

J09 Paraplanning

Coursework Exemplars and Guidance



J09 – Paraplanning

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Published in May 2016 by:

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Introduction

This guide has been developed to provide candidates with practical guidance on how to tackle assignments when completing unit (J09) Paraplanning. It follows feedback from coursework assessors, with the specific intention of helping candidates write successful assignments.

Important note: We strongly recommend that you read the additional J09 enrolment guidance available through RevisionMate in conjunction with this coursework guide. This includes 'guidelines and instructions' and 'how to approach coursework assignments' support documents.

Learning outcomes and assessment criteria

The J09 syllabus found at the back of this document sets out the learning outcomes for this unit; these define what you should know by the end of your course of study. The syllabus contains a set of assessment criteria which specify what you will need to demonstrate through your assignments in order to satisfy these learning outcomes.

Marking grid

The coursework assessor will assess the three items of coursework on the basis of:

1. Knowledge and understanding of the topic (30%);
2. Application and analysis of the topic (45%);
3. The structure in terms of logic and coherence (20%); and
4. The use of relevant work and industry examples and/or examples gained from further reading (5%).

This marking scheme gives candidates the opportunity to demonstrate their attainment of the learning outcomes in many different ways.

The table below contains a detailed breakdown of the assessment methodology used to mark assignments.

Knowledge and understanding (includes accuracy and completeness of facts) Marks weighting 30% of the 100 available marks			
Almost all points of content identified and clearly explained	Most points of content identified and described in some depth	Some points of content identified	Few points of content identified
24–30 marks	18–23 marks	8–17 marks	7 marks or fewer
Application and analysis Mark weighting 45% of the 100 available marks			
Deep understanding shown of the underlying concepts and their application	Essential understanding shown of underlying concepts and their application	Restricted understanding shown of the underlying concepts and their application	Little understanding shown of the underlying concepts of their application
36–45 marks	29–35 marks	12–28 marks	11 marks or fewer
Coherent structure Mark weighting 20% of the 100 available marks			
Answer is coherently structured	Answer is mostly coherently structured	Answer is limited in coherent structure	Answer is insufficiently coherent in structure
16–20 marks	11–15 marks	5–10 marks	4 marks or fewer
Evidence of the use of relevant examples and/or further reading to support answers Mark weighting 5% of the 100 available marks			
Considerable evidence demonstrated of the use of relevant examples and further reading to support the answer	Evidence demonstrated of the use of relevant examples and further reading to support the answer	Little evidence demonstrated of the use of relevant examples and further reading to support the answer	Very little evidence demonstrated of the use of relevant examples and further reading to support the answer
5 marks	4 marks	3 marks	2 marks or fewer

Note: Feedback on the basis of the marking grid will be given to all candidates.

Sample questions with suggested approaches to answers

Here we have given one example of a short answer question, and two examples of essay-style questions. For each have highlighted relevant syllabus areas and included brief descriptions of how a candidate may approach each question to ensure the marking criteria is met.

Question 1

Your adviser has completed a first meeting with a new client. Explain how you would set up the new client file, describe the items that would be required in the client file (paper or electronic) and describe the purpose of each item.

(800 words)

This question has been written according to the following Assessment Criteria:

- 1.1 Describe the regulatory framework within which paraplanning operates.
- 1.2 Explain the legal implications of obtaining and using customer information.
- 1.3 Explain the importance of ethical standards in paraplanning.
- 1.4 Describe the process of disclosure.

Section of marking grid	Suggested approach to answer
Knowledge and understanding of the topic (30%) – this is the factual foundation of the assignment. The essential facts should be accurate and broad enough in their scope to allow further application.	<i>Here is an opportunity for candidates to display their knowledge of compliance procedures and any other good practice requirements in constructing new client files.</i>
Application and analysis of the topic (45%) – this is the way in which you analyse/examine the factual information and how you interpret this information to add value to your answer (this could be in the form of conclusions, solutions, recommendations, etc.). It is also important to remember that the assessor must logically be able to follow the information in assignment submissions.	<i>Application and analysis can be demonstrated here by recognising the particular requirements of setting up new client files.</i> <i>Answers will also be improved by providing a reasoned justification for each item.</i>
The structure in terms of logic and coherence (20%) – submissions should have a clear start and a clear end. Information within submissions should also be logical and well grouped.	<i>Candidates should write their answers in a clear, logical manner. Communicating essentials is a key skill of paraplanning, so it is worth 20% of the marks available.</i>
The use of relevant work examples and/or examples gained from further reading (5%) – suggestions for further reading are contained within the study text and shown on the unit syllabus. These reading lists are not exhaustive and candidates are encouraged to read further.	<i>Here candidates can demonstrate their broader industry awareness. This can be done by reference to either relevant work experience and/or gained from further reading.</i> <i>With regards to this particular question, candidates may include reference to specific compliance procedures, and / or best practices they are aware of from further reading.</i>

Question 2

The following details have been extracted from the client's fact find.

- With profits bond – £60,000.
- Unit trusts invested in UK Corporate bonds – £40,000.
- Unit trusts invested in Emerging Markets – £70,000.
- Cash – £20,000.
- Property OEIC – £25,000.

(a) Discuss the factors you will take into account when reviewing these investments.

(b) Prepare a draft report for the adviser on their suitability to meet the client's goals, with suggestions for appropriate alternative solutions.

(2,000 words)

This question has been written according to the following Assessment Criteria:

- 2.3 Identify the types of information pertinent to establishing the client's circumstances, including incomings, outgoings, assets and liabilities.
- 2.4 Assess the client's tax position.
- 2.5 Identify and explain any potential errors and inconsistencies in client information, and the processes for clarifying inconsistent client information.
- 3.2 Analyse the appropriateness of current financial solutions to meet the client's goals and identify appropriate alternative solutions.
- 3.3 Prepare a document suitable for presentation to the financial adviser.
- 3.4 Prepare a document suitable for presentation to the client that summarises their current position, and the advantages and disadvantages of possible options.
- 3.6 Explain the importance of ongoing monitoring and review.

Section of marking grid	Suggested approach to answer
Knowledge and understanding of the topic (30%) – this is the factual foundation of the assignment. The essential facts should be accurate and broad enough in their scope to allow further application.	<i>Here is an opportunity to evidence knowledge and understanding of</i> <ul style="list-style-type: none"> • The fact find information • The client's risk profile • The client's objectives and priorities • The ability to identify any other information you may need to obtain in order to prepare a full report for the client.
Application and analysis of the topic (45%) – this is the way in which you analyse/examine the factual information and how you interpret this information to add value to your answer (this could be in the form of conclusions, solutions, recommendations, etc.). It is also important to remember that the assessor must logically be able to follow the information in assignment submissions.	<i>Here is an opportunity to analyse the appropriateness of the client's current financial solution and identify alternative solutions (syllabus point 3.2).</i> <i>Candidates may score well by outlining both the benefits and limitations of options, and by recognising the holistic nature of financial planning in their answers.</i>
The structure in terms of logic and coherence (20%) – submissions should have a clear start and a clear end. Information within submissions should also be logical and well grouped.	<i>Here we prepare a draft report for the adviser, though candidates should do the work necessary to complete a full report for the client. Questions like this directly address syllabus point 3.3 "Prepare a document</i>

	<i>suitable for presentation to the financial adviser.” Attention to coherent structure will be necessary with appropriate sign-posting of essential points for the adviser, and this makes up 20% of the available marks for this assignment.</i>
The use of relevant work examples and/or examples gained from further reading (5%) – suggestions for further reading are contained within the study text and shown on the unit syllabus. These reading lists are not exhaustive and candidates are encouraged to read further.	<i>Here we encourage candidates to give examples from either relevant work experience, and / or gained from further reading. For this particular question, candidates may refer to broader contextual material to strengthen their report. For example, broader contextual information on the economic environment.</i>

Question 3

The following details have been extracted from the fact find from Peter, aged 42, and David, aged 38, who are in a civil partnership:

- Peter has two children, aged 8 and 10, from a previous relationship.
- Main residence (jointly owned) - £500,000.
- Peter earns £113,000 p.a. and holds the following investments:
 - Onshore investment bond - £120,000.
 - A portfolio of OEICs - £130,000.
 - Cash - £85,000.
 - SIPP - £350,000.
- David earns £20,000 p.a;
- and owns a property in Cornwall - £250,000.
- Peter saves £150 each month for each of his two children.

Prepare a report for the clients evaluating their tax position and offer solutions to reduce their potential tax liabilities. (*Calculations are not required.*)

This question has been written according to the following Assessment Criteria:

- 2.3** Identify the types of information pertinent to establishing the client's circumstances, including incomings, outgoings, assets and liabilities.
- 2.4** Assess the client's tax position.
- 2.5** Identify and explain any potential errors and inconsistencies in client information, and the processes for clarifying inconsistent client information.
- 3.4** Prepare a document suitable for presentation to the client that summarises their current position, and the advantages and disadvantages of possible options.
- 3.5** Explain the importance of ongoing monitoring and review.

Section of marking grid	Suggested approach to answer
<p>Knowledge and understanding of the topic (30%) – this is the factual foundation of the assignment. The essential facts should be accurate and broad enough in their scope to allow further application.</p>	<p><i>Here is an opportunity to demonstrate your knowledge and understanding of Inheritance Tax, Capital Gains Tax, Income Tax and any other relevant tax issues, and how they relate to the client's circumstances given in the fact find.</i></p> <p><i>This question tests syllabus point “2.3 Identify the types of information pertinent to establishing the client's circumstances, including incomings, outgoings, assets and liabilities.”</i></p>
<p>Application and analysis of the topic (45%) – this is the way in which you analyse/examine the factual information and how you interpret this information to add value to your answer (this could be in the form of conclusions, solutions, recommendations, etc.). It is also important to remember that the assessor must logically be able to follow the information in assignment submissions.</p>	<p><i>This question requires the assessment of the client's tax position (syllabus point 2.4). You would also need to show that you identify and explain any potential errors and inconsistencies in client information, and the processes for clarifying inconsistent client information (syllabus point 2.5).</i></p> <p><i>The answer must include analysis of the appropriateness of the client's current financial solutions, and whether they meet their objectives which will be included in the fact find. Answers should include a strategy for using tax wrappers to improve tax efficiency for the client, and the advantages and disadvantages of possible options (syllabus point 3.4).</i></p>
<p>The structure in terms of logic and coherence (20%) – submissions should have a clear start and a clear end. Information within submissions should also be logical and well grouped.</p>	<p><i>The answer should be prepared as a report that the clients can understand (syllabus point 3.4).</i></p>
<p>The use of relevant work examples and/or examples gained from further reading (5%) – suggestions for further reading are contained within the study text and shown on the unit syllabus. These reading lists are not exhaustive and candidates are encouraged to read further.</p>	<p><i>This criterion is to encourage candidates to give examples from either relevant work experience, and / or gained from further reading.</i></p> <p><i>For example, reference could be made to the broader tax environment in your answer.</i></p>

Sample question and answer

Below is a typical assignment task, followed by an example candidate answer that falls below the pass standard. Marks for the candidate's assignment are given, plus commentary on how the assignment fares against the four component parts of the assessment criteria.

In this way, we can demonstrate how students can miss opportunities to achieve marks and also improve their assignments prior to submission.

A client's fact find has been provided that contains the following investment holdings:

- **With profits bond – £60,000.**
- **Unit Trust (UK corporate bonds) – £40,000.**
- **Unit Trusts (Emerging Markets) – £70,000.**
- **Cash – £20,000.**
- **Property OEIC – £25,000.**

(a) Discuss the factors to take into account when reviewing these investments.

(b) Prepare a draft report for the adviser on their suitability to meet the client's goals, with suggestions for appropriate alternative solutions.

(2,000 words)

Example student answer to part (a)

For each investment we will require basic details:

- Name of company / institution.
- Owner of the Investment.
- Start date.
- Fund and surrender value.
- Initial charge.
- Annual Charge.
- IMA Sector.
- Discrete and cumulative performance over 3 months, 6 months, 1, 2, 3, 4, 5, and 10 years.
- Fund Manager Tenure.
- Fund size.
- Is the Fund ISAable.
- Fund ratings
- Ratios – alpha, Beta, Sharpe and Treynor.
- Investment style.
- An approximation of what the investment may grow to after 10 years.

In addition, we will need specific information for each investment as follows:

- **With Profits Bond**
 - Any Market Value reduction.
 - With profits performance.
 - WP fund asset allocation.
- **Unit Trusts invested in UK Corporate Bonds**
 - Underlying Asset allocation.
- **Cash**
 - Security of Institution.
- **Property**
 - Asset allocation.

Obtaining all this quantitative data will allow us to analyse the different investments along with their underlying investments and the security of each institution.

The FCA has recently introduced further guidance (FG 12/16) which details the additional justification if a change to these investments or the institution was required.

Example student answer to part (b)

Introduction

This is a report prepared by Paraplanner for the adviser on the suitability of the client's investments to meet their goals.

Client goals

The goals for the client are to achieve capital growth within a balanced portfolio.

Existing Investments:

Investment	Asset Class	Amount	%
With Profits Bond	With Profits	£ 60,000	27.09
Unit Trusts – Corporate Bonds	Fixed Interest	£ 40,000	18.60
Unit Trusts – Emerging Market	Equities	£ 70,000	32.55
Cash	Cash	£ 20,000	9.30
OEIC – Property	Property	£ 25,000	11.62
	TOTAL	£215,000	100.00

Attitude to Investment Risk

The client's attitude to risk is described as Balanced (4 / 6) (where 1 is low risk and 6 is high risk).

Our 'Network guide to investing', determines what a client with balanced attitude to risk should have. This is compared to the client's current asset allocation shown above.

Asset Class	Network	Client	Difference
With Profits	0	27.09	+ 27.09
Fixed Interest	35	18.60	- 16.4
Equities	40	32.55	- 7.45
Cash	10	9.30	- 0.70
Property	15	11.62	- 13.38
TOTAL	100	100.00	

You should be aware that the assets invested in With Profits are generally spread over the other 4 main asset classes in order to accurately determine your full asset allocation we need information from the with profits fund provider to enable us to spread the underlying assets correct over the other asset classes.

Asset Allocation

When considering investing there are a number of approaches that can be taken. You could put 'all your eggs in one basket' and hope that your investment does well. Alternatively you could 'spread your investments' and hope that if one investment performs badly another investment will perform well. This simple idea is called diversification.

Diversification

As long experience shows us, different asset classes and industry sectors will provide strong or weak performance at different times.

For example, equities are widely acknowledged to have provided the best long-term performance of the four main asset classes (equities, bonds, cash and property). However, most investors who experienced the meltdown of the "dot-com" sector and more recently the global banking crisis know only too well that, in the short term, things can be quite different.

What can be tempting for investors is to chase the best returns by jumping from one asset class to the next when the returns look promising. However, in reality this rarely works. Therefore, instead of trying to choose which asset class to be in and when, we believe that it is wiser to invest in all of the asset classes, all of the time.

In doing so, you not only make sure you are invested in the asset class that is performing best, you also ensure you are not 100% invested in the asset class that is doing worst. Instead you get a bit of everything and as a result, your investment returns should be smoothed out as performance rotates through the asset classes and each compensates for another as time goes by.

Asset Allocation

The process of deciding how much to invest in each asset class is known as asset allocation. For example, equities have traditionally offered higher returns over the long term but at the price of increased risk while, at the other end of the scale, cash has offered both security of capital and stability but with a fluctuating income and no chance of capital growth.

Actual returns are dependent on many variables, such as the health of the economy in which you are invested, inflation, interest rates and market sentiment. The elements that impact each asset class vary and one asset could provide you with good returns while another may be doing badly. However, it is difficult to predict which will do well (or badly) at any particular time, so mixing asset classes together and having exposure to a little bit of each can help balance out the individual peaks and troughs.

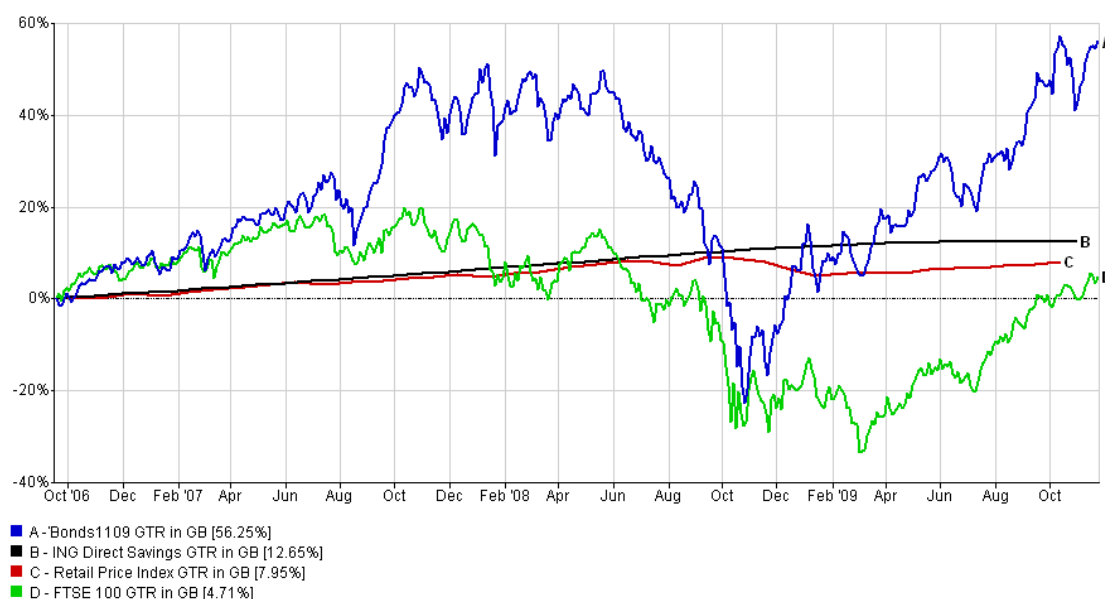
Portfolio Performance

When we construct a portfolio for our clients it is important to continue to monitor the performance of the portfolio against certain known parameters. For that reason we measure all our clients' portfolios against some key indices which will behave differently in different economic climates.

The measures we use are:

- **ING Savings Index** – This is a measure created by Trustnet to show the hypothetical return on an investment in the ING Instant Access account. This is re-calculated every month by reference to the prevailing interest rate ING are paying at that time.
- **Retail Prices Index (RPI)** – The RPI is the most well-known measure of inflation in the UK. The RPI monitors the monthly change in the general level of prices for goods and services used by most households in the UK. The RPI as we know it today was first introduced in June 1947.
- **FTSE 100 Index** – A market-weighted index of the 100 publicly-traded companies listed on the London Stock Exchange with the most market capitalization. Each quarter, the FTSE re-evaluates the companies tracked on the index and makes necessary adjustments to ensure that it represents the most highly capitalized companies. The FTSE 100 Index is considered a prime indicator of health in the wider market.

Portfolio vs Standard Measures



Individual Fund Performance

We would normally consider the performance of the individual funds however we do not have this data at the present time.

This would allow us to determine whether we believed over the longer term the investments were capable of achieving your objectives. In respect of the growth required and the level of risk they were prepared to take.

Recommendations

With Profits Fund

An investment fund with an element of life insurance. The profits in the fund are shared between the policy holders (who get 90%) and the shareholders (who get 10%). With profits funds are sometimes called 90/10 funds. These profits will be allocated to policy holders on a smoothed basis over the life of the policy by way of annual bonuses. There will also be a terminal bonus at the end of the fund's life.

Taken from Finance Talking 20th July 2012

Recommendation: We have not included your with profits fund.

Unit Trust – Corporate Bond (Corporate Bonds)

A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds.

Corporate bonds are considered higher risk than government bonds. As a result, interest rates are almost always higher, even for top-flight credit quality companies.

Taken from Investopedia 20th July 2012

Recommendation: Retain this investment.

Unit Trust – Emerging Markets ('Emerging Market Economy')

A nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body. Emerging markets generally do not have the level of market efficiency and strict standards in accounting and securities regulation to be on par with advanced economies (such as the United States, Europe and Japan), but emerging markets will typically have a physical financial infrastructure including banks, a stock exchange and a unified currency.

Taken from Investopedia 20th July 2012

Recommendation: Retain this investment.

Cash

Legal tender or coins that can be used in exchange goods, debt, or services. Sometimes also including the value of assets that can be converted into cash immediately, as reported by a company. This usually includes bank accounts and marketable securities, such as government bonds and banker's acceptances.

Taken from Investopedia 20th July 2012

Recommendation: Retain this investment.

OEIC – Property

Property in this instance means buildings or equities (shares) in companies whose main work is in relation to buildings. Property can be divided into three types Residential, Retail and Office space. It is likely that the property share is invested in Retail or Office space.

Recommendation: Retain this investment.

Reviews

It is important to review your investments on a regular basis. We will of course review your assets at every meeting.

Further reading

Very few examples of further reading were given. More marks would have been awarded for demonstrating wider reading and/or links to broader industry knowledge.

An example of a missed opportunity can be seen in the section headed 'Diversification'. The statement 'equities are widely acknowledged to have provided the best long term performance of the four main asset classes' should have been referenced to add credibility to the overall analysis and demonstrate unequivocally that wider reading had informed the writing of the assignment.

Final Recommendation to Students

We trust that students will find the above information useful when writing their assignments. The essential issues to bear in mind are whether the assignments are addressing the questions fully and how well the answer performs against the marking grid.

Candidates should also bear in mind that there is no set format for assignments or for adviser or client reports. We have been pleased to receive assignments in a variety of different formats, all of which have the potential to score well against the criteria.

If you would like further guidance on this, please refer to the study text that contains examples of both reports and checklists that candidates will find helpful.

Paraplanning

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of:

- the regulatory, legal and ethical frameworks of paraplanning;
- the client's personal and financial circumstances;
- the financial planning requirements of the client;
- providing potential solutions.

Summary of learning outcomes

1. Explain the regulatory, legal and ethical frameworks of paraplanning;
2. Evaluate the client's personal and financial circumstances;
3. Analyse the financial planning requirements of the client and provide potential solutions.

Entry guidance and understanding

It is assumed that the candidate already has the knowledge and application skills gained from a study of R02 Investment principles and risk and R03 Personal taxation.

Important notes

- Method of assessment: successful completion of 3 coursework assignments.
- Please refer to website www.cii.co.uk/qualifications for details on the overall scheme available to students.

1. Explain the regulatory, legal and ethical frameworks of paraplanning

- 1.1 Describe the regulatory framework within which paraplanning operates.
- 1.2 Explain the legal implications of obtaining and using client information.
- 1.3 Explain the importance of ethical standards in paraplanning.

2. Evaluate the client's personal and financial circumstances.

- 2.1 Assess fact find information, including the risk profile;
- 2.2 Apply and evaluate the use of financial planning tools as appropriate;
 - Cash flow
 - Net worth statements.
- 2.3 Assess the client's tax position, including performing relevant tax calculations.

3. Analyse the financial planning requirements of the client and provide potential solutions.

- 3.1 Provide a document suitable for presentation to the financial adviser:
 - Assessing the appropriateness of current financial solutions;
 - Outlining the options available with relevant analysis.
- 3.2 Provide a compliant document suitable for presentation to the financial adviser;
 - Summarising the current position;
 - Analysing the benefits and drawbacks of options;
 - Making recommendations with justifications;
 - Disclosing costs and charges.
- 3.3 Explain the importance of ongoing monitoring and review.

Reading list

The following list provides details of various publications which may assist with your studies.

Note: The assignments will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently – for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk

CII study texts

Paraplanning. London: CII. Study text J09.

Investment principles and risk. London: CII. Study text R02.

Personal Taxation. London: CII. Study text R03.

Books

Financial calculations. Sarah Dingley-Brown. Annual Totnes, Devon: SDB Training.

Investments: principles and concepts. Charles P Jones. Wiley, 2014

The Financial Times guide to investing: 3rd edition. Glen Arnold. FT Prentice Hall, 2014

Reference materials

Dictionary of banking and finance. P H Collin. A&C Black 2005*
Harriman's financial dictionary: over 2,6000 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.*

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online via www.cii.co.uk/lamont (CII/PFS members only).

*Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Journals and magazines

Financial adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Financial solutions. London: CII. Six issues a year. Also available at www.thepfs.org/knowledge (CII/PFS members only).

Investment adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Investment week. London: Incisive Media. Weekly. Also available at www.ftadviser.com

Investor's chronicle. London: FT Business. Weekly.

Money management. London: FT Business. Monthly.. Also available via www.ftadviser.com.

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII and PFS members only).

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.