

Diploma in Professional Financial Advice Module Specification

Unit 4: Pensions and Retirement Planning

Module Aims:

Learners will be able to understand and analyse the primary tax and legal frameworks governing retirement benefits under registered pension schemes, and the features of defined contribution and defined benefit pensions.

Summary of Learning Outcomes:

1. Describe the political, economic and social environment factors which provide the context for pensions planning.
2. Describe how the HMRC tax regime applies to pensions planning.
3. Describe the relevant aspects of pensions law and regulation to pensions planning.
4. Describe the structure, characteristics and application of defined benefit schemes to an individual's pension planning.
5. Analyse the range of defined contribution scheme options available for an individual's pension planning.
6. Analyse the standard and flexible options, and factors to consider for drawing pension benefits.
7. Describe the structure, relevance and application of the State schemes to an individual's pension planning.
8. Evaluate the aims and objectives of retirement planning including the relevant investment issues.

1. Describe the political, economic and social environment factors which provide the context for pensions planning.

- 1.1 Describe the role of government, policy directions and challenges.
- 1.2 Describe corporate responsibilities, challenges and impact on pension planning.
- 1.3 Describe the impact of an ageing population, longevity and demographic trends.
- 1.4 Describe the main pension scheme types and methods of pension provision
- 1.5 Describe the incentives, disincentives, economic factors and influences, and attitudes to saving.

2. Describe how the HMRC tax regime applies to pensions planning.

- 2.1 Explain how the HMRC tax regime is applied to pensions planning, tax relief, tax treatment of investment funds, tax treatment of death benefits, and the choices about drawing retirement benefits.
- 2.2 Explain annual allowances, lifetime allowance, transitional protections, money purchase annual allowance and other limitations on tax relief.
- 2.3 Outline the tax treatment of other types of scheme.

3. Describe the relevant aspects of pensions law and regulation to pensions planning.

- 3.1 Explain relevant areas of pensions law and regulation, including the Pensions Ombudsman and the Financial Services Ombudsman.
- 3.2 Describe the roles and duties of trustees, administrators and other professional advisors of pension schemes.
- 3.3 Describe scams and mis-selling issues in relation to pensions.

4. Describe the structure, characteristics and application of defined benefit schemes to an individual's pension planning.

- 4.1 Describe the main attributes and benefits of defined benefit pension provision, as well as its main types, and the variations, rules and operations of the schemes.
- 4.2 Outline relevant funding methods and issues.
- 4.3 Explain the roles of trustees and other parties, as well as scheme reporting.
- 4.4 Describe the factors to consider and benefits on leaving early, in respect of transfers, and on early and normal retirement.
- 4.5 Explain benefits on ill health and death.
- 4.6 Explain membership eligibility criteria and options to enhance retirement benefits.
- 4.7 Describe transfer issues and what considerations to take, as well as safeguarding rights.
- 4.8 Describe the structure of public sector schemes.

5. Analyse the range of defined contribution scheme options available for an individual's pension planning.

- 5.1 Analyse the main types of defined contribution pension schemes, their main features, costs, and benefits.
- 5.2 Explain the legal basis of defined contribution schemes, and their impact on pension planning.
- 5.3 Outline the benefits on leaving a pension, and on death.
- 5.4 Outline consideration on leaving and in respect of switching.
- 5.5 Outline investment choices and restrictions.

6. Analyse the standard and flexible options, and factors to consider for drawing pension benefits.

- 6.1 Analyse the options and benefits to consider when drawing income and lump sums from defined benefit, and defined contribution schemes.
- 6.2 Analyse when a client may be suitable for phased retirement.
- 6.3 Explain Small Pots/Trivial commutation rules.
- 6.4 Analyse the option of deferral of drawing pension benefits.

7. Describe the structure, relevance and application of the State schemes to an individual's pension planning.

- 7.1 Describe State Retirement Benefits, their structures, the State pension age (SPA), levels of benefit and the link to National Insurance contribution records.
- 7.2 Describe the Pension Credit framework and other relevant state benefits entitlements.

8. Evaluate the aims and objectives of retirement planning including the relevant investment issues.

- 8.1 Evaluate the key aims and objectives of retirement planning including: an individual's aims, objectives and circumstances, investments available to meet these objectives, alternative sources of retirement income, regular reviews and the factors affecting them, asset allocation factors and the main characteristics of self-investment.