

THE MONEYSENSE COMPLETE FINANCIAL PLAN KIT

WORKSHEET #10: YOUR INVESTMENT POLICY STATEMENT

INVESTMENT POLICY STATEMENT

FOR: _____

DATE: _____

CURRENT STATUS

OBJECTIVES AND CONSTRAINTS

INVESTMENT STRATEGY GUIDELINES

Cash and equivalents	_____%
Canadian bonds	_____%
Canadian equities	_____%
U.S. equities	_____%
EAFE equities	_____%
Other	_____%

The expected return from this asset mix is _____% per year.

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SECURITY GUIDELINES

The investment vehicles are to be chosen to provide exposure to the target classes in a well-diversified way and at minimal expenses.

LOCATION GUIDELINES

To minimize taxes, allocations to the bond asset class are to be located wherever possible in registered accounts. The first choice for taxable accounts is Canadian equities.

RISK CONTROL, MONITORING AND REVIEW

Overall risk management is the rationale behind the investment strategy and security selection guidelines. No additional risk management controls, aside from an adherence to the guidelines contained in this document, are in place.

Once per year, the portfolio should be reviewed and, if necessary, adjusted to bring the actual allocations back to the strategic target mix. To minimize transaction costs and taxes, small deviations from the target mix (less than 3%) should be ignored.

This document should be reviewed at least once a year. Changes to personal circumstances that alter risk tolerance or time horizon should be incorporated in any revision. Market price movements, other than for the purpose of rebalancing per the previous paragraph, are not grounds for revision.

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WORKSHEET #10: YOUR INVESTMENT POLICY STATEMENT

SAMPLE: USE THIS AS A REFERENCE TO FILL IN YOUR INVESTMENT POLICY STATEMENT

INVESTMENT POLICY STATEMENT

FOR: Patty and Walter Berglund

DATE: January 1, 2011

CURRENT STATUS

Patty and Walter Berglund are a married couple living in Halifax, N.S. They have been married six years and have two daughters aged 5 and 2. Both are 34 years old. They own their own home, and while Walter has a good pension at work—and while debt repayment is a priority—they would like to start investing in the kids' RESPs and in Patty's spousal RRSP in future.

Walter's marginal tax rate is 37%. Patty's is 28%. Both have more than \$20,000 in RRSP contribution room.

OBJECTIVES AND CONSTRAINTS

Patty and Walter Berglund's primary objective for their portfolio are maximizing after-tax investment returns in order to fund post-secondary education for their children and retirement for them. These objectives are to be achieved subject to the following constraints.

- *Risk tolerance – The portfolio should be structured so that annual losses of more than 10% are expected to occur less than one year out of ten.
- *Time horizon – The capital of the portfolio can be invested for a period of 12 to 15 years. Income will need to be withdrawn when the children enter university
- *Taxation – As the investment portfolio and retirement funds will be in a tax-deferred account, CRA rules regarding eligible investments must be observed.
- *Time to be spent – minimal

INVESTMENT STRATEGY GUIDELINES

Patty and Walter have an average tolerance for market risk and do not require a regular income from their portfolio now. So a balanced asset mix is appropriate. The recommended strategy target is:

Cash and equivalents	0%
Canadian bonds	40%
Canadian equities	20%
U.S. equities	20%
EAFE equities	20%
The expected return from this asset mix is	4 – 5% per year.

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SECURITY GUIDELINES

Patty and Walter Berglund have neither the time nor the interest to choose individual securities and keep a properly diversified portfolio. Consequently, the investment vehicles are to be chosen to provide exposure to the target classes in a well-diversified way and at minimal expenses. Low-cost index funds, including exchange-traded funds, are to be used whenever possible.

Options, hedge funds and real estate are not allowed.

Leverage is not allowed.

LOCATION GUIDELINES

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RISK CONTROL, MONITORING AND REVIEW

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