

## **Form ADV, Part 2A: Firm Brochure**

### **Item 1. COVER PAGE**

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Document: FIRM BROCHURE

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**This brochure provides information about the qualifications and business practices of Castle Wealth Planning, LLC. If you have any questions about the contents of this brochure, please contact us at (805) 962-5630 and/or email us at [inquiry@castlewp.com](mailto:inquiry@castlewp.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 Castle Wealth Planning, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2.**      **MATERIAL CHANGES**

Castle Wealth Planning, LLC is transitioning from SEC registration to state registration as per the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**Item 3.**      **TABLE OF CONTENTS**

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**Item 4.        ADVISORY BUSINESS**

Castle Wealth Planning has been in business since August of 2006, with Mr. Nathan Cultice as Founder, sole Managing Member and Owner, President and Chief Compliance Officer since the beginning of operation to date. Currently, the firm manages roughly \$62,600,000 in client assets as of June 9, 2012, all on a discretionary basis.

The three categories of advisory services that Castle Wealth Planning offers are as follows – Investment Management and Financial Planning accounting for a great majority of the services provided:

**A. INVESTMENT MANAGEMENT.** Castle Wealth Planning provides fee-only investment management on a continual and customized basis in accordance with each client's mutually-agreed upon investment policy statement. Initially in each engagement, Castle Wealth Planning assists the client in selecting an asset allocation tailored to their goals, needs, and investment objectives (income and growth needs), current assets and liabilities, time horizon, liquidity needs, risk tolerance, tax situation, integration with how external assets outside the investment management agreement are allocated and other special circumstances.

The selection of a specific asset allocation model and drafting of an investment policy statement frequently is preceded by financial planning services as described below (services in this case are part of the investment management arrangement) and a thorough understanding of the client's situation, goals, objectives, desires, and preferences. Financial plans are provided and updated as the client's circumstances and needs dictate, as requested by the client, or as advised by Castle Wealth Planning. Investment advisory services are continual, customized, and integrated with financial planning conclusions and recommendations where possible: retirement planning, education funding, tax planning, estate planning, risk management (insurance), employee benefits and charitable planning.

Castle Wealth Planning implements the purchase or sale of securities for the client that will move their portfolio to the desired allocation as agreed to in their investment policy statement. Castle Wealth Planning provides continuous supervision of the portfolio and provides the client with a detailed account statement quarterly.

A portfolio managed under an Investment Management Agreement will be typically allocated among traditional marketable securities (money market instruments, bonds, preferred stocks, common stocks, and real estate investment trusts). Mutual funds will be utilized, where appropriate, for diversification and for where exposure to specific asset classes are best served by a focused but diversified mutual fund.

**B. FINANCIAL PLANNING.** Castle Wealth Planning provides fee-only comprehensive financial planning advice that may encompass one or more of the following categories: budgeting, cash flow analysis and projections, investment planning, retirement planning, tax planning, risk management (insurance), employee benefit analysis, education funding, charitable planning, and estate planning. Castle Wealth Planning gathers pertinent financial and personal data from the client, helps the client establish goals and objectives, performs an analysis of the

client's financial condition, provides recommendations, and when requested, assists in the implementation of these recommendations. Castle Wealth Planning's planning service often involves the integration and coordination of two or more of the above service categories.

Castle Wealth Planning provides both investment and financial planning advice. Financial planning advice may include recommendations in areas that are not directly related to investments such as insurance, income tax, retirement planning, estate planning, charitable planning and business planning. Castle Wealth Planning, however, notes the interrelationship between areas above and beyond the clients' investment need.

**C. FEE FOR SERVICES COLLECTED IN ARREARS AGREEMENT.** Castle Wealth Planning provides both fee-only financial planning and investment advisory services. Where the client's situation dictates extensive financial planning services and modest yet continual and customized investment advisory services which are small in proportion to the total services provided, upon mutual decision with Castle Wealth Planning the client may enter into a Fee For Services Collected In Arrears Agreement with Castle Wealth Planning. This also may be appropriate where the client desires continuing financial planning services and/or investment management services for portfolios which contain dissimilar assets requiring varying amounts of time for supervision and management.

## **Item 5.**      **FEES AND COMPENSATION**

**A. INVESTMENT MANAGEMENT.** Fees for Investment Management Services are based on account size. Annual fees shall not exceed 1% of the portfolio per year. Investment management fees are billed and payable quarterly in arrears and are based on the account value at the end of the quarterly period.

Investment management fees are generally based on the following schedule:

<u>Market Value of Portfolio</u>	<u>Rate</u>
\$0 - \$1,000,000	1.00%
\$1,000,001 and over	.50%

This schedule may be modified for the composition of the portfolio or special circumstances and is negotiable. Some clients may be on historically lower fee schedules. These fees are deemed reasonable in light of the services provided, the experience and expertise of Castle Wealth Planning and the sophistication and bargaining power of the client. Other investment advisers may charge lower fees than Castle Wealth Planning for comparable services.

All investment management work is performed strictly on a fee only basis. In general and for all new accounts, fees are deducted directly from client accounts. There do exist grandfathered accounts that pay fees through direct billing.

Either party may terminate the Investment Management Agreement at any time upon thirty (30) days prior written notice to the other party. The client may terminate the agreement within five (5) business days of the start date without incurring any penalties or costs.

Trading fees are charged by the custodian for various securities transactions. Securities trades have historically always been made by the adviser (without the use of trading desk staff) and have been as follows: 1.) stock trades are between \$8.95 and \$19.95 per trade (typically \$8.95 per trade and will be disclosed to prospective client if their particular situation will cause higher fees), 2.) mutual fund trading costs range from free trading to \$49.95 per trade, and 3.) individual bond trading costs are \$25 per trade. In addition, mutual funds charge fees through their internal expenses. Mutual fund fees are subtracted from the mutual fund portfolio value – prospectuses of all mutual funds invested in are on file at Castle Wealth Planning and available upon request.

**B. FINANCIAL PLANNING.** Fees for financial planning may be based on hourly rates up to \$250 per hour or may be based on a flat fee for a project (which will always be less than the number of hours required to complete the project multiplied by \$250). Fees for financial planning work are billed and payable monthly in arrears. These fees are deemed reasonable in light of the services provided, the experience and expertise of Castle Wealth Planning and the sophistication and bargaining power of the client. Lower fees for comparable services may be available from other sources.

**C. FEE FOR SERVICES COLLECTED IN ARREARS AGREEMENT.** Annual fees from Fee For Services Collected In Arrears Agreements are based on hourly rates of \$250 per hour worked, and fees can be up to but not greater than \$5,000 annually. These fees are deemed reasonable in light of the services provided, the experience and expertise of Castle Wealth Planning and the sophistication and bargaining power of the client. Lower fees for comparable services may be available from other sources.

Fees are billed and payable quarterly in arrears at one fourth of the annual fee.

Either party may terminate the Fee For Services Collected In Arrears Agreement at any time upon thirty (30) days prior written notice delivered to the other party. The client may terminate the agreement within five (5) business days of the start date without incurring any penalties or costs.

The client may terminate his or her relationship with Castle Wealth Planning at any time. Upon such termination, the client will only be obligated to pay Castle Wealth Planning for services actually rendered at the agreed upon fee. Additionally, Castle Wealth Planning has a standing policy of waiving any fees charged to the extent that the client feels, in good faith, that such fees are unjustified or unreasonable.

**Item 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This section does not apply as Castle Wealth Planning does not accept performance-based fees and therefore also does not manage account alongside performance-based fee accounts.

**Item 7. TYPES OF CLIENTS**

Castle Wealth Planning generally provides investment advice to individuals, families, and the small businesses that they own, trusts, estates, non-profit corporations, corporations other than listed, and pension and profit-sharing plans. The asset account minimum for new accounts at Castle Wealth Planning is \$500,000 in assets for investment. This minimum has not been followed explicitly in the past, nor is it an absolute precondition for the maintaining of an account at Castle Wealth Planning going forward, and exceptions can be made for specific client conditions. But the trend is for Castle Wealth Planning to adhere to this initial account investment minimum for new accounts going forward.

**Item 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Castle Wealth Planning's analytical methods and investment strategies are grounded in the practice of managing portfolios primarily with individual stock and bond securities and "buy and hold based on fundamentals." The firm works with each client to form guidelines for their portfolios that are consistent with their goals, risk tolerance and need for returns and liquidity (often conclusions are generated from our extensive financial and retirement plans). We then proceed to construct suitable portfolios with an emphasis on staying true to the client's chosen asset allocation, diversification, cost minimization and tax efficiency.

As a fee-only financial planning firm compensated based upon assets under management, we have an incentive to maximize total returns within the risk constraints for each client. The firm views many of the above factors as contributors to total return: investment decisions, diversification to reduce unnecessary volatility so as to enhance the compounding of returns, keeping costs down and minimizing taxes.

Our core investment philosophy of "buy and hold based on fundamentals" forms the basis of our investing for total return. We are not high-turnover investors holding securities for only brief time periods and costing clients high amounts of trading fees. At the same time, we are not complacent investors blindly holding on to securities that have become vulnerable (due to for instance: past runup in share price to expensive valuation levels, the outlook for a firm is no longer as positive as their possibly extensive history, or global market forces are showing signs of heightened risk). If the fundamentals of a firm remain solid, we will continue to hold their stock and hopefully for the long-run. If their outlook changes, we will not hesitate to sell (cost and taxes being a consideration).

The following comments by asset class round out the description of our analytical methods and investment strategies:

**Stocks** – We strive to be open-minded and creative, yet risk-aware in the array of holdings present in client portfolios. A given portfolio at Castle Wealth is likely to hold a large number of dividend-paying multinational stocks alongside say a mortgage REIT (high-dividend stocks that may perform well with persistently low interest rates), an international stock that may not appear in typical portfolios, an allocation to gold through an exchange-traded fund, while shying away from direct investment in Chinese companies for instance.

**Bonds** – We put quite a bit of energy into individual bond selection in our portfolios by finding attractive bond on the secondary market, or odd-lot bonds. Bonds from various sectors are purchased: tax-free and taxable municipals, governments, inflation-linked, agencies and corporates.

**Mutual Funds** – We use mutual funds in most of our client portfolios, higher amounts being utilized in smaller accounts where it might be difficult to achieve appropriate diversification with individual holdings. Mutual funds are selected based upon various criteria: track record, tenure of manager, expense ratios, Morningstar analysis review and performance in difficult market periods to name a few. They are all no-load funds.

Portfolios are typically allocated amongst the following: Short-Term Fixed Income (bonds 1 year or less in maturity), Intermediate Fixed Income (bonds 1-10 years in maturity), Large-Cap US Stocks, Small & Mid-Cap US Stocks, International Stocks, and Alternatives/Commodities (typically gold, natural gas/oil master limited partnership stocks, mortgage REIT's and the occasional mutual funds that invest with diversification in less traditional asset sectors).

Stock exposure in large portfolios is typically constituted 80% from individual securities and 20% from mutual funds. Similarly, fixed income exposure in large accounts tends to come 80% from individual bonds and 20% from bond mutual funds. As the account size decreases, so does the share of stocks and bonds that are made up of individual securities; mutual funds provide the required diversification. The smallest accounts consist exclusively of mutual funds for instance.

## **Item 9. DISCIPLINARY INFORMATION**

This section does not apply as there are no legal or disciplinary events to do with Castle Wealth Planning or the management of Castle Wealth Planning.

**Item 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

This section does not apply as the management of Castle Wealth Planning has no other financial industry activities or affiliations, nor has any relationships or arrangements material to the advisory business with other professionals or related parties.

**Item 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Castle Wealth Planning employees adhere to its Code of Ethics. This code states that employees are required to place client interests before staff and company interest. Employees are obliged to uphold the firm's fiduciary responsibility and report to the company's Chief Compliance Officer if it is breached. A copy of Castle Wealth Planning's Code of Ethics is available upon request and provided as required to prospective clients upon their first meeting. Castle Wealth Planning and/or employees and/or family of employees may own shares of securities that they recommend to clients. Purchases or sales for the personal accounts of employees of Castle Wealth Planning can cause conflicts of interest with clients if they are bought or sold near or at the time as that of the clients. For instance, purchases in employee accounts of securities purchased soon after in client accounts can provide the employee with a potential gain through follow-on client purchases exerting upward pressure on the security's price. The converse is true for the client to their detriment. To avoid these conflicts, purchases or sales for the personal accounts of employees of Castle Wealth Planning must follow or be made simultaneously with transactions made on behalf of clients. If orders for Castle Wealth Planning employees' transactions are combined with orders for clients' transactions, each participant in this combined trade will receive the same price. Castle Wealth Planning employees may pay a higher or the same commission as clients, and clients may pay different commissions depending upon the size of their account.

**Item 12. BROKERAGE PRACTICES**

Castle Wealth Planning uses various factors in selecting broker-dealers for client transactions (factors are not all applicable in all cases): trading fees and other costs, quality and accuracy of service, security price execution, technological infrastructure made available to the adviser, and financial soundness of the broker-dealer. Castle Wealth Planning receives **very little** in the way of research and soft-dollar benefits from the broker-dealers it selects, and as a result recommends broker-dealers to clients largely based on the totality of **services** that are provided by them to the client, and to the adviser on behalf of the client in the way of productivity enhancements.

The only research or soft-dollar benefits provided by broker-dealers that Castle Wealth Planning takes advantage of are the occasional analytics and historical returns of mutual funds that are considered and sometimes invested in for client accounts (always no-load mutual funds). None of these benefits have ever caused higher costs or commissions to a client based on the

knowledge of Castle Wealth Planning, although we acknowledge that there is a risk of this as explained below. Other research and soft-dollar benefits that are made available by broker-dealers, but are not made use of by Castle Wealth Planning, include stock and fixed income research, variable annuity and variable whole life insurance products and access to alternative investments such as hedge funds and private real estate investments. Virtually all research into securities for client portfolio consideration is done using free research available to Castle Wealth Planning (Value Line) or through explicit payment for research material (Barron's, Financial Times, Financial Planning Magazine and Morningstar Online).

If Castle Wealth Planning does deviate in the future to utilize more soft-dollar arrangements, this will be disclosed through an immediate amendment to this Form ADV Part 2. Soft-dollar benefits can cause a conflict of interest whereby the benefits that help the adviser in various ways and can bias their judgment in what broker-dealer to use, therefore potentially raising the cost to the client. There is an incentive to the adviser as a result to recommend a given broker-dealer that provides soft-dollar benefits such as research or other products or services. As mentioned above, Castle Wealth Planning keeps soft-dollar benefits to a minimum and finds other sources of straightforward, free or for-pay, research.

Castle Wealth Planning does often recommend the client direct the use of Charles Schwab & Co., Inc. as a broker-dealer to execute transactions. Castle Wealth Planning has contracted with Charles Schwab & Co., Inc. as its primary custodian of assets. Mr. Cultice, President of Castle Wealth Planning, has had extensive experience with using Charles Schwab & Co., Inc. at Castle Wealth Planning and at his previous firm. With the periodic review of competing broker-dealer platforms, fees and execution, Castle Wealth Planning feels the totality of services offered by Charles Schwab & Co., Inc. is exceptional and fully in the clients interest. Not all advisers require their clients to direct brokerage, and Castle Wealth Planning acknowledges that this practice may cause trade execution to not be the most favorable and may cost clients more money.

In cases where clients authorize Castle Wealth Planning to manage accounts where there is no choice of broker-dealer on the part of the client or adviser, such as with employer-provided 401(k) plans with mutual fund and/or individual stock investment capability, Castle Wealth Planning will not direct the client to a particular broker-dealer. Castle Wealth Planning will work within the framework of the broker-dealer overseeing the client's account in these cases. A benefit from these accounts is that Castle Wealth Planning is able to evaluate the execution, costs and procedures of another broker-dealer to make comparisons to the benefit of the client base.

When appropriate, Castle Wealth Planning combines the orders for the same securities transactions for multiple clients. In this situation, each client participating in the combined order will receive the same average price. Clients, however, may pay different commissions depending upon the size of the client's account.

Castle Wealth Planning does not typically negotiate commission discounts on individual transactions. However, under unusual circumstances where there are certain large transactions for one client or group of clients, Castle Wealth Planning may, in its sole discretion, determine to attempt to negotiate a lower commission.

**Item 13.**      **REVIEW OF ACCOUNTS**

Castle Wealth Planning continuously monitors and reviews management accounts. Mr. Cultice, President of Castle Wealth Planning, performs all of the monitoring and review and provides written, quarterly account statements and performance reports to clients. Monitoring and review of accounts may be triggered at any time for various reasons not limited to: changes in the attractiveness of individual securities, updated client preferences for liquidity or investment posture, and/or changes in return and risk in the global investment environment. Monitoring and review includes ongoing analysis of individual securities held, liquidity considerations as well as evaluation of portfolios as a whole in accordance with the client's risk and return preferences. Statements of fees are also provided to clients simultaneous with their provision to the custodian.

Castle Wealth Planning also performs Financial Planning reviews. The regular frequency of reviews ranges from every six months to every two years depending on the client and how fluid their circumstances and needs are. All Financial Planning reviews and updates are performed by Mr. Cultice and can also be triggered by client or adviser request due to changes in the client's financial situation not limited to: the desire for some form of planning (investment, tax, insurance, medical, college savings, estate, retirement benefit programs, real property asset decisions), a nearing retirement date, and/or family and multi-generational planning. All financial planning reviews take a written form supplemented by ideally face-to-face meetings and discussion.

**Item 14.**      **CLIENT REFERRALS AND OTHER COMPENSATION**

This section does not apply as Castle Wealth Planning does not compensate any party for the referral of clients and does not receive any other compensation or economic benefit from third-party professionals.

**Item 15.**      **CUSTODY**

This section does not apply as Castle Wealth Planning does not have custody of client funds or securities.

**Item 16.**      **INVESTMENT DISCRETION**

Castle Wealth Planning accepts discretionary authority to manage securities accounts on behalf of clients. Upon the client's authorization, Castle Wealth Planning will manage their account under a limited power of attorney agreement. The firm will therefore have the authority to determine the securities to be bought and sold, and in what amounts. Through each client's

written investment policy statement however, the client's investment objectives and constraints dictate security selection. Furthermore clients can always dictate securities to be bought and sold, aside from what is written in the investment policy statement. Clients, for instance, with socially responsible wishes for their investments often engage in ongoing evaluation on which investment sectors are acceptable to them and which are not. Discussions between the client and adviser as to the potential and suitability of specific securities is encouraged at Castle Wealth Planning.

#### **Item 17. VOTING CLIENT SECURITIES**

Castle Wealth Planning will accept the authority to vote client securities at each client's discretion. At the beginning of each client relationship (and subject to change at any point thereafter), the client can decide whether they would like to vote on their stock's proxy ballot initiatives or to authorize Castle Wealth Planning to do so on their behalf. If the client would like to vote their own securities, they will receive their proxies directly from the custodian and can contact us if they wish to discuss a particular vote.

In accordance with Castle Wealth Planning's voting policies and procedures, we will vote client securities if so authorized after consideration based on specified criteria. In general for instance, we will vote in favor of: 1.) initiatives for the Board of Directors for annual terms, an independent presence, and the ability to vote against candidates, 2.) appointing accounting firms in good standing while changing firms every four years, and 3.) medium-to-long term incentive programs for management. In general for instance, we will vote against: 1.) poison pill plans recommended by management, 2.) shareholder proposals deemed to be too burdensome on the functioning of the company, and 3.) new share issued judged to be dilutive.

Castle Wealth Planning's voting on a specific security is done on an aggregate basis, voting all holdings of a given security firm wide at once. It is possible that a client will disagree with how a stock is voted in a particular solicitation where they have authorized Castle Wealth Planning to vote on their behalf. As part of the adviser-client relationship, the client shares their preferences, priorities and values with respect to corporate activities, and so Castle Wealth Planning can often judge if there is a difference of opinion on how to vote. In these cases, the client can change the arrangement to vote their own shares or the firm can engage in a mutually agreed-upon third party proxy voting service to vote the client's shares going forward.

Similarly, if there is a conflict of interest between Castle Wealth Planning and a client with respect to voting securities, this can be resolved through the use going forward of a mutually agreed-upon third party proxy voting service. In addition, clients can at all times request information about how Castle Wealth Planning voted their securities and may obtain a copy of Castle Wealth Planning's proxy voting policies and procedures.

**Item 18. FINANCIAL INFORMATION**

This section does not apply as Castle Wealth Planning does not require prepayments in any way and has no adverse financial condition likely to impair its ability to meet contractual commitments to clients. Financial information will be made available upon request by current and prospective clients.

**Item 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

The principal executive officers and management personnel at Castle Wealth Planning are as follows:

Name:	Nathan Edward Cultice
Title:	President and Chief Compliance Officer
Date of Birth:	May 13, 1970
Formal Education:	1992 Bachelor of Arts degree in Applied Mathematics, Minor in Economics, Massachusetts Institute of Technology Fellow of the Society of Actuaries Certified Financial Planner
Business Background:	August, 2006 to date, President of Castle Wealth Planning June, 2000 – August, 2006, Vice President, West Coast Financial, Santa Barbara, CA (Associate through 2004) February, 1997 – February, 2000, Vice President, Morgan Stanley Dean Witter – Institutional Dept., New York, NY June, 1992 – January, 1997, Actuarial Associate, MetLife Westport, CT; New York, NY; Bridgewater, NJ