CFP™ Professional of the Year Award
Case Study Application Form

Submit your answer to the case study below, no more than 2,500 words (Inc. appendices and attachments) to FPawards@cisi.org.

Deadline: Monday 21 August 2017 at 9am

Background:

John and Sally Bailey are aged 45 and 42 respectively and in good health despite John smoking ten cigarettes a day. Sally has never worked since leaving school aged 16 and meeting John shortly afterwards. They got married and started a family almost immediately. The couple have three children, Craig, Clive and Sharon, who are all adults now and financially independent. Clive suffers with Downs' Syndrome but it has not stopped him leaving home, getting a job and renting his own flat. He lives a full and independent life, as do the others. All the children live close to their parents and have a loving and supportive relationship. John works for a small animation studio in Bristol and is employed as a marketing manager. He really enjoys his job although it does require periods of long travel around the country and sometimes the world. He earns £80,000 pa gross. The couple describe themselves as realistic investors and are happy to invest up to 70% of their investments in risky assets such as equities. The feel they understand relatively well how markets work. Their current annual expenditure is approximately £35,000 including all bills, food and camping holidays. Over the years, the couple have built up the following portfolio of investments:

M&G Optimal Income fund A Acc – Sally bought 20,000 units costing 965p per unit on 01/12/2008.

Murray International Investment trust – John bought 10,000 shares costing 91.76p per share on 22/05/2009.

JPMorgan Asian – Sally bought 10,000 shares costing 120.41p per share on 09/04/2010.

Both have invested the maximum each year (but not 2017/18 tax year) via stocks and shares ISAs 50% into JPMorgan Chinese investment trust and 50% Baillie Gifford Shin Nippon investment trust. The current value of each of their ISAs is £115,000.

A 4-bedroomed house in a quiet village near Bristol held as tenants in common (split 60% John and 40% Sally) and valued at £600,000. They have no mortgage. They cancelled their life assurance policy when they paid off their mortgage in 2015 after receiving a lump sum inheritance from Sally's aunt.

Cash on instant access held in joint names paying 0.5% gross interest, value £40,000.

Sally has no pension at all and saves into her ISA, which she intends to use for this purpose. John has a defined contribution pension scheme into which he pays 7% of his basic salary and his employer will match it up to 10%pa. It is invested 50% UK equities and 50% fixed interest in a range of funds offered by the pension provider. The current transfer value of his pension is £180,000.

Problem:

The couple have never really reviewed their portfolio of investments in line with how they say they are happy to invest. They would like to ensure that they can retire comfortably when John reaches aged 60 on and have sufficient income to cover their estimated expenditure of £30,000 in todays' terms. They would like to keep as much of their existing investments as possible as they have been very pleased with the way each has performed over the years and see no reason to sell their holdings. They would also like to ensure that when they die, Clive is adequately catered for if his health were to deteriorate over the years, to ensure he does not become too much of a strain on Craig and Sharon as they have their own lives to lead. They would like to ensure that an income of £15,000pa can be secured for him once they have both passed away.

Advice:

Take account of all the information above and make appropriate assumptions and then recommendations to:

1. Show in a step-by-step way how you would assess the overall portfolio against the clients' attitude to risk.
2. Ensure that their retirement objective is met.
3. Make provision for the desired income stream for Clive once they both die.
4. Explain if wills and lasting powers of attorney are needed and if so, any points to which they should give special consideration including costs.