



Financial Focus: Be sure to have a defined investment program

By Record Searchlight staff
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Know your plan

Having a defined Investment Policy Statement (IPS) is the most important decision any investor can make because it truly has, "a greater effect on the portfolio's return than either the sponsor or manager, or the transaction costs or timing and selection," according to The Journal of Performance Measurement.

Investment advisers provide comprehensive and continuous investment advice that follows a four-step prudent investment process. The four steps include:

- 1) Organize how decisions will be made and documented.
- 2) Formalize specific time horizon and asset allocation.
- 3) Implement appropriate investments.
- 4) Monitor investment managers and performance.

The Foundation for Fiduciary Studies, which establishes prudent practices for many of the nation's largest pension funds and endowments, also encourages individual investors to follow, "a formal, long-range, strategic plan that allows the investment adviser to coordinate the management of each client's investment program in a logical and consistent framework."

The following are some questions to consider regarding your current investment program: How was your portfolio's asset allocation determined? When was the last time you updated your IPS? What type of due diligence and periodic monitoring have you applied to your portfolio? Do you understand all of the fees and expenses associated with your investment program?

Smart investors should consider working with an independent investment adviser to ensure adherence to a written investment policy.

Richard B. Komarek
Accredited Investment Fiduciary
highWAY Financial Networks
Redding
rkomarek@highwayfinancial.com



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