

HOA Guide:

HOW TO CREATE AN INVESTMENT POLICY

Do you have an HOA Investment Policy?

Turns out most board members either don't have one or don't know what they are. But an Investment Policy is critical to your community's financial health and continued relevance.

So what is it, exactly? An Investment Policy serves as a guide for ensuring that your community's cash balances are invested in a prudent and appropriate manner. Partner with an HOA financial services company and use this guide to help you develop a plan that works. To learn more, read the article, [\[Reserve Funds\] Six Ways to Improve Association Returns.](#)



SECTION 1: Write an Introduction

Call out your association by name and outline a brief mission statement. Answer the questions: What is the intention of this policy? How will this serve future boards?

EXAMPLE: *The XYZ Association Board of Directors has duties to budget, collect and manage funds for current operations and for reserve funds...*

It is the intent of this policy to...



SECTION 2: Explain Fiduciary Responsibility

Describe your fiduciary responsibility. Answer the questions: What are the duties of a fiduciary? What principles of prudence are we required to abide by? Learn more

about the "Prudent Investor Rule" [here](#) >

EXAMPLE: *Fiduciaries have a duty to avoid unnecessary fees, transaction costs and other expenses...*





SECTION 3: Define Investment Strategy

Outline your HOA's investment strategy, including the goal. Answer the questions: What is the goal of our investments? What priorities should we have when making investments?

EXAMPLE: *All financial assets of the HOA shall be deposited or invested in accordance with...*



SECTION 4: Determine Asset Allocation

Explain exactly what short-term and long-term investments you will focus on. Answer the questions: Which products will our association invest in? Are these investments in accordance with state and federal laws?

EXAMPLE: *Short-term investments shall consist of FDIC-insured accounts...*



SECTION 5: Identify Performance Objectives

Decide on a method of monitoring and reporting investment performance. Answer the question: How will we measure and track performance of our investments?

EXAMPLE: *Performance will be measured by ABC Financial Services Company and reported quarterly to the Board...*



SECTION 6: Explain Investment Restrictions

Identify which products your board and future boards will *not* invest in. Answer the question: Which investments will be prohibited?

EXAMPLE: *The following investments will be prohibited: equity or mutual fund investments, commodities...*



SECTION 7: Set Up Review and Communication Plan

Review monthly statements as well as your investment policy regularly. Answer the questions: When will we review our accounts? How should information be communicated to the board?

EXAMPLE: *Monthly statements will be mailed or e-mailed to the Board. This policy statement will be reviewed...*



SECTION 8: Sign and Date Document

Last but not least, make it official. Ensure that your document has a place for the board of directors to sign and date.

Sound complicated?

At the end of the day, an HOA Investment Policy simply helps provide continuity for future boards and protect association assets. Use this guide in partnership with your management company to create a plan that works for you.

To learn more, [read the full article here >](#)

Our financial services affiliate, FirstService Financial, Inc., offers comprehensive financial services exclusively to FirstService Residential clients. [Learn more >](#)



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