



**CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT**

**CHARTERED WEALTH MANAGER
QUALIFICATION**

**UNIT 3
APPLIED WEALTH MANAGEMENT**

Effective for examination from January 2025

© Chartered Institute for Securities & Investment

UNIT SUMMARY

The objective of the examination is to enable candidates to think critically, apply, and communicate clearly in the context of:

- the structure and conduct of UK financial services regulation.
- the integrity, standards, and professional values required of practitioners.
- the prevention, detection, and reporting of financial crime.
- developing a picture of circumstances and preferences of clients from the information obtained, and the determination of appropriate financial and investment solutions.
- communicating effectively the recommendations, advice, and action for the client.
- managing liquidity to meet short and long-term funding requirements.
- matching clients to appropriate financial protection and retirement strategies and communicating the recommendations and approaches.
- the structuring and managing of social investment and of philanthropic activity.
- the scope of taxation applicable to private clients.
- the appropriate application of trusts and intergenerational financial and investment planning.

NB. The learning in this syllabus builds on the content of the two previous units in the qualification, Financial Markets and Portfolio Construction Theory. Candidates can be assessed on aspects of all three units in the Applied Wealth Management exam.

ASSESSMENT STRUCTURE

This is a 3-hour examination of 100 marks comprising three sections:

SECTION A worth 20 marks

Candidates answer **four** questions from **six**, worth **5 marks** each.

SECTION B worth 40 marks

Candidates answer **both** questions in this section worth **20 marks** each.

SECTION C worth 40 marks

Candidates answer **all** parts of the case study-based questions in this section.

Tax tables will be provided in the exam paper

SYLLABUS STRUCTURE

The syllabus is divided into **Learning Outcomes**. These are broken down into a series of **assessment criteria**.

CANDIDATE UPDATE

Candidates are reminded to check the 'Candidate Update' area of the Institute's website (<https://www.cisi.org/cisiweb2/cisi-website/study-with-us/candidate-update>) on a regular basis for updates that could affect their examination as a result of industry change.

SYLLABUS

LEARNING OUTCOME 01

Be able to explain the UK financial services regulatory system and its implications for firms and advisors

1.1 Describe the UK regulatory system:

- Financial Services and Markets Act 2000 (FSMA), principles-based regulation, and the role of the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA)
- HM Treasury and the Bank of England
- relevant European Union Directives and Regulations
- main types and impact of financial crime
 - Market abuse
 - money laundering
 - terrorist financing
- prevention, detection, and reporting of financial crime
- Data Protection legislation
- roles of other regulating bodies, including:
 - Competition and Markets Authority (CMA)
 - the Pensions Regulator
 - the Information Commissioner's Office (ICO)
 - Payment Systems Regulator (PSR)
- additional oversight:
 - senior management
 - trustees
 - auditors
 - external compliance support services

1.2 Explain FCA and PRA regulation of firms and individuals:

- principles, authorisation, approval, and the role of the investment manager
- senior management systems, controls, business standards and ethics
- permitted business and scope of advice
- complaints and compensation

1.3 Identify and apply the FCA Conduct of Business Rules pertaining to the investment management process:

- the fiduciary relationship between adviser and client

- analysis of client circumstances and objectives, risk profile and existing arrangements
- suitability and 'Know Your Customer' rules
- comparison of discretionary and non-discretionary portfolio management

1.4 Explain and evaluate the application and outcomes of Consumer Duty

1.5 Consider and explain the integrity, standards, and professional values required of practitioners and the Code of Ethics

1.6 Distinguish between ethical behaviour and rule-based compliance, plus critically evaluate the outcomes for consumers, advisors, firms and the industry

LEARNING OUTCOME 02

Be able to develop, construct, and implement an appropriate investment plan for a client by applying the principles of investment planning, and communicate the plan to the client

- 2.1 Apply the financial planning process in the design and construction of a client's financial and investment portfolio
- 2.2 Elicit and evaluate client information, and appraise the client's financial and personal situation:
 - elicit current and future client circumstances: personal and family employment and other sources of wealth, financial details, protection, attitudes to risk and investment
 - elicit the purpose of investment, the client's financial objectives, future needs and aspirations
 - utilise client information in the selection of suitable investments, considering relevant solutions, products and, where applicable, providers
 - identify and explain the main drivers underpinning the client's financial needs and objectives, and determine their priority in collaboration with the client
 - identify the impact of life events including vulnerability and potential implications
- 2.3 Identify differing client needs, wants, financial objectives and associated timescales, appraise objectives and establish their order:
 - client objectives
 - associated risk tolerances
 - ethical and religious preferences
- 2.4 Evaluate and appraise financial and investment objectives in light of client attitude and behaviour towards:
 - debt
 - health & morbidity
 - longevity & mortality
 - employment
 - access to advice & / or insurance cover
 - house versus home
 - budgeting and money management

2.5 Develop and implement a plan to meet client objectives by:

- formulating recommendations to meet client objectives
- prioritise needs, establishing investment for growth or income
- identifying time horizons
- assessing impact of taxation
- comparing costs and charges, including transaction costs
- spreading risk
- managing the use of debt and credit
- protecting against inflation
- hedging market volatility
- cash management
- selecting financial products and stocks
- identifying an appropriate course of action where no suitable product is available

2.6 Explain the consequences of changes in clients' attitude to risk, as a result of changes in the market, experience, personal and family circumstances, and possible changes this creates to the financial objectives identified for the client and their economic circumstances

2.7 Explain and implement intergenerational financial and investment planning where appropriate to the client:

- definition and usage
- main vehicles
- risks
- effectiveness

2.8 Explain the safeguards and heuristics a wealth manager can employ to help clients stay on track with long-term objectives

2.9 Explain and justify how the plan or recommendations meet the client's specific circumstances, explaining in a manner the client can understand

LEARNING OUTCOME 03

Be able to revisit and review appropriately the investment plan within the ongoing client relationship and management of a private client portfolio

3.1 Apply the financial planning process in the review and maintenance of a client's financial and investment portfolio, and review investment objectives and investment strategy

3.2 Identify changing needs over time, giving specific consideration to:

- debt management
- income / growth requirements
- asset allocation
- risks / rewards of various investments
- flexibility
- ethical and religious values
- charging structures
- affordability and sustainability
- taxation / benefit implications of advice
- cognitive ability
- risk attitude

3.3 Explain and evaluate the ongoing monitoring of the investment portfolio relative to the financial plan to meet the client's requirements:

- funds
- managers
- markets and economies
- costs and charges
- benchmarks and indexes

3.4 Regularly review and revise the portfolio with the client, evaluating changes in:

- investor circumstances
- the environment: economic, regulatory, market
- investment products and investment vehicles

3.5 Evaluate the communication skills needed for effective ongoing communication and client relationships

- 3.6 Explain the approach for dealing with insistent clients, and appraise the potential consequences of the client declining to provide relevant personal and financial information.
- 3.7 Evaluate reasons for not proceeding with a recommendation and explain how agreement is best reached with the client about how to proceed
- 3.8 Critically review the suitability of recommendations: Know Your Customer (KYC), customer understanding; affordability and accessibility, and manage the inter-relationship between protection, retirement provision, saving and investment, and other objectives such as liquidity

LEARNING OUTCOME 04

Be able to apply and evaluate the management of liquidity to meet short and long-term funding requirements

- 4.1 Formulate cash flow projections, establishing the objectives and principles for establishing a long-term cash management programme
- 4.2 Assess short and long-term funding requirements:
 - everyday and emergency liquidity
 - special use accounts
 - use of credit and loan facilities
- 4.3 Determine the size of an appropriate investment reservoir and manage the efficient movement of cash from income to investments and vice versa
- 4.4 Discuss the structuring of a portfolio to meet ongoing liquidity and liability needs such as regular payments or need for income

LEARNING OUTCOME 05

Be able to evaluate financial protection needs and apply suitable protection products where appropriate

5.1 Evaluate the financial protection requirements of clients, including:

- individuals and families
- foundations, charities, and trusts

5.2 Evaluate the financial protection requirements for small and medium-sized enterprises (SME)

5.3 Evaluate the key features, functions, contexts & tax treatment of the following products:

- term & whole of life assurance
- investment-based policies
- income protection insurance
- critical illness cover
- private medical insurance
- long term care plans
- annuities
- general insurance
- mortgage payment protection insurance (MPPI) and accident, sickness & unemployment (ASU) insurance

5.4 Explain the role and limitations of State Benefits and state / local authority funded solutions for financial protection while considering the range & limitations of these benefits and their impact on financial planning

5.5 Appraise and evaluate the consequences of inadequate protection for both individuals and SME business including outcomes such as insolvency and bankruptcy

5.6 Discuss and appraise the application of insurance to facilitate investment aims:

- risk management
- securing a lump sum
- securing income
- high net worth clients as underwriters

LEARNING OUTCOME 06

Be able to evaluate how political, economic, legal, social, tax, and regulatory factors provide the context for, and impact on retirement planning

6.1 Explain the political, economic, social, and environmental factors that provide the context for pensions planning:

- role of government, policy direction, and challenges
- demographic trends, longevity, health, cognitive ability and ageing population
- incentives, disincentives, attitudes to saving
- financial and economic factors
- blurring of distinctions between retirement and non-retirement and between the different products available

6.2 Explain the fundamental principles of auto enrolment as they apply to occupational schemes:

- the Pensions Commission recommendation for auto-enrolment
- employers' duties
- assessing and enrolling staff, and opt out issues
- contributions and payroll issues
- default and deferment issues
- importance of the employer contribution
- the pensions commission recommendation to create the National Employment Savings Trust (NEST), and the role of NEST

6.3 Explain the application of the HMRC tax regime to pensions planning:

- concept of registered pension scheme
- tax benefits of contributions to registered pension schemes, tax relief
- tax treatment of pension scheme investment
- tax treatment of death benefits
- choices about drawing retirement benefits
- amounts and recent changes to the annual allowance, lifetime allowance,
- transitional protection, money purchase annual allowance and other limitations on tax relief
- tax treatment of non-registered pensions in outline
- calculation of pension contributions

6.4 Explain the structure of pension laws and regulation relevant to pensions planning and disclosure requirements:

- main types of pensions provision, differences between occupational and personal pensions, legal differences between contract based and trust-based pensions, differences between trust based Defined Contribution (DC) / Defined Benefit (DB) pensions
- the Pensions Regulator's compliance requirements
- The FCA
- the Pension Protection Fund
- the role of the Financial Services Compensation Scheme (FSCS)
- role and duties of trustees, administrators, investment governance committees, and other professional advisers of DC / DB pensions
- divorce and breakdown of family relationships
- employment law relevant to pensions, the rights of older workers
- bankruptcy law and pension assets
- scams and mis-selling issues
- pension flexibilities introduced in Budget 2014

6.5 Explain the key features of DC and DB pension schemes from the perspectives of financial planning, investment selection and drawing benefits at retirement

6.6 Explain the main state pension benefits to which an individual and / or their dependant(s) may be entitled to in retirement and the impact this may have on retirement planning:

- current system of Basic State Pension, including means tested benefits, pensions credit, and contributory benefits
- single tier pension, including means tested benefits, contributory benefit, and
- link to national insurance contribution records
- State retirement benefits and state retirement ages (SRA) and levels of benefit
- other relevant State benefit entitlements

6.7 Explain the structure, characteristics and application of DB schemes to private client pension planning:

- key attributes and benefits of DB pension provision
- types, variations and hybrid arrangements
- rules and operation of DB schemes, including final salary transfers
- funding methods and issues
- impact of employer covenants
- benefits upon ill health and death
- membership eligibility criteria and top-up options

- private and public sector (transfer club) schemes

6.8 Explain the structure, characteristics, attributes and application of DC schemes to private client pension planning:

- personal vs group personal
- types of DC pensions, features, costs and benefits
- employer, employee and other individual pension contributions - methods and issues

LEARNING OUTCOME 07

Be able to evaluate and apply suitable accumulation, de-risking, decumulation, and retirement income strategies appropriate to a client's retirement planning and provision

- 7.1 Evaluate accumulation, de-risking, and decumulation phases and the different types and styles of investment management and funds that may be appropriate
- 7.2 Evaluate and critically appraise the structure of default funds, appropriate types of investment choice, design of investment glide paths, and target date versus lifestyle funds
- 7.3 Discuss and explain default fund guidance for offering a default option in automatic enrolment DC pension schemes
- 7.4 Discuss and appraise the value of, and interaction of:
 - switching between DC pension arrangements
 - safeguarded benefits
 - pension consolidation
 - death, sickness, and survivor benefits
- 7.5 Analyse and appraise the main accumulation factors and features relevant to a client when using DC pensions:
 - clients' aims and objectives for accumulation
 - quantifying future retirement need and wants in relation to other priorities
 - affordability, prioritisation, and contribution levels
 - limits on tax relieved contributions and impact on accumulation methods
 - investments available for accumulation for retirement
 - suitability and risk issues
 - levels of funds and rates of return assumed and needed
 - impact of costs on long term returns
 - relationship between pension and non-pension investments
 - investment strategies for different life stages and time horizons
- 7.6 Explain and evaluate the different options a client has and may choose to secure a retirement income, and appraise the benefits for clients, dependents, and beneficiaries:
 - rules for drawing income and lump sums:

- crystallisation events
- annuity purchase
- flexi-access drawdown
- uncrystallised funds pension lump sum (UFPLS)
- drawing the pension fund as cash
- small pots / trivial commutation rules
- deferral of drawing pension benefits

7.7 Analyse and appraise the main factors and features relevant to a client when planning and taking retirement income from pensions:

- clients' aims and objectives
- consideration of pension options, investments available, and desire for flexibility
- patterns of phasing or stopping work
- longevity, health, and cognitive assumptions during retirement
- spending patterns at different stages of retirement and the use of long-term cash flow analysis
- health and long-term care issues
- estate planning issues
- immediate and long-term income needs for the client, family and dependents
- investment strategies and issues in relation to clients' goals and risk profiles
- appropriateness of both pension and non-pension investments to fund retirement and later life planning
- suitability and risk issues: sequencing risk and reverse pound cost averaging
- rates of investment return and costs

7.8 Examine and appraise managing investments in retirement.

LEARNING OUTCOME 08

Be able to explain and evaluate the use of social investment and philanthropy for clients and wealth management

8.1 Evaluate social investment:

- definitions and usage
- differences between social investment and philanthropy compared to investment stewardship, environmental, social and governance (ESG) portfolio factors and ethical and religious investment
- types of investment
- risk and returns

8.2 Explain the key findings and recommendations from the Law Commission report on social investment within pension funds

8.3 Evaluate philanthropic objectives and strategy:

- define the scope of philanthropic investment
- sources of information on philanthropic investment
- extent of client involvement in scheme

8.4 Consider means to channel philanthropic money efficiently and measure performance

8.5 Evaluate tax issues concerning philanthropy

8.6 Discuss main points of Charities Act and Trust law

LEARNING OUTCOME 09

Be able to assess the impact of personal taxation on the investment planning and investment decision-making process

9.1 Determine the impact of income tax on private clients:

- scope
- liability
- sources of income
- reliefs
- allowances
- assessment methods
- calculation

9.2 Explain and illustrate by narrative and numerical example the liability of National Insurance contributions for the employer, employee and self-employed worker

9.3 Identify and explain the nature of special reliefs available to private clients:

- Individual Saving Accounts (ISAs)
- Enterprise Investment Scheme (EIS)
- Venture Capital Trusts (VCTs)
- share option schemes

9.4 Explain the nature of overseas income:

- UK paying agents
- types of income
- withholding taxes
- double taxation agreements
- basic calculations

9.5 Establish the scope of family tax planning:

- allowances
- reliefs
- planning

9.6 Establish the scope of inheritance tax (IHT):

- its calculation

- exemptions and reliefs
- allowances
- administration of estates
- planning

9.7 Contrast tax avoidance with tax evasion

9.8 Explain the nature of corporation tax and its relevance to financial and investment portfolios

9.9 Explain and appraise the scope of international taxation and tax planning strategies:

- UK domiciled, overseas domiciled / non-domiciled
- portfolio considerations when implementing a portfolio for non-doms claiming the remittance basis, including the use of UK situs assets and considerations regarding collective investments
- overseas aspects of income tax, capital gains tax (CGT), IHT, allowances and reliefs (basic calculations)

LEARNING OUTCOME 10

Be able to identify, explain, and examine the types and uses of trusts, the rights of beneficiaries, and the taxation of trusts

10.1 Explain the characteristics of trusts:

- concepts of settlor, beneficiary and trustee
- express, resulting and constructive trusts
- investment powers of trustees
- Trustee Act 2000 and duties of trustees

10.2 Identify and explain the uses of trusts including tax and estate planning

10.3 Explain and describe legal persons and powers of attorney, the basic law of contract and agency, wills and intestacy

10.4 Distinguish between, and explain, the following types of trust:

- bare trusts
- interest-in-possession trusts (life interest and reversionary interest)
- non-interest-in-possession trust (accumulation and maintenance trusts / discretionary trusts)
- charitable trusts

10.5 Specify and appraise the income tax implications of trusts:

- interest in possession trusts
- non-interest in possession trusts
- bare trusts
- tax rates
- exemptions and reliefs

10.6 Specify and appraise the CGT implications of trusts:

- liability of the settlor and trustees
- tax rates
- exemptions and reliefs

10.7 Specify and appraise the inheritance tax implications of trusts:

- chargeable lifetime transfers
- periodic charges

- exit charges
- tax rates
- exemptions and reliefs

10.8 Explain what Family Offices are, the two main categories, and the benefits & limitations compared to advice from a wealth management firm

READING LIST

Periodicals / Newspapers / Journals

- Financial Times
- The Economist
- Financial sections of The Times, The Daily Telegraph, Independent and Evening Standard
- Bank of England Quarterly Bulletin
- Bank of England Inflation Report (Quarterly)
- Risk Magazine
- Journal of Derivatives
- Journal of Futures Markets
- Investment Week
- Professional Investor (the quarterly journal of the CFA).
- Money Management
- Investment Adviser
- Professional Adviser
- Bloomberg Markets Magazine
- Wall Street Journal
- CISI Review

Books

Beyer, Charlotte. (2017). ***Wealth Management Unwrapped, Revised and Expanded: Unwrap What You Need to Know and Enjoy the Present***, John Wiley & Sons, Incorporated.

Butler, Jason. (2015). ***The financial times guide to wealth management: how to plan, invest and protect your financial assets (Second edition)***. Pearson.

Chwieroth, Jeffrey, M. & Walter, Andrew, (2019). ***The wealth effect: how the great expectations of the middle class have changed the politics of banking crises***. Cambridge University Press.

Ellis, Charles, D. (2017). ***Winning the loser's game: timeless strategies for successful investing (Seventh edition)***. McGraw-Hill Education.

Gray, Wesley R., et al. (2016) ***Quantitative Momentum: A Practitioner's Guide to Building a Momentum-Based Stock Selection System***, John Wiley & Sons, Incorporated.

Hayes, Claire, & Newman, Ruth, & Hubbard, Andrew. (2021). ***Tolley's tax guide 2021-22***. Tolley.

Hull, John, C. (2018). ***Risk management and financial institutions (Fifth edition)***. Wiley.

Krawczyk, Daniel C., & Baxter, George H. (2019) ***Understanding Behavioural BIAS: A Guide to Improving Financial Decision-Making***. Business Expert Press.

Lucas, Stuart, E. (2020). ***The taxable investor's manifesto: wealth management strategies to last a lifetime***. John Wiley & Sons, Incorporated.

Markowitz, Harry, M. & Blay, Kenneth. (2013). ***Risk-return analysis. Volume 1: the theory and practice of rational investing (1st edition)***. McGraw-Hill Education.

Markowitz, Harry, M. (2016). ***Risk-Return Analysis, Volume 2: The Theory and Practice of Rational Investing (1st edition)***. McGraw-Hill.

Pagdin, Ian. & Hardy, Michelle. (2018). ***Investment and Portfolio Management: A Practical Introduction***. Kogan Page.

Shearn, Michael. (2011) ***The Investment Checklist: The Art of in-Depth Research***, John Wiley & Sons, Incorporated.

Zaher, Fadi. (2019) ***Index Fund Management: A Practical Guide to Smart Beta, Factor Investing, and Risk Premia***, Springer International Publishing AG

Websites:

- bankofengland.co.uk
- dmo.gov.uk
- euronext.com
- fca.org.uk
- ft.com
- ftse.com
- londonstockexchange.com
- nsandi.com
- trustnet.com
- hm-treasury.gov.uk
- digitallook.com
- morningstar.co.uk