with his defined benefit pension. (8 marks)

Scenario – Stage 5

Mr Jones says that things are much clearer and he is thinking of taking his pension from the defined benefit scheme, he will use the Tax Free Lump sums from his two personal pensions to purchase his boat. He thinks he will move the remaining fund from his XYZ Ltd scheme into the Retirement Drawdown Account and he may purchase an annuity with his other personal pension plan to top up his part-time income.

Question 11: What would you need to make Mr Jones aware of at this stage? (1 mark)

Scenario – Stage 6

Mr Jones mentions in passing that he has not been in the best of health in the past so hopes he has a long and happy retirement. He also mentions that he is expecting to receive his State pension from age 65.

Question 12: What could you point out to Mr Jones? (2 marks)

Question 13: What else might you need to clarify to Mr Jones? (2 marks)

Total 50 Marks