

## Why an Investment Policy Statement (IPS)?

Every large financial endowment and pension plan has an IPS—shouldn't you? A well written IPS becomes the narrative which defines how all the investment related responsibilities will be prudently managed to achieve your goals.

<i>Valued Client</i>		
<b>Types of Assets</b>	Taxable & Retirement Assets	
<b>Current Assets</b>	Approximately \$2,900,000	
<b>Investment Time Horizon</b>	Greater than 10 years	
<b>Expected Return</b>	3.25% over CPI	
<b>Risk Tolerance</b>	Conservative Growth & Income Portfolio Losses not to exceed 5% in one year With a 90% confidence level	
<b>Asset Allocation</b>	Cash	2%
	Fixed Income	28
	Alternative Assets	7
	Real Estate	18
	U.S. Equities	24
	International Equities	21
<b>Asset Class Rebalancing</b>	Quarterly	10%
<b>General Asset Rebalancing</b>	Annual	5%
<b>Evaluation Benchmarks</b>	Cash	6-Month Treasury Bills
	Fixed Income	Lehman Aggregate Bond Index
	Equity	S&P 500
		Russell 1000 Growth Index
		Russell 1000 Value Index
		Russell 2000 Index
		MSCI EAFE Index
		NARIET Equity REIT Index

Your asset allocation policy is custom designed



We evaluate your portfolio performance to Benchmarks on a quarterly basis.



We are in a pivotal position to communicate to you a *personalized IPS* to connect your life's goals to your money.

### *Valued Client*

#### **Your Objectives**

- Provide steady long-term growth of principal as your primary objective to outpace inflation and build retirement capital.
- *Provide investment income of \$90,000 per year for spending*
- *Provide \$35,000 for home repairs in 2008.*
- *Provide \$10,000 gift for college education for grand children in 2009-2012*
- Provide for a portfolio that will be diversified and managed such that you can take lead an active lifestyle without having to worry about your investments.
- Preserve principal. Reasonable efforts should be made to preserve principal, but preservation of principal shall not be imposed on each individual investment.
- Reduce risk by diversifying markets, managers, and maturity dates.

#### **Your Investment Time Horizon**

Your investment guidelines are based upon an investment time horizon of more than *five years*. Similarly, your strategic asset allocation is based on this long-term perspective. The five-year minimum investment period is important in that the process must be viewed as a long-term plan for achieving the desired results. This is because the one-year volatility can be great for certain asset classes. However, *over a five-year period, volatility is greatly reduced.*

#### **Your Risk Tolerance**

CONSERVATIVE GROWTH & INCOME is the primary objective of your investment policy. Our strategy for accomplishing this objective is based on the concept of diversification, which we call asset allocation. It is a long-term strategy that is designed to suit your individual circumstances and to provide a durable framework to make long-term investment decisions. Protecting your capital also means building your capital in order to protect your purchasing power from the erosion of inflation. In simple terms, that means you will need to invest in the equity markets. Equity markets rise and fall with the business cycle; and investments will lose money when the stock market goes down- and it will at times.

- In establishing your risk tolerance, we have considered your experience and your ability to withstand market volatility. *Based on our discussions and your limited investment experience*, we understand you can accept a low-moderate risk volatility portfolio.
- However, based on your current portfolio and our financial planning needs analysis, we believe you will need a more moderate volatility portfolio to earn a total return consistent with meeting your goals. Our recommendations are governed by your retirement goals. You may note however, *due to your solid base amount of pension and social security income*, you may err on the side of growth.
- Your strategic asset allocation is based on long-term perspective. Short-term liquidity requirements are anticipated and we have recommended adequate reserves.