

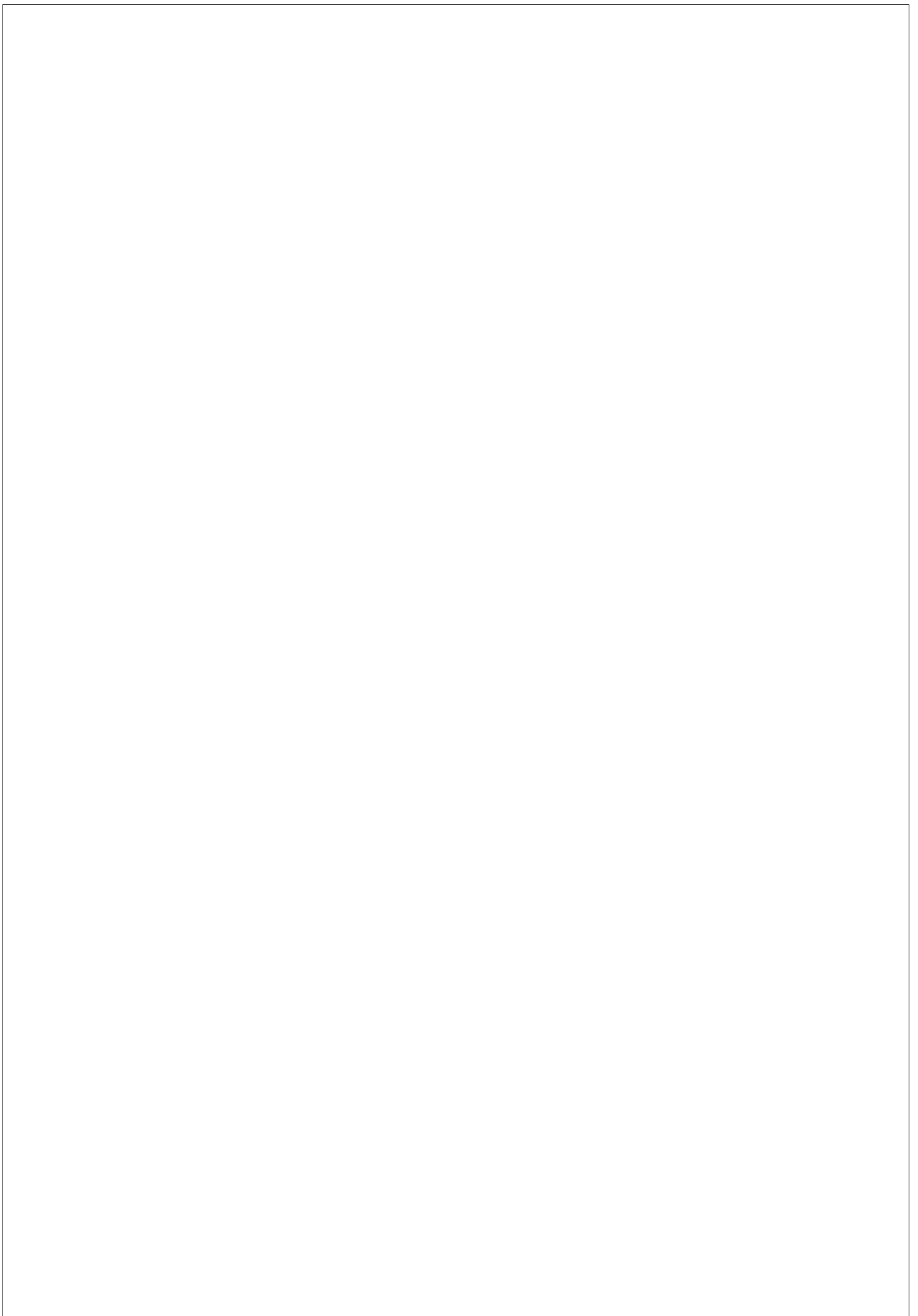


CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT

Financial Planning and Advice

Effective from 1 October 2021

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Objective of the Examination

The unit is for individuals advising on retail investment products. It covers financial protection, pensions and retirement and financial planning skills, building on the core knowledge gained from the UK Regulation & Professional Integrity unit; and the Investment, Risk & Taxation unit of the CISI Investment Advice Diploma.

Assessment Structure

The unit will be assessed by a two hour examination of 80 multiple choice questions drawn from across the syllabus.

Candidates sitting the exam by Computer Based Testing may have, in addition, up to 10% additional questions as trial questions that are not separately identified and do not contribute to the result. Candidates will be given proportionately more time to complete the test.

The examination will require candidates to give consideration to the full range of solutions and products as well as the instruments on which the solutions are based. Candidates will also be assessed on other matters on which a financial adviser may be consulted and, in doing so, will be assessed on their ability to draw on any of the subject matter covered in the UK Regulation & Professional Integrity unit; and the Investment, Risk & Taxation unit.

The unit is tested at level 4 on the Regulated Qualifications Framework.

Syllabus Structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know**, identify, **understand**, **be able to calculate**, **be able to analyse**, **be able to interpret** or **be able to evaluate**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** requires the candidate to recall information such as facts, rules and principles
- **identify** requires the candidate to recognise one or more pieces of information relevant to making an informed judgement
- **understand** requires the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **be able to calculate** requires the candidate to be able to use formulae to perform calculations
- **be able to analyse** requires the candidate to review the information content in detail and draw conclusions
- **be able to interpret** requires the candidate to review the information content and extract meaning from it
- **be able to evaluate** requires the candidate to review the information content and make an informed judgement based on a set of criteria

Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website (cisi.org/candidateupdate) on a regular basis for updates that could affect their examination as a result of industry changes.

Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element and / or case study should not change by more than two.

Financial Advice and Planning		
Element 1	Financial Planning	17
Element 2	Financial Protection	24
Element 3	Retirement Planning	24
Element 4	Retirement Solutions	10
Element 5	Financial Planning Recommendations	5
TOTAL		80 Questions

Summary Syllabus

Element 1 Financial Planning

- 1.1 Financial Planning Fundamentals
- 1.2 Nature of Professional Relationship
- 1.3 Collecting Client Information
- 1.4 Streamlined advice
- 1.5 Analyse the Client's Financial Status
- 1.6 Establishing priorities
- 1.7 Analyse existing arrangements

Element 2 Financial Protection

- 2.1 Market trends
- 2.2 Protection Planning
- 2.3 Sources of Financial Protection
- 2.4 Life Assurance and Pension-Based Policies
- 2.5 Income Protection
- 2.6 Critical Illness Protection
- 2.7 Long-Term Care Protection
- 2.8 Insurance-Based Protection
- 2.9 Selecting Appropriate Protection Solutions

Element 3 Retirement Planning

- 3.1 Pension Provision in context
- 3.2 The main types and methods of pension provision
- 3.3 Pension Scheme Taxation
- 3.4 The regulatory landscape
- 3.5 Applying pensions law and regulation
- 3.6 Defined Benefit (DB) and Defined Contribution (DC) Schemes
- 3.7 State Retirement Benefits
- 3.8 Taking a Retirement Income

Element 4 Retirement solutions

- 4.1 Financial Planning and Advice for Retirement
- 4.2 Post retirement investment strategies

Element 5 Financial Planning Recommendations

- 5.1 Financial Planning Recommendations
- 5.2 Implement Financial Planning Recommendations
- 5.3 Review the Client's Situation

Element 1 Financial Planning

1.1 Financial Planning Fundamentals

On completion, the candidate should:

- 1.1.1 *understand* the key purposes of financial planning, and who is involved in the process
- 1.1.2 *know* the six-step financial planning process as defined by the Financial Planning Standards Board (FPSB):
- establish and define client-planner relationship
 - collect client data, including personal and financial objectives, needs and priorities
 - analyse and evaluate the client's financial status
 - develop and present a financial plan and recommendations
 - implement the financial planning recommendations
 - review the client's situation
- 1.1.3 *be able to analyse* the key components of a financial plan to include:
- client objectives, needs, wants and values
 - client attitudes to risk
 - financial planning assumptions
 - analysis of client's current financial situation
 - financial planning strategy
 - financial planning action plan and recommendations
 - review strategy

1.2 Nature of Professional Relationship

On completion, the candidate should:

- 1.2.1 *understand* the legal obligations a financial planner has to their client

1.3 Collecting Client Information

On completion, the candidate should:

1.3.1 *understand* the application of appropriate techniques to collect client information:

- elicit all relevant personal and financial information essential to the financial planning process
- assessing a client's risk tolerance

1.3.2 *understand* how to meet know your customer (KYC) requirements

1.3.3 *be able to evaluate* affordability and other suitability considerations; environmental, social and corporate governance and religious preferences

1.3.4 *be able to analyse* gaps, errors or inconsistencies in client information, subjective factors or indicators, including:

- use of appropriate skills when questioning information or assumptions
- gaining agreement on any reinterpretation

1.4 Streamlined advice

On completion, the candidate should:

1.4.1 *know* what is meant by "streamlined advice"

- simplified advice
- focused advice

1.4.2 *understand* the key considerations in verifying client information supplied by a third party fact find

1.5 Analyse the Client's Financial Status

On completion, the candidate should:

1.5.1 *be able to identify* the client's circumstances, including:

- assets and liabilities
- any foreseeable changes to their circumstances

1.5.2 *be able to calculate* net worth:

- during lifetime
- on death
- on specific events such as illness, disability or retirement

1.5.3 *be able to calculate* net spendable income or income shortfall

1.5.4 *be able to calculate* cash flow at key life stages including:

- current
- at retirement
- on ill health
- on death

1.6 Establishing priorities

1.6.1 *be able to evaluate* and respond to the main drivers underpinning the client's financial needs and objectives, by prioritising them in collaboration with the client

- identify differing client needs, realistic financial objectives and associated timescales
- prioritise, present and future needs
- agree investment objectives, growth, income, time horizons
- determine and agree risk profile
- capacity for loss
- net disposable income

1.7 Analyse existing arrangements

On completion, the candidate should:

1.7.1 *be able to analyse* gaps in a client's current financial provision and how the client's financial provision could be improved according to agreed priorities:

- immediate liquidity

- ongoing income and expenditure
- protection
- retirement provision
- attitude to risk and growth / investment return assumptions
- ethical values

1.7.2 *be able to evaluate* the performance and suitability of the client's existing investments taking into account the client's current financial provision

1.7.3 *be able to evaluate* the performance and suitability of the client's existing investments taking into account the client's objectives

1.7.4 *be able to evaluate* the performance and suitability of the client's existing investments taking into account the client's

- risk appetite
- capacity for loss

1.7.5 *be able to evaluate* the performance and suitability of the client's existing investments taking into account the client's current and future tax status

Element 2 Financial Protection

2.1 Market trends

On completion, the candidate should:

2.1.1 *be able to analyse* consumer attitudes and behaviours to protection needs planning

2.1.2 *know* factors relevant to consumer access to advice and/ or insurance cover

2.1.3 *be able to interpret* trends in:

- health and morbidity
- longevity and mortality
- employment

2.1.4 *be able to interpret* the implications for product design and development

2.2 Protection Planning

On completion, the candidate should:

- 2.2.1 *be able to evaluate* personal, family income and capital protection needs relevant to health, incapacity and accident cover
- 2.2.2 *be able to evaluate* personal, family income and capital protection needs relevant to income, mortgage and other debt
- 2.2.3 *be able to evaluate* personal, family income and capital protection needs relevant to death and asset protection
- 2.2.4 *be able to evaluate* the role of insurance in mitigating personal financial risk
- 2.2.5 *know* the areas of business protection needs – small and medium-sized enterprises (SMEs)

2.3 Sources of Financial Protection

On completion, the candidate should:

- 2.3.1 *understand* the role of State Benefits / local authority funded solutions
 - state pension and pension credit
 - housing, rent rebates, mortgage repayment and Council Tax benefits
 - incapacity, disability, sickness and maternity benefits
 - social care provision
 - universal credit and other tax credits
- 2.3.2 *be able to analyse* the limitations of State Benefits and state/local authority funded solutions for financial protection:
- 2.3.3 *be able to analyse* how state and other welfare benefits can be incorporated into a financial plan

2.4 Life Assurance and Pension-Based Policies

On completion, the candidate should:

2.4.1 *understand* the range of products available for financial protection needs:

- types of policies, comparative costs, benefits and advantages
- cost and premium calculation factors
- legal requirements, ownership, uses and relevance of trusts
- underwriting and claims
- terminal illness benefit and other additional benefits
- assignments, surrenders, paid-up policies, claims

2.4.2 *be able to analyse* the structure and application of life assurance, and employment-based policies

2.4.3 *be able to interpret* the taxation treatment of life assurance and pension-based protection policies including:

- qualifying and non-qualifying life insurance policies, offshore life insurance policies
- taxation of life funds (onshore and offshore)
- Capital Gains Tax (CGT) and life assurance policies
- Inheritance Tax (IHT) and life assurance policies

2.5 Income Protection

On completion, the candidate should:

2.5.1 *understand* the following:

- definitions, exclusions, premium calculation factors
- underwriting and claim
- taxation treatment
- special treatment of business income protection

2.5.2 *be able to evaluate*:

- the types of policies available
- features and uses
- comparative costs

- advantages and disadvantages

2.5.3 *know* the range, structure and application of income protection insurance options relating to group policies

2.6 Critical Illness Protection

On completion, the candidate should:

2.6.1 *be able to evaluate*:

- types of policies available
- structure
- comparative costs
- advantages and disadvantages

2.6.2 *know* market developments for critical illness insurance

2.6.3 *know* the following:

- definitions, conditions, exclusions
- terms and amount of cover – factors, assessment
- premium calculation factors
- underwriting and claims: issues and processes
- claims

2.6.4 *be able to evaluate* the taxation treatment of critical illness protection

2.6.5 *understand* the interaction between critical illness insurance and life assurance

2.6.6 *be able to evaluate* the range, structure and application of critical illness protection in relation to group policies

2.7 Long-Term Care Protection

On completion, the candidate should:

2.7.1 *know* the range, structure and application of long-term care insurance to meet financial protection needs including:

- political environment, social care policy, national factors

2.7.2 *know* the main product types and features

2.7.3 *be able to evaluate* long term care protection taking in to account cost, resources and appropriate options

2.7.4 *understand* factors relating to:

- immediate needs provision
- long-term care planning process

2.7.5 *know* legal considerations relating to vulnerable clients

- The Mental Capacity Act 2005 definition of capacity
- lasting power of attorney and the different types
- deputy of the Court of Protection

2.7.6 *understand* the regulatory considerations that apply to long-term care insurance:

- affordability, suitability, appropriateness
- Financial Conduct Authority's (FCA's) 'packaged product' / retail investment products regime
- roles of Financial Ombudsman Service and Financial Services Compensation Scheme
- training and competence requirements for long-term care insurance
- provision of pre- and post-sales information
- claims handling rules

2.8 Insurance-Based Protection

On completion, the candidate should:

2.8.1 *be able to analyse* the main features of personal accident, sickness insurance and unemployment insurance

2.8.2 *be able to analyse* the main features of private medical insurance, hospital plans and dental insurance

2.8.3 *be able to analyse* the main features of payment protection insurance – mortgage, credit

2.9 Selecting Appropriate Protection Solutions

On completion, the candidate should:

2.9.1 *be able to evaluate* the relevant factors for individuals and business clients when it comes to planning their financial protection requirements:

- priorities, risk and choices
- consequences of inadequate protection

2.9.2 *be able to calculate* the current and future capital and income needs in real terms for:

- family and personal protection
- SME business protection needs – business loans, key person, partnership and shareholder protection
- existing arrangements

2.9.3 *be able to evaluate* the relevant factors in selecting appropriate solutions taking account of:

- similar types of products
- client needs
- identifying and matching suitable product solutions to needs
- combinations of products
- current and future affordability
- property purchase

2.9.4 *be able to evaluate* appropriate solutions in relation to:

- cohabitation
- marriage
- civil partnership
- birth of child

- separation and divorce

2.9.5 *be able to evaluate* appropriate solutions in relation to:

- work
- going overseas
- retirement

2.9.6 *be able to analyse* estate planning and its application in the financial planning process:

- the basics of wills and will planning
- the events that invalidate wills
- laws of intestacy
- importance of regular reviews
- use of lasting power of attorney

Element 3 Retirement Planning

3.1 Pension Provision in context

On completion, the candidate should:

3.1.1 *understand* the social and macroeconomic factors influencing the development of pension policy:

- role of government, policy direction, challenges
- demographic trends, longevity and ageing population
- registered pensions, main types of pension provision
- incentives, disincentives and attitudes to saving, and economic factors and influences

3.2 The main types and methods of pension provision

On completion, the candidate should:

3.2.1 *understand* State Pension benefits

3.2.2 *understand* defined benefit (DB) schemes

3.2.3 *understand* defined contribution (DC) schemes

3.3 Pension Scheme Taxation

On completion, the candidate should:

3.3.1 *be able to interpret* how the HMRC tax regime applies to pensions planning:

- taxation of contributions to pension schemes, and relevant tax relief
- taxation of retirement and death benefits from pension schemes
- annual allowances, lifetime allowance, transitional protections, money purchase annual allowance and other limitations on tax relief
- tax treatment of non-registered pension in outline

3.4 The regulatory landscape

On completion, the candidate should:

3.4.1 *know* the role of the Financial Conduct Authority with respect to pensions regulation

3.4.2 *know* the role of the Pensions regulator with respect to pensions regulation

3.4.3 *know* the role and powers of relevant Ombudsman services

3.4.4 *know* the training and competence requirements for a Pension Transfer Specialist

3.5 Applying pensions law and regulation

On completion, the candidate should:

3.5.1 *be able to interpret* aspects of pensions law and regulation relevant to retirement planning:

- employment law relevant to pensions
- pensions, divorce and breakdown of family relationships

- bankruptcy law and pension assets
- The Pensions Regulator's compliance requirements
- Financial Conduct Authority rules
- pension protection schemes

3.5.2 *understand* the relevant aspects of pensions law and oversight:

- trust-based and contract-based DC pensions
- roles and duties of trustees, administrators and professional advisers

3.5.3 *understand* auto-enrolment schemes, employer duties, contributions, workers' opt-in / opt-out, payroll and default issues

3.5.4 *be able to identify* and avoid pension scams

3.5.5 *understand* mis-selling issues

3.6 Defined Benefit (DB) and Defined Contribution (DC) Schemes

On completion, the candidate should:

3.6.1 *understand* the key characteristics and application of DB pension schemes:

- structure, characteristics, attributes and benefits
- main types, variations and hybrids
- rules and operation of DB schemes
- funding methods and issues
- membership eligibility criteria and top-up options
- factors to consider and benefits of leaving, transfers DB to DC and DC to DB, early and normal retirement
- roles of trustees, and other parties, and scheme reporting
- the impact of employer covenants
- benefits on ill health or death
- private and public sector schemes

3.6.2 *be able to analyse* the options available from DB pension schemes regarding retirement planning for individuals:

- factors to consider and benefits on leaving; early, normal and late retirement
- benefits on ill health and death
- switching issues and considerations
- public sector schemes
- retirement benefits
- leaving benefits
- ill health benefits
- Pension Commencement Lump Sum (PCLS) and interaction with pension income
- death benefits before and after crystallisation

3.6.3 *understand* the main DC pension accumulation options:

- main types of DC schemes, their features costs and benefits
- the main differences between contract-based and trust-based DC arrangements
- employer and employee and other individual contributions – the main methods and issues
- switching between DC pension arrangements, safeguarded benefits and pensions consolidation
- death and sickness benefits
- investment choices and restrictions

3.6.4 *understand* the main DC decumulation rules and options in relation to retirement planning for individual customers:

- flexi-access drawdown
- uncrystallised funds pension lump sum (UPFLS)
- annuity purchase
- drawing the whole pension fund as cash
- small Pots/Trivial commutation rules

3.7 State Retirement Benefits

On completion, the candidate should:

3.7.1 *understand* the structure, relevance and application of the state schemes in relation to an individual's pension planning:

- basic state retirement benefits; structures, state retirement ages (SRA), levels of benefit, link to national insurance records and SRA
- Pension Credit framework
- other relevant state benefit entitlements

3.8 Taking a Retirement Income

On completion, the candidate should:

3.8.1 *be able to evaluate* the different ways of taking benefits:

- reasons for taking or deferring state retirement benefits
- considerations when taking income and/or lump sum benefits from a DB scheme
- considerations when taking income and/or lump sum benefits from a DC scheme

3.8.2 *be able to analyse* the advantages and disadvantages of different types of annuities

Element 4 Retirement Solutions

4.1 Financial Planning and Advice for Retirement

On completion, the candidate should:

4.1.1 *understand* the importance of the need to align planning and advice with a client's essential needs and realistic financial aspirations and ensure recommendations are suitable

4.1.2 *be able to analyse* retirement aims and objectives taking account of the following factors:

- availability and prioritisation of savings and investments
- limits on tax relieved contributions and their impact on accumulation methods
- attitude and expectations as regards retirement and working in later life
- assumptions and impact
- conflict with other objectives
- timescales and risk, including inflation and longevity risk

4.1.3 *be able to evaluate* existing policies and alternative solutions available for pension income and long-term care requirements:

- alternative sources of capital including non-pension investment assets
- equity release products
- proceeds from sale of a business or property
- inheritance
- buy to let, individual savings accounts (ISAs), unitised securities, alternative investments
- Sharia'a-compliant solutions

4.1.4 *be able to evaluate* the merits, limitations and suitability of investments available to meet stated objectives taking account of:

- when and how retirement may occur
- phased retirement
- projected levels of investment risk and return
- investment strategy and fund selection criteria
- impact of fees and charges
- products and wrappers, critical yield and optimal crystallisation dates
- other sources of non-pension income

4.2 Post retirement investment strategies

On completion, the candidate should:

- 4.2.1 *understand* eligibility for pension liquidation and / or drawdown
- 4.2.2 *be able to evaluate* phased retirement options, benefits and risks
- 4.2.3 *be able to analyse* the options and factors to consider with regard to developing a post-retirement investment strategy for:
 - financial provision for care in later life
 - timing of decisions and implementation
 - provision for dependants
 - sequencing risk

Element 5 Financial Planning Recommendations

5.1 Financial Planning Recommendations

On completion, the candidate should:

- 5.1.1 *understand* how to develop recommendations; explain and justify outline recommendations to meet / address client needs, goals, objectives, and other issues or problems where appropriate; draft initial recommendations for a suitable financial plan.
- 5.1.2 *be able to evaluate* the advantages and disadvantages of different strategies
- 5.1.3 *be able to evaluate* whether all recommendations are suited to the client's situation and financial requirements, including:
 - appropriateness and relevance of proposed solutions, products and, where applicable, providers
 - alternative courses of action where no suitable product is available
 - whether they match the client's agreed risk / reward trade off
 - affordability
- 5.1.4 *be able to analyse* the requirement to appropriately balance the interrelationship between protection, saving and investment, and other objectives such as liquidity and retirement

5.2 Implement Financial Planning Recommendations

On completion, the candidate should:

5.2.1 *be able to evaluate* how the plan and/or recommendations meet the client's specific needs, in a manner that the client can understand, including:

- explanation of appropriate financial protection products to the client and how they meet client needs
- appropriateness and suitability
- characteristics, correlation, advantages and disadvantages of different products
- comparison of the different options available
- implications of the different recommendations on other parts of the financial plan
- advantages and disadvantages of the proposed recommendations including costs
- how the recommendations take account of future needs
- how the recommendations will be handled, including the need for monitoring and review

5.3 Review the Client's Situation

On completion, the candidate should:

5.3.1 *understand* how to conduct financial planning reviews and review meetings, including:

- purpose and frequency of reviews
- process of reviewing a financial plan
- initiating a review meeting and gathering the data required
- what is discussed at a review meeting

5.3.2 *be able to analyse* actions that may be required after the review, including:

- reassessing and rebalancing asset allocation
- review of existing financial solutions

