**Summit Wealth & Retirement Partners**



**Investment Strategy Statement for:**

**Mr. and Mrs. Client**

X and X are 55 and 51 years old. Your joint life expectancy is X years based on actuarial calculations.

Your estimated annual expenses, excluding one-time items and travel, are roughly $XK plus taxes. We will assume a 2.25% inflation rate for these expenses in our planning.

You have accumulated roughly $XM in investable assets, excluding equity in your home and college funds.

Your non-portfolio income will be Social Security income totaling roughly $XK / year. To create additional guaranteed income, we may want to consider the use of annuities.

Your projected withdrawal rate from your portfolio should be around X to X%. We may consider Roth conversions between retirement and your required minimum distribution date in order to lower your taxes gradually.

Against that backdrop, your portfolio investment strategy is as follows:

* + Primary Investment Goal – Finance Retirement
  + Time Horizon – X+ years
  + Initial portfolio income needs – X% to X%
  + Risk Comfort Level – Moderate
  + Portfolio Composition & Breakdown by Sub Category:
    - 40% to 60% in Equities, of which no more than 1/3 will be in International & Emerging Market Equities and no more than 1/3 will be in Small Cap & Mid Cap Equities
    - 40% to 60% in Fixed Income & Cash, of which no more than 1/4 will be in High Yield Bonds and no more than 1/4 will be in International & Emerging Market Bonds
    - The portfolio may hold up to 20% in liquid alternatives at anytime
  + Performance Expectations – See Exhibit 1
  + Expected return – Given the current composition of your portfolio, we have projected an annualized return of **X%** gross of fees in your financial plan.
  + Volatility Expectations – We have agreed that risk and volatility are not one & the same, whereas there are three primary risks an investor such as yourself faces:
    - Permanent loss of capital
    - Loss of purchasing power (not keeping pace with inflation), and
    - Outliving one’s money
  + We will attempt to mitigate the first risk through diversification and by matching up your investments with your time horizon.
  + We will attempt to mitigate the second risk by always maintaining at least some allocation to equities.
  + We will attempt to mitigate the third risk by managing your annual withdrawal rate from the portfolio.
  + As a result of our decision to own equities, we accept the fact that our portfolio will face periods of volatility.
    - For example, since 1980 the S&P 500 has ex­perienced average annual declines from a peak to a trough approaching 14%, with declines of roughly twice that degree oc­curring on an average of every five to six years.
    - When these periods of volatility occur we will focus on our long-term objectives and our reasons for owning equities in the first place. And we may even use these opportunities to rebalance our portfolio as a decline in stock prices often represents a buying opportunity.
  + If there is a significant decline or increase in your account balances (more than 10% measured as of year-end), we will agree to revisit safe income distribution levels.
  + Both parties agree that this Investment Strategy Statement reflects your current goals and shall be revisited every 1-2 years as goals, needs, and concerns may change.

Client Signature Date Advisor Signature Date

Client Signature Date

**Exhibit 1: Sample Performance Grid for Various Portfolio Risk Levels**

**January 2002 – Dec 2021 Time Period[[1]](#footnote-1)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Portfolio** | **Initial Balance** | **Final Balance** | **Equity %** | **Fixed Income + Cash %** | **CAGR** | **Std. dev** | **Best Year** | **Worst Year** |
| Agg Growth | $1,000,000 | $6,431,539 | 100% | 0% | 9.75% | 14.52% | 33.0% | -36.1% |
| Growth | $1,000,000 | $5,590,201 | 80% | 20% | 8.99% | 11.37% | 27.1% | -27.1% |
| Growth w/Mod Inc | $1,000,000 | $4,900,974 | 65% | 35% | 8.27% | 9.17% | 22.8% | -20.5% |
| Balanced Growth & Inc | $1,000,000 | $4,236,988 | 50% | 50% | 7.49% | 7.01% | 18.2% | -13.5% |
| Income | $1,000,000 | $3,625,828 | 35% | 65% | 6.65% | 5.27% | 14.6% | -6.9% |
| Vanguard 500 Index | $1,000,000 | $6,142,257 | 100% | 0% | 9.50% | 15% | 32.3% | -37.0% |
| Vanguard Balanced Index | $1,000,000 | $4,608,852 | 60% | 40% | 7.94% | 9% | 21.8% | -22.1% |

* These are sample portfolios using various blends of publicly available mutual funds with track records extending back to 2001
* These are intended to illustrate the relationship between one’s allocation to equities and the potential volatility & performance that allocation may yield
* These are for illustrative purposes only and are not a promise or prediction of future returns

1. [www.portfoliovisualizer.com](http://www.portfoliovisualizer.com) [↑](#footnote-ref-1)