

# LONG-TERM WEALTH STRATEGY DOCUMENT



## Key Takeaways

In thinking about the documents that need to be put in place for all aspects of your family strategy, there are two very important documents:

- › The first is a long-term strategy document, which sets out how, where, and when you're going to be investing your wealth over significant number of years to come through an investment policy statement.
- › The long-term strategy document is like a business strategy that can go for a number of years.
- › The annual investment policy or IPS is your operating plan for the coming year.

## INTRODUCTION

A long-term strategy document creates a platform for future investing in acts as a business strategy for the family for many years to come. The document always pursues a long-term vision, but at the same time is easy to adjust. It provides guidance on the families' philosophy and purpose of wealth, family vision and financial goals, as well as long-term investment policies and principles.

## Guidance

While there are many ways a family could approach this, a long-term strategy document typically includes the following components:

- › Investment objectives.
- › Cash flow forecast.
- › Scenario analysis.
- › Robust risk assessment
- › Asset allocation
- › Non-investment factors.
- › Ongoing management process.
- › Monitoring and evaluation process.

When considering what documents are important in family Wealth Management the two most important are the Long-term strategy document, and the Annual investment policy statement.

The long-term strategy document outlines long-term philosophies and strategies for investment and turns them into practical ideas and plans which are written in the investment policy statement.

Document checklist:

- › Family input - what are your values and philosophy of wealth?
- › What are your family goals and financial objectives?
- › What is your definition of risk?
  - › It is important to consider what your family is goals are, what your family is philosophies are, and how you intend to deal with risk. It is also important to remember that risk does not equal volatility.
- › Do you have a long-term cashflow forecast?
- › What asset classes are you considering?
  - › Are there any asset classes that you are morally opposed to? At what level will you be investing, in what way will you be investing, and with what people will you be investing with?
- › What are your operational considerations - human capital, taxation, accounting, legal structures?

- › What are your criteria for hiring and firing people, or for how you expect them to manage?
- › How efficient is your portfolio?

Once all of these questions have been answered and written down in the long-term strategy document it's easy to apply these principles and adjust them for the coming years. This will give you a very solid platform and a very clear guide for an annual investment policy. By following your documentation and adjusting them as needed on an annual basis, the level of documentation will add stability and guidance to your investment goals.

While it may seem overwhelming to consider this many moving parts at once, this master class provides pre-formatted templates and an actual working example of a long-term strategy document. Using these will save you time and give you a provenly effective structure.