Financial Planning Case study

Client(s): Sean and Lisa Sample

Instructions: Read carefully the details in the case study and create a recommendation for Sean and Lisa that meets their personal objectives.

There should be a clear rationale for each aspect of your recommendation and this should be documented on the sheet that has been handed to you.

In addition you will need to explain how the recommendation has been selected in relation to:

- Platform/Provider
- Taxation and tax efficiency
- Maximum contributions
- Accessibility
- Treatment on death
- Term
- Fund

You are able to use any resource available to you including the Intrinsic Extranet and the internet in general.

For this case study we will not be considering fees.

Personal Details:
- Sean: 1/10/XX (33) / Lisa 16/05/XX (31)
- 2 Children – Jack – 7 and Becky 4
- Sean: Employed Accountant – “Better Buys” – Sean has worked for them for 12 years
- Lisa: Self-employed Graphic Designer – has been doing this for the last 6 years.

Income and Expenditure
- Sean £49.500 p.a. salary (£2,900 net)
- Lisa £30,000 net profit (average £1,900 per month net) – the last 3 years have seen Lisa’s business take off and her profits have increased each year. She expect the current profit to remain stable.
- Outgoings: approximately £3,590 per month. This leaves £1200 disposable income a month.

Assets

<u>Joint</u>
- Current Account: Barclays - £2,600
  - Both salaries are paid into this account which is used for day to day expenses
- Main residence: £320,000 (mortgage originally £195,000. Joint tenants.)

<u>Sean</u>
- Savings deposit account: Barclays £40,000. Built up from general savings and a £20,000 gift from Sean’s Mum and Dad. Current rate 0.75%.

<u>Lisa</u>
- Savings deposit account: Barclays £60,000. Lisa inherited the money following the death of an aunt a couple of years ago. Current rate 1%.
- Individual Savings Account: £20,000 fully utilised this tax year. Invested in Barclays Balanced Portfolio.

Liabilities:
- Mortgage:
  - Capital and Interest with the Yorkshire Building Society – taken out 4 years ago.
  - £174,000 outstanding
  - Monthly repayment: £877
  - 3.25% Fixed for 5 years – ends 20XX (3 years to go)
  - 21 years outstanding
- Lisa: Personal Loan – approx. £2,500 outstanding – costs £300 per month. There is an early repayment penalty which makes it expensive to pay off early

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- Sean and Lisa are happy with their mortgage and do not wish to review at this stage. There are current penalties if they repay of 3% of the amount repaid.

Protection:
- Joint: £195,000 Decreasing Term Assurance 25 year term (Life and Critical Illness)
  Scottish Widows - £82.25 pm (taken out 4 years ago)
- Sean: Death in Service - £120,000 (3 x salary) – Expression of wish completed
- Sean: Better Buys – Sick Scheme – 6 months full – 6 months at 50%
- Lisa: Income replacement – plan with Friends Life for £14,000 p.a. until age 60.

Retirement:
<u>Sean</u>
- Better Buys:
- Better Buys: Deferred benefit final salary scheme: Scheme closed to new and existing members in 20XX (1 year ago).
  - 11 years accrued in a 1/60 scheme – Deferred Pension = £7,700 at date of leaving the scheme.
  - Retirement Age 65
- Group Personal Pension: Better Buys: Group personal pension scheme: Started 20XX (1 year ago).
  - Sean pays 6% of his salary. The company will match contributions up to 8%.
  - Retirement Age 65
  - Latest projections show this would provide pension at age 65, in today's terms of £9,500.

<u>Lisa</u>
- Has made no pension provision

Attitude to Risk
<u>Sean and Lisa</u>
- Sean's ATR profiler results has delivered a Moderate ATR rating
- Lisa's ATR profiler results has delivered a Balanced ATR rating
- Discussions with Lisa and Sean's regarding term, capacity for loss etc. have confirmed these ratings.
- However further discussion has confirmed that Lisa wants to take a higher level of risk with her Retirement Planning objective only - as she has made no contributions previously and realises that there is large shortfall.
  Sean and Lisa are keen for any solution to be as diverse as possible as they don't believe in putting all their eggs in one basket"…..also they have stated that they believe that you 'get what you pay for in this world'

Agreed amounts to achieve Objectives
- Sean and Lisa would like to look at investing a lump sum after allowing for a reasonable emergency fund. They would also be able to make monthly contributions towards achieving their objectives.
- They would feel comfortable using £400 per month of their disposable income.
- Sean would like to invest £30,000 of his savings.
- Lisa would like to invest £40,000 of her savings.

Objectives
- To hold an adequate emergency fund.
- Sean to retire at age 65 with a gross income of £20,000 in today's terms
- Lisa to retire at age 64 with a gross income of £20,000 in today's terms
- They do not wish to wait until age 65 to retire. Lisa's retirement age is a year earlier this is to allow them both to retire at the same time.
- To invest capital tax-efficiently to achieve greater growth than currently being received in deposit accounts.
- They also wish to grow this capital to help with any University fees that may arise for Jack and Becky and also any surplus to help towards buying their first homes.