

Establishing an Investment Policy Statement

WHAT ARE THE BENEFITS OF AN INVESTMENT POLICY STATEMENT?

Although an Investment Policy Statement (IPS) is not required, there are several benefits to establishing an IPS:

- *Documentation* — provides written documentation of the policies, practices and procedures for making investment selections.
- *Clarification* — sets a clear baseline and framework to help ensure continuity during staff turnover.
- *Evaluation* — provides a clear standard for evaluating and monitoring the plan's investments in seeking to achieve the IPS objectives.
- *Communication* — participants can be assured that there is a logical and disciplined approach to the process of managing the organization.
- *Protection* — can serve as your first line of defense against potential fiduciary litigation.

WHAT WOULD TYPICALLY BE INCLUDED IN AN IPS?

- *Overview* — describes the assets that are covered by the IPS.
- *Purpose of the IPS* — explains the purpose and intent of the IPS.
- *Investment Objectives* — details the specific investment objectives of the organization including risk tolerance, return expectations and time horizon.

- *Roles & Responsibilities* — identifies the various parties involved in the investments, including trustees, investment managers and investment committees and summarizes their responsibilities.
- *Selection of Investments and Managers* — describes the intent to provide an appropriate range of investment options spanning the risk/return spectrum and typically identifies the appropriate index and peer group to be used for each option.
- *Investment Monitoring & Reporting* — outlines the ongoing processes for revisiting the investment selection process and confirming that the criteria in the IPS are met. This should be a regular, disciplined and documented process.
- *Manager Termination* — describes how underperforming managers will be reviewed and replaced.

WHO IS RESPONSIBLE FOR DRAFTING THE INVESTMENT POLICY STATEMENT?

An Investment Policy Statement should be carefully drafted and thoroughly reviewed by the client and its legal counsel. It's important to review and update the IPS periodically to reflect any changes in the organization's investment strategy. Your RBC Wealth Management® Financial Advisor can assist you in developing your own Investment Policy Statement or help you review your existing IPS.

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