

FROM YOUR ADVISOR INVESTMENT POLICY STATEMENTS

IPses should outline your overall financial objectives, laying out why you are investing and your expected time horizon

Big pension funds use investment policy statements (IPses) to help guide their portfolios. But even though you aren't managing billions, financial advisors say you probably should use an IPS, too.

A formal IPS is not a financial plan, but should be complementary to one.

Ilana Schonwetter, an investment advisor with BlueShore Financial Credit Union in West Vancouver, B.C., says an IPS should outline your overall objectives, while a financial plan handles the details of achieving those goals.

"To me, [an IPS] makes sure that my clients actually understand everything that we have discussed," Schonwetter says. "This is the point at which you can reconfirm that you're both on the same page as far as some very important factors that will help your relationship move forward."

A formal IPS should lay out why you are investing and your expected time horizon. This document also should provide guidance about how money will be invested, including what kinds of investments you will hold and outline what mix of stocks and bonds you are comfortable with.

Your IPS should reflect any discussions you have had with your advisor about the level of risk you are willing to take and what may or may not be a suitable investment.

Are you comfortable with investing in individual stocks, or would you rather hold mutual funds? Are junk bonds OK, or do you want to hold only investment-grade debt? Your IPS should set out where your money can be invested.

An IPS also should outline your expectations of your adviser and what you are going to pay for the advisor's services. Service items include how often you expect to meet with your advisor and what kind of periodic communications you expect to receive from your advisor or his or her firm.

An IPS can be the document in which you identify any restrictions on your investments, such as confining them to compan-

ies that follow socially responsible investing principles.

"The IPS can go beyond just the objective and the goal. It can reflect the client's personal values and make sure that we are really tapping into what is important to that client," Schonwetter says.

Sylvain Brisebois, a portfolio manager and senior vice president at BMO Nesbitt Burns Inc. in Ottawa, says an IPS can be used to help keep you on track when investment markets are volatile.

"When the markets are going to the upside and we become a little bit braver in terms of our allowable risk tolerance, this is a document we can refer to to ensure we don't deviate from our longer-term understanding," he says. "The flip side also is true: when markets are difficult, we want to refer to the IPS."

Brisebois compares a formal policy to a road map that helps to guide your investing: "If you take off without having really planned where you're heading, sometimes you need to readjust — and [that] could slow you down."

An IPS should provide guidance in how your money will be invested, including what asset mix is appropriate

By Craig Wong (CP)