



**PART 2A FIRM ADV:  
FIRM BROCHURE  
MARCH 28, 2012**

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

**MATTHEW SGRO**

**SENIOR ACCOUNTANT & CHIEF COMPLIANCE OFFICER**

**215.979.1692 | MSGRO@WESCOTT.COM**



**W E S C O T T**

**F I N A N C I A L   A D V I S O R Y   G R O U P   L L C**

This brochure provides information about the qualifications and business practices of Wescott Financial Advisory Group LLC. If you have any questions about the contents of this brochure, please contact Matthew Sgro, our Chief Compliance Officer, at 215.979.1692 or by email at [msgro@wescott.com](mailto:msgro@wescott.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 Wescott Financial Advisory Group LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search the SEC website by a unique identifying number, known as a CRD number. Our firm's CRD number is 105989.

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30 South 17th Street • Philadelphia, PA 19103 • 215.979.1600  
2700 North Military Trail • Suite 300 • Boca Raton, FL 33431 • 561.962.2106  
400 University Drive • Suite 500 • Coral Gables, FL 33134 • 305.960.2350

[www.wescott.com](http://www.wescott.com)

**W E S C O T T** ■ Celebrating 25 years



## **Item 2. Material Changes**

Since our last annual update on 03/28/2011, the following material changes occurred:

Beginning January 2012, Matthew Sgro was named the Chief Compliance Officer, succeeding David Lafferty, a partner who remains a member of the Compliance Committee.

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## **Item 4. Advisory Business**

### **Firm Description:**

Founded in 1987, Wescott Financial Advisory Group LLC is an SEC-registered, fee-only investment advisory and wealth management firm with its principal places of business located in Pennsylvania and Florida. Wescott's clients are high net worth individuals, families, trusts, foundations, pension plans and institutions. The firm's investment philosophy is a uniquely disciplined, tax sensitive and opportunistic "open architecture, multi-manager (passive and active management)" approach that has been maintained for over 25 years.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Grant Rawdin,
- Wescott Holding Company LLC. Wescott Holding Company LLC is the company through which Duane Morris LLP, a law firm, owns its interest in Wescott Financial Advisory Group LLC

### **Advisory Services:**

#### **WEALTH MANAGEMENT PROGRAM**

#### **INVESTMENT MANAGEMENT SERVICES**

Our firm offers ongoing financial planning and investment advice to our clients based upon the individual needs of the client. Through discussion with our clients we come to understand our client's objectives, goals and particular circumstances. We then develop a client's personal Investment Policy, recommending and managing a portfolio based upon that policy. During our data-gathering process we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, professional experience and occupation as well as family situation and background.

Different types of investments involve a variety of risks. We strive to explain the nature of the risks that a client will have in their portfolio. These risks may be in the stock or bond portfolio and may involve the volatility of the portfolio, risk to principal, illiquidity, lack of marketability (the ability to sell an asset at a particular time at a "fair" price) and a host of other risks that every investor faces, but about which an investor should be aware.

Our recommendations, then, are based upon our client discussions and analyses. In the Investment Policy Statement, provided to our clients for their approval before we invest their portfolio, we describe many of the risks and provide a range of losses that a client may experience with the investment objective recommended and approved by the client. These loss possibilities are meant to illustrate the volatility of the stock and bond markets.

It is very important that we are aware of changes to a client's situation that might impact our current and future recommendations. There are many actions we take to elicit information from clients about these changes. Some of these actions follow:

1. Provide detailed quarterly written reports to each client providing updated specific portfolio

performance and asset allocation information, with recommendations for changes, including our Investment Commentary and outlook;

2. At least annually, contact each client to determine whether there have been any material changes in the client's financial or personal situation or investment objectives, and whether the portfolio and investment strategy require adjustments to meet with client wishes and needs;
3. Be reasonably available to consult with the client; and
4. Maintain up-to-date client Investment Policy Statements and amendments in each client's file.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the advisability of owning the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in other businesses

#### **ENTRADA PROGRAM**

#### **INVESTMENT MANAGEMENT SERVICES**

Our firm developed the *Entrada Management Program* to provide investment management services for those clients with investable assets below \$2 million. The Entrada portfolio retains Wescott's hallmark of a strategic, disciplined and diversified portfolio blending the advantages of passive investing with active management. Entrada combines its investment management service into a coordinated and efficient process of needs assessment, account suitability, account administration, portfolio rebalancing, portfolio reporting and tax optimization.

## FINANCIAL PLANNING

We offer financial planning services as part of our Wealth Management Program. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known information and, what we believe to be, reasonable variables to predict future cash flows, asset values and withdrawal plans.

Through the financial planning process, questions, information and analysis are considered as they impact and are impacted by the entirety of a client's financial and personal situation. Clients for whom these services are provided receive a written report that provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan may address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **CASH FLOW & TAX PLANNING:** We analyze a client's projected cash flows that considers income from earned income, pensions, retirement plan distributions and other income from investment portfolios or through other sources. We subtract a client's projected expenses, including projected income taxes, from the income sources to illustrate whether a client is spending more or less than their income. We then project the trend of this annual cash flow pattern to illustrate whether this pattern of spending in relation to income may be sustainable for the client's lifetime.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist our clients in assessing and developing long-term estate planning strategies, be they for planning in reducing estate taxes or to ensure that a client leaves assets in a fashion that assures they will be available for heirs in a protected and organized fashion. Such analysis and recommendations may include the examination, analysis and recommendation of and for living, irrevocable and testamentary trusts, wills and codicils, durable powers of attorney, asset protection plans, long term care facility planning and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report.

Should the client choose to implement the recommendations contained in the plan, we suggest the

client work closely with his/her attorney, accountant, insurance agent and other advisors as appropriate. Implementation of financial plan recommendations is entirely at the client's discretion; we are available to our clients to assist them in the implementation of these recommendations.

If a financial plan is contracted for such analysis separately from the plan included in the Wealth Management Program, then the financial plan is presented to the client within six months of the contract date.

**GENERAL BUSINESS PLANNING:** We provide business-planning advice to individual and corporate clients and will represent clients in financial negotiations including business acquisitions, sales and mergers. Such consulting services are generally provided at an agreed upon fee that is in addition to our Wealth Management Program fee.

### **PENSION CONSULTING SERVICES**

Wescott also provides advisory services to pension, profit sharing and 401(k) plans. Pension Consulting Services are comprised of three distinct services. Clients may choose to use any or all of these services:

#### *Selection of Investment Vehicles and Asset Allocation Models:*

We assist plan sponsors in constructing appropriate asset allocation models and recommend specific investment vehicles.

#### *Monitoring of Investment Performance:*

Wescott continuously monitors the performance of recommended investment managers and recommends changes to plan sponsors, as appropriate.

#### *Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we provide an annual report covering mutual fund manager performance and annual educational support designed for plan participants. The nature of the topics covered are determined in consultation with plan sponsors under the guidelines established in ERISA Section 404(c). The educational support and investment workshops do not provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

### **TRUSTEE SERVICES**

Wescott Trust Services provides trust solutions for clients whose financial, family, or business needs require the services of a professional fiduciary. Wescott Trust Services is a trust representative of National Advisors Trust Company, a federally chartered trust company regulated by the Office of the Comptroller of the Currency (OCC), a bureau of the U.S. Treasury Department, and is authorized to do business in all 50 states. As Wescott Financial Advisory Group LLC is a shareholder in National Advisors Trust Company (Wescott Financial Advisory Group LLC owns less than .25% of NATC), clients should consider whether the recommendation by Wescott to use Wescott Trust Services is a conflict of interest.



### AMOUNT OF MANAGED ASSETS

As of 12/31/2011, we were actively managing \$1,278,704,428, of which \$860,511,999 are managed on a discretionary basis plus \$418,192,429 are managed on a non-discretionary basis.

## Item 5. Fees and Compensation

### WEALTH MANAGEMENT PROGRAM

#### INVESTMENT MANAGEMENT SERVICE FEES

The annual fee for our Wealth Management Program and Investment Management Services are charged as a percentage of assets under management, according to the following schedule:

- 1.00% on the first \$3 million
- 0.75% on the next \$2 million
- 0.50% on the next \$2 million
- 0.25% thereafter

A minimum of **\$2,000,000** of assets under management is required for this service. This minimum account size may be negotiable under certain circumstances, but may still be subject to a \$20,000 minimum fee. Wescott Financial Advisory Group LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Fees are billed at the start of engagement, at each subsequent calendar quarter, in advance, based upon the value of the investment portfolio at the end of the prior calendar quarter.

***Limited Negotiability of Advisory Fees:*** Although Wescott Financial Advisory Group LLC has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, relationships, and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the advisor and each client.

### ENTRADA PROGRAM

#### INVESTMENT MANAGEMENT SERVICE FEES

The annual fee for our Entrada Program and Investment Management Services are charged as a percentage of assets under management, according to the following schedule:

- 1.25% on the first \$1 million
- 1.00% thereafter

A minimum of **\$250,000** of assets under management is required for this service. This minimum account size may be negotiable under certain circumstances, but may still be subject to a \$3,125 minimum fee. Wescott Financial Advisory Group LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

### PENSION CONSULTING FEES

The annual fee for our Pension Consulting Services are based on a percentage of assets under advisement, according to the following schedule:

- 1.00% on the first \$3 million
- 0.75% on the next \$2 million
- 0.50% on the next \$2 million
- 0.25% thereafter

Plan sponsors are invoiced in advance at the beginning of each calendar quarter. A total minimum fee of \$20,000 is required. This minimum fee may prevent Wescott Financial Advisory Group LLC from providing services to small ERISA plans.

### **FINANCIAL PLANNING FEES**

Financial Plan fees are based upon hourly rates (currently \$150 - \$750) times the number of hours anticipated to complete the plan. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. There is a \$7,500 minimum plan fee. Fifty percent (50%) of the plan fee is due at engagement with the balance due at plan completion. In the event a client terminates the financial planning engagement, a full refund of any fees will be provided, if written notice is within 5 days of engagement. After 5 days from engagement, fees collected will be applied to time spent, with the balance, if any, refunded to the client.

### **TRUSTEE SERVICE FEES**

The annual fees for Trustee Services through Wescott Trust Services are based on a percentage of assets under administration, according to the following schedule:

- 0.55% on the first \$2 million
- 0.45% on the next \$3 million
- 0.30% thereafter

Trustee Services are invoiced in advance at the beginning of each calendar quarter with a minimum account size of \$750,000. Trustee fees are in addition to the investment advisory fees of Wescott Financial Advisory Group LLC.

### **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client may terminate the engagement at any time by written notice. Quarterly fees billed in advance are generally deemed earned through the end of the calendar quarter to account for the ongoing time and responsibility for transitioning accounts, portfolio reporting for that final quarter, tax basis reporting, capital gain and loss worksheet reporting and other services that we might provide.

***Separate Account Manager/Mutual Fund Fees:*** All fees paid to Wescott Financial Advisory Group LLC for investment advisory services are separate and distinct from the fees and expenses charged by separate account managers, mutual funds and/or ETFs to their shareholders. Such fees and expenses are described in each separate account managers advisory agreement and/or fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Wescott

does not use funds that impose sales charges. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which managers or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the managers and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers. We will review with clients any separate program fees that may be charged to clients.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians.

***ERISA Accounts:*** Wescott Financial Advisory Group LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

As Wescott Financial Advisory Group LLC does not receive any commissions or 12b-1 fees, we do not engage in prohibited transactions.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar, higher or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

**Item 6. Performance-Based Fees and Side-By-Side Management**

Wescott Financial Advisory Group LLC does not charge performance-based fees.

## **Item 7. Types of Clients**

Wescott Financial Advisory Group LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain minimum account requirements to maintain an account, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis.** Our dedicated Investment Research Group is vigilant in evaluating the composition and performance of our investment allocation models, selected stock and bond managers and other investment vehicles. We take both a qualitative (“the strategy and discipline of a manager”) and quantitative (numeric analysis and rankings) approach.

Our team constantly analyzes the value of each of our core securities (e.g. separate accounts or mutual funds) by looking at a variety of style, economic, performance and financial factors. These factors include the overall economy, industry conditions, sector characteristics, relevant benchmarks, comparative holdings, the philosophy behind a manager’s buying and selling discipline, risk factors, financial condition and overall staffing and management of the investment company itself. This helps us determine and recommend if a selected manager or security is performing in a manner consistent with our expectations and the ongoing needs of our clients.

A style of “fundamental analysis” does not anticipate market movements by market timing. This presents a potential risk, as the price of a fund or security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the managers whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- We believe the securities to be currently undervalued, and/or
- We want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We require a client to help us understand their tolerance for risk.

## **Item 9. Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.



## **Item 10. Other Financial Industry Activities and Affiliations**

The law firm of Duane Morris LLP is a member of Wescott Financial Advisory Group LLC. No Wescott client is ever required to engage Duane Morris LLP for legal services, though a referral may be made for appropriate legal services if requested. Wescott respects all clients' legal advisor relationships and commonly works with their chosen legal counsel. Duane Morris LLP may refer clients to Wescott for financial planning and investment management services if it believes that it may be appropriate to its client's situation.

Wescott Financial Advisory Group LLC members created Wescott Private Equity LLC ("WPE") in June 2004 for the sole purpose of acting as General Partner in Wescott CS Nova LP. Wescott CS Nova LP was created to invest \$1,000,000 in a private equity placement in a record storage operating company, in which Wescott has no financial interest. Wescott Financial Advisory Group LLC has no direct interest, and Wescott clients are not charged a fee by the General Partner for the limited partner interest. No client invested more than 2% of their portfolio, all were accredited investors and no pension money was invested.

Wescott Private Equity, LLC is also a General Partner in Wescott Multi-Strategy Private Equity, L.P. ("WMSPE"). WMSPE was created to invest \$2,000,000 in a private equity fund. The underlying private equity investment fund invests in distressed, underperforming, insolvent or reorganizing assets or businesses in a variety of industries. Another underlying private equity fund participates in the acquisition, development, ownership and operation of real estate projects, primarily community and neighborhood retail centers located in the Northeastern and Mid-Atlantic regions of the United States. Wescott Financial Advisory Group LLC has no direct interest and Wescott clients are not charged a fee by the General Partner of the limited partner interest. No client invested more than 2% of their portfolio and all were accredited investors. No pension money was invested.

Wescott Financial Advisory Group LLC and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to our primary advisory practice but would instead be allocated across a variety of business interests.

Investments in the funds may be recommended to advisory clients for whom a partnership investment may be suitable. Clients who invest in the fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the fund, if any.

The Fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. Wescott Financial Advisory Group LLC manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund's offering and organizational documents.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Wescott Financial Advisory Group LLC and our personnel owe a duty of loyalty, fairness and good faith toward our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Wescott Financial Advisory Group LLC's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to Matthew Sgro, Chief Compliance Officer, at [msgro@wescott.com](mailto:msgro@wescott.com), or by calling him at 215-979-1692.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.

3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12. Brokerage Practices**

For discretionary clients, Wescott Financial Advisory Group LLC requires clients to provide us with written authority to establish the custodian to use for transactions. Clients must include any limitations on this discretionary authority in the written authority statement. Clients may change or amend these limitations as required. Such amendments must be provided to us in writing.

Wescott Financial Advisory Group LLC does not recommend the purchase of individual stocks and bonds, such recommendations and trading are accomplished by an underlying manager selected by Wescott. We require our separate account managers to utilize "block trading" where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Wescott may recommend that clients in the Wealth Management Program utilize National Financial Services LLC, Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity"), Schwab Advisor Services division of Charles Schwab & Co. Inc. (both FINRA registered custodians and members of SIPC) or National Advisors Trust Company ("NAT"), to maintain custody of client's assets and to effect trades for their accounts. Although we recommend that clients establish accounts at one of these institutions, a client may custody assets with the institution of their choice.

Wescott Financial Advisory Group LLC is independently owned and operated and not affiliated with either Schwab or Fidelity. Wescott Financial Advisory Group LLC does own a less than quarter of 1% interest in National Advisors Trust Company so that financial success of NAT may increase the value of Wescott's interest.

Wescott has negotiated institutional commissions with Fidelity, Schwab Advisor Services and NAT ("Custodian") that we believe to be favorable to our clients. Additionally, it is efficient for our clients to utilize the custody and brokerage services of these firms as our ongoing working relationships insure that issues which may arise are promptly and efficiently resolved to the client's benefit.

It should be noted that there is no compensation, direct or indirect, "hard" or "soft" paid to Wescott by the Custodian for customer referrals made to the Custodian. Certain benefits may be provided by the Custodian if such benefits are directly related to the Custodian. For example, there may be a partial registration waiver for custodian sponsored conferences, custodian executives or other employees may speak at firm client events at no fee and industry training conferences conducted and/or sponsored by the Custodian may be offered at no charge.

The Custodian provides Wescott Financial Advisory Group LLC with access to its institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them as long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at the Custodian institutional level. These services are not contingent upon our firm committing to the Custodian any specific amount of business (assets in custody or trading commissions). The Custodian brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, the Custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through each Custodian or that settle into the Custodian accounts.

The Custodian also makes available to our firm other products and services that benefit Wescott Financial Advisory Group LLC but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at each Custodian.

Each Custodian's products and services that assist us in managing and administering our clients' accounts include software and other technology that

1. Provide access to client account data (such as trade confirmations and account statements);
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
3. Provide research, pricing and other market data;
4. Facilitate payment of our fees from clients' accounts; and
5. Assist with back-office functions, recordkeeping and client reporting.

Each Custodian also offers other services intended to help us manage and further develop our business enterprise. These services may include:

1. Compliance, legal and business consulting;
2. Publications and conferences on practice management and business succession;
3. Access to employee benefits providers, human capital consultants and insurance providers.

Each Custodian may make available, arrange and/or pay third-party vendors for the types of services rendered to Wescott Financial Advisory Group LLC. Each Custodian may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Each Custodian may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at each Custodian, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by each Custodian, which may create a potential conflict of interest.

Wescott Financial Advisory Group LLC is a participant in Fidelity Investment's Wealth Advisory Services, ("WAS") program, a customer referral service program maintained by Fidelity to refer their clients to wealth management financial money managers of a certain size, type and style. Wescott was selected by Fidelity to represent a wealth management firm providing ongoing financial planning and wealth advisory services, together with its investment management capability. The requirements for inclusion are that the advisor

be appropriately registered with the SEC and state in which they operate, have a clean disciplinary history, and have assets greater than \$200 million (as a minimum amount with Fidelity). Fidelity does not charge and Wescott does not pay any monetary or other considerations to be a participant in the program or for any referred clients. There are no minimum or maximum referrals; Fidelity provides its clients with three “WAS” program members for their comparison and choice.

## **Item 13. Review of Accounts**

### **INVESTMENT MANAGEMENT SERVICES**

**REVIEWS:** While the underlying securities within Investment Management Services accounts are continually monitored, client accounts and Investment Portfolios are reviewed at least quarterly. Accounts are reviewed for the investment objectives and guidelines of each client's investment strategy and ongoing Wealth Management requirements. More frequent reviews may take place due to material changes in such matters as the client's individual circumstances, or the market, political or economic environment. Changes may be recommended as a result of client requests or needs, manager changes, liquidity needs, model allocation changes, rebalancing or tax considerations.

There are six principal reviewers: Grant Rawdin, President & CEO, Lydia Sheckels, Chief Investment Officer, David Lafferty, Principal and Senior Financial Advisor, Scott Michalek, Principal and Senior Financial Advisor, Catherine Seeber, Principal and Senior Financial Advisor and Richard Gotterer, Managing Director Florida and Senior Financial Advisor. Reviews are in accordance with review standards stated above and serve to ensure that each client's portfolio is invested in a manner consistent with the client's written Investment Policy Statement.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, we provide quarterly reports summarizing account performance, balances and holdings. These reports remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **PENSION CONSULTING SERVICES**

**REVIEWS:** While the underlying securities within Pension Consulting Accounts are continually monitored, Wescott Financial Advisory Group LLC reviews the investment options of the plan at least on a quarterly basis.

These accounts are reviewed by Lydia Sheckels, Chief Investment Officer or David Lafferty, Principal and Senior Financial Advisor.

**REPORTS:** Pension Consulting clients will generally receive reports from a custodian or Third Party Administrator (TPA) as contracted for by the plan administrator. In addition, Wescott provides the Plan Administrator with an annual report covering overall manager performance, general commentary and outlook and information regarding any changes to asset allocation models.

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** Financial Planning Reviews and Plan Updates occur at different intervals depending on the evolving needs of the client.

**REPORTS:** Reports and/or Plan Updates covering such issues as long-term cash flow, investments, estate and tax planning issues, insurance, retirement and/or charitable giving are provided as requested and/or recommended to support ongoing wealth management planning.

#### **Item 14. Client Referrals and Other Compensation**

It is Wescott Financial Advisory Group LLC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Wescott Financial Advisory Group LLC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.



## **Item 15. Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16. Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17. Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18. Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Wescott Financial Advisory Group LLC has no such financial circumstances to report.

Wescott Financial Advisory Group LLC has not been the subject of a bankruptcy petition at any time during the past ten years, or in its history.