

An Investment Policy Statement is a guiding blueprint that defines the individual investment goals and objectives, a target rate of return, specific strategies that should be used to meet these objectives, and includes asset allocation, risk tolerance, and liquidity requirements.

For example this document will answer the following questions:

- Is the objective to produce income or capital appreciation?
- How long do we have to invest?
- How do we quantify the level of risk that is acceptable?
- What are the demands on the pool of money (if income is the goal how much income is needed)?
- Are there restrictions as to what is purchased (tobacco, guns, etc.)?
- What is the targeted rate of return and how did we arrive at that goal?
- Do we have discretion to purchase and sell investments for the client?
- What is the money intended for (retirement, education, the next generation, a charity, etc)?