

## Investment Policy Statement

Prepared for:

Jane and Robert Johnson  
2419 Breezy Lane  
Bolton, MA 01740

Prepared by:

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## Investor Information

Client(s):

Jane Johnson	Robert Johnson
2419 Breezy Lane	
Bolton, MA 01740	
732-555-1212	

Assets to be considered under this IPS

The investment being managed under this IPS have a current approximate value of \$380,536.

Account Information

<i>Acct. Title</i>	<i>Custodian</i>	<i>Current Mkt. Value</i>
Granny Inherit	Schwab	386,629
Shelia Joint Account	Schwab	92,667
Driscoll IRA	Schwab	14,837
Jane IRA	Schwab	28,610
Jersey IRA	Schwab	5,470
Riley IRA	Schwab	52,323
<i>Total</i>		580,536

Market value provided by the client and other sources. Not to be considered an official statement of account.

Authorized Decision Makers

The authorized decision maker(s) for the assets under this IPS and their capacity are:  
Jane and Robert Johnson

All authorized decision-makers must agree unanimously in order to direct future policy.  
Investor Circumstances

Factors that could impact the manner in which this money will be managed include:

Two taxable accounts are approximately 73% of the portfolio assets and have embedded capital gains which must be managed before a complete re-allocation can be accomplished.

### **Investment Objectives**

The Investor's primary objective for this investment portfolio is outlined in detail in the accompanying financial plan. Said objectives may be updated or changed as circumstances warrant and changes will be reflected in an updated financial plan and IPS.

### **Anticipated Withdrawals**

Withdrawals, other than cash from the taxable accounts, are not expected in 10 plus years.

### **Tax Policy**

The Investor's top marginal federal tax bracket is expected to be 24%

The state tax bracket is expected to be 5.75%

The following are tax issues that should be considered in the management of this portfolio:

- ❖ Embedded capital gains in the two taxable accounts (73% of the portfolio) must be managed before a complete re-allocation can be accomplished.

The portfolio will be managed to improve tax efficiency as follows: Asset location will be considered to maximize tax efficiency. Where assets are held in taxable accounts, tax efficient investment vehicles (tax managed funds, etfs, municipal bonds, etc.) will be utilized to improve tax efficiency.

### **Risk Tolerance**

Although Investor prefers to limit the portfolio's volatility, the Investor has also indicated a willingness to tolerate a decline in the investment portfolio value over a period of over three years in order to position their portfolio for improved long-term growth possibilities.

Based on questionnaire responses regarding risk tolerance the Investor can tolerate declines (20-30%) through difficult phases in a stock market cycle. For the purposes of determining how the investments under this policy statement should be invested, the responses suggest the Investor's risk tolerance is Moderate.

## Asset Allocation Table

Category	Holdings	% Allocation
<b>Equity</b>		<b>73</b>
	US Large Cap	39
	US Mid Cap	9
	US Small Cap	8
	Intl Developed	11
	Intl Emerging	6
<b>Fixed Income</b>		<b>22</b>
	Short -term	7
	Interm - term	11
	Intl Fixed Income	4
<b>Cash</b>		<b>5</b>

The above percentages are approximate values and the actual portfolio allocation will be different due to trading and market fluctuations.

### Rebalancing Procedures

Rebalancing will be considered when allocation targets as outlined above move away from the desired levels. This will be done after discussion with the Investor and factors such as tax liability and cost will be considered.

### Adjustment in the Target Allocation

Modification to the approved allocation may be needed from time to time for a variety of reasons. When such a change to the approved allocation needs to occur, it shall only be made with the concurrence of the Investor and with an update to the IPS and financial plan.

### Frequency of IPS Review

The Investor recognizes that all investments go through cycles and, therefore, there will be periods of time in which the investment objectives are not met or when specific managers fail to meet their expected performance expectations. The Investor accepts the principle that, in the

absence of specific circumstances requiring immediate action, patience and a longer-term perspective will be employed when evaluating investment performance.

The advisor and Investor will have a discussion annually to review and update this IPS.

### **Diversification and Investment Constraints**

Investment of the Investor's funds shall be limited to securities in the following categories:

#### **Asset Classes**

Money Market Funds  
U.S. Short Term Taxable Bonds  
U.S. Intermediate Term Taxable Bonds  
U.S. Long Term Taxable Bonds  
U. S. Total Taxable Bonds  
U.S. Corporate Bonds  
High Yield Bonds  
Non-U.S. Bonds  
Total US Equities Market  
U.S. Equities – Large Cap  
U.S. Large Cap Value  
U.S. Large Cap Growth  
U.S. – Mid Cap  
U.S. – Mid Cap Value  
U.S. – Mid Cap Growth  
U.S. – Small Cap  
U.S. – Small Cap Value  
U.S. – Small Cap Growth  
World Stocks (Ex. U.S.)  
Non U.S. Large Stocks - Developed Countries Non U.S. Small Stocks - Developed Countries  
Foreign Equities – Emerging Market  
Real Estate Securities/REITs  
Sector: Utilities

#### **Securities Types**

Individual Stocks or Bonds  
Open-ended Mutual Funds  
Closed-end Mutual Funds  
Exchange Traded Funds

## Duties and Responsibilities

### *The Advisor*

1. Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
2. Recommending an appropriate custodian to safeguard Investor's assets.
3. Advising the Investor about the selection of and the allocation of asset categories.
4. Identifying specific assets and investment managers within each category.
5. Ensuring that the custodian provides Investor with a current prospectus, where applicable, for each investment proposed for the portfolio.
6. Monitoring the performance of all selected assets.
7. Recommending changes to this investment policy statement.
8. Periodically reviewing the suitability of the investment for the Investor.
9. Being able to meet with the Investor at least twice a year in person or via phone.
10. Being available at such other times within reason at the Investor's request.
11. Preparing and presenting appropriate reports.

### *Discretion and Title*

1. YD Financial will not take title to any assets.
2. Investor does not grant Advisor discretionary control for purchase and sales of Investor's securities.
3. Advisor shall have no authority to withdraw funds from Investor's accounts, except to cover payment of previously agreed to fees or at Investor's specific direction.
4. Advisor may not change Investor's investment policy, including the targeted asset allocation, without Investor's prior approval.

### *The Investor*

1. The oversight of the Portfolio.
2. Defining the investment objectives and policies of the Portfolio.
3. Directing Advisor to make changes in investment policy and to oversee and to approve or disapprove Advisor's recommendations with regards to policy, guidelines, and objectives on a timely basis.
4. Providing Advisor with all relevant information on Investor's financial conditions and risk tolerance and shall notify Advisor promptly of any changes to this information.
5. Reading and understanding the information contained in the prospectus and each investment in the Portfolio.
6. Being responsible for exercising all rights, including voting rights, as are acquired through the purchase of securities.

*Proxy Voting*

The investor is responsible for and empowered to exercise all rights, including proxy voting rights.