



Investment policy statements

WHY ORGANIZATIONS NEED AN INVESTMENT POLICY STATEMENT

For some organizations, having an investment policy statement (IPS) may be a requirement for compliance with regulations or industry best practices. But even if it's not mandatory, an IPS has several key benefits.

ESTABLISHES CLEAR INVESTMENT OBJECTIVES AND GOALS

An IPS helps an organization define and document its investment objectives and goals, which can help guide investment decisions and ensure they are aligned with the organization's overall mission and strategic priorities.

PROVIDES A FRAMEWORK FOR DECISION-MAKING

An IPS provides a clear framework for decision-making related to investments, which can help ensure that investment decisions are consistent with the organization's goals and objectives and are made in a systematic and disciplined manner.

HELPS MANAGE INVESTMENT RISK

An IPS outlines the organization's risk management policies and procedures, including strategies for managing investment

risk and steps to be taken in the event of a significant market downturn. This can help minimize the potential for losses and preserve the organization's assets.

HELPS IMPROVE INVESTMENT PERFORMANCE

By establishing clear investment guidelines and performance measurement criteria, an IPS can help improve investment performance and ensure that investment decisions are based on objective criteria rather than emotional reactions to market fluctuations.

FACILITATES COMMUNICATION AND TRANSPARENCY

An IPS provides a clear and transparent framework for communicating investment decisions and results to stakeholders, including the organization's governing board, staff and donors.

In summary, having an IPS can help an organization establish clear investment objectives and goals, manage investment risk, improve investment performance and promote transparency and communication with stakeholders.

INVESTMENT POLICY STATEMENT (IPS) BEST PRACTICES

An investment policy statement is a document that outlines an organization's general investment goals and objectives and describes the strategies to be employed to meet those objectives. An effective IPS can help guide an organization's investment decisions and ensure that those decisions are consistent with the organization's mission and goals. The following should be included in any IPS.

OBJECTIVES AND GOALS

The IPS should clearly state the organization's investment objectives and goals. These might include objectives related to risk tolerance, return on investment and liquidity needs.

INVESTMENT GUIDELINES

The IPS should provide guidance on how investments will be selected, monitored and evaluated. This might include guidelines related to asset allocation, diversification and investment manager selection.

RISK MANAGEMENT

The IPS should outline the organization's strategies for managing investment risk and steps to be taken in the event of a significant market downturn.

PERFORMANCE MEASUREMENT

The IPS should establish performance-measurement criteria to evaluate the success of the investment program. This might include benchmarking against relevant market indices or other metrics.

ASSET ALLOCATION

The IPS should provide guidance on how the organization's assets will be allocated across different asset classes, such as stocks, bonds and real estate.

INVESTMENT MANAGER SELECTION

The IPS should outline the process for selecting and evaluating investment managers, including criteria for evaluating investment performance and monitoring investment managers' adherence to the IPS.

MONITORING AND REPORTING

The IPS should establish procedures for monitoring investment performance and reporting results to stakeholders, including regular reports to the organization's governing board.

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INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER
880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM

Investing involves risk and you may incur a profit or loss regardless of strategy selected.