BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

Personal Investment Discipline Statement

The purpose of this investment discipline statement (IDS) is to outline a philosophy and an attitude that can help guide the investment management of assets toward the desired results. It is intended to be specific enough to be meaningful, yet flexible enough to be practical. It is not expected that the IDS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IDS.

Step One

Initial Designation of Assets

Before any specific investments are considered for available funds, it must first be determined that the specific funds are either emergency funds, short-term money or long-term money.

Emergency Funds: Cash taking the form of a money market or savings account, instantly liquid any business day. While general guidelines can be applied to determine an appropriate amount to serve as an emergency fund, each client is responsible for choosing an amount based on their own comfort level.

Short-Term Money: Money which needs to be available for specific purposes in the ensuing five-year period. While by no means all-inclusive, typical examples of short-term money would be vehicle replacement savings, home down payment savings, or college funding savings for a student in their mid – to late -teens.

Long-Term Money: Money that will not be needed for a period of time beyond the five-year time frame, or assets that will be drawn from over an extended period of time. Typical examples of long-term money would be IRA accounts, 401(k)s or foundations and endowments.

Step Two

Allocation of Short-Term Money

The paramount characteristic of an investment for short-term capital is preservation of principal. The client must know that funds will be available when needed. As a result, typical appropriate financial vehicles include savings accounts, bank deposits, money markets and short-term bonds, including CDs, treasury securities and municipal bonds. When a specific date is known for a specific need, bonds/CDs can be purchased with maturities that coincide with such need.

Step Three

Allocation of Long-Term Money

Allocation of long-term capital starts with a Wealth Plan analysis. This will determine an appropriate mix of investment assets to help minimize risk while giving the client a reasonable probability of accomplishing their long-term financial goals. Once the appropriate mix of assets is determined, clients must be committed to the process of 1) Getting in the portfolio, 2) Staying in the portfolio, and 3) Experiencing both the positive and negative investment experience to get the average.

Logic and Experience

Timing the markets is the practice of attempting to tactically enter when markets are low and exit when markets are high. Experience over time has shown us that most investors who attempt to time the markets eventually abandon their process as they realize the futility of their exercise. By applying the three-step process described above, investors have been able to weather difficult markets because they have strategically prepared for them in advance; an appropriate level of readily available, lower risk short-term investments stand as a buffer between and investor and the fluctuations of their long-term investments. Armed with this knowledge, those who follow this process are more likely to maintain investment discipline in difficult markets, reduce the level of emotion in their investment process and reduce potential harm to their portfolios.

This investment discipline statement is a guideline and framework for the investment process. It is not a binding agreement. Best practice also calls for an annual review of this investment discipline statement for any necessary adjustments.

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