INVESTMENT POLICY STATEMENT

FOR

CLIENT NAME

DATE
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Grey-blue typeface indicates that language in this Investment Policy Statement has been specifically modified for your situation
INTRODUCTION

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding between you and me as to the investment goals and objectives and management policies applicable to your investment portfolio (“Portfolio”). This Investment Policy Statement will:

1. establish reasonable expectations, objectives and guidelines in the investment of your Portfolio’s assets
2. create the framework for a well-diversified asset mix that can reasonably be expected to generate acceptable long-term returns at a level of risk suitable to you, including:
   - describing an appropriate risk posture for the investment of your Portfolio;
   - specifying the target asset allocation policy;
   - establishing investment guidelines
3. define my responsibilities, as your advisor
4. define your responsibilities, as investor and client
5. encourage effective communication between us

This IPS is not a contract. This investment policy has not been reviewed by any legal counsel. This IPS is intended to be a summary of an investment philosophy and the procedures that provide guidance for you, as investor, and me, as advisor. The investment policies described in this IPS should be dynamic. These policies should reflect your current status and philosophy regarding the investment of the Portfolio. These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to your Portfolio, to you, or to the capital markets.

It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein

GOALS / OBJECTIVES

Primary or Strategic Goals

Fund retirement starting at age __

Fund college education for __ children

Fund a financial legacy for _______________ in the amount of $_____________

Fund opportunity to (go back to school, transform an avocation into a part-time vocation, other)
Secondary or Tactical Goals

Generally enhance return of existing investable assets
Reduce volatility of investment portfolio
Rationalize and simplify current investment portfolio
Improve tax efficiency of overall portfolio

PORTFOLIO ASSETS

Assets to be Considered Under this IPS

Taxable and IRA investment accounts at Schwab and or other custodians
Company 401(k) account
Variable or Fixed Annuities
College Savings accounts

Treatment as Single Portfolio

These assets, regardless of how they are owned or titled, whether taxable or tax-deferred, are to be considered together as a single Portfolio, and will be invested as such. That is to say, the asset allocation will be applied to the entire Portfolio, not to each account within the Portfolio.

The disadvantage of this is that sometimes clients are emotionally uncomfortable with the lack of diversification within a specific account, such as their IRA.

The advantage of this is that investments within the Portfolio can be placed to maximize after tax return to you, to minimize duplication of identical investments in multiple accounts, and to reduce transaction costs.

TIME HORIZON

George and Susan, you are in your mid 40s and late 30s, respectively. You have one child together and George has 3 young to teen-aged children from a previous marriage. George is partner of a successful professional practice and is the primary financial support of the family. Your salary income is substantial plus you participate in a share of the professional practice’s profits. The
practice is mature and is expected to provide a stable until George retires.

George plans on retiring in his early 60s. Susan may return to work as your youngest child becomes older and will likely retire when George does.

The current investment portfolio represents the bulk of the assets to be used to fund retirement. You are currently adding assets to this portfolio on a regular basis. There will be a small addition to this portfolio upon the sale of George’s interest in his practice when he retires and Susan is likely to receive a modest inheritance.

It will be 15 plus years before retirement begins. And given family health history, George can reasonably expect to live into his mid 80s and Susan into her 90s. Given Susan’s current age, this portfolio has an investment horizon of up to 50 years. For the purposes of planning, these assets have a very long investment horizon.

There is a shorter term element to this portfolio since it will also be used to partially fund your children’s college education. However, the portfolio’s current size in relation to the likely college expenditures and your continued annual contributions to this portfolio, mitigate the shorter term issues.

**RISK TOLERANCE**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g. volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk tolerance. There are two primary factors that affect a person’s risk tolerance:

- Financial ability to accept risk within the investment program, and;
- Willingness (or emotional ability) to accept return volatility.

Your financial ability to accept risk is very high. You are have a substantial income and will be adding to your portfolio for another 15 plus years. To the extent that asset values decline, you will be purchasing new assets at lower prices.

Your willingness to accept risk seems to more modest. Prior to the year 2000, you had invested high risk technology stocks, and found
the subsequent loss to be very upsetting. As you have become more knowledgeable about risk and how to control it, you are more comfortable. However, your comfort level is still shaky.

Integrating your financial ability to bear risk with your willingness to accept risk requires some work.

In specific terms, the Portfolio, given the selected asset allocation (see Asset Allocation section below), has the potential to decline in value by 11% in a given year. After 10 years the portfolio could be in a position of having only gained 1.5% per year before taxes and inflation. (see Approximated Future Returns section below)

On your portfolio of $1,000,000, a 11% decline in 12 months would be an $110,000 loss.

You also need to understand that during periods of financial panic or distress, the Portfolio would likely perform much worse than what is described above. During these periods, diversification is of minimal short-term value and your Portfolio values will decline precipitously.

One of the benefits of having an Investment Policy Statement is that it can serve as a reminder of your original plan, and as such, can sometimes help you to stay the course during difficult periods.

**ASSET ALLOCATION**

Academic research suggests that the decision to allocate funds among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risk and rewards of each, the following asset classes were selected to achieve the objectives of your Portfolio.
### Asset Class

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stocks</strong></td>
<td>50%</td>
</tr>
<tr>
<td>Large US</td>
<td>18%</td>
</tr>
<tr>
<td>Small US</td>
<td>8%</td>
</tr>
<tr>
<td>European</td>
<td>8%</td>
</tr>
<tr>
<td>Pacific</td>
<td>8%</td>
</tr>
<tr>
<td>Emerging Mkts</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Income Oriented Stock-Like Assets</strong></td>
<td>30%</td>
</tr>
<tr>
<td>Real Estate (REITs)</td>
<td>15%</td>
</tr>
<tr>
<td>High Yield Bonds</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td>20%</td>
</tr>
<tr>
<td>World Bonds</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

This asset allocation is constrained by your requirement that REITs be excluded from consideration because of ________________. This requirement does not materially impact your portfolio’s risk/reward attributes.

Cash held as a reserve for emergencies or earmarked for specific short-term needs are excluded from this asset allocation.

### Approximated Future Returns

No guarantees can be given for future performance, and this Investment Policy Statement shall not be construed as offering such a guarantee. However, to provide you with some sense of the range of likely returns, the following table should be helpful.

#### Portfolio Returns (annualized)

<table>
<thead>
<tr>
<th></th>
<th>One Year</th>
<th>Ten Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum for Period</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td>Estimated Average</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Minimum for Period</td>
<td>-11%</td>
<td>1%</td>
</tr>
<tr>
<td>“Worst Case Conditions”</td>
<td>-23%</td>
<td>-3%</td>
</tr>
</tbody>
</table>

Please note that this table is based upon estimated values for expected return, expected risk, and the correlations for each asset in your Portfolio. These estimates are based upon historical data and then modified for theoretical consistency. The minimum/maximum range assumes the middle 95% probability, meaning that one time out of twenty, one would expect a result greater than or less than the stated “maximum” or “minimum”. The “Worst
Case Conditions” is an attempt to quantify a possible outcome during a period of financial panic or distress. Values above are before tax.

**Assumptions Used to Calculate Expected Returns**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Expected Return</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large US Stocks</td>
<td>10.0%</td>
<td>17%</td>
</tr>
<tr>
<td>Small US Stocks</td>
<td>11.5%</td>
<td>23%</td>
</tr>
<tr>
<td>European Stocks</td>
<td>10.0%</td>
<td>19%</td>
</tr>
<tr>
<td>Pacific Stocks</td>
<td>10.0%</td>
<td>24%</td>
</tr>
<tr>
<td>Emerging Market Stocks</td>
<td>11.5%</td>
<td>27%</td>
</tr>
<tr>
<td>Real Estate Stocks (REITs)</td>
<td>8.0%</td>
<td>13%</td>
</tr>
<tr>
<td>High Yield Bonds</td>
<td>7.5%</td>
<td>12%</td>
</tr>
<tr>
<td>World Bonds</td>
<td>4.8%</td>
<td>5%</td>
</tr>
<tr>
<td>Cash</td>
<td>3.0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Updated Allocations**

The asset allocation decision is driven by assumptions relating to the expected risk, expected return, and correlation attributes of the assets being considered. These assumptions are regarded as basic attributes inherent to each asset. As such they are not subject to dramatic change, nor do they change as a function of short term market events or changing market valuations.

Nonetheless, as your advisor, I review these assumptions annually and will make changes, typically small ones to reflect any evolving structural changes in these assets. When such changes are made, updates will be attached to this Investment Policy Statement as an Appendix and will be considered part of this Investment Policy Statement.

**Rebalancing Procedures**

From time to time, market conditions may cause your Portfolio’s investment in various asset classes to vary from the established allocation. To remain consistent with the asset allocation guidelines established by this Investment Policy Statement, every year, or after dramatic market events, I will review each asset class in the Portfolio. If the actual weighting differs from the target weighting by 5% or more (e.g., from a recommended 10% to less than 5% or more than 15% of total assets) I will consider
rebalancing the portfolio back to the target weighting. The costs of transacting and tax consequences will be taken into effect before any rebalancing is undertaken.

INVESTMENT GUIDELINES

**Permitted Security Types**

1. Mutual Funds – including
   - Exchange Traded Funds (ETFs)
   - Closed-End Funds
   - Investment Unit Trusts
2. Individual Stocks (as long as they are traded on the New York, American or NASDAQ Stock Exchanges)
3. Individual Bonds (as long as they are rated BBB or better and traded on a major U.S. exchange or issued by the US government)
4. Bank certificates of deposit
5. Fixed or Variable Annuities (issued by an insurance company with a AM Best rating of A+ or better)

**Prohibited Asset Classes and/or Security Types**

1. Investments in Limited Partnerships
2. Precious metals
3. Collectibles
4. Short sales
5. Purchases of Letter Stock, Private Placements, or direct payments.
6. Leveraged Transactions (except margin loans from a brokerage firm)
7. Commodities Transactions (except commodity based mutual funds)
8. Puts, calls, straddles, or other option strategies
9. Purchases of real estate (except REITs and REIT mutual funds).

**Mutual Fund Selection**

The following are criteria that are frequently used when selecting mutual funds, however other criteria may also be considered:

♦ Consistency of Style. Style consistency is essential if the asset allocation is to be meaningful and effective.
♦ Low Cash Position. Cash is performance drag. Cash should exist in a Portfolio primarily as a source of liquidity. Cash that
is embedded in a mutual fund does not provide any liquidity for you, as the investor.

♦ Low Fund Fees. Fees lower investor returns. Research indicates funds charging below average fees tend to generate above average returns.

♦ Low Turnover and/or High Tax Efficiency. Turnover generates trading costs at the mutual fund level, which reduces fund returns. Turnover usually generates taxable events. Reducing turnover can reduce both costs and defer (and sometimes permanently lower) taxation.

♦ Consistency of relative performance. Performance comparisons should be relative to a relevant benchmark. Consistency is important in that it provides an indication of reproducible skill.

**Marketability**

As your advisor, I generally do not counsel investment in limited partnerships or other investments for which there is not a ready and liquid market. Such investments are not only illiquid, but often have risks that are difficult to assess correctly. That said, there might be situations where a long-term illiquid investment (such as a long-term bank CD) matches well with a specific future need. Or there may be situations where a particularly sophisticated investor with substantial wealth wants to further diversify his or her portfolio with assets that can only be acquired through a limited partnership. These will be specific exceptions and would require a modification of this Investment Policy Statement. In all other cases, it is expected that 100% of the assets under this Investment Policy Statement will be invested in assets for which a ready and liquid market exists at the time of the initial investment.

This marketability policy is not intended to restrict investment in IRAs, 401(k)s, Section 529 Plans, variable or fixed annuities, or other vehicles that impose a penalty for early withdrawal or if used for an unintended purpose (e.g., using Section 529 assets for something other than education).

**TAX POLICY**

Recognizing that it is not what you make, but what you keep that is important, I, as your advisor, will work diligently to maximize after tax returns. Foremost in this regard is to invest in tax efficient funds. Some fund managers explicitly manage their funds with taxes in mind. Other funds have very low turnover, and as a consequence tend to be naturally tax efficient.
Secondly, to the extent that the Portfolio is comprised of taxable and tax-deferred accounts, I will determine the appropriate account to place each asset so as to preserve the opportunity to generate capital gains, when appropriate.

Lastly, in a diversified Portfolio, there may be opportunities to “harvest” capital losses and use these to offset current or future capital gains. I will do this if trading costs do not outweigh the benefit of the harvesting.

**DUTIES AND RESPONSIBILITIES**

**Me, as your advisor**

I am expected to manage your Portfolio in a manner consistent with this Investment Policy Statement and in accordance with State and Federal law and the Uniform Prudent Investor Act.

I am a Registered Investment Advisor and shall act as the investment advisor and fiduciary to you until termination of our agreement.

I will be responsible for:

1. Designing, recommending and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
2. Recommending an appropriate custodian to safeguard your assets. I will never take custody of your assets.
3. Advising you about the selection of and the allocation of asset categories.
4. Identifying specific assets and mutual funds within each asset category.
5. Monitoring the performance of all selected assets.
6. Recommending changes to any of the above.
7. Periodically reviewing the suitability of the investments for you and your situation.
8. Preparing and presenting appropriate reports.

I will not take title to any assets. I will be responsible only to make recommendations to you and to implement investment decisions after review and approval by you.

**You, as investor and client**

You will be responsible for:
1. Defining the investment objectives and policies of the Portfolio.

2. Directing me to make changes in investment policy and to oversee and to approve or disapprove my recommendations with regards to policy, guidelines, objectives and specific investments on a timely basis.

3. You will provide me with all relevant information on your financial conditions and risk tolerances and shall notify me promptly of any changes to this information.

4. You will take responsibility to read the information contained in the prospectus for each investment in the Portfolio and to ask me about anything that is not understood.

MEETINGS AND COMMUNICATION

I will meet with you annually to review and explain your Portfolio’s investment results and any related issues. This meeting may be telephonic, depending upon the nature and depth of discussion required.

I wish to encourage communication between myself and you. As a matter of policy, I am available for telephone communication and/or meetings as often as needed by you.

ADOPTION

Adopted by the below signed:

Date: ____________________________

Investor: ________________________________

Advisor: ________________________________

Trustee(s): ________________________________

______________________________________

______________________________________