

Sample Investment Policy Statement*

Goal:

Accumulate investment assets of \$1,000,000 by 2025.

Assumptions:

- *Average annual return: 8%*
- *Expected range of returns in any given year: -20% to +35%*
- *Principal to start: \$0*
- *Savings needed per year: \$25,000*

Investment Allocation Strategy	Target %
<u>Growth</u>	60%
US Stocks	20%
International Stocks	20%
Real Estate	10%
Commodities/Currencies	10%
<u>Conservative/ Hedge</u>	40%
Absolute Return Funds	20%
Fixed Income/Cash	20%

Reallocate to these percentages once per year.

* The investment policy statement above is simplified just to offer a framework. It should not be construed in any way as specific investment advice.

There have been studies on why institutional investors outperform individual investors by large margins over long periods of time. I attribute this to three factors:

1. Many individuals do not follow a plan such as an IPS- Investment Policy Statement.
2. Individuals often react to the daily noise of news headlines which heighten fears during times of pessimism and stoke greed during times of optimism.
3. Emotion- inability to focus on long-term objectives. Many investors based their decisions on short-term results or past performance numbers that are unlikely to repeat in the future.