



Southward Financial Services, LLC

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Investment Policy for Mr. and Mrs. Client January, 2012

Objective

To manage assets so to provide income of approximately \$2,600 month now and to increase that amount annually at the rate of inflation.

Current Finances

1. Mr. Client has a 401(k) account at Former Employer of approximately \$450,000, and an IRA at Charles Schwab of approximately \$350,000.
2. Mr. Client has also received one year salary as severance pay.
3. Both Mr. and Mrs. Client will be eligible for Social Security in 2013.

Applicable Asset Classes

1. Cash, defined as money market funds and certificates of deposit.
2. Bonds, either individually or as part of a mutual fund. Municipal bond funds will be used to the extent that the funds represent a better after-tax return.
3. Real estate, within a mutual fund investing in real estate investment trusts (REIT.)
4. U.S. stocks, either individually or as part of a mutual fund.
5. Foreign stocks, as part of a mutual fund.
6. Commodities, as part of a mutual fund.
7. Other strategies, as part of a mutual fund. This category will include funds that use specialized investment strategies such as merger and fixed income arbitrage, absolute return and / or long-short equity.

Strategies to Implement Goals

1. No-load mutual funds shall be given first consideration for investing in all the above asset classes. Exchange-traded funds (ETFs) may be used if they offer tax and trading cost advantages over mutual funds.
2. Individual Treasury notes/bonds may be used as part of the bond component. Individual notes and bonds will be held until maturity. Individual stocks will be purchased when the investment time horizon for the stock is five years or more.

3. Within the U.S. stock portion of the portfolio, approximately one-third will be indexed to the Wilshire 5000.
4. Other stock fund investments will be selected to broaden the portfolio to smaller capitalization stocks and international investments. Speculative stock investments will be avoided.
5. Cash will generally be invested in a money market fund. A minimum of two years of estimated withdrawals will be kept in money market-type investments. These funds are not counted as part of the below asset allocation targets.
6. Broad asset allocations will be changed when:
 - a. The need for funds changes
 - b. The relative performance of the different classes moves the allocation more than the boundaries set for each class.
7. Individual investments within a given asset class will change when:
 - a. It is necessary to effect an asset allocation change as listed above.
 - b. When the investment has a serious underperformance relative to its peers. "Underperformance" will be total performance in the bottom quartile of its category for three years, as measured by the Morningstar categories.
8. Asset allocation percentages:

	Target Percentage	Lower Boundary	Upper Boundary
Stocks			
U.S. stocks	30%	24.0%	36.0%
International	11%	9.0%	15.0%
Bonds	50%	40.0%	60.0%
Real Estate	3%	1.5%	4.5%
Commodities	3%	1.5%	4.5%
Other Strategies	3%	1.5%	4.5%
Cash	0%	0.0%	0.0%

Rebalancing Criteria

When the percentage of an asset class moves outside of either the lower or upper boundary as shown above, investments in that class will be bought or sold as needed to adjust the percentage back to the target level. Asset allocations shall be examined once a month.

Approved:

Mr. Client

Date

Mrs. Client

Date