



# Investment Policy Statement

## Template

An investment policy statement is designed to help investors think through their priorities and preferences and make decisions in advance. This allows investors to clarify their goals so they know what to watch for in potential investments and identify situations to avoid. Policy statements also give a measure of accountability to an investor, allowing them to compare the actions they take to what they intended to do. Finally, when meeting with investment advisors, the policy statement allows an investor to communicate clearly and quickly.

To create a basic investment policy statement, complete the following sections. You may add other information you find helpful at the end. Remember, the goal is to use your policy statements to get clear about your goals and intended actions. ***If you want help fleshing out these statements, consult your ROI Turn Key investment advisor.***

### Goals and Time Frames

Set time frames for your investment goals by writing one or more policy statements that include what you want to do and the time frame you want to accomplish your goal. (For example: *I want my real estate investments to produce \$2,000 in passive income within five years.*)

### Goal/Time Frame Statements

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### Funding Policies

Identify your known funding sources and the amount of money available through each. Then write other statements to identify other possible sources of funding that you want to explore. (For example: "I will use \$100,000 in equity from my home refinance to buy 4-5 properties." or "I will investigate rolling my 401k into a self-directed IRA by calling John Smith at ABC IRA Trust no later than April 30th.")

**Funding Policy Statements**

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**Acquisition Policies**

Identify your acquisition policies. Write a statement detailing what class of properties you want to invest in. Include what mix of property classes you would like to be part of your portfolio. Next, write a policy statement setting the estimated returns you will accept. Finally, add other statements, as desired, about how you want to balance cash flow versus appreciation, or what size properties you are most comfortable with (3/1s versus 3/2s or 4/2s, etc.) (For example: "I want to invest primarily in C+ or B- properties that cash flow between \$200 and \$300 monthly." or "I will only buy properties with a Net ROI (Cap Rate) higher than 6.5% and a Cash-on-Cash Return of %10 or higher.")

**Acquisition Policy Statements**

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## **Sell/Exchange Policies**

Identify your sell/exchange policies. Write a statement detailing when you will sell or exchange a property. Be sure to include what type of appreciation and cash flow you want from a property before moving it out of your portfolio. Next, write a policy statement about the circumstances that would cause you to sell versus doing a 1031 Exchange. Be specific. Finally, add other statements about your criteria for initiating a 1031 exchange for one or more of your properties. You might include statements about tax benefits or maintenance horizons. (For example: *“I want to exchange properties between 5 and 7 years if market conditions will yield more than an 8% profit.”* or *“I will sell or exchange a property in a market that is in expansion if the property in question has been held for at least 3 years and has appreciated at least 5%.”*)

## **Sell/Exchange Policy Statements**

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## **Summary**

By writing policy statements, you are working through possible scenarios and market conditions before they happen. This allows you to be more aware of the types of decisions you need to be prepared to make. Investment policy statements are tools to help you plan and execute effective and profitable strategies.