
INVESTMENT POLICY STATEMENT

Prepared for Jane and John Doe

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding of the investment objectives and policies applicable to the management of your investment portfolio. These guidelines have been established in accordance with risk/reward profiling information developed during discussions with your I-Pension advisor. Your Investment Policy Statement:

- Establishes reasonable expectations, objectives and guidelines regarding management of your investment account(s)
- Sets forth an investment structure detailing permitted asset classes and expected allocations among asset classes
- Encourages periodic communication between you and your I-Pension advisor.

Your IPS provides a foundation and structured process from which to make investment decisions, helping to achieve an appropriate balance between risk and reward. This type of disciplined approach to investment management helps eliminate *ad hoc* revisions driven by overconfidence or panic in reaction to short-term market fluctuations. The absence of a written policy can lead to chasing short-term opportunities that may detract from reaching long-term goals. Your IPS encourages all parties to maintain their focus on the long-term nature of the investment process, especially during turbulent or exuberant, times. The overall intent is to increase the probability of success in achieving your long-term investment goals.

Once established, we would not expect your IPS to change unless there is a material change in your personal or financial circumstances. Investment policy normally should not change in response to market moves, and should be focused on the long-term to prevent arbitrary or impulsive revisions.

Rate of return objectives are mostly tempered by your risk tolerance, but other factors also apply. For example, willingness to assume risk is not the same as the ability to assume risk, and vice versa. There are also personal constraints and considerations such as time horizons, income/liquidity needs, tax implications, legal and regulatory requirements, and unique preferences or circumstances. These objectives and constraints, considered in the light of capital market expectations (expected returns, return volatilities, and return correlations) will dictate the appropriate investment strategies to be followed, the investment style to be pursued, and the appropriate way to monitor and evaluate performance.

Signing and returning the IPS will let us know that you concur with its contents. This IPS is not a contract but is intended to be a written summary of the investment philosophy that will provide guidance for you and your advisor. Your IPS is the linkage between you, your I-Pension advisor, and your investment account(s).

ACCOUNT PROFILE

John is 57 years old and Jane is age 54. You are married with three children, two grown and one still in college. You own a home worth approximately \$600k with a \$779 mortgage payment. You expect to have the mortgage paid off in 5 years.

You plan to retire in seven to eight years. Neither of you have a traditional pension plan. One or both of you may work part-time during the first few years of retirement but, for the purposes of our plan, we will not assume any post-retirement income. In addition to the assets listed below, John has an ownership stake in his company worth approximately \$440,000, and this position is expected to grow over the next few years. In addition, Jane owns a one-third share of a vacation home.

Jane's stated investment objective is "Income and Growth," while John's is "Growth and Income." That is in line with Jane's more conservative investment temperament as measured by our Investor Profile. Jane's answers to our Investor Profile scored 100 out of a possible 192 points (a score of 192 would indicate maximum tolerance for investment risk). This determines that Jane resides right at the transition point between a Moderately Conservative and a Moderate risk tolerance level (the five risk categories are Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive). John's score, on the other hand, scored 118, at the mid-point of the Moderate risk band. Based on our conversation, and your overall financial picture and plans, we will class you as Moderately Conservative investors and manage your account accordingly.

The approximate value of your assets, as of the signing of this IPS, is \$840k allocated among several accounts as summarized below:

Jane's Merrill Account	289,000
Jane's 401(k)	32,000
Jane's IRA	46,000
Jane's cash and CD	179,500
John's 401(k)	274,000
John's IRA	7,000
John's UBS account	10,700
John's CD	2,500
TOTAL	840,200

Between now and your retirement, Jane will contribute \$6000 per year to her 401(k), and John will contribute \$12,000 to his 401(k) plan.

Your current asset allocation mix is unusual in that it displays some very aggressive tendencies coupled with some exceptionally conservative holdings. In particular, you are over-concentrated in several individual securities (approx. 15% of your portfolio is in a single security), thereby taking on a sizeable amount of security risk; and on the flip-side, you have 25% of your portfolio (\$200,000) in low-yielding money market accounts. As discussed, we understand that there may be an emotional attachment to the security holdings but we should consider a plan to reduce the position to enhance overall diversification. The cash position can also be put to work utilizing a laddered portfolio of CDs, corporate bonds, and government bonds. Due to the current low interest rate environment, the focus on any fixed income holdings will be short-term durations (6-24 months).

The next page summarizes our investment approach to your portfolio by asset class. Our focus will be on risk management and moderate growth of the entire portfolio, but we will also consider the tax implications of whether particular asset classes are held in qualified or non-qualified accounts. Because we are working with several different accounts, but managing the entire portfolio as a whole, some of the accounts may appear to be highly concentrated (e.g., John's IRA).

We will revisit this investment approach on an ongoing basis – with a rewritten IPS developed at least every two years. When you approach retirement, we will have a more in-depth conversation regarding income needs, when to begin taking social security payments, estate planning considerations, and the like.

THE DOE'S PORTFOLIO MAKE-UP AND CHARACTERISTICS

The following table shows the asset allocation targets we have determined for you:

Asset Class	Target Allocation
Cash Equivalents: Money-Market Funds, CD's, and Short-Term Bonds	5%
U.S. Fixed Income: Government Bonds and Investment Grade Corporate Bonds	27.5%
U.S. Fixed Income: High-Yield Bonds	5%
U.S. Fixed Income: Tax-Free Municipal Bonds	na
U.S. Equity: Large-Cap Growth	10%
U.S. Equity: Large-Cap Value	15%
U.S. Equity: Mid-Cap Stocks	5%
U.S. Equity: Small Cap Stocks	5%
International Equity	10%
International Bonds	5%
Real Estate (REITs)	7.5%
Commodities and Natural Resources	5%

Methodology

Your asset allocation model will be maintained using a rules-based rebalancing methodology. Rather than rebalancing on a calendar basis -- for example, quarterly or annually -- each asset class is assigned a percentage threshold that determines when rebalancing occurs. For example, if the recommended allocation to Asset ABC is 10%, the thresholds might be set at 8% and 12%. If the proportional value of Asset ABC rises above or falls below those thresholds, that asset (and some or all of the remaining portfolio) will be rebalanced back to the original allocations.

I-Pension does not attempt to "time the markets" by using assumptions pertaining to the overall economic environment or investment climate. We will from time to time, however, use assumptions to determine whether an asset class allocation should be at the high or low end of its range.

Diversification

Investments will be broadly diversified to help minimize volatility and losses.

Investment Vehicles

Employer-sponsored savings plans have a limited selection of investment options. I-Pension will evaluate the various options and select those that seem most appropriate and effective for your particular asset allocation model. Accounts outside of employer-sponsored plans will invest primarily in no-load index funds and exchange-traded funds, with the potential for a small allocation to active management in select asset classes.

Monitoring and Reviews

Performance will be measured net of internal investment expenses such as our management fee, trading, and mutual fund fees. Investment performance measurement benchmarks will be applied at the asset level, and chosen by the closest available investment objective peer group. For example, growth mutual funds will be compared to an index of growth mutual funds, using identical time horizons.

Quarterly: A list of securities under management will be provided by us with a summary of cash inflows and withdrawals during the quarter. A total increase/decrease in account value will be provided along with an annualized internal rate of return for the period.

Annually: Performance reporting. All expenses will be disclosed. Client meetings will be scheduled to discuss results and consider if adjustments need to be made.

Your Duties and Obligations

As the steward of the assets under your control, it is your responsibility to provide your advisor with all relevant information on your financial condition. Any changes in your finances must be communicated promptly.

I acknowledge and concur with this Investment Policy Statement (IPS):

X _____
John Doe Date

X _____
Jane Doe Date

X _____
I-Pension LLC Date