

## INVESTMENT POLICY STATEMENT

### *INVESTMENT PORTFOLIO*

The purpose of an Investment Policy Statement (IPS) is to establish a clear understanding between **Joe & Jane Sample** (“**Client**”) and **Meritas Wealth Management, LLC** (“**Advisor**”) of the investment goals, objectives and management policies applicable to the Client’s investment portfolio (“**Portfolio**”). This Investment Policy Statement will:

- ❖ Establish reasonable expectations, objectives and guidelines pertaining to the investment and management of the Portfolio’s assets
- ❖ Create the framework for a well-diversified asset mix that is expected to generate long-term returns at a level of risk suitable to the Client
- ❖ Outline the responsibilities of the Client and Advisor

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### *RISK AND RETURN*

Investment theory and historical capital market return data suggest that over long periods of time there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of periodic rates of return) is associated with the possibility of higher return.

Given this relationship between risk and return, a fundamental step in determining the IPS for the Portfolio is the determination of an appropriate level of risk. There are two primary factors that affect the appropriate level of risk:

- ❖ Risk capacity: The amount of risk the Client needs to take in order to achieve the returns required to ensure success of Client’s financial plan, and;
- ❖ Risk tolerance: psychological willingness of the Client to accept return volatility in the Portfolio

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### *PRESERVATION OF PRINCIPAL*

The criterion of preservation of principal need not be imposed on each investment. However, the Portfolio, taken as a whole, must be structured primarily to protect it against the long-term (10 years or more) erosion of capital. The criteria for allocation of assets to different asset categories are established to protect the Portfolio against the risk of excessive portfolio volatility and to improve long-term returns.

For the purpose of planning, the time horizon for these investments is to be in excess of ten (10) years, unless otherwise noted in the Time Horizon section. Capital values fluctuate over shorter periods and the Client should recognize that the possibility of capital loss exists. However, historical asset class returns data suggests the risk of principal loss over a holding period of at least ten (10) years can be minimized with the long-term investment mix employed under this IPS.

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### ***SELECTION OF PORTFOLIO INVESTMENTS***

All investment assets selected for the Portfolio must have a readily ascertainable market value and must be readily marketable. Each investment must have:

- ❖ Low expenses
  - ❖ Excellence in organizational structure
  - ❖ Correlation must be similar to the benchmark asset class
  - ❖ Consistent long-term risk and performance track record
  - ❖ Tax efficiency
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### ***REBALANCING, MONITORING AND REVIEW***

Market conditions will cause the Portfolio's investment in various asset classes to vary from the established allocation. To remain consistent with the asset allocation guidelines established by this IPS, the Advisor will evaluate the Portfolio for rebalancing on a regular basis or when money is added or withdrawn from the account. Rebalancing is done to bring the fund within 20% of the targeted allocation. Rebalancing trading decisions are made on a case-by-case basis by the Advisor.

All portfolios are monitored and reviewed on a regular basis. Client agrees to notify Advisor as soon as practical if they require changes in their model Portfolio.

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### ***REPORTING***

The account's custodian shall provide Client with a report each month that lists all assets held within the Client's account(s), values for each asset and all transactions affecting assets within the portfolio, including additions and withdrawals. The Advisor will provide to the Client no less frequently than on a quarterly basis:

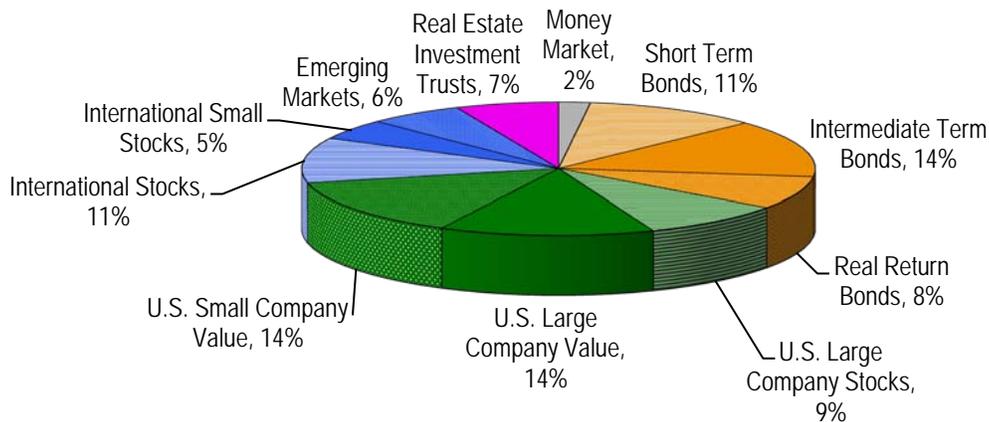
- ❖ Portfolio performance results
- ❖ Performance results for each individual investment
- ❖ Performance results for comparative benchmarks
- ❖ End-of-quarter status regarding asset allocation

## *LONG-TERM RETURN OBJECTIVES*

The long-term objective of the Portfolio is to achieve a mean rate of return of **7.5% to 8.0%** (or **4.0% to 4.5%** above the Consumer Price Index) after investment management costs in order to achieve the goals outlined in the Client's financial plan. It is understood that the expected objective of the Portfolio is to be met over a complete market "cycle" (at least 10 years), but the performance will be reviewed on a quarterly basis.

Based on this return objective and the appropriate level of risk for the Portfolio, Advisor recommends a Portfolio with **65%** in stocks and other growth-oriented investments and **35%** in cash & bonds. A +/- 20% rebalancing range exists around these targets. A more detailed asset allocation is illustrated below:

### Target Asset Allocation



The Portfolio primarily seeks to earn rates of returns that vary between **-13.8%** (minimum) and **+28.7%** (maximum) over any 12-month period, estimated to a 95% confidence level (approximately 2 standard deviations). Mathematically, this means that the portfolio has a 1 in 20 chance of having returns outside these ranges, based on 12-month intervals.

Based on historical returns dating back to 1972, the asset allocation proposed above would have generated a worst-case return of **-33.09%** and a maximum return of **52.0%** in any historical rolling 12-month period.

**No guarantees can be given about future performance, and this Investment Policy Statement shall not be construed as offering such a guarantee.**

## *OTHER INVESTMENTS*

Investments held within an account advised by Meritas Wealth Management, LLC but not listed on the above asset allocation matrix are held only upon the Client's request. Investments which are to be sold are to have low and high "soft" price targets set. At such time that an investment's net asset value exceeds the price targets, the investment is to be reviewed for sale, considering tax, asset allocation, transaction cost, market and economic issues.

No outside investments exist.

## *APPROPRIATE RISK LEVEL*

Based on Advisor's assessment of Client's risk capacity and risk tolerance, a Portfolio with Moderate to Aggressive risk is appropriate and commensurate with the long-term return objectives outlined above. This Portfolio is appropriate for those investors who are more concerned about reasonable growth of principal than stability of income and are willing to accept moderate declines in Portfolio value. Factors impacting this assessment include: a time horizon of at least 15 years, adequate savings and significant comfort with long-term investing.

## *LIQUIDITY NEEDS*

The long-term objective of this portfolio is growth and the need for liquidity is limited.  
AND

There is an anticipated short-term need (date required??) for liquidity to cover the cost of (home down payment, new car, home re-model, income tax liability, college tuition, etc.)

***Note: Liquidity need does not include the cash reserve we recommend holding outside of the portfolio in a safe, accessible savings account.***

## *TAX SITUATION*

Client is currently in the high marginal federal tax bracket and is expected to remain in a similar tax bracket for the foreseeable future (assuming no change in tax regulations). At the current income tax rate, tax-managed and tax-exempt investments are appropriate for the Portfolio.

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### *TIME HORIZON*

Client is currently age X and his spouse/partner is X. They are X years away from retirement and their Portfolio should last through their mid-90s, as assumed in their financial plan. Therefore, the Portfolio will be managed consistent with a long-term time horizon.

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### *UNIQUE PREFERENCES*

Client is charitably inclined and has set up a donor-advised fund to fund charities of interest. Client will donate \$X/year to fund this donor-advised fund. Client would like to leave a bequest of \$X to his children at his death.

AND/OR

Client has a desire for the portfolio to meet the following Social Criteria; .....

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## *ADDITIONAL IMPORTANT CONSIDERATIONS*

- ❖ This IPS is not a contract. It has not been reviewed by legal counsel, and the Advisor and Client must use it at their own discretion. This IPS is intended to be a summary of an investment philosophy and the procedures that provide guidance for the Client and the Advisor.
- ❖ This IPS will be reviewed and revised periodically to ensure it adequately reflects any changes related to the Portfolio, to the Client or the capital markets.
- ❖ If any of the accounts outlined above are qualified plans, please contact your Third Party Administrator/Plan Recordkeeper to ensure the plan is properly bonded per ERISA.
- ❖ Nothing in this IPS shall preclude the Client from modifying the scope or content of this Statement, nor from changing or imposing additional investment restrictions. Any such modifications must be delivered to the Advisor for approval.
- ❖ It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.
- ❖ Any changes to the IPS allocation which fundamentally change the risk/return characteristics of the Portfolio can only be made upon authorization by Client.

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## *INVESTMENT ADVISOR RESPONSIBILITIES*

Meritas Wealth Management, LLC is a Registered Investment Advisory Firm, and shall act as the Investment Advisor on behalf of the Client. Meritas Wealth Management, LLC shall advise the Client about the selection and allocation of asset categories, the identification of specific assets and investment managers within each asset category, the monitoring of performance of all selected assets, and the preparation and presentation of all reports. Communication regarding the IPS and its implementation must be maintained between the Client and Meritas Wealth Management, LLC.

<b>It is strongly recommended that the Client meet with their Advisor at Meritas Wealth Management, LLC at least once a year</b>
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**Client Signature**

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**Date**

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**Spouse/Partner Signature**

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**Date**

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**Client Name (Print)**

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**Spouse/Partner Name (Print)**

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**Gregg Clarke**

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**Date**