



Private Client Insurance – A new service for all Paradigm Norton clients . . .

Introduction from Barry Horner, CEO of Paradigm Norton

"I am very pleased to be able to make you all aware of a new relationship we have formed with Green Park Insurance Services (GPIS). They have a very innovative approach to general insurance, and having personally benefited from their service I am convinced that this relationship can only enhance the proposition we offer to our clients. I now have a single portfolio policy, tailored to my individual needs, far higher sums insured and am saving over 10% on the cost of my household, motor and travel insurance."

What is Private Client Insurance?

A new approach to arranging your general insurance requirements, private client insurance provides you with the personal service you would expect alongside a single insurance portfolio for your household, motor and travel insurance requirements.

How does it work?

One of Green Park's experienced consultants will arrange to come and see you at home and carry out an appraisal. This normally takes around an hour, and will provide you with the following:

- help and assistance in ensuring that your sums insured are up to date, thereby ensuring that you are not under-insured in the event of a major loss
- a guide to the re-building cost of your property
- risk management and security advice
- access to a range of specialist valuation professionals, if required
- a report that will make recommendations on whether your existing cover for home, motor and travel insurance is sufficient

Green Park will then provide you with a quotation to arrange all of your insurance under a single portfolio policy. In our experience this has

led to a significant reduction in annual premiums for clients, alongside the reassurance that they are adequately protected in the event of a major loss.

Is it relevant for me?

We believe that Green Park's approach will be beneficial for the majority of Paradigm Norton clients, particularly those of you who:

- have larger than the average insurance costs (paying in excess of £2,000 per annum for your household, motor and travel insurance requirements)
- have not had your true insurance needs professionally assessed
- have multiple policies covering buildings, contents, travel and cars and would like a single policy
- need a single point of contact as time is of the essence

How much does it cost?

Green Park has agreed to provide their private client service to clients of Paradigm Norton without any fee or obligation on your part. Paradigm Norton has also agreed that any introducer commission will be returned to clients as a deduction from your combined annual premium.

How do we arrange an appraisal?

In the first instance, please contact your usual financial planner at Paradigm Norton and Green Park will then be in contact to arrange an appointment at a time of your convenience.

This 'guest' article was written by **George Seatter - Managing Director of Green Park**. See our website for further details.

Rebalancing portfolios in a very uncertain world



Global stock markets have moved decisively higher over the last two months from the latest low point in early March and this is despite an avalanche of discouraging financial news. This dramatic recent recovery is another powerful illustration of the completely unpredictable nature of stock market returns over the short term. Probably the question I am asked most often is - what is going to happen to the markets over the next week/ month/six

months/year? My answer is always the same - I have absolutely no idea; short term market movements are completely and utterly random. It is often said there are only two types of investors, those that know they don't know what the markets will do in the near term (place me squarely in this camp) and those that don't know that they don't know. Actually there is a third type, those that know that they don't know but their job depends on appearing to know - this applies to much of the financial services industry.

We have a single strategy for dealing with the complete uncertainty of markets in the short term. We determine the most suitable investment strategy for the client (this is determined by two key factors: risk tolerance and the level of investment returns necessary to achieve the client's life goals). We then stick to the strategy through thick and thin by

rebalancing at each portfolio review, so that if equity markets have fallen 30% we must recommend that clients top up equities (and to sell whatever is overweight) to get them back to the target allocation. Of course, the reverse is required when the markets rise and it is this discipline that we believe is vital to 'buy low sell high', which is the opposite of what most investors do.

Now the problem clients have is that it can take extreme bravery to do this in the midst of a financial crisis. Indeed rebalancing during market bottoms can have the distinct feel of throwing money down the drain. Nevertheless, we believe strongly that rebalancing will reap rewards over the long term and will help clients to fulfill the overriding goal of financial independence.

Lee Dunn - Senior Financial Planner

Paradigm Norton

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All articles in this newsletter are of a generic nature and are not designed to be read as specific recommendations or advice. If you would like advice on any of the areas covered, however, please do contact us to discuss a strategy that is appropriate to you, your goals, and your circumstances.

Spending the Kids' Inheritance part II (The Numbers Game)

In our March edition of Paragraph we introduced a short series that we will be running over the course of this year concerning how to deal with the issue of passing wealth to the next generation. The first question that I posed was - Do you know how much money you need for your lifetime? In other words - Do you know your 'Number'?



Lee Eisenberg in his book called 'The Number' suggests that - "It's about the life you want and the life you don't and the cost of each".

For me, Eisenberg has effectively captured the essence of financial planning. The process begins by asking each client to articulate their goals, to determine what they are looking to achieve during their lives, and then moves on to question whether or not they have, or will have, the resources to meet the cost of that chosen lifestyle. Indeed, they may not initially articulate it as such, but it is a desire to know their 'Number' which draws many clients to Paradigm Norton in the first place.

Such clients have either amassed their wealth over their lifetime to date, through career earnings, business investments and inheritances, or they have reached a relatively early stage in their careers and are about to begin a period of significant accumulation. The first group often suspect, but are not certain, that they have sufficient, or even more than they really need, whilst the second group are aware that their income is about to exceed their expenditure, but are unsure about their long term requirements, and therefore about how to deal with this surplus.

The Lifetime Cash Flow within Paradigm Norton's Financial Plan reveals the 'Number' for each client. It shows them how much is

required to meet their own needs for the remainder of their lives, and therefore also, how much, if anything, is available to pass to the next generation now. It answers such questions as, will I have sufficient to:

- Educate my children?
- Repay my mortgage?
- Provide for my retirement?
- Meet my targets for charitable giving?

And for the more 'mature' client:

- Meet the potential costs of long term care?

As we take our clients through the planning process, and the implications of each decision, as demonstrated by the cash flow, they are given the knowledge they need to make wise decisions about the allocation of their wealth. If you know your 'Number' you will know whether or not there is money available to pass on now.....

If you do not know your 'Number', then please ask the financial planner who looks after you about what is needed to provide you with this important information.

Barry Horner - CEO

Talking About Retirement update

Lin Ashurst's book, Talking About Retirement, is now in the shops and selling well. Lin has made several appearances on local radio stations to talk about the book and is pleased that it has excited such interest. As Lin says:



"The prediction that people will have to work to 70 before the country can afford for them to retire is a wake up call. Not everyone wants to work into older age and with careful planning you can achieve the retirement life you want, when you want it - and my book aims to help you achieve that".

You can find out more by visiting: www.talkingaboutretirement.com

Thanks for tying up the red tape

Money laundering is something we hear a lot about these days. We are now required to provide proof of identification and address in so many situations where 15 years ago we never even gave it a thought. To some it is another of life's annoyances but it is something that is unlikely to go away.

I wanted to say 'thanks' to all of our clients who have responded so positively by letting us have updated documents where they have been requested and appreciating the need for us to remain proactive in this area.

Rachel Birch - Best Practice Officer

Our clients speak for themselves



"I love what I do, I am incredibly busy, and wish to focus on what I do best. I am not so financially minded and therefore need a team who think clearly, are financial experts and who will challenge my thinking. This is what Paradigm Norton do for me. They have a perspective which I find very refreshing."

Nick Park CBE - Animator & Director

Double the impact of your philanthropy!

Through Community Foundations across England the Government has launched an innovative three-year "Grassroots Challenge". This will match any charitable donations made by individuals and companies to endowment funds within their local Foundations. The twin aims of the Challenge are to promote charitable giving and to provide a long-term source of support for small local charities.



In the Bristol area for example the Grassroots Challenge translates as a £1 million match on donations up to a total of £2 million received by Quartet Community Foundation before 31 March 2011. Donations and pledges totalled over £500,000 in the first 6 months of the Challenge.

How it works:

- A basic rate taxpayer establishes a charitable fund with £7,800. Quartet is then able to reclaim Gift Aid of £2,200 and this becomes £10,000. Add an extra 50% under the Challenge match, i.e. £5,000, and the fund is now worth £15,000.
- A higher rate taxpayer, with 40% tax relief on any gross gift, can set up a £15,000 fund under the Challenge for only £5,850 – more than doubling the size of the investment.
- Companies receive 50% match on any donations they make under the Challenge.

Ronnie Brown, Quartet's Development Director says: "Donations of any size will attract an additional 50% for the benefit of the local area, but the Challenge provides individuals and companies with a unique opportunity to establish their own endowed charitable funds."

Within Quartet, named endowment funds start at £15,000 and the capital is invested. The income generated from this investment is available annually to award in grants to support small, grassroots organisations where a small amount of funding can have a significant impact.

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A wide range of individuals and companies have already taken advantage of the Challenge:

The Dixon Family Fund was set up with a donation of £10,000 – grown to more than £19,200 under the Challenge. Chris Dixon said: "Quartet understands the needs of the community and has the expertise to decide where our money will make the greatest difference. For us, the Grassroots Challenge presented the perfect opportunity to give to a wide range of local causes."

Longstanding fundholder Joan Hawkins, commenting on her six-figure gift under the Challenge, said: "I feel it's vital to help local community organisations, but importantly I enjoy it. Quartet makes my giving a pleasant and fulfilling experience by finding interesting ways to help me be involved in the process. It's very satisfying."

About Quartet Community Foundation

Quartet covers the West of England area of Bath & North East Somerset, Bristol, North Somerset and South Gloucestershire. It works with individuals, companies, charitable trusts and others to help them make the most of their charitable giving.

It currently manages more than 170 charitable funds on behalf of donors, makes grants totalling more than £2.4 million each year in support of local charities and has an endowment of £10 million.

If you are interested in finding out more about the Grassroots Challenge, contact Ronnie Brown, Development Director at Quartet or visit Quartet Community Foundation's website at www.quartetcf.org.uk.

This 'guest' article was written by **Ronnie Brown – Development Director at Quartet Community Foundation**

The third age

A number of interesting articles have passed across my desk over the past few months. Although most of them are full of doomsday predictions about the state of the British economy or the cataclysmic impact of the global recession, I thought I would share some of the insights that came out of a recent study commissioned by Standard Life entitled, 'The Death of Retirement'. This report looked at the needs and aspirations of the baby boomer generation (aged 46 – 65) for their lives post 65.

We all know that people are now healthier and living longer than before. By 2050 it is predicted that people will live for an average of another 30 years on reaching age 65. If current work patterns continue then by 2050 we will spend 37% of our lives not working. This brings with it a heavier financial burden, as we not only need to provide an income for ourselves for longer, but we are also likely to have to provide financial support for parents who are living longer and for children who may be financially dependent into adulthood.

However, this also brings greater opportunities as we can spend a third or our lifetimes fulfilling our ambitions. Amongst the wealthier 46-65 year olds, the Standard Life study found that:

- 66% plan to travel more in their long term future.
- 32% hoped to learn a new skill such as a new hobby or language in the future.
- 45% said they will continue to work either full time or more flexibly.
- 42% said that they wanted to continue to be involved in work but on their own terms.
- 7% want to embark on a new business venture in the future.
- 55% hope to spend more time with those people most important to them in the future.
- 43% expect to have one or more financial dependants when they retire.
- 22% do not have financial plans in place.

Standard Life have called those over the age of 65 the 'third agers' which is a much more apt

description than just calling people 'retired'. The term 'retirement' tends to conjure up rather negative images of slowing down, of escaping the grind of the daily routine and of stopping activity altogether. The Standard Life study shows that this is far removed from the aspirations for many people after age 65.



It is important for those nearing their third age to begin planning what their third age will look like. This is a time when a financial plan will be indispensable in order to help you achieve your third age aspirations, whether this be adopting a flexible working approach, travelling more or starting up a new business venture.

Matthew Kneller - Senior Financial Planner

Is it a loss or a gain?

Continuing with Barry's theme of "Skiing" (ie spending the kids' inheritance), the following issue might be of interest to clients who own property abroad.

Our client, John, has recently sold a ski apartment in Chamonix (France) and is in the process of purchasing another apartment in Verbier (Switzerland). John bought the French property in March 2006 for €100,000 and sold it for €95,000 in December 2008, making a Euro loss of €5,000 and he phoned to check whether there were any UK tax issues regarding the sale.

We discussed the property and agreed that it would not qualify as his main residence and that any gain or loss on disposal would need to be shown on his UK tax return. We established that in March 2006, €100,000 was worth £69,803 and in December 2008 €95,000 was worth £90,485, which means that John had made a sterling gain of £20,682 and it is the sterling amount that is subject to capital gains tax (CGT) in the UK.

To make matters worse, John had borrowed €100,000 from a French bank and had to repay the Euro loan. We advised him that, unfortunately, he would not be able to set the sterling equivalent of the loss on the loan against the gain on the property, because a loan

is not a chargeable asset for CGT purposes. Luckily John had made capital losses on other transactions which he could set against the gain on the sale of the property, but if he hadn't, he may not have been quite so understanding about being given this news!

On a related note, please remember that when you are buying assets with foreign currency, the foreign currency itself (eg a Euro bank deposit) is a chargeable asset for CGT purposes. When you use the currency to buy (say) a property, you will be disposing of one asset (ie the currency) and purchasing another. Likewise when you exchange (say) Euros into Sterling again you will be disposing of a chargeable asset and you need to consider whether there is a capital gain or capital loss to declare on your tax return. The only exception to this is small amounts of currency that you buy for personal use (eg spending money on holiday). This means that when John exchanges Euros into Swiss Francs to purchase the new property, there will be a CGT transaction which will probably need to be disclosed on his UK tax return.

Steve Griffiths – Head of Tax Services

What's new on the website?

We've had feedback from several clients indicating that they would appreciate hearing about when we've added major updates to our website, so here is the first of our quarterly website updates:

- Having won the Best Investment Adviser award in March 2009, details can now be found on our home page of this prestigious award. You can also see William Pratt's article below with his comments about receiving this award.
- We have now added more information on our work with families in business including links to our four strategic partners and a link to the Family Business Familiarity conference on 1st October 2009. The key change here is the addition of 'Financial Planning for the Family in Business' section which can be found under the 'Our Services' menu.
- Finally, we have also included a link under the 'Comprehensive Financial Planning Service' to 'General Insurance' and then to Green Park Insurance. Green Park can now provide our clients with expert general insurance advice, and a tailored insurance programme for their individual requirements. They are one of the leading providers of portfolio insurance contracts for high net worth individuals. See the related article on page 4.

Team news

Let's hear it for the girls!

Felly well done!

At 25 miles and over 3000 ft of climbing, I was in at the deep end for my first fell race on the 5 April. The training over the previous few months had gone well and as the day dawned bright and sunny I set off with great anticipation....

The route was tough and covered all sorts of terrain from stony tracks and grassy fields to heather and peat bog. Whilst the uphill proved challenging the down-hills were tougher than expected on tired legs.



After a gruelling race the finish line was finally in sight – albeit at the top of a steep half mile incline! With the sun shining I made a dash for the finish line, completing the race in my target of 4.5 hours and finishing 5th lady.

Every muscle ached and my legs were covered in mud but after a hearty meal provided by the race organisers I was eagerly anticipating my next challenge – the Edinburgh Marathon – where I could look forward to running on some nice flat roads!

Wendy Marks - Client Planner

Coasting along

Congratulations too to Lin Ashurst who has just finished the coast to coast walk. She covered 203.5 miles, from St Bees Head in Cumbria to Robin Hood's Bay in North Yorkshire over several Lake District Peaks, the Yorkshire Dales, and some very boggy bits of the North Yorkshire Moors – all in just 16.5 days! And she managed to keep her feet blister free!

Paradigm Norton – Best Investment Adviser 2009

Paradigm Norton has been awarded the Money Marketing Best Investment Adviser of the year award.

From our written submission we were selected for a panel interview, and then shortlisted into a panel of finalists including Hargreaves Lansdown, Bestinvest, and Mazars. We then won 1st place at the award ceremony on 5th March.

Over the last two years we have poured considerable time and research into our investment management approach, establishing an Investment Committee, revisiting the asset allocation and structure of all our portfolios, moving to a low cost market return



approach, and embracing the development of wrap platforms for portfolio management.

We have consulted with clients and providers, and also drawn on the enormous volumes of academic research on investment markets and portfolio theory to tailor and validate our approach.

To win this award is hugely gratifying after all the hard work we have put in. Also, at a time of such difficult markets, it's a wonderful achievement to have our investment approach independently recognised and endorsed against a panel of more established and high profile firms.

William Pratt – Chief Operating Officer