

CORE INVESTMENT DISCIPLINE STATEMENT

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PURPOSE

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

STEP 1: INITIAL DESIGNATION OF ASSETS

Before any specific investments are considered for available funds, those funds must be defined as emergency funds, short term money or long term money.

- Definition of emergency funds — CASH taking the form of money market or savings account or interest bearing checking account, instantly liquid any business day.
- Definition of short term money — money which needs to be available for ultimate purposes other than investment in registered securities in the ensuing 5 year period. While by no means all inclusive, typical examples of short term money needs would be vehicle replacement savings, savings for a down payment on a home or savings for college funding for a student in their mid to late teens.
- Definition of long term money — money that will not be needed until beyond the 5 year time frame or assets

that will be drawn from over extended periods of time. Typical examples of long term money would be IRA accounts, 401k's or foundations and endowments.

STEP 2: ALLOCATION OF EMERGENCY FUNDS

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 with which they are comfortable, for such a cash position.

STEP 3: ALLOCATION OF SHORT TERM MONEY

The paramount characteristic of an investment for short term capital is preservation of principal. The client has a need to know that funds will be available when needed. As a result typical appropriate investments include savings accounts, bank deposits, money markets and short term bonds to include

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CD's, Treasury securities and municipal bonds. When a specific date is known for a specific need, bonds/CD's can be purchased with maturities that coincide with such need.

STEP 4:

ALLOCATION OF LONG TERM MONEY

Allocation of long term capital first consists of the use of the Retirement Funding Sensitivity (RFS) process to 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 psychologically committed to the process of 1) Getting in the portfolio 2) Staying in the portfolio and 3) Experiencing the positive investment experience along with the negative to get the average.

LOGIC AND EXPERIENCE

Experience over time has shown us that most investors who attempt to time the markets [Timing the markets is the practice of attempting to tactically enter when investments are low and exit when investments are high] 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. Armed with the knowledge that an appropriate level of readily available, relatively safe short term investments stand as a buffer between an investor and the fluctuations of their long term investments, 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.

Best practice also calls for an annual review of this Core Investment Discipline Statement for any necessary adjustments.