

Weathering the Storm

It's been a very tough few months for investors. The list of problems experienced by the global economy has been incredibly severe: First natural catastrophe faced by Japan; next the existential threat to the Euro project and currency and now, historically, the downgrading of the credit rating of the US by S&P.

How should our clients respond to the dire news? Our advice never changes in this respect – you should sit tight, grin and bear the pain and make no changes. Markets are forward looking and the gloom is already in the price. Selling after a serious market correction has always been a recipe for disaster.

Most clients understand that that this is the most sensible course of action. Despite the gloom, we at Paradigm Norton have taken very few calls from our clients expressing concern over the volatility of their investments. Why is this? I believe there are a number of factors which ease our clients' anxiety levels when they read the depressing news headlines on a daily basis:

- Many have been through periods of significant volatility before and recognise 'that's what markets do'.
- Our clients understand the concept of diversification. They know that if the FTSE 100 is down 10% then it is highly unlikely that their portfolio would have fallen by the same magnitude.

- Our clients understand that investing is for the medium to long term and that it is only on the eventual sale of the funds and stocks within their portfolio that an ‘actual’ loss is crystallised.
- The fourth and perhaps key factor in helping our clients sleep at night is that they understand the impact of a loss in value of their portfolio in the context of their overall financial planning goals and aspirations.

Over the years we have sought to build a conservatively based financial planning strategy for our clients, meaning that we can map the value of their assets, and the benefits they produce, in the context of their broader life goals.

Because our financial planning projections are based on very cautious growth assumptions, if we do experience periods, or even years, of decline or no growth, this seldom impacts our clients’ ability to afford their planned lifestyle.

Interestingly the client related phone calls that we have taken over the last six months or so have been requests to update financial plans perhaps a little earlier than was originally envisaged. Clients still need some reassurance that the goals that they have expressed remain realistic and affordable. Of course we are delighted to do this and put our clients’ minds at rest.

If, on reflection, you feel that it is now time to review your personal financial plan then do let us know and we will be pleased to arrange a meeting to discuss it.

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