INVESTMENT POLICY STATEMENT TEMPLATE

## INTRODUCTION PAGE

**Notes to advisor:**

* **This investment policy statement should be viewed as an example of basic considerations that should be raised with every client, and as an example of an investment approach that might be suitable for a certain client type. You recognize that each client situation is unique and that this document cannot accommodate actual client circumstances without your thought and input. By your use of this document you accept all responsibility for its use and implementation and for appropriate ongoing follow-up to ensure that you are meeting your fiduciary responsibility with your clients. We accept no responsibility whatsoever for your use of this document.**
* **Text is shown in blue that will need to be personalized for each Investment Policy.**
* **Text in red is instructions and commentary about this form.**
* **Only a paid subscription to Model Wealth Program includes the right to re-use or redistribute content such as this investment policy statement template (in accordance with our online Subscription Agreement).**
* **This document form incorporates the investment policy we use for our clients. If your own investment approach is substantially different, you may need to make a larger number of modifications to this document before it would be suitable for your use.**

**Investment Policy Statement**

<Client Name>



This Investment Policy Statement should be reviewed by an attorney knowledgeable in this specific area

of the law. Any change to this policy should be communicated in writing and on a timely basis to all

interested parties. If any term or condition of this Investment Policy Statement conflicts with any trust

and/or plan document, the document shall control, as long as such term or condition is consistent with

the law.

**Investment Policy Statement: Tax-Efficient Select Income with Moderate Growth**

1. Purpose

The purpose of this policy is to establish guidelines for the effective and prudent management of the investment portfolio for <Client Name>.

1. Management of assets In managing these assets, the Chief Investment Officer is responsible for:
2. Using prudent experts (registered investment adviser (including mutual funds), bank, or insurance company)
3. Demonstrating that the prudent expert was selected by following a due diligence process
4. Monitoring the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.

We understand that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, we intend to evaluate investment performance from a long-term perspective. We believe the ongoing review and analysis of investment managers is just as important as the due diligence process. The performance of the investment managers will be monitored on an ongoing basis and it is at the Chief Investment Officer’s discretion to take corrective action by replacing a manager if we deem it appropriate at any time.

1. Investment Objective

The investment objective for the Tax-Efficient Select Income with Moderate Growth strategy is to maximize long-term total return while minimizing the frequency and magnitude of a 12-month decline in portfolio value in excess of 10%. Although this is the stated goal of the risk-management strategy, declines in excess of 10% can occur during periods of high volatility, such as an extreme bear market. As a result, the portfolio will consist of a combination of growth and income oriented investments, with a slight emphasis on income oriented assets.

1. Tax-Efficient Select Income with Moderate Growth Portfolio Allocation

The Tax-Efficient Select Income with Moderate Growth is based on Cornerstone Wealth Management’s investment research and resulting expectations about market and asset class performance. This portfolio allocation is the mix of asset classes we believe will achieve the portfolio’s investment objectives. It reflects the target weightings to broad, highly liquid asset classes (primarily stocks and bonds) that we believe offer superior risk-adjusted long-term return consistent with the investment objective. On an ongoing basis, we assess the suitability of the portfolio allocation based on our investment research and analysis. We expect to make changes to the portfolio allocation from time to time based on this assessment.

The portfolio allocation is the foundation for our asset allocation process. Cornerstone Wealth Management will only deviate from the portfolio allocation if we are highly confident that we have a compelling opportunity to increase return and/or reduce risk. The portfolio allocation also serves as a benchmark for measuring the impact of our asset allocation decisions and the performance of our active managers.

The Tax-Efficient Select Income with Moderate Growth portfolio allocation is a blend of 60% bonds and 40% stocks represented by broad asset class indexes as weighted below:

|  |  |  |
| --- | --- | --- |
| **Asset Class** | **Index** | **Strategic Portfolio Allocation** |
| Investment-Grade Bonds | Barclays Aggregate Bond Index | 60% |
| Domestic Large-Cap Stocks | Russell 1000 Index | 32% |
| Foreign Stocks - Developed Markets | MSCI-EAFE Index | 8% |

1. Asset Allocation

We believe long-term investment performance, in large part, is primarily a function of asset class mix. We have reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards. Historically while interest-generating investments, such as bonds, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting provided the participant's time horizon is sufficiently long (five years or greater)."

The asset allocation guidelines below outline the parameters for the management of the Tax-Efficient Select Income with Moderate Growth portfolio:

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset Class** | **Range** | | |
| **Low %** | **Strategic Allocation**  **%** | **High %** |
| Cash | **0** |  | **20** |
| Bonds   * Investment-Grade Bonds * Foreign Bonds—Emerging Markets * High-Yield Bonds | **10**  10  0  0 | **60%** | **80**  60  20  20 |
| Stocks   * Domestic Large-Cap Stocks * Domestic Small-Cap Stocks * Foreign Stocks—Developed Markets * Foreign Stocks—Emerging Markets * Real Estate Investment Trusts (REITs) | **10**  10  0  0  0  0 | **32%**  **8%** | **60**  60  30  35  30  20 |
| Alternative Investments\* | **0** |  | **15** |

**Asset Class Range:**During transitory periods the actual asset allocations may deviate from the stated guideline ranges.

**Investment-GradeBonds**: Bonds of foreign developed markets may be included in the investment-grade bond allocation.

**Alternative Investments:** Investments outside of traditional stocks and bonds are generally considered alternatives investments. These could include private real estate, commodities, hedge funds, and other alternative strategies.

Alternative investments could include both liquid and illiquid investments. Those that are illiquid or provide limited liquidity are implemented on a non-discretionary basis and require client approval. At the time of investment the allocation to alternative investments that are illiquid or provide limited liquidity will not exceed 25% of the total portfolio.

The allocation to a single alternative investments sub-asset class will not exceed more than 25% of the total portfolio at the time of investment.

1. Acknowledgement

I/we have reviewed the Investment Policy Statement above and agree that given our goals and objectives the Tax-Efficient Select Income with Moderate Growth portfolio is appropriate.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**FINAL NOTE TO ADVISORS: You should give careful consideration to your clients’ individual circumstances in using this document as a starting point for an actual investment policy statement and you need to follow up regularly (at least once a year) to ensure that the investment policy you are administering remains suitable.**