

AF7, AF8 and beyond

In this article, Ian Patterson discusses the new additions to the CII AF exams and looks at how the choice of subjects can reduce the workload for those on the road to Chartered adviser status.

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In October 2016, the CII announced that it was replacing AF3 - an old favourite, and introducing two new AF exam subjects: AF7 and AF8. It's all change when it comes to the CII pension exams. In this article, I'll take a look at these new subjects, what happens to AF3 and look at how students on the road to Chartered status can maximise their credits and minimise their study.

What's happening to AF3?

AF3 is being removed after the April 2018 exam sitting so there are two remaining exam sittings. AF3 has always been the CII's most popular AF exam by some margin. The main attraction of AF3 is that it is the FCA 'appropriate exam' status for those wishing to advise on defined benefit transfers and as such, there is always a significant chunk of transfers related material in a typical AF3 exam. On the other hand, the pass rate is comfortably the lowest of the AF exams with a measly pass rate of just 37.25% in 2016.

Whatever your views on AF3, it's worth 30 credits towards Chartered status and there are only two exam sittings left so the October exam is bound to be popular.

The CII offer some qualifications that are said to be a 'barred combination'. For example, anyone who had the old H15 couldn't also get credits by sitting the current J07 exam because of the significant overlap between the syllabuses of both. AF3 and G60 (which was its predecessor) weren't regarded as 'barred combination' so if you have G60 but have not also got AF3, you have two exam sittings to get a further 30 credits for broadly the same content, although there have been a few changes to pensions in recent years!

If you already have either G60 or AF3, these will continue to provide 'appropriate exam' status for pension transfers. They are unaffected by the removal of AF3 and addition of AF7 and AF8.

What is AF7?

This is a new 20 credit AF qualification that will be first examined in October 2017. In effect, the CII have taken AF3, stripped out the transfer element of the syllabus and put it into AF7. The remainder of the content is likely to form most of a second new AF subject - AF8. More about this later.

AF7 is a 2 hour written exam that consists of three or four compulsory short answer questions and two case-study based questions with a nominal pass rate of 60%. The CII recommend 100 hours of study and



their study text is expected to be available from July 2017. Of course, anyone who is familiar with this area of planning shouldn't need this long and will probably just need to top up their knowledge. We intend to provide MP3 material to help with this and support AF7. This will be available by late August.

I'll revisit 'barred combination' again. AF7 is not regarded as equivalent to AF3 so if you have AF3 and you are working towards Chartered, AF7 has to be worth considering. Another factor is the low current pass rate for AF3 that I mentioned earlier. Some will regard AF7 as an easier route to 20 credits than it appears to be to pass AF3 at the moment.

The new Certificate in Pension Transfers

The new AF7 exam is the centre piece of this new Level 4 qualification. My main focus in this article is on Level 6 and achieving Chartered status but I need to briefly mention this new Certificate qualification. It consists of AF7 + R01 (Financial Services, Regulation and Ethics) + R02 (Investment Principles and Risk) + R04 (Pensions and Retirement Planning). From a T&C perspective, this may be of interest as it means that this will (subject to the CII proposals receiving FCA permission) mean that an individual could give advice on pension transfers without having the full Level 4 qualification. For example, this could allow para-planners or compliance to sign-off advice on transfer business.

Anyone who already has Level 4 Diploma in Regulated Financial Planning would just need to successfully complete AF7 to also complete the Certificate in Pension Transfers.

What is AF8?

The simple (but unhelpful) answer is that it will probably consist largely of the non-transfer elements of the current AF3 syllabus. At the time of writing, the CII have yet to publish the syllabus for this subject so it is difficult to be specific at this stage.

What they have confirmed is that it will also be available from October 2017 and will be worth 30 credits. It will only be available on a coursework basis. Using coursework, mixed assignments or dissertations is commonly used with CII general insurance Diploma and Advanced Diploma exams. This said, it is a relatively new innovation with CII financial services exams (only AF6 is currently available on a coursework basis).

Coursework has a number of advantages to both the CII and students. If I focus on students, it means that they can work in their own time and at their own pace. For many, avoiding a CII exam sitting in April and having to revise in the middle of end-of-tax year planning will also be welcomed by some. It does, however, place a premium on the student being able to manage his or her time and it shouldn't be regarded as a soft option.

What is the quickest way to gain credits towards Chartered status?

Being involved in the exam business, we are often asked about which AF subject someone should take next. Our answer is always the same: 'whatever is most relevant to you and your business'. This said, the judicious selection of the subjects that people choose can both gain the necessary credits and minimise the work they need to complete. The new AF7 and AF8 provide such an opportunity.

Let me explain. If you just hold Level 4 Diploma, you will need a further 190 credits to become a Chartered Financial Planner. If providing pension advice is important to you and your business, you could choose to sit the following exams: AF3 (30 credits) + AF7 (20 credits) + AF8 (30 credits) + R08 Pensions Update (10 Diploma credits) = 90 credits. Throw in J05 and R04 (if you don't already hold them) and this would add another 30 credits. The knowledge you would need to pass AF3 should mean that little or no further revision should be required to also complete these other exams. There are two further opportunities to make the most of it.

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The Patterson Group produce MP3 audio material to support many of the CII exams.

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