

# XYZ FINANCIAL

## SAMPLE INVESTMENT POLICY STATEMENT

Prepared For:  
John Smith & Jane Smith

## Investment Policy Statement of John Smith & Jane Smith

The purpose of this Investment Policy Statement (IPS) is to establish guidelines for the investable assets of the client's portfolio.

**OVERVIEW:** The primary objective is long-term preservation of capital, to be accomplished through equity capital appreciation and reinvestment of dividends and bond coupon payments, if applicable. The allocation, outlined below, considers the client's investable assets managed by XYZ Financial.

**OBJECTIVES:**

1. Target long-term returns
2. Maximize returns within reasonable levels of risk
3. Maintain diversification of the investments

For the purpose of making distributions, the advisor will execute total-return-based spending, meaning distributions will be executed from net investment income, net realized capital gains, and proceeds from the sale of investments.

Investments will be focused on quality securities that are diversified among asset classes and within broad industry categories for each asset class, so as to help minimize risk. Low-cost, passive investment solutions will be used.

**TIME HORIZON:** The investment guidelines are based upon an investment horizon **greater than 10 years**. The portfolio's asset allocation is based on this long-term perspective. While the time horizon of the portfolio is at least 10 years, distributions may occur before that 10-year period.

**RISK TOLERANCES:** The client's risk score is **50 out of 100**, which suggests the client has a moderate tolerance for risk. After further discussion with the client, a **50% stock and 50% bond** portfolio is recommended. The portfolio's long time horizon coupled with the client's risk tolerance suggests that substantial fluctuations in market value and rates of return may be tolerated in order to achieve the investment objectives.

**ASSET ALLOCATION:** Assets are to be aligned to reflect a long-term objective, consistent with economic and financial market conditions. At a minimum, the portfolio will be reviewed annually to determine if rebalancing is needed. Allocations will be permitted to deviate from their target in an effort to mitigate unnecessary tax consequences and trading costs. The range of commitment would be:

<u>Asset Class</u>	<u>Target, %</u>
U.S. Equity	20.5%
International Developed Equity	14.5%
Emerging Market Equity	7.5%
Domestic Real Estate	7.5%
Investment Grade Bonds	50.0%

**MODIFICATION:** This policy will be reviewed periodically to ensure its continued appropriateness. The above-referenced guidelines may be amended or revoked at any time on written notice of the depositor.

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Client Signature

Date

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Client Signature

Date