



THE ANNUAL INVESTMENT POLICY STATEMENT: TAKING ACTION FOR THE CURRENT MARKET

Key Takeaways

- › The IPS is the second of the two key documents in the wealth management area
- › It is usually done on an annual or relatively short time-frame basis, and turns the content of the long term strategy document into an actionable plan in a particular market, for a particular point in time.
- › The IPS needs to be well-thought through in advance, and provides guidance for investing decisions and divesting decisions that are made during the course of the year.

INTRODUCTION

The Investment Policy Statement (IPS) is a strategic guide to planning and implementing the family's investment program. The IPS provides a framework for managing a family's investment assets and prescribes the structure, content and administration of a family's portfolio. It also establishes a clear understanding of the investment goals and objectives of the family, determines the relevant time horizons in which the funds will be managed and evaluated, outlines the process of implementing the investment program and defines the responsibilities of all parties involved in the management of the assets.

Guidance:

The second key wealth management document is the Investment Policy Statement (IPS), and it is usually created on a short-term basis, turning the content of the Long-Term Strategy Document into action. It provides guidance for investment and divestment, and provides structure to investment policy. Knowing what an IPS can do for you is an important tool in managing investments.

The document details:

- › The purpose and scope of managed funds. Are the funds associated with specific objectives, purposes, and timeframes?
- › What investment principles are going to be used, and what is the expected rate of return?
- › What are the risk definitions and tolerances?
- › What is your planning horizon and what timeframe are you considering?
- › What asset classes are available, and how are you going to allocate the money?
- › What quality guidelines and portfolio constraints will be imposed?
- › How exactly will family members and managers play?
- › How will monitoring cover the entire portfolio as well as individual investments?
- › How will the ISP account for changes in the market, and unexpected results of investments?

Having a periodic report of investment progress can turn a potentially emotional and complex process into a highly streamlined and professional one.