DIPLOMA IN PROFESSIONAL FINANCIAL ADVICE

UNIT 4: PENSIONS AND RETIREMENT PLANNING

Learning Outcomes:

1. Demonstrate an understanding of the political, economic and social environment factors which provide the context for pensions planning

2. Demonstrate an understanding of how the HMRC tax regime applies to pensions planning

3. Demonstrate an understanding of the relevant aspects of pensions law and regulation to pensions planning

4. Demonstrate an understanding of the structure, relevance and application of the State Schemes to an individual's pension planning

5. Demonstrate an understanding of the structure, characteristics and application of Defined Benefit schemes to an individual's pension planning

6. Demonstrate an ability to analyse the range of Defined Contribution scheme options as they apply to an individual's pension planning

7. Demonstrate an ability to analyse the options and factors to consider for drawing pension benefits

8. Demonstrate an ability to evaluate the aims and objectives of retirement planning including the relevant investment issues

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Syllabus Points:

1. Demonstrate an understanding of the political, economic and social environment factors which provide the context for pensions planning

1.1 Role of Government, policy direction, challenges and proposed reforms
1.2 Corporate responsibilities, challenges and impact on pension provision
1.3 Demographic trends, longevity and ageing population
1.4 Incentives, disincentives and attitudes to saving
1.5 Main scheme types and methods of pension provision: State pension benefits, DB schemes, funding and benefits, DC schemes, funding and benefits

2. Demonstrate an understanding of how the HMRC tax regime applies to pensions planning

2.1 Funding/contributions to registered pension schemes, tax relief provision
2.2 Pension scheme investment funds
2.3 Death benefits before and after crystallisation
2.4 Pension scheme retirement benefits
2.5 Outline of the annual allowance, lifetime allowance, special annual allowance, and associated charges
2.6 Outline of relevant transitional reliefs post-Finance Act 2006
2.7 Outline of the tax treatment of other scheme types: Employer Funded Retirement Benefit Schemes (EFRBS), Qualifying Recognised Overseas Pension Schemes (QROPS)

3. Demonstrate an understanding of the relevant aspects of pensions law and regulation to pensions planning

3.1 Pensions Regulator compliance requirements
3.2 Pension protection schemes
3.3 Trust and contract based pensions
3.4 Role and duties of trustees and administrators
3.5 Pensions and divorce
3.6 Employment law relevant to pensions
3.7 Bankruptcy law and pension assets

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4. Demonstrate an understanding of the structure, relevance and application of the State Schemes to an individual's pension planning

4.1 Basic state retirement benefits
4.2 Additional state retirement benefits, historic and current
4.3 Contracting in/out considerations
4.4 Pension credit framework

5. Demonstrate an understanding of the structure, characteristics and application of Defined Benefit schemes to an individual's pension planning

5.1 Main attributes and benefits of DB pension provision, Main types, variations and hybrids
5.2 Rules and operation of DB schemes
5.3 Funding methods and issues
5.4 Roles of trustees and other parties, and scheme reporting
5.5 Factors to consider and benefits on leaving, early and normal retirement
5.6 Benefits on ill health and death
5.7 Eligibility criteria and top-up options
5.8 Transfer issues and considerations
5.9 Public sector schemes

6. Demonstrate an ability to analyse the range of Defined Contribution scheme options as they apply to an individual's pension planning

6.1 Main attributes and benefits of DC pension provision
6.2 Legal bases for schemes and main impacts
6.3 Main types of DC schemes and their rules and operation, Contributions – methods and issues
6.4 Contracting out, rebates and the contracting out decision
6.5 Benefits on leaving and death before crystallisation
6.6 Scheme options, limitations and restrictions, Crystallisation options and impact of decisions
6.7 Transfer issues and considerations
6.8 Stakeholder pensions
6.9 Personal Accounts

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7. Demonstrate an ability to analyse the options and factors to consider for drawing pension benefits

7.1 State retirement benefits
7.2 DB Schemes: Scheme benefits, payment guarantees, survivor benefits
7.3 DC schemes: Secured pensions, types of annuities and main features, Unsecured pensions, Compliance requirements
7.4 Phased retirement – options, benefits and risks
7.5 Timing of decisions and implementation
7.6 Triviality rules

8. Demonstrate an ability to evaluate the aims and objectives of retirement planning including the relevant investment issues

8.1 Assessing and quantifying retirement aims and objectives: Availability and prioritisation of savings, Assumptions and impacts, Conflict with other objectives, Timescales and risk
8.2 Investments available to meet this objective: Suitability and risk, Rates of return needed, Accumulation and decumulation strategies, life-styling, Products and wrappers, advantages and constraints, critical yield, Other sources of non-pension income
8.3 Asset allocation factors, relationship to overall portfolio
8.4 Self investment - Main characteristics
8.5 Alternative solutions for pension income: Alternative sources of capital including non-pension investment assets, home equity, proceeds from sale of a business, inheritance, Advantages and drawbacks
8.6 Factors affecting regular reviews

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