

# Why Every Advisor Firm Needs a Written Investment Philosophy

Most advisors can talk about *how* they manage money. Far fewer can tell you *why*, in a way that's consistent from one client conversation to the next. That gap is where a written investment philosophy comes in.

An investment philosophy isn't the same as an investment policy statement (IPS). The philosophy is the foundation: a set of core beliefs about how markets work, the role of risk and what drives long-term wealth. It applies to every client.

The IPS is the blueprint built on top of the philosophy, and covers the specific, tactical rules for an individual portfolio. Philosophy is the *why*. The IPS is the *how*.

## The benefits of building an investment philosophy

A strong investment philosophy rests on a handful of non-negotiable standards, often including global diversification, cost management, tax efficiency, a clear stance on active versus passive management and a defined approach to specialization. These pillars act as a filter: If a new product or strategy doesn't align with them, it doesn't make it into a client's portfolio.

Defining these standards clearly helps protect against style drift, which tends to creep in as markets shift or as a firm brings on new advisors who haven't fully absorbed the firm's approach.

## Who should be involved with drafting your investment philosophy

Building a philosophy shouldn't happen in isolation. It works best as a collaborative effort among firm leadership, the investment committee and the financial advisors who are in front of clients every day. If the team doesn't buy in to the core beliefs, they won't be able to defend them when a client calls in a panic during a downturn.

Documentation matters just as much as buy-in. A philosophy that only exists as a shared understanding can't be scaled or applied consistently as a practice grows. Once the core principles are agreed upon, compliance and marketing can help shape the language to meet regulatory standards and weave the philosophy into the firm's broader story. The end product should be a formal, written document that serves as the internal source of truth for every investment decision that follows.

## When to review your investment philosophy

The core pillars should stay consistent, but how they're implemented will evolve as markets and technology change. A philosophy that never adapts risks becoming outdated. One that changes too often leaves clients and staff confused about what the firm stands for.

A formal review makes sense when triggered by a major shift, such as a change in tax law, the emergence of a new asset class or a fundamental change in the firm's size or

capabilities. Outside of those events, a review every 12 months is a reasonable cadence. Reviewing more often than that risks chasing whatever happens to be trending at the moment.

## **How an investment philosophy attracts the right clients**

A clear philosophy does some of your prospecting work for you. If your approach is built on low-cost, passive indexing, the clients drawn to that message are likely the ones who value discipline and efficiency over trying to beat the market. Being transparent about your beliefs helps repel prospects who would be a poor fit before they ever become a headache down the line.

Your philosophy should also connect directly to your fee structure. A firm built around complex, tax-advantaged strategies or active stock selection requires more labor and carries higher costs, which justifies a different fee tier than a firm offering a more automated, model-based approach. When fees are clearly tied to the complexity behind the philosophy, clients are more likely to see the cost as a reflection of value rather than an arbitrary number.

## **Turning your investment philosophy into an asset**

A philosophy that lives only in your head isn't doing much for you. Publish it on a dedicated page on your website, build it into pitch decks and quarterly commentaries, and reference it in content when explaining why you took (or didn't take) a particular action. Consistently publishing your core convictions makes it easier for the right clients to find you.

Standardizing the why and how of your investment approach helps provide a consistent client experience, which can increase a firm's capacity to grow without a proportional increase in overhead. It also provides clients clarity about your firm's belief system. That kind of clarity helps build long-term relationships and also makes it easier for clients to refer you to others.

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