Greenway Capital Advisors, LLC

WEALTH ADVISORY – 4th Quarter 2012

The Importance of an Investment Policy Statement

Yogi Berra once said, "If you do not know where you are going, you might not get there." Nowhere is Yogi's quote more relevant than in the investment management of family wealth held in trusts.

In that regard, every trust should have a written roadmap for the investment management of its assets. That written roadmap is an investment policy statement. An investment policy statement lays out the policies, strategies, and procedures for the investment management of trust assets. In essence, it constitutes the framework that keeps the investment management process on track to meet the overall goals and objectives of the trust.

In developing an investment policy statement for a trust, the Investment Committee of a private trust company should address the following issues:

1. What is the investment objective of the trust? Investment objectives can vary, but some of the more common investment objectives are: Preservation of Capital, Income, Growth, Balanced, and Cash/Cash Equivalents.
2. What is the time horizon for the investment of the trust assets?
3. What is the trust's financial capacity and willingness to accept risk?
4. What asset classes are appropriate for the trust? Asset classes can include: Cash/Cash Equivalents, Fixed Income, U.S. Publicly-Traded Equities, International Equities, Real Estate, Private Equity, Hedge Funds, and Commodities.
5. What guidelines have been set for the percentage of the trust assets that can be allocated to each asset class?
6. What is the procedure for rebalancing the asset allocation if investments in asset classes exceed or fall below the established percentage guidelines?
7. Does state law or the trust document prohibit investment in certain assets?
8. What tax considerations should be taken in to account when investing trust assets?
9. Are there any liquidity needs that will impact the investment management of the trust assets?
10. Is the trustee permitted to delegate investment functions to qualified investment advisors? If so, how are those advisors selected and monitored?
11. What types of communication and frequency of that communication will there be between the trustee and the investment advisors?

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