



**S T A R C A R E**

## **Investment Policy Statement Income with Capital Preservation**

### **I. Introduction**

This Investment Policy Statement (“IPS”) is intended to document discussions between \_\_\_\_\_ (“Client”) and STARCARE Associates, Inc. (“Advisor”) concerning management of Client’s account held with LPL Financial (“LPL Financial”). This IPS does not modify or amend the contract between LPL Financial, Advisor and Client, which is set forth in the documents signed and received by Client in connection with opening this account.

As set forth below, Client and Advisor have agreed that the investment objective for this account is “Income with Capital Preservation.” Client and Advisor will review the selection of this investment objective at least annually, to determine whether it continues to be consistent with Client’s investment objectives for this account.

Client acknowledges that there is a distinction between an investment objective and a guaranteed investment result, and that investment results cannot be guaranteed. Selection of an investment objective requires balancing of a client’s personal capacity to accept the risks of investment over an anticipated time horizon with the historical and reasonably anticipated future risks of investment in various asset classes, which may or may not be replicated in the future.

Ultimately, since the capacity to accept varying levels of risk is different for every client, it is always Client’s decision to maintain, increase or reduce the investment risk (and thus the investment objective) of this account, and Client may instruct that changes be effected at any time. Normally, however, evaluation of whether the overall risk level of the account continues to be appropriate for Client’s investment objectives will occur on an annual basis.

**It is understood that investment results cannot be guaranteed, and that past performance of any security (including individual stocks and mutual funds), or any portfolio of securities is not indicative of future performance.**

Client Initials: \_\_\_\_\_

## II. Time Horizon for Investment

One of the most important considerations for selection of an investment objective and the selection of investments for an account is the time horizon for the account. Typically, it is important to attempt to estimate at least two periods of time: the period of time that an investor anticipates a greater focus on accumulating assets (during which income requirements are expected to be satisfied from other sources), as well as the period of time that an investor anticipates satisfying some portion of income requirements from investments. These periods are specific to each client, and can vary significantly. In addition, these periods can change based on unforeseen circumstances or changes in financial condition. If such events occur, Client will notify Advisor promptly.

For purposes of this IPS, Client anticipates a time horizon of between – and – years will exist prior to the anticipated need to satisfy some portion of income needs from this account.

### *[If income will be taken immediately]*

For purposes of this IPS, Client anticipates making [weekly / monthly / annual] withdrawals income of approximately \$ \_\_\_\_\_ from this account for income requirements, beginning immediately.

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## III. Risks of Investment

Understanding the risks of investment and deciding what amount of risk an investor is prepared to accept also is specific to each client, and also can vary significantly. Every person has distinct attitudes about risk in many areas of their lives (for example, some people enjoy skydiving, while others will not even travel by plane), and investment is no different. Evaluation of an acceptable risk level necessarily involves balancing the possibilities of “worst case” results against results that may be achieved if historical results of investment in various asset classes are replicated in the future.

Historically, risk has existed over the full range of the investment spectrum. For example, if historical rates of inflation are replicated in the future, the “worst case” long-term risk of investing solely in cash (a very conservative strategy) would be that growth in the value of the investments would not keep pace with inflation and purchasing power would be significantly reduced, even though the initial investment capital would be preserved (a simple example is that, 30 years ago, an entry level car could be purchased for under \$3,000, which would be a modest down payment today). By way of contrast, investment in highly

speculative securities in new, unproven businesses or industries (a very aggressive strategy) historically has resulted in both very high returns for some investors and significant or total losses of investment (the “worst case”) for others.

Speaking generally, and in the context of long term investment, investment in securities that historically have achieved higher rates of return, such as growth-oriented equity securities, has historically increased the likelihood that growth in the value of the investments would occur, but this cannot be guaranteed over any period of time.

**Client Initials:** \_\_\_\_

#### **IV. Investment Objective**

Based on discussions between Client and Advisor concerning Client’s financial circumstances, time horizon, and risk tolerance, Client has selected Income with Capital Preservation as the investment objective for this account. Income is expected to be derived from conservative fixed income securities and conservative equities with strong dividend histories. Because such securities historically have experienced less fluctuation in value, there is expected to be less risk that the capital invested in the account would not be preserved, but this cannot be guaranteed over any period.

Speaking generally, this is a more conservative investment objective than “Income with Moderate Growth” (which would involve a greater allocation to income oriented equity securities that historically have experienced larger short-term fluctuations in value and larger long-term increases in value). This is designed as a longer term accumulation account, and is the most conservative investment objective.

Although exact percentages are likely to vary over time, the anticipated allocation in the account will be 75% in conservative fixed income securities, with a bias towards higher quality bonds of various maturities, and 25% in income-oriented equity securities, with a bias towards large company stocks with a strong dividend history. Both allocations may be effected through investment in diversified mutual funds that are comprised of such securities. Emphasis is placed on generation of current income and prevention of capital loss.

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#### **V. Investment Guidelines**

Based on discussions between Client and Advisor, Client has instructed that the following investments may be purchased in the account.

- Individual Debt Instruments issued by approved government agencies

- ❑ Corporate Debt Instruments
- ❑ Open and Closed-End Publicly Traded Mutual Funds (approved by LPL Financial's Research Department)
- ❑ Exchange Traded Funds (ETF's)
- ❑ Individual Equity Securities
- ❑ Money Market Funds
- ❑ Publicly and Non-publicly traded Real Estate Investment Trusts (REIT's)

Speaking generally, concentration of an account in a particular security or industry sector can increase the risk that unforeseen events could negatively affect the particular security or industry sector, which would negatively affect the account's performance.

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## **VI. Benchmarks for Investment Review**

Based on discussions between Client and Advisor, Client has agreed that comparing the performance of the account to generally accepted industry "benchmarks" can be a useful exercise. Accordingly, the following benchmarks may be utilized for purposes of account monitoring and review:

- ❑ Large Cap Stocks: S&P 500, Russell 1000 Index
- ❑ Mid Cap Stocks: Russell Midcap Index
- ❑ Small Cap Stocks: Russell 2000 Index
- ❑ REITS: Dow Jones Wilshire REIT Index
- ❑ Global Stocks: MSCI-EAFE Index
- ❑ US Bonds: Lehman Brothers Aggregate Bond Index
- ❑ Global Bonds: Solomon Brothers World Bond Index

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## **VII. Account Monitoring**

Advisor will monitor the investments in the account and the overall account performance. Because the benefits of diversification historically have been achieved over the long term, short term market fluctuation will not necessarily result in a recommendation by Advisor to switch the investments or to consider changing the investment objective. On at least an annual basis, however, Advisor will evaluate whether the account should be rebalanced to bring the relative percentages closer to the diversification allocation discussed above.

Client also will monitor the account, and will receive regular periodic statements of the account, as well as confirmations of every transaction in the account, to assist with such

monitoring. Client acknowledges that it is his/her responsibility to review transaction confirmations and periodic account statements upon receipt, and to promptly notify Advisor of any questions or concerns arising from such review. Client will notify Advisor of any changes to financial circumstances, time horizon, or risk tolerance.

**Client Initials:** \_\_\_\_

**VIII. Acknowledgement**

By [his/her] signature below, Client acknowledges receipt of this IPS and discussion of its contents with Advisor.

\_\_\_\_\_  
**(Client)**

\_\_\_\_\_  
**Date**

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