

# **Goepper Burkhardt + McGrew<sup>LLC</sup>**

## **Firm Brochure (Part 2A of Form ADV)**

**This brochure provides information about the qualifications and business practices of Goepper Burkhardt + McGrew<sup>LLC</sup>.**

**The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**If you have any questions about the contents of this brochure, please contact us at:**

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**Additional information about Goepper Burkhardt + McGrew<sup>LLC</sup> is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Annual Update**

**The Material Changes section of this brochure will be updated annually if material changes occur after the previous release of the Firm Brochure.**

## **Material Changes since the Last Update**

**The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative "plain English" format. The new final rule specifies mandatory sections and organization. As such we have revised our ADV Part 2 form to reflect this new rule.**

## **Firm Brochure Available**

**Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (864) 370-3244 or send an email to [service @gbmwc.com](mailto:service@gbmwc.com).**

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## **Advisory Business**

**Firm Description.** Goepper Burkhardt + McGrew LLC (hereafter referred to as GB+M) was founded in 2003. We have three partners and two staff employees. GB+M has offices in Greenville, SC and Atlanta, GA. The firm is registered with the U.S. Securities and Exchange Commission as a Registered Investment Adviser. GB+M offers portfolio management to individuals, families, foundations, trusts, charities and retirement plans. GB+M also counsels clients on non-investment financial issues. We work with our clients to define their investment objectives and develop strategies for reaching those objectives. The firm's compensation is solely from fees paid directly by clients. The firm does not receive commissions based on the client's purchase of financial products. No referral fees are paid or accepted. Assets under the direct management of GB+M are held in custody at Schwab Institutional. No benefits are received from Schwab Institutional based on securities transactions. We may recommend other professionals (e.g., lawyers, accountants, etc.) at the request of the client. Other professionals are engaged directly by the client on an as-needed basis even when recommended by GB+M. Conflicts of interest are disclosed to the client and will be managed in the best interests of the client.

**Partners, Employees and Locations.** GB+M has three partners: Dant Goepper, Bland Burkhardt and Brad McGrew; two staff employees: Dawn Moree and Chris Lazurek; and two offices: Greenville, SC and Atlanta, GA.

**Primary Service.** GB+M's primary service is portfolio management. Portfolios are tailored to each client's individual situation. Client goals and objectives are clarified in meetings and are used to determine the course of action for each individual client. The goals and objectives for each client are documented in our client files. Clients may impose restrictions on investing in certain securities or types of securities. Clients are advised that it is their responsibility to promptly notify GB+M when there is a material change in their financial situation or with their objectives for the purpose of reviewing, evaluating, or revising previous portfolio recommendations. In performing its portfolio management service, GB+M is not required to verify information received from the client or from the client's other professional advisors (e.g. attorneys, accountants, etc.)

**Secondary Service.** GB+M's secondary service is counseling our portfolio management clients on non-investment financial issues. Financial counseling is not the same thing as comprehensive personal financial planning in which practitioners prepare lengthy written reports that include numerous financial projections. Rather, counseling is the process of talking through the advantages and disadvantages of non-investment financial issues. Here are three examples: the advantages and disadvantages of converting regular IRAs to Roth IRAs; the advantages and disadvantages of continuing care retirement communities; the advantage and disadvantages of alternative estate strategies. Advisors who are paid a fee based on assets-under-management have a conflict of interest when counseling clients who wish to discuss non-investment financial issues that could lead to a reduction in assets-under-management. In performing its counseling service, GB+M is not required to verify information received from the client or from the client's other professional advisors (e.g. attorneys, accountants, etc.)

**Managed Assets.** As of March 1, 2011 GB+M has approximately \$140,000,000 in assets-under-management for approximately 100 clients. All assets are managed on a discretionary basis.

## **Fees and Compensation**

**Description.** Portfolio management fees are based on a percentage of assets-under-management. Fees are negotiable depending upon the size of the account and the type of investing provided to the client.

**Fee Billing.** Portfolio management fees are billed monthly in arrears. Client fees are debited from the client's custodial accounts at Schwab Institutional.

**Other Fees.** GB+M has selected Schwab Institutional as its broker/custodian (see Brokerage Practices on page 3). Schwab Institutional charges transaction fees on all stocks and bonds and on many mutual funds and exchange traded funds. Clients, along with help from the advisor, can elect either 1) to pay their transaction fees directly to Schwab Institutional or 2) to have the advisor pay the transaction fees to Schwab Institutional for them. There can be advantages and disadvantages to each arrangement. For example, when clients pay their transaction fees, they may incur higher trading expenses during turbulent markets when advisors tend to trade more often. On the other hand, when advisors pay transaction fees for clients, they may not trade as freely and they may develop a bias toward no-transaction fee securities and low-transaction-fee securities. If the client elects to have GB+M pay transactions fees on their behalf, the SEC may deem this to be a "wrap account", which is described in Schedule H on pages 6 and 7. Mutual funds and exchange traded funds charge internal fees for their services which are in addition to the fees paid to advisors. GB+M may charge hourly fees when counseling clients who do not have substantially all of their portfolio assets under management with GB+M.

**Performance-Based Fees.** GB+M does not use a performance-based fee structure due to the potential for a conflict of interest. However, the nature of asset-based fees allows GB+M to participate in the growth of the client's assets, which also means that GB+M fees will decline when client portfolios decline in value.

**Commissions on the Sale of Financial Products.** The firm's compensation is solely from fees paid directly by clients i.e. the firm does not receive commissions on the sale of financial products.

## **Types of Clients**

**Types of Clients and requirements.** GB+M provides investment advice and financial counseling primarily to individuals and families. The firm also provides advice and counseling to trusts, foundations, retirement plans and estates. Our typical client comes to us with approximately \$1 million or more in investable assets. However, we evaluate each prospective client on a case by case basis and enjoy working with those who are serious about planning for their retirement through protecting and growing their wealth.

## **Methods of Analysis, Investment Strategies and Investment Committee**

**Method of Analysis.** GB+M uses fundamental analysis to select securities. GB+M's main sources of analytical data are Morningstar, Schwab Institutional, Standard and Poor's, Vining Sparks, Jefferson National, SEC filings, prospectuses, and company annual reports.

**Investment Strategies.** In order to control the risks associated with individual markets and with individual securities, portfolios are usually allocated over different asset classes and are diversified within asset classes. GB+M may adopt an active or a passive approach when selecting securities for asset classes. We are active when there appears to be an opportunity to make a difference by security selection and we are passive when it does not appear so. The investment strategy for specific clients is based upon their goals and objectives, income needs, investment time horizon, risk tolerance and tax situation. These items are recorded in a client Investment Policy Statement which may be changed by the client at any time. We strive for tax efficiency and will help clients work out of low-cost-basis positions. Each client portfolio is constructed solely for that client i.e. we do not use model portfolios.

**Investment Committee.** Dant Goepper, Bland Burkhardt and Brad McGrew comprise GB+M's investment committee. We meet each month, either in person or by phone, to discuss pertinent investment issues and to review each client's account in detail.

## **Investment Risk**

All investments have risks that are borne by investors. GB+M clients face multiple risks including, loss-of-principal risk, market risk, asset class risk, sector and industry risk, company risk, fiscal and monetary policy risk, credit risk, interest rate risk, inflation risk, currency risk, regulatory risk and liquidity risk. Please ask for and refer to a security prospectus for the disclosure of risks specific to any investment.

## **Disciplinary Information**

**Legal and Disciplinary.** The firm and its employees have not been involved in legal or disciplinary events related to past or present activities.

**Financial Industry Activities and Affiliations.** GB+M does not have activities or affiliations with any related person that are material to its advisory business.

## **Code of Ethics and Personal Trading**

**Code of Ethics.** GB+M is a fiduciary and is committed to following the Chartered Financial Analyst (CFA) Code of Ethics. Key points include putting the clients' interest first, objectivity, confidentiality, regulatory compliance and professionalism. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

**Personal Trading.** GB+M employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Chief Compliance Officer Bland Burkhardt reviews personal trades to insure that employees' trading is not based on inside information and that clients of the firm receive preferential treatment. Personal trades are not of a significant enough value to affect the securities markets. All partners and employees of the firm are required to have their personal securities in custody at Schwab Institutional or to sign a quarterly personal securities transaction report which is kept on file.

## **Brokerage Practices**

**Selected Broker/Custodian.** GB+M has selected Schwab Institutional to be its' broker/custodian. The selection was based on the proven integrity and financial responsibility of the firm; the execution of orders at reasonable commission rates; and, the quality of client service. GB+M does not receive fees or commissions from this arrangement. GB+M may benefit from the electronic delivery of client information, electronic trading platforms and other services provided by Schwab Institutional. GB+M may also benefit from other services provided by Schwab Institutional, such as research, continuing education, and practice management advice. These benefits are standard in a relationship with a custodian and are not in return for client recommendations or transactions. We regularly review the execution of trades which is documented in our "Policies & Procedures Manual". Transaction fees are reviewed on an annual basis. We do not receive any portion of the Schwab Institutional transaction fees.

**Soft Dollars.** GB+M does not receive soft dollars from Schwab Institutional.

**Directed Brokerage.** GB+M may direct individual bond trades to Vining Sparks, a bond broker/dealer serving institutional clients; bonds are then delivered to Schwab Institutional for custody. GB+M regularly reviews Vining Sparks trades and transaction fees. We do not receive any portion of their transaction fees. GB+M may direct variable annuity trades to Jefferson National, a low-cost annuity provider. We regularly review Jefferson National's trades and internal transaction fees. On occasion, GB+M may direct trades to alternative investment providers (hedge funds, private equity funds, etc.). Before doing so, we explain to the client the additional investment risks that alternative investments incur, e.g. increased liquidity risk and transparency risk. See page 3 for a list of normal investment risks. We regularly review selected alternative investment trades and fee structure. We do not receive any portion on alternative investment transaction fees.

## **In-Person Client Portfolio Reviews**

In person portfolio reviews are performed by Dant Goepper, Bland Burkhardt, Brad McGrew and/or Chris Lazurek. Reviews may be triggered by a client request, by changes in market conditions, by new information about an investment, by changes in tax laws and/ or by other important changes. The frequency of account reviews is negotiated with each client. Account reviews tend to be performed more frequently in volatile market conditions



## **Referrals**

**Incoming referrals may come from current clients, attorneys, accountants and other sources. The firm does not pay for incoming referrals. Outgoing referrals may be sent to other professionals, e.g. attorneys, accountants, etc. GB+M does not accept referral fees or any other form of remuneration from other professionals when we refer to them.**

## **Custody and Statements**

**All assets are held in custody at Schwab Institutional, which provides monthly account statements directly to clients at their address of record. Clients are encouraged to carefully review the statements provided by Schwab Institutional.**

## **Investment Discretion**

**GB+ M has discretionary authority to manage portfolios on behalf of clients. We have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary authority facilitates placing trades in clients' accounts on their behalf so that we may promptly implement the investment policy that they have approved. Clients are provided the opportunity to review and discuss our asset allocation and security selection process prior to the implementation of our selections. Clients must sign a limited power of attorney before GB+M can assume discretionary authority. The limited power of attorney is included in the Schwab Institutional account application.**

## **Voting Proxies**

**GB+M does not vote proxies on behalf of clients. However, GB+M is available to discuss proxy issues with clients.**

## **Financial Condition**

**GB+M does not have financial impairments that would preclude the firm from meeting their commitments to clients. A balance sheet is not required to be provided to clients because GB+M does not serve as a custodian for client funds or securities and does not require prepayment of fees.**

## **Business Continuity Plan**

**GB+M has a business continuity plan in place to mitigate and recover from natural disasters, internet outages and the loss of services of key people. Alternate work locations are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location. GB+M has an agreement between the partners to support GB+M in the event of the death, disability or retirement of the partners.**

## **Privacy Notice**

**GB+M is committed to maintaining the confidentiality and security of the personal information that is entrusted to us. GB+M maintains an information security program to reduce the risk that personal and confidential information may be breached. We maintain a secure office to ensure that our clients' information is not placed at unreasonable risk. We employ a firewall and secure data encryption techniques and authentication procedures in our computer environment. Nonpublic information that we collect from our clients may include information about personal finances, information about health to the extent that it is needed for the investment planning process and information about transactions between clients and third parties. We use this information to help our clients meet their personal financial goals. With our clients' permission, we will disclose limited information to attorneys, accountants, and other professionals with whom they have established a relationship. Clients may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With client permission, we share a limited amount of information with Schwab Institutional, the client's broker/custodian, in order to execute securities transactions on their behalf. We do not provide personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access personal information, including financial service companies, consultants and auditors. Federal and state securities regulators may review our personal records as permitted by law. Personally identifiable information will be maintained while still a client of GB+M and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed. We will notify our clients in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy Notice to our clients annually, in writing.**

## **Schedule H: the GB+M Wrap Fee Program**

**This brochure provides information about the GB+M Wrap Fee Program. This information should be considered by prospective Clients before becoming a Client in the program. This information has not been approved or verified by any governmental authority.**

### **Introduction**

**GB+M is an investment adviser registered with the Securities and Exchange Commission. We offer portfolio management under a “wrap fee program”, where advice, custody and brokerage services are provided for one monthly fee and we also offer portfolio management under a “managed account” where custody and brokerage services are paid separately by the client.**

### **Wrap Fee Program**

**We are the sponsors of the GB+M Wrap Fee Program which is designed to provide clients with portfolio management tailored to their unique financial situation. Our advisers primarily build portfolios using open-end mutual funds and exchange-traded funds and secondarily using individual stocks and bonds. Investment holdings are tailored to each Client’s Investment Policy Guidelines i.e. a written description of the client’s investment time horizon, risk tolerance, portfolio benchmark, investment restrictions, asset allocation parameters, cash flow requirements, etc.**

### **Prospective Client Preliminary Portfolio Review**

**We prepare a Preliminary Portfolio Review for prospective Clients in which we analyze the prospective Client’s existing portfolio and discuss a hypothetical portfolio that may be suitable. The prospective Client is then asked to study our Preliminary Portfolio Review and other related information and make a determination of whether or not the prospective Client wishes to retain our services.**

### **Custody Services and Brokerage**

**Schwab Institutional is our broker/custodian. Schwab maintains custody of our Client assets; provides record keeping of all account transactions; and provides the Client with monthly statements showing investment performance, a listing of the assets held in the client’s account, and a detail of all transactions in the Client’s account, including payment of any fees to us. Clients who desire to do so may obtain internet access to their account information. We monitor the services and costs of Schwab Institutional and will recommend a change if appropriate. We do not accept soft dollars from Schwab Institutional. Our Wrap Fee Program usually includes all transaction fees. However, there are exceptions: when**

transaction costs are charged by Schwab and have to be reimbursed by us to a Client; when a Client transfers a portfolio of securities to Schwab and some or all of the securities have to be liquidated before we can begin to implement the Client's new strategy; when a Client directs us to purchase securities other than those recommended by us; when redemption fees are incurred due to Clients directing us to sell mutual funds that impose a short-term trading penalty; when a Client terminates our relationship and instructs us to liquidate their portfolio rather than transferring their portfolio "in kind" to a new custodian; and, when a Client instructs us to invest in separate accounts which incur additional fees for manager due diligence and related platform costs.

## **Fees and Expenses**

Client fees are negotiable based on the amount of assets under management. Fees are payable monthly and are calculated based on the Client's account balance on the last business day of the previous month. The account balance is multiplied by the annual fee and divided by 12. Fees are paid to us directly by Schwab Institutional as authorized in the Client Service Agreement executed between the client and GB+M. Mutual funds and exchange-traded funds charge internal expenses that are disclosed in the fund's prospectus. Such expenses are not additional charges paid directly by the Client but are deducted by the fund out of fund assets and reflected in the value of the mutual fund's shares.

## **Other Fee Information**

The fees and expenses that a Client pays may be more or less than that paid by other Clients, depending on the size of the Client's account and the types of investments selected by the client. The fees and expenses paid to us by a Client may be more or less than if the client purchased the relevant services separately. The relative cost of obtaining services through us rather than by purchasing them separately will depend on such factors as the frequency and size of trades of Client assets and the size of the Client's assets. Other parties offer services similar to ours, some of which may be more or less expensive.

## **Securities Selection**

We design portfolios primarily using open-end mutual funds and exchange-traded funds and secondarily using individual stocks and bonds. When selecting securities, we rely on research from a number of outside firms, including Morningstar, Schwab Institutional, Vining Sparks and Jefferson National. In selecting mutual funds and exchange-traded funds, we use Morningstar's proprietary mutual fund software and Morningstar's analysts to help us reduce the universe of approximately 27,000 funds to the 60-70 funds that we use to build our portfolios. In making our selections, we assess consistency of portfolio holdings with the stated investment style; portfolio performance against benchmarks relevant to the portfolio in question; and various factors of investment methodology (how securities are selected, what factors trigger securities sales, how sectors are weighted, etc.). We may recommend selling a mutual fund or exchange-traded fund

based on consistent under-performance compared to appropriate peer groups and benchmarks, consistent failure to adhere to stated investment style, changes in the investment personnel, and statistical deviations such as materially increased volatility. In selecting exchange-traded funds, we also look for funds that are large enough to provide trading liquidity. When selecting individual stocks, we start with research on approximately 1,600 companies. In our initial screening process we look for companies that have a “sustainable competitive advantage”. After our initial screening process, we will be left with a universe of approximately 200-300 candidates. We rely on research from Morningstar to help us determine the “fair value” of the remaining candidates. We then compare Morningstar’s estimate of fair value to the company’s current market price. The current market price must be far enough below Morningstar’s estimate of fair value to provide a margin of safety. Our universe of candidates is now reduced to approximately 60-80 names from which we make our selections. When selecting individual bonds, we use research from Vining Sparks. We use their research to select government bonds, corporate bonds and/or municipal bonds for our client accounts. From time-to-time, we will keep “legacy securities” in our accounts i.e. securities that the Client has told us not to sell due to low-cost basis issues, family sentimental issues, etc.

## **Account Reviews**

We meet face-to-face with clients throughout the year to review their portfolios and to discuss related financial issues. In the reviews, clients advise us of any changes in their Investment Policy Guidelines and any other relevant changes in their circumstances. In addition, we review every client account every month to make sure we are in compliance with the client’s investment policy guidelines.

## **Proxies**

As a rule, we do not vote proxies. However, we will consult with clients on proxy issues.

## **Other Services**

We offer financial counseling to our portfolio management clients; however, this service is not provided to all clients since some clients do not desire such a service.