

Marking Guide of the Structured Question Example

1. Wealth Planning

		Maximum marks
(a)	<p>Two relevant business succession solutions Mr Chen plans to pass the family business to his son, and intends to live out his life in Taiwan.</p> <ul style="list-style-type: none"> • Exchanging the common shares of retiring shareholders for preferred shares (2 mark) – P6-58 <ul style="list-style-type: none"> ○ can leave the management of the company to his son whilst Mr Chen continue to receive dividends through the ownership of the preferred shares (1 mark) – P6-58 • Enter into a shareholders' agreement (2 marks) – P6-20 <ul style="list-style-type: none"> ○ ensure Mr Wong's wishes on matters related to future shareholders are accurately reflected (1 mark) – P6-20 • Place the share into a family trust (1 mark) – P6-58 <ul style="list-style-type: none"> ○ the management of the company passing to his son (1 mark) – P6-58 <p>OR (Subject to marker's discretion) Any other decent business succession solutions that can achieve Mr Chen's plan on passing the management of his business to his son, and living out in Taiwan after retirement, with the explanation of the solution's merit (3 marks each)</p>	6
(b)	<p>Two potential key Issues – P6-2 to 6-3, P6-22 and P6-26</p> <ul style="list-style-type: none"> • Mr Chen's potential estate duty exposure (2 mark) • Details of any currently existing succession arrangements (2 mark) • Mr Chen's investment portfolio is registered in his personal name. The issue of liquidity for the family in the event of his death or disability has to be considered (2 marks) <p>OR (Subject to marker's discretion)</p> <ul style="list-style-type: none"> • Any other decent potential issues regarding personal wealth succession based on the scenario information (2 marks each) 	4
	<p>Relevant solutions – P6-22, P6-26, P6-60 and P8-46</p> <ul style="list-style-type: none"> • Life insurance/trusts can address his consideration in relation to estate duty, as they do not need to undergo the probate process (3 marks) • Powers of attorney/joint account with survivorship can address the issue of solely owned portfolio's liquidity for the family in the event of his death or disability (3 marks) • A trust can be used specifically for securing her daughter's financial issue after he died (3 marks) • Mr Chen may wish to consider the possibility of establishing a family office to take over the management of family's wealth (3 marks) <p>OR (Subject to marker's discretion)</p> <ul style="list-style-type: none"> • Any other decent solution to address the potential issue you stated based on the information provided (3 marks each) 	9
(c)	<p>Two other wealth planning needs</p> <ul style="list-style-type: none"> • Debt planning (2 marks) 	

	<ul style="list-style-type: none"> ○ The proposed USD50 million business loan, and a particular concern is the potential for any personal liability that may arise (1 mark) • Investment planning (2 marks) <ul style="list-style-type: none"> ○ An investment portfolio worth USD10 million that Mr Chen does not have the time to properly manage (1 mark) • Retirement planning (2 marks) <ul style="list-style-type: none"> ○ Would like to live out in Taiwan when retired (1 mark) <p>OR (Subject to marker's discretion)</p> <ul style="list-style-type: none"> • Any other wealth planning needs can be identified based on the case content – P6-10 to P6-24 <ul style="list-style-type: none"> ○ name the wealth planning need (2 marks) ○ explain with relevant case content to support the argument (1 mark) 	
Total		25

For 1(a), see Topic 6, sections 3.4, 3.5, 3.6 (LOs B1, B2 and C1), Level 3 (applying scenario information to analysis);

For 1(b), see Topic 6, sections 1, 3.8, 4.1, 4.2.5, 4.3.3, 5.7.2 (LOs B1, B2, D1 and F1) and Topic 8 section 7.1.1 (LO H1), Level 3 (applying scenario information to analysis)

2. Behavioural Finance

		Maximum marks
(a)	<p>The two behavioural biases</p> <ul style="list-style-type: none"> • Outcome bias (2 marks) – P7-22 <ul style="list-style-type: none"> ○ OR: a tendency to evaluate the quality of decisions based solely on an investment outcome • Self-attribution bias (2 marks) – P7-22 <ul style="list-style-type: none"> ○ OR: a tendency to attribute positive outcomes to one's own actions, and negative outcomes to external factors/others • A cognitive bias and an emotional bias (1 mark) – P7-22 	4
	<p>Potential investment consequences caused by the biases</p> <ul style="list-style-type: none"> • Outcome bias: <ul style="list-style-type: none"> ○ Result in investment decisions that are not consistent with the agreed investment plan (1 mark) – P7-22 • Self-attribution bias: <ul style="list-style-type: none"> ○ lead to an illusory insight into the stock markets, and possibly to overtrading (1 mark) – P7-22 	2
(b)	<p>Methods to address the impact of the biases</p> <ul style="list-style-type: none"> • Outcome bias: <ul style="list-style-type: none"> ○ stress the importance of basing investment decisions on the decision process and the research conducted by the private wealth manager (2 marks) – P7-22 • Self-attribution bias: <ul style="list-style-type: none"> ○ stress the importance of basing investment decisions on the decision process with all investment holdings being based on the agreed investment plan (2 marks) – P7-22 	4
	OR	

	Based on the theory of Pompian and Longo and given Mr Chen's high wealth, private wealth manager may: <ul style="list-style-type: none"> • adapt to emotional biases, i.e. self-attribution bias (1 mark) – P7-12 • moderate and adapt to cognitive bias, i.e. outcome bias - (1 mark) 	
Total		10

See Topic 7, section 3.2.2, 5.4 and 6.4 (LOs A5, A6 and D3), Level 3 (applying scenario information to analysis)

3. Customer Relationship Management

		Maximum marks
(ai)	The relationship between Mr Chen and you (strong mutual attraction): <ul style="list-style-type: none"> • High appeal to each other (2 marks) – P8-36 • Identify Mr Chen as being within the best client segment (2 marks) – P8-36 • Indicate the private wealth manager should continue to nurture this relationship (2 marks) – P8-40 	4
(aii)	Three methods to maintain relationships with Mr Chen: <ul style="list-style-type: none"> • frequent contact (2 marks) – P8-40 • introducing specialist colleagues (2 marks) – P8-40 • invitations to appropriate networking events (2 marks) – P8-40 OR (Subject to marker's discretion) <ul style="list-style-type: none"> • Any other decent method to the maintain relationships based the evaluation result of strong mutual attraction (2 marks each) 	6
(b)	Methods to proactively retain the relationship with reference to Mr Chen's wealth transfer <ul style="list-style-type: none"> • Try to being introduced to Mr Chen's spouse, children and potential philanthropic organisations (3 marks) • Help to understanding a family's planning horizon, needs and tolerances as they develop over time (2 marks) • Targeting Mr Chen's heirs early offers immediate profit potential and the opportunity for cross-selling from other areas (2 marks) – P8-46 • Integrate digitalisation on customer communication to enhance relationship with younger generation customers (2 marks) – P8-46 OR (Subject to marker's discretion) <ul style="list-style-type: none"> • Any other decent method to retain the relationship related to Mr Chen's wealth transfer with explanation (2 marks each) 	5
Total		15

See Topic 8, sections 5.1, 5.3.1, 6 and 7.1.1 (LOs L1, J1, H1), Level 3 (applying scenario information to analysis)