FinancialAdviser ACADEMY

AF5 StudyPack

Wednesday 9th October 2019

AF5 STUDY PACK – OCTOBER 2019 (VERSION 1)

REMEMBER THE GOLDEN TECHNIQUE RULES:

Passing exams

Knowledge

Technique

1. **Identify ALL the jobs**
2. **Structure your answer**
3. **Talk to Simon and Grace**

Simon & Graces' stated aims & objectives <u>within the Fact Find</u>

- Insufficient life cover (page 7)
- Suitability of ASU policy (page 7)
- Both retire when Simon reaches age 60 (page 1)
- Build up business with view to selling it to fund retirement (page 2)
- Financial support for university for Harry & Emma (page 4)
- Increasing Simon's employer pension contribution (page 9)
- Consolidate Simon's two older Personal Pensions (page 9)
- Suitability of Premium Bonds (page 5)
- Grace is interested in Target Absolute Return funds (page 9)
- Invest Grace's investments as ethically as possible (page 11)

Potential objectives for the exam

Immediate objectives:
- Review protection needs
- Provide financial support for Harry and Emma's university costs
- Review suitability of savings and investments

Long term objectives:
- Ensure able to generate sufficient income in retirement

REMEMBER: AF5 exam syllabus covers the ISO22222 planning process

- Establish the client relationship

- Gather the information
- Analyse the data
- Develop a plan
- Implement the recommendations
- Monitor & review

PROTECTION NEEDS
• Insufficient life cover (page 7) • Suitability of ASU policy (page 7)

Simon & Grace

Protection

Will | Will

ASU
£2,000 pm
30 days
2014 to 2021
£25 pm

DIS
£108,000
Age 65

No nomination

No POA
No long-term health cover

Estate

Total assets £1,317,000
- House
- Contents
- Savings
- Investments

Less
- Mortgage

Mortgage
£275,000

Plus
- Simon's business
- Pensions
- Death-in-Service

1	**Identify the additional information you would require before being able to advise Simon & Grace on**
a	**Personal Protection – death of either of them (10)**
	o Amount of capital/income needed o Period of cover o On whose life/lives o Protection against inflation on cover o Details of who to receive benefits if a claim made o Willingness of Simon's company to provide protection o Budget available o Known costs or option to increase later o Priority of objective
b	**Personal Protection – Long term illness or accident (10)**

	• Amount of income needed if either were off long-term sick • For how long • When income protection to start if claimed • Level or increasing for inflation • Details of their occupations at the company • Details of income each would currently receive if off long-term sick • Any State benefits payable • Willingness to use emergency cash/funds to provide income • Budget available for solutions • Willingness of Simon's company to fund income protection	
2	**Comment on Simon & Graces' current situation and identify any weaknesses in his existing protection arrangements**	
	1. Mortgage not protected for death or CI	1. Survivor will have large debt into retirement to pay for each month
	2. Low levels of life cover	2. Sally will only have her own investments to live on/insufficient income
	3. No CI protection	3. Company may not be able to sustain his income if he's not at work
	4. Limited income protection	4. Company may not be able to sustain his income if he's not at work
	5. State benefits are low	5. Not enough to maintain their lifestyle so their investments may become depleted
	6. No LPOAs	6. Sally has no power to access his investments/assets if he loses capacity
	7. No PMI	7. Long delays to get treatment if he needs medical help/Tom's income may suffer
3	**Recommend and justify how Simon's company can set up a suitable individual life policy for him, which maximises tax-efficiency, to provide benefits for Grace and their children in the event of his death before retirement (12)**	

	• Relevant life/death in service cover on Simon's life • Company pays premiums • Under corporate/ discretionary trust • Where Tom nominates beneficiary • Level term for life cover • For the amount needed to meet Simon's needs • Term to normal retirement date /60	• Inexpensive and avoids Lifetime allowance and benefit in kind taxes • Relevant business expense/deductible against tax. • Benefits paid quickly and IHT free/no Lifetime Allowance assessment • Tom can change beneficiary if needed in future/ ensure correct beneficiary gets the money • This can be reviewed each year as needs change • Large cover can be put in place to meet family's needs so that they have enough • So Tom is covered until pension takes over
4	**Describe briefly five benefits and five drawbacks to Alan and Kim of using a decreasing term assurance policy to provide protection in the event of either death during the term of the mortgage. (10)**	
	Benefits: • Cheaper premiums/affordability. • Sum assured matches decreasing mortgage balance/mortgage repaid in event of death. • Not paying for unnecessary cover. • Simple to understand. • Currently in good health/no adverse underwriting.	**Drawbacks:** • No additional funds available on death. • No Critical Illness Cover. • Health may deteriorate/cheaper to buy higher cover now. • Cover maybe insufficient/may not be able to increase sum assured/cannot be amended. • No investment content/no surrender value. •
5	**Outline the arrangements Simon & Grace could use to ensure they can make decisions on each other's behalf**	
	• Property & Financial Affairs Last Power of Attorney • to control their financial affairs • Health & Welfare Last Power of Attorney • to deal with health matters	
6	**Explain in detail how Simon & Grace could take to ensure they can make financial decisions on each other's behalf**	
	• Each establish a Property & Financial Affairs LPOA	

	• With the other party as their attorney • Must be in the prescribed format • It must state that both the donor and attorney have read the prescribed information and that attorney understand their duties • With a statement from a certificate provider/prescribed person confirming the donor understands the LPOA and there is no fraud or undue pressure • Signatures witnessed by independent party • Registered with Court of Protection • Appropriate fee is paid • Hannah and any other relevant people informed

THE ASU POLICY

Facts

- Accident, sickness & unemployment
- Deferred period 30 days
- £2,000 pm
- Maximum claim period up to 2 years
- Tax free
- Expires in 2021 (maximum claim limit 2 years)
- £25 pm personal contribution
- Premiums out of Simon's net income
- Claim could cancel the policy

8	**Identify the factors you would take into consideration when assessing the suitability of Simon's existing ASU policy (10)**	
	o Relative low cost of the cover o No tax relief on premium/paid from taxable income o Policy definitions of accident, sickness & unemployment o Short 30 days deferment period o State benefits available o Benefit restricted to £2,000 pm o Benefit paid tax free o Maximum claim period is only 2 years o No inflation proofing of benefit on claim o Policy will expire in 2021 o Policy cancelled after first claim	
9	**Comment on their present position and identify any weaknesses if either of them suffered a long-term illness or disability. (10)**	
	COMMENT ON…THE FACTS	**WEAKNESSES**

	o ASU would pay out £2,000 a month for up to 2 years o The policy may be cancelled by provider after a claim o State benefits would be very low o Simon will not be able to maintain and build his business o May have to use savings for bills o Premiums paid out his net income	o Insufficient to cover bills each month leading to a shortfall o Loss of cover going forward if there was another claim o Insufficient to live on leading to reduction in living standards o Lower retirement income or delay to retirement o Inability to meet other capital goals o More expensive as could be tax deductible to Simon's company
10	**Simon is considering using an income protection policy instead of his ASU policy to protect his income in the event of being unable to work. State five benefits and five drawbacks of using an income protection policy rather than the ASU policy for this purpose (10)**	
	Benefits o Cannot be cancelled by insurer/can claim more than once o Can claim for a longer period/to retirement o Own occupation o Indexation of benefits o Can claim a proportionate benefit of his salary o Guaranteed premiums	**Drawbacks** o Usually more expensive o Longer deferment period before receipt of claim o Does not cover unemployment o No lump sum cover/no cover upon death o Stricter underwriting
11	**Recommend & justify a suitable protection arrangement to repay their mortgage on either death (10)**	
	Recommend o Decreasing term assurance o Joint life first death o £275,000 sum assured o Written to the end of the mortgage term o Waiver of premium benefit	**Justify** o Inexpensive and sum assured reducing to meet debt o To pay off the debt on first death o To match the debt on death o So that cover for the loan duration o So that premiums waived if either is off long term sick./accident

Company pays vs Simon pays

Group PHI/DIS – relevant life /CI

- No BIK on Simon –DIS/relevant life /GPPHI
- CI is a BIK
- Company trading expense
- Possible ‘free limits’
- DIS/relevant life under trust
- Taxable/NI on PHI benefits if claimed

Personal cover

- Premiums out of net income
- Tax free PHI benefits
- Portable

RETIREMENT INCOME NEEDS

State benefits - unknown

Simon & Grace

State benefits – unknown

Male 45 – Retire 60

ER £250 pm
Total £3,000 pa

PP	PP	PP
£24,000 Assure Life	£67,000 Paid-up Academic	£20,000 Paid-up Ross Life
NRD 65	NRD?	NRD?
Wef 2014 Considering increasing ER contributions	Wef 2003 Left 2014	Wef ? Left ?
Adventurous managed fund	UK & global equity funds – not reviewed	UK & global equity funds – not reviewed
EoW – Grace	EoW – Grace	EoW – Grace

Female 45 – Retire when Simon is 60

GPP
£47,000 Monarch Life
NRD 65
Wef 2007
UK Commercial Property fund Targeted Absolute Return funds available
EoW - Simon

EE 5% & ER 5%
Grace £120 pm net
Total £3,600 pa

Potential objective for the exam (topic 2)

- Generate an adequate income in retirement

Factfind hints

Both retire when Simon reaches age 60 (page 1)

- Build up business with view to selling it to fund retirement (page 2)
- Increasing Simon’s employer pension contribution (page 9)
- Consolidate Simon’s two older Personal Pensions (page 9)
- Repayment of mortgage before retirement

1	**NOTE: CII generic pension planning process**
	• Confirm the client's intended retirement date • Establish income & capital required in retirement • Check on State Pension entitlements • Use of other assets/business • Obtain details of all their existing pensions • Project pension benefits to their retirement date • Suggest a strategy to address any shortfall • Affordability • Whether they prefer regular or single contributions • Confirm attitude to risk of each client
2	**Identify the additional information you would require before being able to advise them on their retirement needs (14)**
	• Retirement date and whether they are planning to phase their retirement • Income required • Whether PCLS needed/amount • Inflation expectations • Longevity expectations • Charges of existing pension plans • Performance of all existing pension plans • State pension forecasts both • Willingness to use non-pension assets for retirement income/BTL/use ISAs • Tom's business value and when he will sell it • NRA projection of all their existing pension plans • Cashflow forecast analysis • Sally's expected income from writing • Whether guaranteed income desired • Amount of income needed on either's death • Willingness to erode capital for income • Pension contribution history past three tax years for Tom and his employer • Affordability/capital available for retirement planning/monthly budget • Priority of objective

3	**Outline the factors you would consider when recommending further pension contributions for Simon**
	• At what age he plans to retire • How much income he needs in retirement • Format of income – whether annuity or flexible income required • Inflation expectations • Longevity and their current good health • Capital needs/PCLS amounts needed • Sally's income needs/retirement plans • Tax relief – corporation tax or income tax • His high ATR/CFL/investment experience • Tom's State pension age and amount due • Income available from other investments to create retirement income/possible sale of his company/downsizing • Projected NRA value of existing pension funds • Fund choices – best options for longer term growth/likely investment returns • Costs and charges of pensions • Carry forward amount available for the previous three tax years • Profits of the company/affordability – Tom's budget for this need
4	**Factors you take into account 're increase to Employer pension contribution' (12)**
	• At what age he wants to retire • Capital needs/PCLS amounts needed – mortgage needs to be repaid • How much income Simon needs in retirement and • Grace's likely retirement income needs / exiting projected benefits • Format of income – whether annuity or flexible income required • Inflation expectations • Longevity and good health • Risk – ATR/CFL/investment experience • Both their STP age and amount due • Income available from other investments to create retirement income/possible sale of his company/downsizing • Projected value of existing pension funds • Fund choices – best options for longer term growth/likely investment returns • Carry forward amounts available for the previous 3 tax years • Profits of the company/affordability – Simon's budget for this need

5	**In respect of their State Pension benefits explain how their level of income will be calculated (6)**
	• A 'foundation amount' (FA) would have been calculated at 6th April 2016 • based on the higher of the old rules and the new rules. • If FA was lower than full flat rate pension, • further years can be accrued up to a maximum of 35 years • If FA was higher than the flat rate pension, this would be treated as a protected payment • And payable at State pension age in addition to the full Single Tier pension and no further accrual can be awarded
6	**State five advantages and five disadvantages for Simon of using his Personal Pension rather than OEICs for retirement planning (10)**

	Benefits	Drawbacks
	o Premiums are tax deductible for his company against corporation tax whereas OEIC contributions aren't o Not taxed as benefit in kind/not paid out his net (after tax and NI) income whereas OEIC contributions paid out of net income o The fund is outside of bis estate for Inheritance Tax but OEICs are in estate o Funds grow tax-free whereas OEIC growth attracts CGT and the income is taxable o Under trust so can nominate beneficiaries who get benefits quickly on death whereas OEICs pass through his Will	o Only accessible after age 57 whereas OEICs can be accessed anytime o Pension is only in Simon's name whereas OEICs are held jointly o Only 25% of the fund can be used as cash whereas OEICs can fully access for cash o 75% of fund has to buy a taxable income whereas OEICs can be encashed each year using CGT exemption tax-free o Annual limits on pension contributions whereas OEIC contributions have no restrictions o Pension funds have HMRC restricted investment choices whereas OEICs have a wider range of investments

7	**Explain how to calculate the maximum contribution that can be made by Wickrow Publishing into Simon's pension in 2019/20 (10)**
	• The company can put in a total of £40,000 gross this tax year • Including the £3,000 gross already budgeted / £37,000 extra. • As Simon has been a member of a registered scheme for the previous 3 tax years • Carry forward of his unused relief can be used • And the company can pay the total amount (carry forward and £37,000) gross • Contribution is tax deductible to company against corporation tax as • wholly and exclusively for business purposes • As the company is paying there is no contribution link to Simon's earnings • Payment assumes the company has the cash available • Projected value of existing pension funds • Fund choices – best options for longer term growth/likely investment returns • Carry forward amounts available for the previous 3 tax years • Profits of the company/affordability – Simon's budget for this need

Simon

Male 45
Managing Director
Wickrow Publishing Limited

Started 2014
Shares holding 100%
Value £?
£12,000 dividends

Note:
Entrepreneurs Relief will apply for CGT
Business Property Relief will apply for IHT

Simon's Company
Wickrow Publishing Limited

No permanent employees

Short-term contracts when required

Simon plans to build up business with a view to selling to fund his retirement

Factors to consider for Simon relying on sale of business to fund retirement (7)

TAX – on sale CGT and Entrepreneur relief
TIES – new owner may want to lock Simon in for a period during handover
BUYER – there may not be a willing buyer at the time of sale
FAILURE – the business may not be sustained and of value at 60
LEGISLATION – changes to tax or rules may mean business unattractive at sale
HEALTH – a failure of Simon's health may prevent business success
ECONOMICS – changing markets may lead to Simon's business profit reduction so less valuable/attractive

8	**Identify the factors you would take into account when consolidating Simon's three pensions plans (8)**
	• Whether the policies have any guarantees or Guaranteed Annuity Rates in them • Costs and penalties on transferring them • Any protected tax free cash • Transfer penalties • Death benefits available • How Simon intends to take his benefits at retirement and whether the policies cater for this • That there is a 15 year period to retirement • Fund performance and fund and switching options • Financial strength of providers • Service standards of providers
9	**Identify the factors you would take into account in forming a strategy to repay the mortgage at retirement (10)**
	• Mortgage redemption dates fall after retirement date • Are there any of their existing funds already earmarked to repay the balance • Affordability to repay at 60 • They have a high / medium attitude to risk • Charges/early redemption penalties at 60 • Growth required on investments to enable repayment/balance outstanding then • Tax efficiency/use of ISA and pension allowances • Whose name to hold investments in • Use of different asset classes • Protection needs until loans repaid • Future interest rate expectations •

UNIVERSITY EDUCATION

Known facts

- Harry started in 2019
- Taken student loan for tuition fees
- £1,000 pm towards living costs being paid – jointly by Simon & Grace
- Affordable at present
- Emma starts in 2021
- Parents may repay student loan capital
- Offshore bond earmarked for university education

1	**Identify the additional information you would require before being able to advise Simon and Grace on their wish to support their children at university (12)**
	• Amount for each child – capital and ongoing monthly • And when capital amounts to be paid • Inflation considerations for amounts • Protection considerations on death or CIC before repaid • Where capital/ongoing monthly payments be sourced from • Tax considerations on encashment • Any charges on encashment that may apply to the investment to be used • In whose name(s) should the investment be • Affordability of option to the clients • Do they expect their children to work to help fund the costs? • Any other source of financial assistance they can call upon for help towards the costs/grants/scholarships/other existing assets? • Are they now willing to use/gift away/encash the earmarked investment bond?

Investment Bond

- Owned jointly
- Invested £55,000 - 5 years ago
- No withdrawals yet
- 5% pa allowance of £2,750 joint or £1,375 each
- Value £96,000
- Withdrawals subject to income tax
- PSA available

Options

1. 5% pa allowance of £2,750 joint or £1,375 each
2. Simple gain is £41,000 over 5 years
    a. BRT payer – 20% on any gain
    b. HRT payer – 40% on any gain
    c. Top slicing relief
3. Assignment and encashment by child

2	**Explain how Simon and Grace could use the investment bond as a tax-efficient solution that will enable Harry and Emma to repay their student loans (12)**
	• Segments of the investment bond • Could be gifted to Harry and Emma • When their loans are due for repayment • With a value at the time equal to their respective loans • Each child could then encash each tax year • sufficient of the bond segments • Such that the gain • When top-sliced • Falls into each of their Personal Allowances, Starting rate bands and PSAs • And thus be tax free (providing they had no other income in that tax year) • The gift would be a PET of half the total gifted • against Simon and Grace • As the bond is held jointly • If each could live for seven years • Then the bond would be out of their estate for IHT

INVESTMENT REVIEW

Potential objective for the exam (topic 3)

- Review suitability of investments

Simon & Grace

Wealth

Notes:

No contributions to S/S ISAs in 2019/20.

Simon's business value is unknown.

Premium Bond from proceeds of recent inheritance. But no more inheritances due.

Offshore investment bond is earmarked for university education.

	Simon	Grace	Joint		Income	Notes
House			£525,000			
Contents	£45,000	£50,000	£75,000			
Current account			£4,000			
Deposit account			£62,000		£806	
UK company shares	£65,000				£1,950	
ISA S/S UK Equities Growth & UK Ethical	£78,000	£52,000				Accumulation
Premium bond	£40,000					
OEICs – Global Growth			£225,000		£5,625	Base cost £120,000 2010
Offshore bond – Global Managed			£96,000			Invested £55,000 5 years ago
Assets	£228,000	£102,000	£987,000			
Less mortgage			- £275,000			No specific life cover
Net assets	£228,000	£102,000	£712,000			
Total net assets			£1,042,000			

1	**NOTE: CII generic investment planning process**	
	• Identify client's risk profile& CFL • Their need for income or growth • Any ethical views they may have • Their willingness to transfer assets between each other • Details of their current & future tax status • And full details of all their existing investments • Establish an appropriate asset allocation for each client's ATR • Select appropriate funds & investments for new monies and any changes to existing ones • Allocate the funds to the appropriate tax wrapper	
2	**Comment on the weaknesses of Simon and Graces' existing savings and investments position (12)**	
	o Simon is paying higher rate tax on some of his OEIC dividends	o These would be tax free if inside an ISA/reduces the net returns on the investment
	o Grace is only using half of her £1,000 PSA	o Wasted each year as a tax at 0% allowance
	o Their OEIC portfolio is carrying a large capital gain / not using their annual CGT exemptions	o Storing up large capital gains that will increase tax in time
	o They haven't used this year's ISA allowances	o Tax free wrapper could save CGT and income tax
	o Simon has a large proportion of his capital in Global equities	o Lack of diversification and large exposure to market risk
	o Grace has OEICS in Global equities	o Conflicts with her desire for Ethical investments/above her ATR
	o No IHT effective investments	o All in state so increase IHT liability

3	**List the considerations would be take into account when assessing the suitability of Simon & Graces' investments**	
	• Objectives of the client • Emergency fund need • ATR / investment experience / CFL • Tax – income and CGT / BPR • Wrapper availability • Other assets held / CFL / diversification • Asset allocation/geographical split • Style of management of funds/ control • Risks – currency, liquidity, diversification • Past performance / Fund options / ethical preferences • Death / IHT liability • Access requirements • Timescales for the investment • Charges / penalties/ ease of admin /platform	
4	**Calculate, showing all your workings how much Simon and Grace could encash from their jointly help OEIC portfolio tax free (5)**	
	225,000 / 120,000 = 1.875 **1.875 x (12,000 + 12,000) = £45,000**	
5	**Identify and explain - risks**	
	1. Market risk	1. Reduction in sales or increase in company costs reduce company value
	2. Event risk	2. Local problem/event causes business disruption and reduces company share value
	3. Liquidity	3. No ready market to find a buyer for the assets
	4. Political/Legislation	4. Changes to Government policy / tax laws increase tax on disposal
	5. Diversification risk	5. High concentration of Tom's portfolio on the shares exposing Tom to large risk in one market
	6. Operational risk	6. Fraud or incompetence of employees lead to loss of profits and reduction in company value

	7. Counterparty risk 8. Currency risk	7. A third party fails to deliver on a contract e.g. derivatives 8. Exchange rate changes coiuld devalue UK holdings
6	**Comment on the tax treatment of Simon's shareholding in Wickrow Publishing Ltd on disposal during his lifetime and on his death**	
	• Annual CGT exemption can be used to reduce assessable gain on sale of shares • Shares qualify for Entrepreneur's relief • since he is an employee of the company • and he has held the shares for more than 2 years • and he owns more than 5% of the shares/voting rights • CGT rate of 10% is applied on lifetime gains up to £10m • No CGT on death • Business Property Relief at 100% is available for shares in unquoted companies • Assuming the company is treated as a trading company • Reducing the value for IHT purposes of Simon's shares in the limited company to nil	

Commercial property fund

- Liquidity risk.
- Bid/offer switch on pricing/reduced returns.
- Value of property not guaranteed/valuers' opinion.
- Forced sale of properties reduces fund value.
- Cash holdings dilute returns within fund.
- High ongoing charges/transaction costs.
- Income returns not guaranteed/rental yields can reduce/systematic risk.
- Lack of geographical diversification/UK only.
- Taxation risk.

Ethical screening

Positive screening

- Involves investing in companies that have a responsible approach to business practices, products or services.
- E.g. best practice in their industries OR
- A focus on particular themes, such as social or ethical issues or environmental technologies.

Negative screening or avoidance

- Not investing in companies that do not meet the ethical criteria that the fund sets.
- E.g. ethical issues such as alcohol, tobacco and pornography

7	**Describe the issues that Grace's adviser should consider when formulating a recommendation to assist Grace in an ethical investment strategy. (11)**
	• Strength of her beliefs/motivation/how much she wishes to invest. • Shades of green. • Positive/negative screening. • Engagement. • Best in class. • Range of funds/restricted fund choice/less diversification. • Fund performance/increased volatility. • Charges. • Reputation of fund manager/expertise. • Attitude to risk. • Tax wrappers/Investment wrappers. • Ethical banking. • Timescale/objective

8	**Comment on the suitability of Simon's premium bonds (10)**	
	FACTS	**SUITABILITY**
	o Low return or nil return	o Better returns available in alternative investments
	o Loan to the Government	o Low default risk so safe investment
	o In estate for IHT	o Increasing the IHT liability so less for beneficiaries
	o Simon is an adventurous ATR	o Mismatch so not suitable
	o No charges or fees/simple	o Easy to understand and offer some diversification to portfolio
	o Liquid	o Easy and quick to access so useful for emergency fund
	o Tax free returns	o Tax efficient for Simon as a higher rate tax payer

Cashflow modelling notes

CASHFLOW FORECAST

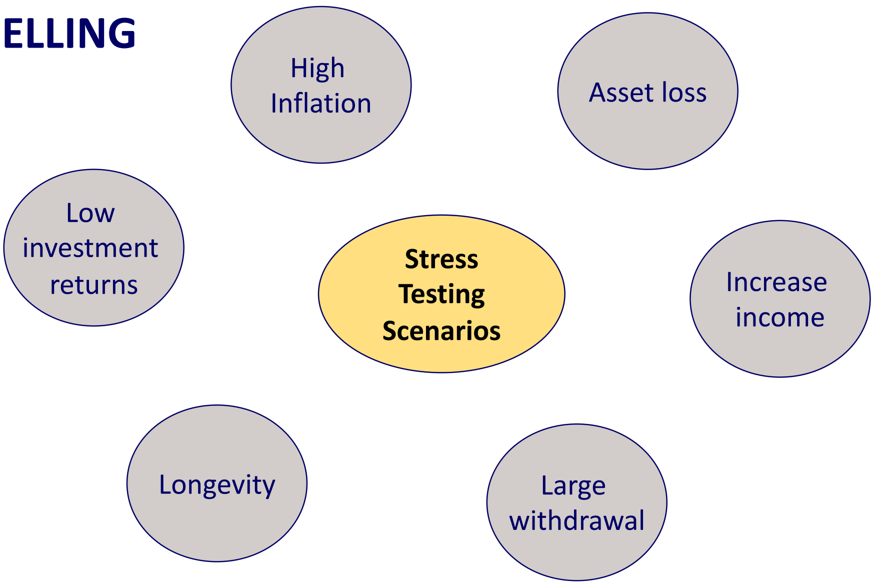
Explain how lifetime cash flow forecasts are used

- Lifetime cash flow projections are used to forecast clients' income and expenditure profiles over the long term. They provide a year by year summary of cash paid to and paid out by the client, showing the years where there will be a surplus or a deficit.
- The main variables are:
  - The level of income and capital inputs
  - The level of expenditure
  - The assumptions made about future increases in income, capital values, expenditure and inflation.
  - Projections can then be amended to include the effect of recommendations

Explain the benefits of a current cash flow statement when devising a financial plan

- Shows difference between expenditure and income.
- Highlights areas for cost reduction.
- Identifies opportunities to fill gaps in planning/establish planning budget.
- Can be used for analysing future cash flows/retirements cash flows and contingent cash flows/loss of income on clients' ill health/death.

CASH FLOW MODELLING



Simon						
		Non Savings	Savings	Dividend	Total	
Stage 1	Salary	54,000.00			54,000.00	
	Dividend			13,950.00	13,950.00	
	Dvidend - joint			2,812.50	2,812.50	
	Savings - joint		403.00		403.00	
		54,000.00	403.00	16,762.50	71,165.50	Gross Income
Stage 2	Less reliefs	0.00			71,165.50	Net Income
Stage 3	Less Personal Allowance (ANI check)	-12,500.00			-12,500.00	
		41,500.00	403.00	16,762.50	58,665.50	Taxable income
Stage 4	Tax bands (not extended as employer pension contributions)					
	BRT 0 to 37,500					
	HRT 37,500 to 56,665.50					
Stage 5	Tax calculation (set order)					
	1st. Non savings	37,500.00	x	0.20	7,500.00	
		4,000.00	x	0.40	1,600.00	
	2nd. Savings	403.00	x	PSA	0.00	
	3rd. Dividend	2,000.00	x	DA	0.00	
		14,762.50	x	0.325	4,797.81	
		58,665.50			13,897.81	Tax liability
Stage 6	Less tax reducers				0.00	Tax reducer
					13,897.81	Tax due

Grace						
		Non Savings	Savings	Dividend	Total	
Stage 1	Salary	36,000.00			36,000.00	
	Dvidend - joint			2,812.50	2,812.50	
	Savings - joint		403.00		403.00	
		36,000.00	403.00	2,812.50	39,215.50	Gross Income
Stage 2	Less reliefs	0.00			39,215.50	Net Income
Stage 3	Less Personal Allowance (ANI check)	-12,500.00			-12,500.00	
		23,500.00	403.00	2,812.50	26,715.50	Taxable income
Stage 4	Tax bands (extended by gross employee pension contributions of £1,800)					
	BRT 0 to 39,300					
Stage 5	Tax calculation (set order)					
	1st. Non savings	23,500.00	x	0.20	4,700.00	
	2nd. Savings	403.00	x	PSA	0.00	
	3rd. Dividend	2,000.00	x	DA	0.00	
		812.50	x	0.325	264.06	
		26,715.50			4,964.06	Tax liability
Stage 6	Less tax reducers				0.00	Tax reducer
					4,964.06	Tax due