

First stage quiz

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- (1) Mark inherits £50,000 and you advise him to invest this in a single premium life assurance policy. He asks you how many years before he can withdraw all of his original investment free of any tax liability but still leave all the profit invested for growth, you tell him this is possible after:
- A) 10 years
 - B) three quarters of the term
 - C) 15 years
 - D) 20 years
- (2) Which type of savings or investment product is always disregarded from an assessment of a claimant's capital, for the purpose of assessing how much they will need to pay in long term care fees?
- A) Investment bond
 - B) Investment trust
 - C) Premium bonds
 - D) Preference shares

(3) What should an employer do if an employee is not covered under a critical illness provider's free limit?

- A) Ask the employee for an explanation
- B) Ask the employee for medical evidence
- C) Take out separate cover
- D) Take out key person insurance

(4) What could a risk averse client with insufficient pension provision consider to increase their income?

- A) Agree to a power of attorney
- B) An equity release agreement
- C) Invest in the stock market
- D) Take out life insurance

(5) If the client needs to have four times his basic salary covered, and that basic salary is £60,000, how much cover will be required in three years' time in real terms, assuming that inflation is 2% per annum?

- A) £240,144
- B) £247,200
- C) £254,400
- D) £254,690

(6) Deeds of variation must be made within how many years of the death of the legator?

- A) 1 year
- B) 2 years
- C) 3 years
- D) 5 years

(7) A fund has an r-square of 42%. How should this be interpreted?

- A) The fund has only achieved 42% of the return of the benchmark
- B) The fund has achieved 42% in excess of the return of the benchmark
- C) The returns of the benchmark explain 42% of the returns of the fund
- D) The returns of the fund are 42% down on the previous year

(8) The goal of an immunisation strategy is to protect a portfolio from which risk?

- A) Equity risk
- B) Interest rate risk
- C) Currency risk
- D) Credit risk

(9) A key benefit to a client selling their own business to fund their retirement is that:

- A) there would be no tax charge on the sale proceeds
- B) Business Asset Disposal relief may apply to the sale proceeds
- C) the business will usually be worth more than the client anticipates
- D) the rate of CGT may be reduced to 5%

(10) What is the tax position of benefits paid from an immediate care long term insurance policy?

- A) They are paid tax free in all circumstances
- B) They are subject to income tax in all circumstances
- C) They are paid tax free, if paid directly to a care home
- D) They are only paid tax free, if paid directly to the policyholder

(11) For what main reason should a married couple take out life cover rather than rely on any bereavement payments from the state?

- A) Bereavement payments are not available if the claimant has a life assurance policy
- B) Bereavement payments are only available to people who have died having previously attained state pension age
- C) Bereavement payments are only available in respect of people who were in full time work
- D) Bereavement payments are only paid for a maximum of 18 months

(12) Peter and Linda would like to gift some of their unit trusts to their grandson, Archie, to help pay for his university education. As Archie is aged 13, they understand that they may need to use a trust to hold the units. They also want to maintain some control over the investment to ensure that it is used to pay for Archie's university education. Which type of trust is likely to be most appropriate?

- A) Absolute trust
- B) Discretionary trust
- C) Interest in possession trust
- D) Married Women's Property Act trust

(13) Roger, age 69, is making a claim under the Support for Mortgage Interest (SMI) scheme. He is in receipt of Pension Credit. His mortgage amount is £250,000. He should be made aware that:

- A) he will receive help until the mortgage balance is cleared, whenever this occurs
- B) the payment commences 4 weeks after the claim is made
- C) the maximum amount of help he will receive will be capped in respect of £100,000 of his mortgage
- D) his entire mortgage will be covered under the scheme

(14) Which of the following are key risks of deposits?

- I Inflation risk
 - II Operational risk
- A) I only
 - B) II only
 - C) Both
 - D) Neither

(15) When deciding on whether to purchase a care fee annuity, an important point to note is:

- A) income received is subject to income tax
- B) no capital is returned on death
- C) payments made directly to the care home are taxable
- D) the income received is always linked to inflation

(16) Which of the following always comes under 'compulsory jurisdiction' of the Financial Ombudsman Service when offered to a UK client?

- A) Plastic cards including credit card transaction
- B) Mortgages
- C) General insurance
- D) Pension provision

(17) A self-invested personal pension (SIPP) has net scheme assets of £400,000. What maximum amount, if any, is the SIPP permitted to borrow to purchase commercial property?

- A) £0
- B) £100,000
- C) £200,000
- D) £400,000

(18) Both Colin and Derek have income protection policies, but only Colin's policy will provide tax free benefits. This is likely to indicate that:

- A) Derek's policy is paid for by his employer
- B) Colin is a non taxpayer
- C) Derek is self employed
- D) Derek's policy pays a benefit of 60% of his gross earnings

(19) Why is it important to use a split trust for a policy that provides both critical illness and death benefits?

- A) So that the critical illness payment is tax free
- B) So that the settlor can benefit
- C) To avoid payments being treated as a benefit in kind
- D) To make the premiums more affordable

(20) If a pure life policy is written in trust then:

- A) Any pre-existing will is invalidated
- B) The Testator will be paid more quickly
- C) The insured sum will be insulated from IHT
- D) Trustees will need to establish probate