

PART 2A OF FORM ADV: FIRM BROCHURE AS OF MAY 5, 2011

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This brochure provides information about the qualifications and business practices of Prudent Wealth Management LLC. If you have questions about the contents of this brochure please contact us at 417-338-1944 or by email at [doug@prudentwealth.com](mailto:doug@prudentwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Prudent Wealth Management LLC also is available at the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**SUMMARY OF MATERIAL CHANGES**

Section 8 of this brochure differs from the previous brochure dated March 8, 2011. Specifically, paragraph 3 of this section contains new material on how trades are made. Paragraph 5 is new and it describes procedures for aggregating client trades and the rotation procedure for fixed income trades. Clients are advised to review the document in its entirety.

## TABLE OF CONTENTS

1. ADVISORY BUSINESS SUMMARY	PAGE 3
2. FEES AND COMPENSATION	PAGE 4
3. TYPES OF CLIENTS	PAGE 5
4. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	PAGE 5
5. DISCIPLINARY INFORMATION	PAGE 6
6. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	PAGE 6
7. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING	PAGE 6
8. BROKERAGE PRACTICES	PAGE 7
9. REVIEW OF ACCOUNTS	PAGE 8
10. CLIENT REFERRALS AND OTHER COMPENSATION	PAGE 8
11. CUSTODY	PAGE 8
12. INVESTMENT DISCRETION	PAGE 8
13. VOTING CLIENT SECURITIES	PAGE 9
14. FINANCIAL INFORMATION	PAGE 9
15. ADDITIONAL DISCLOSURES	PAGE 9

## 1. ADVISORY BUSINESS SUMMARY

Prudent Wealth Management (PWM) has been providing investment supervisory services on a discretionary basis and a non-discretionary basis since its inception in September 2001. PWM also provides financial consulting services. PWM is owned in its entirety by Douglas J. Manz.

Investment supervisory services entails the management of portfolios using primarily domestic and international mutual funds and exchange traded funds, individual stocks listed on U.S. stock exchanges and individual bonds, both taxable and tax-exempt, traded in the U.S.

Financial consulting services entails advice on a variety of investment topics including the assets listed above, debt, risk, asset allocation, general investment management, retirement savings, and appropriate document and record keeping.

Both services offered are tailored to each client's specific needs and clients may impose restrictions on investing in certain types of securities, as long as those restrictions do not result in PWM not being able to manage their portfolios to meet the client's goals.

As of February 28, 2011 PWM managed discretionary assets in the amount of \$25,101,294 and non-discretionary assets in the amount of \$7,573,893.

## 2. FEES AND COMPENSATION

Fees for investment supervisory services are billed quarterly, in arrears at a rate between 0.4% and 1% of total assets under management, depending upon the type of investment vehicles used in the portfolio, valued at the end of the period and are negotiable. Minimum fee is \$250 per year. Investment advisory contracts have no expiration date and may be cancelled with written notice with the effective cancellation date 30 days after notification. Clients may chose to be billed for fees incurred and pay directly or be billed and have the fees deducted from their account.

Clients are responsible for all brokerage commissions and any other brokerage fees, such as but not limited to annual maintenance fees. Please see Section 8 for additional information about brokerage practices.

Mutual funds and some ETFs pay management fees to their investment advisors, which reduce their respective assets. Clients holding these securities pay two levels of advisory fees for the management of their assets. One is a direct fee paid to the PWM as detailed above and the second is an indirect fee paid to the managers of the mutual funds or ETFs held in the portfolio.

PWM charges by the hour for consulting services rendered at the rate of \$150.00 per hour, this rate is negotiable. Fees are payable at the completion of every five hours of consultation or the completion of the assignment, whichever occurs first.

### 3. TYPES OF CLIENTS

PWM provides its services to individuals, trusts, estates, endowments, pension and profit sharing plans and corporations or business entities other than those listed above. The minimum initial account value for investment advisory services account is \$500,000 although this may be waived under certain circumstances.

### 4. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

PWM's offers three investment strategies; bonds traded in the U.S., domestic and international equities with some alternative investments, and a combination of these two. Cash equivalents are a residual asset in our strategies, it can be high when other investment opportunities are not appealing and vice versa. Clients are advised that cash balances can be substantial and will fluctuate. Clients are advised that past performance of any asset class is no guarantee of future performance and losses will be incurred, even cash equivalents have been known to suffer losses. Clients are advised that international securities add another level of risk due to the volatility of foreign exchange rates.

PWM employs a fundamental analysis of economic and financial factors in evaluating individual securities and making determinations about asset allocation. PWM evaluates investments as to their risk, potential return and their impact upon the diversification of the portfolio. Diversification is generally held to be a positive attribute of a portfolio as it lessens the risk that all ones' asset are in poorly performing or losing assets. Clients are advised that there will be times when a diversified portfolio will suffer losses. Clients are further advised that past performance of any investment is no guarantee of future performance and losses will be incurred and that volatility risk is inherent in all investments with those assets having higher potential returns generally having higher volatility.

In the analysis of mutual funds PWM's analysis includes review of the risk, portfolio strategy, managers, portfolio structure, asset allocation and performance.

## 5. DISCIPLINARY INFORMATION

No person associated with PWM at any time has been involved in any type of disciplinary action.

## 6. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

PWM's sole business is its advisory business.

## 7. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING

PWM's code of ethics is derived from the Code of Ethics of the CFA Institute with additions pursuant to SEC rule 204A-1. This Code is provided to clients or prospective clients upon request.

PWM buys and sells for client accounts securities in which we have a material financial interest. Our belief is that owning securities also owned by our clients shows our commitment and interest in those securities; however this policy may also present conflicts of interest. For example, if new clients buy securities already held by PWMs owner, the additional demand for the security could cause that security's price to rise benefiting the owner. New clients are advised that purchases in their account or recommendations to purchase certain securities may include securities already held by PWMs owner. An additional conflict of interest could present it self when a position is being built or eliminated in clients' portfolios. The additional trades of the owner could result in the price of the security being bid up on a buy or bid down during a sale. Trades for the owners of PWM in securities recommended for purchase or sale to clients are made after all client trades are executed so as to avoid this problem. Records of all security purchases and sales and securities holdings of the owner are retained.

## 8. BROKERAGE PRACTICES

Brokers are recommended based on their commission schedule, order placement procedures, trade execution, and content of periodic client reports. Reasonableness of commissions is determined based on published fee schedules of competing firms. Clients make the ultimate decision as to the brokerage firm used.

PWM has no soft dollar arrangements; no brokerage commissions are used to pay for research or any other product or service.

When clients select a custodian broker PWM typically directs all trades to this broker, not all advisors operate in this manner. As a result PWM may be unable to achieve the most favorable execution of client transactions and this practice may cost clients more money. Specifically, clients may incur transaction costs in addition to any commissions charged by their custodian broker when trades in over-the-counter securities are effected on their behalf through that broker on an agency basis.

PWM does not recommend broker-dealers to receive client referrals from that broker-dealer.

Individual stock trades for multiple clients at the same broker are executed as a block and in these cases all clients receive the same price which is the average price at which the trade was executed. In the case where an equity block is only partially filled, each account will receive a proportional amount of the traded shares. Individual bond trades for multiple clients at the same broker are executed as a block as conditions warrant and in these cases all clients receive the same price. In the case where a fixed income block inventory is not sufficient to provide for all accounts, the accounts will go in rotation with each account getting its full allocation until the inventory is exhausted. In most cases bond trades can not be aggregated due to the small size of the bond positions offered for sale. Bonds are bought for clients based on a rotation procedure which is intended to provide an equal opportunity for each client's portfolio to access this limited supply.

## 9. REVIEW OF ACCOUNTS

PWM's owner performs a formal review of each account every 3 months. More frequent reviews may be performed due to events which may materially affect individual holdings, or changes in a client's circumstances. Client requests may also trigger more frequent reviews. Accounts are reviewed for performance, asset allocation, position size, and gains or losses where appropriate.

Each month, investment supervisory service clients receive from their custodian reports showing: all holdings, all transactions for the month and all income for the month. In addition, clients receive confirmations of trades directly from the broker/dealers effecting those trades as they occur. On a quarterly basis, PWM provides clients a newsletter discussing various investment issues and issues relating to client's holdings, along with a written report showing portfolio holdings and performance.

## 10. CLIENT REFERRALS AND OTHER COMPENSATION

PWM does not pay referral fees to any individual or business. The only compensation it receives is the fees paid by its clients.

## 11. CUSTODY

PWM does not have custody of clients' assets. Clients' retain full custody of their assets. PWM's authority is limited to making trades in clients' accounts where granted by client. Clients may allow PWM to collect its fees directly from the client's accounts as disclosed above in Section 2.

## 12. INVESTMENT DISCRETION

PWM accepts both discretionary and non-discretionary accounts. PWM's management agreement sets out the degree of discretion. In discretionary accounts PWM has authority only in regards to: 1) securities to be bought or sold, subject to restrictions previously set out in writing by individual clients, 2) amount of securities to be bought or sold, 3) the timing of these transactions, and, 4) the type of transaction order. The limited authority described in point 1) is also set out in the brokerage account agreement. In non-discretionary accounts, clients direct PWM as to which securities are to be transacted, the amount to be bought or sold, the timing and the type of order.

### 13. VOTING CLIENT SECURITIES

PWM clients retain the rights to vote on issues involving their securities. PWM will offer advice on this subject if requested to do so by a client but does not do the actual voting.

### 14. FINANCIAL INFORMATION

PWM has no financial condition that would impair its ability to meet contractual commitments to clients.

### 15. ADDITIONAL DISCLOSURES

The sole owner of the firm is Douglas Jay Manz, date of birth, February 21, 1953. His education after high school includes a BA and MBA from the University of Wisconsin – Milwaukee. For the past 5 years has been the co-owner then sole owner of PWM active in all phases of the business.