



**TOWN CLOSE**  
Financial Planning

# Your Investment Policy Statement



## YOUR INVESTMENT POLICY STATEMENT

*All successful long-term investment strategy — being of necessity, goal-focused and planning-driven — proceeds from the answers to three key questions:*

*Who is this money for? What is this money for? When, and at what rate, will this money need to be withdrawn?*

A robust Investment Policy Statement enshrines the answers to these questions in a way that cannot fail to be mutually understood and agreed upon.

A few fundamentals to begin with:

We've agreed that the only intelligent progression in the creation of a lifetime investment plan is: first goals, then a plan, and only then a portfolio. The objective of your portfolio, therefore, will simply be to execute the plan in the time allotted.

You are **52 & xx** and your goal is to stop working in 10 years. We have determined that, at that time, you would like a net income of **£XXXXX** in today's terms. In addition, we have identified various other one-off expenses (home improvements, changing the car, etc.) that will occur and allowed for them in your financial plan.

Your State Pensions, once they become payable, will contribute towards this income target, thereby taking the pressure off your invested money.

It's essential that this income increases throughout your lifetime to offset the rate at which your cost of living will rise due to inflation.

We've agreed that, at retirement, you'll want to have **£XXXX** in cash in your accounts,, to cover about three years of your withdrawal needs.

Each year as your cash account ticks down, we will discuss how much should be taken from the invested side of your plan to top up the cash side of your plan.



The figure will depend on how the investment side has fared. In a bad year we may move nothing, in an average year we may replace what you have taken and in a good year we may move more than has been taken.

You currently have accumulated £XXXX and have committed to invest an additional £XXXX pm in each of the 120 months until your projected retirement date. Based on those assumptions, you will need 8.7% pa compound return to reach your capital goal in 10 years.

Historically, a rate of return that high has only been achievable investing mainly in equities. We use a very diversified portfolio of tracker funds composed mainly of “The Great Companies of the World” and with allocations to smaller companies, emerging markets and the highest quality Government bonds.

The historical long-term return of this portfolio has been 5.5 – 6% pa on average net of all costs.

There can, of course, be no assurance of you achieving that return over the next 10 years. If you do not, adjustments may have to be made by way of increasing the amount you invest, or working longer, or scaling back your withdrawals in the early years of your retirement, among other options.

Equities subject not merely your return but your capital itself to very wide variances. For example, we can expect to experience average annual declines from peak to trough of at least 10%, with declines of 30% (or worse) occurring on average every five to six years.

Your investment policy will be to continue investing as planned through any and all the declines we may encounter, in the hope of acquiring relatively lower-priced shares. Again, there can be no assurance that such a strategy will succeed.

We've agreed that we will review this strategy no less than annually but, provided your goals do not change in the interim, we do not expect to alter materially either your plan or your portfolio.



In addition to this Withdrawal Strategy we have provided, and you have read, “Investment Diversification”, “Investment Expectations”, “Investment Risk” and “Investment Strategy”.

They articulate our understanding of how investments work, how best to use them to your advantage and therefore the sort of strategy you should employ and the expectations you should have of that strategy.

If this fairly states your understanding and expectations, please sign below and return this to our office.

Name & Signature 1: \_\_\_\_\_

Name & Signature 2: \_\_\_\_\_

Date: \_\_\_\_\_