

**Item 1**

# **Heller Wealth Advisors, LLC**

**101 Eisenhower Pkwy**

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**Roseland, NJ 07068**

**(973) 287-5433**

**3/15/2013**

This Brochure provides information about the qualifications and business practices of Heller Wealth Advisors, LLC ("HWA"). If you have any questions about the contents of this Brochure, please contact us at (973) 287-5433 or via email at [dhertling@hellerwealth.com](mailto:dhertling@hellerwealth.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.

Heller Wealth Advisors, LLC is a Registered Investment Adviser. Registration of an Investment Adviser, or any use of the word "registered", does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them. Additional information about Heller Wealth Advisors, LLC is also available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for Heller Wealth Advisors, LLC is 153730.

<http://www.hellerwealth.com>

## Item 2-Material Changes

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This section would include only ***specific material changes*** made to the HWA ADV Part 2A Brochure dated 3/1/12 which was previously filed with the SEC and given to our clients. Certain sections of this Brochure have been updated; however, such changes have not been deemed to be material in nature and have therefore been omitted from the summary.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will continue to provide you with disclosure information about material changes as necessary, and our most current Brochure may be requested at any time, without charge, by contacting Donald J. Hertling at (973) 287-5433.

Additional information about Heller Wealth Advisors, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Heller Wealth Advisors, LLC is 153730. The SEC's web site also provides information about any persons affiliated with Heller Wealth Advisors, LLC who are registered, or are required to be registered, as investment adviser representatives of Heller Wealth Advisors, LLC.

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## Item 4-Advisory Business Introduction

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Heller Wealth Advisors, LLC (“HWA”) is a Registered Investment Adviser (“Adviser”) which offers investment advice, securities, insurance, and other financial services to clients. On January 3, 2011 we became registered through and are regulated by the United States Securities and Exchange Commission (“SEC”); additionally, we are licensed to transact investment advisory business and are regulated by the relevant state securities administrators in California, Florida, New Jersey, New York, Pennsylvania and Vermont.

We provide investment advice through investment adviser representatives (each an “advisor”) associated with us. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on our behalf. In addition, all advisors are required to have either passed the FINRA Series 65 examination or have one of the following professional designations: Chartered Financial Analyst (CFA®), Certified Financial Planner (CFP®), Certified Investment Management Analyst (CIMA®) or the Accredited Asset Management Specialist (AAMS<sup>sm</sup>). Each of our advisors must have at least five years’ experience in the financial services industry.

HWA was founded in 2008 by Jordan Heller who serves as President and is the majority shareholder of the firm. We have offices in Roseland, New Jersey and New York City. We provide wealth management services to individuals, their families and their businesses. Our experience in all areas of financial planning and investments helps us provide holistic solutions that are tailored to the specific needs of our clients. We are committed to the precept that by placing our clients’ interests first, we will add value to the asset management process and earn the client’s trust and respect. We value long term relationships with our clients whom we regard as strategic partners in our business.

### Services

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We provide various wealth management and financial planning services, with an emphasis on comprehensive and integrative financial planning. Our focus is on helping you develop and execute plans that are designed to build and preserve your wealth.

As of 12/31/2012, we had \$1,967,954 assets under management on a non-discretionary basis and \$231,826,805 assets under management on a discretionary basis. Discretionary means you have given us the authority to determine the following without your consent:

- Securities to be bought or sold for your account
- Amount of securities to be bought or sold for your account
- Broker- dealer to be used for a purchase or sale of securities for your account
- Commission rates to be paid to a broker or dealer for your securities transaction

While we may have trading discretion on your account (i.e., placing trades in your account without your approval), trading activity is generally limited to help minimize your trading costs. Trading may be required to meet initial allocation targets, after substantial cash deposits that require investment allocation, and/or after a request for a withdrawal that requires liquidation of a position.

Additionally, your account may be rebalanced or reallocated periodically in order to reestablish the targeted percentages of your initial asset allocation. This rebalancing or reallocation will occur on the schedule we have determined together. You will be responsible for any and all tax consequences resulting from any rebalancing or reallocation of the account. We are not tax professionals and do not give tax advice. However, we will work with your tax professionals to assist you with tax planning. You will have the opportunity to meet with us periodically to review the assets in your account.

## **1. Financial Planning**

We provide comprehensive financial planning; our areas of financial planning include cash flow analysis, liability management, liquidity planning, executive benefits integration, planning for education expenses, insurance planning and estate planning and wealth transfer, philanthropic planning and generational planning. Fee based financial planning is a comprehensive relationship which incorporates many different aspects of your financial status into an overall plan that is designed to meet your goals and objectives. The financial planning relationship consists of face to face meetings and ad hoc meetings with your other advisors (attorneys, accountants, etc.).

In performing financial planning services, we typically examine and analyze your overall financial situation, which may include such issues as taxes, insurance needs, overall debt, credit, business planning, retirement savings and reviewing your current investment program.

You must agree to provide the information and documentation we request regarding your income, investments, taxes, insurance, estate plan, etc. You also must agree to discuss your investment objectives, needs and goals, and to keep us informed of any changes. We do not verify any information obtained from you, your attorney, accountant or other professionals.

Our services may focus on any or all of the areas outlined below depending upon the scope of our engagement with you.

### **Cash Flow Analysis**

We will analyze your pre-retirement and post-retirement income and expenses, make cash flow projections, evaluate your current assets to determine if they are properly structured to achieve your financial goals, and recommend alternatives with the hopes of increasing the likelihood of achieving those goals.

### **Liability Management**

This process encompasses structuring the best use of debt to fund specific goals within your financial plan. In addition to analyzing existing debt, we help position you or your company for the efficient use of debt in the future. We also take into consideration contingent liabilities and personal guarantees.

## **Liquidity Planning**

We develop strategies to provide liquidity for everyday living and events such as weddings, vacations, and the purchase of homes, planes, boats, jewelry, art, and so forth.

## **Executive Benefits Integration**

We analyze corporate benefits packages and integrate them within your overall financial plan. This can result in a more comprehensive and cost-efficient approach to benefits planning.

## **Education Funding**

We provide you with an effective strategy for saving for your children/grandchildren's education. We incorporate all techniques, taking into account your tax situation and available investment assets.

## **Insurance Planning**

HWA can help you be prepared for eventualities that may arise.

- We provide an objective insurance needs analysis (life, disability and long-term care)
- We audit and review existing insurance policies, which includes an intensive study of policy data
- We design and implement a proper insurance portfolio including ownership structure
- We review your insurance portfolio annually to ensure they continue to achieve your goals

## **Estate Planning and Wealth Transfer**

HWA draws upon the experience of specialists in trusts and estates, taxes, and generational planning to help design the optimal plan for you. Among the many areas we cover are:

- Estate Document Design
  - Wills
  - Durable Powers of Attorney
  - Healthcare Directives
  - Irrevocable Life Insurance Trusts
- Basic Wealth Transfer Strategies
  - Use of unlimited marital deduction
  - Use of annual gift exclusion
  - Use of lifetime exemption equivalent

- Advanced Wealth Transfer Strategies
  - Generation skipping/dynasty trusts
  - Qualified personal residence trusts
  - Family limited partnerships/limited liability companies
  - Use of grantor retained trusts
  - IRA rollback strategies
  - Sales to intentionally defective grantor trusts
  - Mortality arbitrage strategies
  - Intra-family asset sales or loans
  - Family gifting strategies
- Asset Protection Strategies
- Estate Liquidity Planning

### **Philanthropic Planning**

At HWA, we have the experience and knowledge to assist in the development of a comprehensive philanthropic plan that meets a client's intellectual, emotional and financial needs.

We assist in:

- Defining philanthropic objectives
- Evaluating the alternative philanthropic planning structures available
- Implementing current income and estate tax strategies
- Promoting leadership development in family members
- Clarifying values and family mission

### **Generational Planning**

Wealth is a legacy of resources, skills and relationships. We recommend planning with three generations in view.

Multi – Generational Planning not only focuses on protecting the value of your monetary wealth but also protects your family values for future generations. Families who will benefit from our service include families that have created or inherited substantial wealth, families that want to consider the impact of this wealth on current and future generations and see the value of educating future generations about the benefits and dangers of inherited wealth.

## 2. Asset Management

Asset management is the professional management of securities (stocks, bonds and other securities) and assets (e.g., real estate) in order to meet your specified investment goals. With an Asset Management Account, you engage us to assist you in developing a personalized asset allocation program and custom-tailored portfolio designed to meet your unique investment objectives. The investments in the portfolio account may include mutual funds, stocks, bonds, equity options, futures, etc. Our stated minimum account opening balance is \$1 million; however, this minimum may be waived at our discretion. Some investment programs and asset management platforms that we utilize will have minimum account requirements that we cannot waive.

We believe in providing sophisticated investment management that is closely integrated with your financial plan. Our integrated planning and investment advice includes understanding your goals and objectives, analyzing your cash flows, determining your liquidity needs, proactively looking for tax implications, incorporating wealth transfer strategies and managing any concentrated positions you may hold. We will meet with you to discuss your financial circumstances and we will ask you to provide statements summarizing current investments, income and other earnings, recent tax returns, retirement plan information, other assets and liabilities, wills and trusts, insurance policies, and other pertinent information. Based on the information you share with us, we will analyze your situation and recommend an appropriate asset allocation or investment strategy. You will be provided with a targeted strategic allocation of assets by class, as well as investment advice. Our recommendations and ongoing management is based upon your investment goals and objectives, risk tolerance, and the investment portfolio you have selected. We will monitor the account, trade as necessary, and communicate regularly with you. Your circumstances shall be monitored in quarterly and annual account reviews. These reviews will be conducted in person, by telephone conference, and/or via a written inquiry/questionnaire. We will work with you on an ongoing basis to evaluate your asset allocation as well as rebalance your portfolio to keep it in line with your goals as necessary. We will be available to help you with questions about your account. You will also receive our Advisory Agreement which describes what services you will receive and what fees you will be charged.

We will:

- Review your present financial situation
- Monitor and track assets under management
- Provide portfolio statements, periodic rate of return reports, asset allocation statement, rebalanced statements as needed
- Advise on asset selection
- Determine asset allocation based on goals and objectives
- Provide research and information on performance and fund management changes
- Build a risk management profile for you



- Assist you in setting and monitoring goals and objectives
- Provide personal consultations as necessary upon your request or as needed

You must notify us promptly if and when your financial situation, goals, objectives, or needs change.

You shall have the ability to impose reasonable restrictions on the management of your account, including the ability to instruct us not to purchase certain mutual funds, stocks or other securities. These restrictions may be a specific company security, industry sector, asset class, or any other restriction you request.

Under certain conditions, securities from outside accounts may be transferred into your advisory account; however, we may recommend that you sell any security if we believe that it is not suitable for the current recommended investment strategy. You are responsible for the implications, obligations or liabilities with respect to any taxable events in these instances.

Your account can be managed in a tax aware manner; however, we do not provide tax advice or tax management services. You should always consult with your tax advisor for specific tax advice. Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is not indicative of future results.

If you decide to implement our recommendations, we will help you open a custodial account(s). The funds in your account will generally be held in a separate account, in your name, at an independent custodian, not with us. We typically require you to use Schwab Institutional, a division of Charles Schwab & Co. ("Schwab"). You will enter into a separate custodial agreement with the custodian. This agreement, among other things, authorizes the custodian to take instructions from us regarding all investment decisions for your account. We will select the securities bought and sold and the amount to be bought and sold, within the parameters of the objectives and risk tolerance of your account. The custodian will effect transactions, deliver securities, make payments and do what we instruct. You are notified of any purchases or sales through trade confirmations and statements that are provided by the custodian. You, and not HWA, will at all times maintain full and complete ownership rights to all assets held in your account, including the right to withdraw securities or cash, proxy voting and receiving transaction confirmations. You will receive a monthly statement containing a description of all the activity in your account from the custodian. This statement lists the total value at the start of the month, itemizes all transaction activity during the month, and lists the types, amounts, and total value of securities held as of the end of the month. Your statement may be in either printed or electronic form based upon your preferences.

We will also provide you with at least a quarterly performance statement starting at the end of the first full calendar quarter after signing the Advisory Agreement.

We are available during normal business hours either by telephone, fax, email, or in person by appointment to answer your questions.

### **3. Pension Consulting Services**

Heller Wealth Advisors also provides pension and 401(k) investment consulting services to small and mid- size companies. These services include monitoring and reporting of plan investment assets. HWA provides trustees with quarterly performance reports and annual meetings reviewing the underlying assets within a plan; whether they are mutual funds, exchange traded funds, etc. HWA charges the standard asset management fee on the plan assets subject to an asset management agreement signed by a plan trustee. These services are tailored to the individual needs of our client. By client, we are referencing the plan itself and not the individual participants. A client may impose restrictions on our pension consulting services, such as requesting that HWA not invest in certain asset classes or limiting the number of available options to a specific number.

## **Item 5-Fees and Compensation**

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We provide asset management and financial planning services for a fee. Our Advisory Agreement/Financial Planning Agreement defines what fees are charged and their frequency.

Our investment advisory fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians, third party investment companies and other third parties. These include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, money market funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. We do not receive any compensation from these fees. All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge.

You could invest in a mutual fund directly, without our services. In that case, you would not receive the services provided by us which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition and objectives.

Either party may terminate the investment advisory or financial planning agreement at any time by providing written notice to the other party. You may also call the custodian and have your account de-linked from our firm. You will incur charges for advisory or consulting services rendered up to the point of termination. Refunds of prepaid services will be given on a pro-rata basis within ten business days of the termination date. Any fees that are due, but have not been paid, will be billed to you and are due immediately.

## 1. Financial Planning/Consulting Fees

We can create a full financial plan or you may select from any of the individual modules. Our typical fee range is from \$2,500 to \$10,000 but can be more depending upon the nature and complexity of your circumstances; fees are typically non-negotiable.

The financial planning agreement will show the fee you will pay directly to HWA. The presentation of your plan and/or the rendering of planning services will also be in accordance with your financial planning agreement, provided that all information needed to prepare the investment plan has been promptly provided to us. The financial planning agreement will terminate according to the terms outlined in that agreement.

If the plan is implemented through us, we may receive additional compensation from the sale of insurance products recommended in the financial plan. This compensation would be in addition to the financial planning fee you pay. The fees and expenses you pay for the purchase of these products may be more or less than the expenses you would pay should you decide to implement our recommendations through another investment advisory firm and are typically determined by the broker-dealer or investment company sponsoring the product. Therefore, a conflict of interest may exist between our interests and your interests since we may recommend products that pay us compensation. We may have an incentive to recommend particular products based upon the potential compensation rather than your needs. This potential conflict is addressed in our Code of Ethics where it states that this activity is prohibited and our Chief Compliance Officer (“CCO”) monitors our advisors to ensure that this does not happen. Planning fee will be directly invoiced to the client.

All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations. You must decide what advice to follow.

## 2. Asset Management Fee Schedule

Our stated minimum account opening balance is \$1 million; however, this minimum may be waived at our discretion. Some investment programs and asset management platforms that we utilize will have minimum account requirements that we cannot waive. For complete information regarding these programs please refer to the ADV Part 2. The fee we charge for our services is based upon the amount of money you invest. Multiple accounts of immediately-related family members, at the same mailing address, will be considered one consolidated account for billing purposes. You will pay fees quarterly, in advance. Payments are due and will be assessed on the last day of each quarter, based on the ending balance of the account under management for the preceding quarter and be calculated as follows:

Percentage	Portfolio Size (AUM)
0.50% - 1.00%	Up to \$4,999,999
0.60% - 0.75%	\$5,000,000 - \$9,999,999
0.40% - 0.50%	\$10,000,000 and above

The fees shown above are annual fees. You will be billed one quarter of this amount on a quarterly basis. No increase in the annual fee shall be effective without prior written notification to you. Our fee is negotiable at our discretion; however, we believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

You will authorize the custodian to directly debit fees from your account held at the custodian and to pay us. We will instruct the custodian to deduct the fees from your account at the end of the calendar quarter. You will be provided with at least a quarterly statement reflecting deduction of the advisory fees. Management fees are prorated for each contribution and withdrawal made during the applicable calendar quarter (with the exception of small inconsequential contributions and withdrawals). We do not charge advisory fees that are both in excess of six hundred dollars and more than six months in advance of advisory services rendered.

Certain strategies offered by us involve investment in mutual funds. Load and no load mutual funds may pay annual distribution charges, sometimes referred to as “12(b) (1) fees”. These 12(b) (1) fees come from fund assets, and thus indirectly clients’ assets. We will not receive any additional compensation from these fees. The 12(b) (1) fee, deferred sales charges and other fee arrangements will be disclosed in the applicable fund’s prospectus.

Your account at the custodian may also be charged for certain additional assets managed for you by us but not held by the custodian (i.e. variable annuities, mutual funds, 401(k) s).

If you do not want us to charge your account for the quarterly fee, you may pay the quarterly fee directly to us. We will send you an invoice detailing the fee calculation. Fees are due in full 15 days after receipt of the invoice.

### **3. Pension Consulting Fee Schedule**

Heller Wealth Advisors provides its pension consulting services for a fee based on the assets within the plan. The tiered fee schedule is shown below.

Percentage	Portfolio Size (AUM)
0.50% - 1.00%	Up to \$4,999,999
0.60% - 0.75%	\$5,000,000 - \$9,999,999
0.40% - 0.50%	\$10,000,000 and above

This fee is negotiable and is payable on a quarterly basis in advance of the quarter. Heller Wealth Advisors will provide the plan trustees and the third party administrator a copy of the quarterly invoice and once approved the fees will be deducted from the plan assets. It is the preference of HWA to deduct advisory fees from the plan assets. However, should a client prefer to be billed directly HWA can make an exception.

In addition to the fees paid to Heller Wealth Advisors, there may be fees for transaction cost, administrative fees and underlying investment fees. These fees are paid to either Charles Schwab as the custodian of the plan or the mutual fund held within the account. Please see section 12 of this ADV regarding brokerage services.

Should a client terminate an advisory contract before the end of a billing period Heller Wealth Advisors will calculate a refund of the pre-paid fees and send a refund to the client within 10 days of receiving the notice of termination. The refund will be calculated based on the number of days remaining in the billing period and the client will be provided with a summary of the refund calculation.

#### **4. Other Fees**

We may recommend and sell life, disability, health, and long-term care insurance. We will receive the usual and customary commissions associated with these sales from the insurance company. There will be no offset to our advisory fees should we receive any such commissions.

In addition to using brokers as "agents" and paying commissions, we may effect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters or dealers. The execution of securities transactions for self-directed defined contribution plans is conducted by the plan trustee and/or custodian of the plan account at the direction of the plan participant. We do not arrange for the execution of securities transactions for plan accounts.

HWA does not receive any such transaction related fees; therefore there will be no offset to the advisory fees we charge to our clients.

### **Item 6-Performance Based Fee and Side by Side Management**

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We do not charge any performance-based fees. These are fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7-Types of Client(s)**

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We provide 401k pension consulting and portfolio management services to individuals, high net worth individuals, trusts, estates, corporate pension and profit-sharing plans, charitable organizations, foundations, endowments, corporations, trusts and business owners. Our minimum portfolio amount is \$1,000,000; however, this may be waived at our discretion.

Prior to establishing a relationship with us, clients will be required to execute our advisory contract and provide information necessary for us to complete an Investment Policy Statement which will help determine the specific advice we will provide to each client.

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

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We use Fundamental and Technical Analysis as well as Modern Portfolio Theory as part of our overall investment management discipline; the implementation of these analyses as part of our investment advisory services to you may include any, all or a combination of the following:

### 1. Fundamental Analysis

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. Fundamental analysis serves to answer questions, such as:

- Is the company's revenue growing?
- Is it actually making a profit?
- Is it in a strong-enough position to beat out its competitors in the future?
- Is it able to repay its debts?

One of the primary assumptions of fundamental analysis is that the price on the stock market does not fully reflect a stock's "real" value. We use a combination of qualitative and quantitative factors to try and find stocks that are undervalued. We look at both macroeconomic factors such as the overall economy and industry conditions and company-specific factors such as financial condition and management. When we are examining a stock, we might look at the stock's annual dividend payout, earnings per share, Price to Earnings ratio and many other quantitative factors. However, no analysis is complete without taking into account brand recognition and other qualitative factors.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

In order to perform this fundamental analysis, we use many resources, such as:

- Morningstar
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Research materials prepared by others
- Company press releases
- Corporate rating services

- Timing Services
- Company websites
- Inspections of corporate activities

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long term purchases - securities held at least a year
- Short term purchases - securities sold within a year. This strategy may lead to frequent trading of securities which can affect investment performance, particularly through increased brokerage and other transaction costs and taxes
- Margin Transactions
- Option writing, including covered options, uncovered options or spreading strategies

Once we discover undervalued funds, funds that are investing in undervalued stocks; we look at the company offering these funds to determine stability and volatility of the funds.

## **2. Modern Portfolio Theory (MPT)**

We use publically available research and reports regarding individual securities, issuers, investment strategies and performance of asset classes to select securities we will offer or recommend. Modern Portfolio Theory was created by some of the world's leading academic economists who conducted extensive research demonstrating that asset class selection, (such as small-cap vs. large-cap, value vs. growth and U.S. vs. international) and not stock selection or market timing, is the most important determinant of portfolio performance. They also received a Nobel Prize for revealing these four tenets:

1. Markets process information so rapidly when determining security prices, that it is extremely difficult to gain a competitive edge by taking advantage of market anomalies or inefficiencies.
2. Over time, riskier investments provide higher returns as compensation to investors for accepting greater risk.
3. Adding high-risk, low correlating asset classes to a portfolio can actually reduce volatility and increase expected rates of return.
4. Passive asset class fund portfolios can be designed to deliver over time the highest expected returns for a chosen level of risk.

Modern portfolio theory tries to understand the market as a whole, rather than looking for what makes each investment opportunity unique. Investments are described statistically, in terms of their expected long-term return rate and their expected short-term volatility. The volatility is equated with "risk", measuring how much worse than average an investment's bad years are likely to be. The end goal is to identify your acceptable level of risk tolerance, and then to find a portfolio with the maximum expected return for that level of risk.

### **3. Technical Analysis**

Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

In order to perform technical analysis, we use the following techniques:

- Calculate moving averages
- Stochastic oscillators, which incorporate support and resistance levels to determine momentum.
- Charting and chart patterns
- Supply and demand indicators
- Investor behavior and psychology

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Margin Transaction
- Option writing, including covered, uncovered and spread option strategies

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

### **4. Risks**

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principle is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle and bear. You need to understand that investment decisions made for your account by us are subject to various market, currency, economics, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance. For a more comprehensive description of all the risks associated with our strategies, methodology, and products please refer to the glossary under Risks.



## **Item 9-Disciplinary Information**

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Registered Investment Advisers are required to disclose all legal or disciplinary events that would be material to your evaluation of our firm, our people or the integrity of our management. We have no information to disclose here about the firm or any of our investment advisors and associates. We adhere to high ethical standards for all our investment advisors and associates. We strive to do what's in your best interests.

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

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Our advisors may be licensed insurance agents/brokers with various companies. In their role as an insurance agent/broker, they may offer commissionable (non-variable) insurance products to you for which they would receive compensation from insurance companies. They may recommend and sell life, disability, health, and long-term care insurance and would receive the usual and customary commissions. They may also offer advice on structured products typically linked to exchange traded instruments and would receive compensation for any purchases of these products.

You should be aware that the receipt of such compensation itself could create a conflict of interest and may affect judgment when making recommendations on behalf of HWA. However, our Code of Ethics prohibits our advisors from putting their interests ahead of yours and our CCO monitors their activities to ensure this does not happen.

We have a strategic profit sharing arrangement with New Legacy Advisors, LLC ("New Legacy"), a New York limited liability company which holds a five (5%) profit interest in HWA. As discussed in Item 14 below, New Legacy will solicit clients for HWA for which it will receive a portion of the ongoing asset management fees paid to us. A written disclosure document detailing any such arrangement will be given to clients at the time of the solicitation.

New Legacy is also the sponsor of one or more proprietary investment vehicles such as hedge funds and hedge funds of funds (the "Products"). Our advisor's may invest for their own personal account in one or more of these Products. If suitable for you, and in your best interests, HWA may recommend the purchase or sale of one or more of these Products for your account. HWA will not recommend any Products where such a recommendation is not suitable or otherwise in your best interests. And where HWA recommends the purchase or sale of a Product for your account, you have the right to implement or not implement HWA's recommendation. HWA does not receive any compensation as a result of the purchase or sale of a Product, but will continue to charge its customary investment advisory fee relative to its provision of investment advisory services for your account.

## Item 11-Code of Ethics

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### 1. General Information

We have a fiduciary duty to each client to act in that client's best interests and to always place that client's interests first and foremost. As such, we require all staff to comply with SEC Insider Trading Rules and regulations as well as our own policies and procedures. We have adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

We may recommend securities to you that we have purchased for our own accounts. We may trade securities in our account that we have recommended to you as long as we place our orders after your orders. This policy is meant to prevent a conflict of interest from "Front Running, or improperly benefiting as a result of the impact of transactions placed on behalf of advisory accounts on the market price of a security.

It is our policy to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. We are not obligated to acquire for any client account any security that HWA or its associated persons may acquire for their own accounts or for the account of any other client, if we do believe it is the client's best interests.

We have established the following restrictions in order to ensure our fiduciary responsibilities to you are met:

- We shall not buy or sell securities for our personal portfolio(s) where this decision is substantially derived, in whole or in part, from our role as an Investment Advisory Representative of Heller Wealth Advisors, LLC ("HWA") unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.
- We emphasize your unrestricted right to decline to implement any advice rendered.

However, some securities trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records as required.

In addition, open-end mutual funds and/or investment sub-accounts which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value. Therefore, purchases of mutual funds and/or variable insurance products by an advisor are not likely to have an impact on the prices of the fund in which you invest. These types of transactions are not prohibited by our policies and procedures.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Our procedures require our personnel to carefully implement investment management decisions. Nevertheless, if a trade error occurs, it is our policy that the error be corrected as soon as possible and in such a manner that the affected client is not disadvantaged. Our policy prohibits staff from requesting an executing broker to accept financial responsibility for a trade error caused by HWA in exchange for the promise of, or agreement to direct, future compensation through commissions. This policy applies only to trade errors made by HWA and its employees.

We will provide a copy of the firm's Code of Ethics to each existing and prospective client upon such person's request by contacting Donald J. Hertling.

## **2. Responsibility**

It is the responsibility of all supervisory personnel to ensure that we conduct business with the highest level of ethical standards and in keeping with our fiduciary duties to you. We must put your interests first and refrain from having outside interests that conflict with your interests.

## **3. Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to it in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. Our Privacy Policy is available upon request.

## **4. Prohibited Acts**

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices

## **5. Conflicts of Interest**

We have a duty to disclose potential and actual conflicts of interest. We have a duty to report potential and actual conflicts of interest to management. Gifts (other than de minimis gifts, which are usually

defined as having a value under \$100.00) should not be accepted from persons or entities doing business with us.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interest of all the accounts we advise.

## **6. Use of Disclaimers**

We shall not attempt to limit liability for willful misconduct or gross negligence through the use of disclaimers.

## **7. Suitability**

We shall only recommend those investments that we believe are suitable for you based upon your particular situation and circumstances. In addition, you must notify us of any significant changes in your situation or circumstances so that we can respond appropriately.

# **Item 12-Brokerage Practices**

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We will arrange for the execution of securities brokerage transactions for your account through Broker-Dealers that we reasonably believe will provide “best execution.” These transactions will take place through Schwab. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Broker-Dealer’s services including the value of research provided, execution capability, commission rates, reputation, reporting capabilities, financial stability and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions. Many of these services may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab.

Our evaluation of Schwab and its brokerage program considered a number of factors, some of which are transaction fees, custodial fees charges for holding securities, commission rates, and interest charges on debit balances and interest credits on credit balances, quality of execution and record keeping and reporting capabilities. We regularly review this program to ensure that its offering is consistent with our fiduciary duty.

## **1. Soft Dollars**

We do not currently receive any soft dollars from broker-dealers, custodians or third party money managers. Should we become engaged in soft dollar arrangements; our policy will be to limit its use in research and brokerage products and services that provide assistance to our advisors in the performance of their investment decision-making responsibilities.

Since we utilize Schwab for the execution and settlement of client transactions and custody of assets, we receive various products and services from Schwab including access to conferences, compliance and other newsletters, software to enable direct electronic downloading of client account information, electronic trading, and access to investment research and information. The receipt of such products and services presents a conflict of interest in that HWA has an incentive to utilize and recommend Schwab as a result of receiving such services. Nonetheless, we have addressed this conflict by not requiring clients to utilize Schwab for execution and custodial services. Further, clients do not pay higher commissions as a result of these products and services being furnished to HWA. We have access to institutional services provided by Schwab that may not be otherwise available.

## **2. Aggregating Orders**

We will generally place your trades individually through your accounts unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commission or other transaction costs. Under this procedure, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. Trades are not allocated in any manner that favors one group of similarly-situated clients over another. Aggregated trades placed with different brokers may be priced differently and in certain circumstances, failure to aggregate trades could increase transaction costs paid by a client.

## **3. Directed Brokerage**

We do not receive any compensation or incentive for referring you to broker-dealers for brokerage trades. We will arrange for the execution of securities brokerage transactions for your account through Broker-Dealers that we reasonably believe will provide “best execution.” These transactions will take place through Schwab Institutional, a division of Charles Schwab & Co. (“Schwab”). In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Broker-Dealer’s services including the value of research provided, execution capability, commission rates, reputation, reporting capabilities, financial stability and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions. Many of these services may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab.

Our evaluation of Schwab and its brokerage program considered a number of factors, some of which are transaction fees, custodial fees charges for holding securities, commission rates, and interest charges on debit balances and interest credits on credit balances, quality of execution and record keeping and reporting capabilities. We regularly review this program to ensure that its offering is consistent with our fiduciary duty.

The Schwab trading platform is essential to our service capabilities; however, we may accept clients who direct the use of other custodians or brokers. In such cases, HWA may be unable to achieve most favorable execution of client transactions directed to a broker dealer other than Schwab. This may cost

clients more money through higher brokerage commissions, transaction costs and/or less favorable execution prices.

Not all advisory firms require you to direct brokerage to a specific broker/dealer. We have an obligation to seek the best execution for you. By directing brokerage to Schwab, you may pay higher fees or transaction costs than those obtainable by other broker-dealers. In most cases, we believe you are paying a discounted and reasonable rate. You may pay higher or lower fees if you select another broker-dealer. Generally, we will not negotiate lower rates below the rates established by the executing broker-dealer for this type of directed brokerage account, unless we believe that such rate is unfair or unreasonable for the size and type of transaction.

Our recommendation of Schwab may create a conflict of interest. The Schwab trading platform is essential to our service capabilities; however, we may accept clients who direct the use of other custodians or brokers. Clients are under no obligation to purchase or sell securities through Schwab and remain free to implement advisory recommendations through any firm.

## **Item 13-Review of Accounts**

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### **1. Duty to Supervise**

We are responsible for ensuring adequate supervision over the activities of all persons who act on our behalf. Specific duties include:

- Establish procedures that could be reasonably expected to prevent and detect violations of law by our Advisory personnel
- Analyze operations and create a system of controls to ensure compliance with applicable securities laws
- Ensure that all Advisory personnel fully understand Company policies and procedures
- Establish a review system designed to provide reasonable assurance that our policies and procedures are effective and being followed

### **2. Reviews**

Our financial planning and asset management client's accounts are reviewed regularly on at least a quarterly basis. We employ the use of Tamarac Advisor software for rebalancing and trading functionality, which allows for the monitoring and rebalancing of client accounts on a daily basis. Account reviews are also a byproduct of regular interaction with clients.

All portfolios are reviewed by Jordan Heller, President, and Scott Drown, Portfolio Manager, who can recommend an appropriate course of action given your individual circumstances in accordance with your stated goals and objectives. You are also consulted for any changes to your financial situation, which may impact the recommendations made to your accounts. You should notify us promptly of any

changes to your financial goals, objectives or financial situation as such changes may require us to review your portfolio and make recommendations for changes.

Heller Wealth Advisors will provide periodic reviews of 401K pension consulting client accounts. These reviews will take place semi-annually. During the reviews all investments will be analyzed against their respective index and peer group. The reviews will be conducted by Jordan Heller (President) and Scott Drown (Portfolio Manager). We may also review the client accounts on other than a periodic basis. Two of the factors that might trigger this review are a transition of a fund manager for a particular mutual fund or a large distribution from the account due to a rollover.

### **3. Reports**

You will receive an investment report from us outlining all of the assets under our management. You may receive this report in hard copy, electronic copy via e-mail or in both mediums. Most of these reports are sent on a quarterly basis; however you may receive them on a monthly basis.

Pension consulting clients will be provided with quarterly reports from us showing the performance of the account and underlying investments net of HWA's management fees. The reports can either be mailed to the client or uploaded to the client's secure online vault.

In addition to the performance statements prepared by us, you will receive account statements directly from Schwab, as well as capital account statements directly from any outside managers where your money is invested, such as hedge funds. These statements will be written and provided in paper or electronic format depending upon what you selected when you opened the account. You will be provided with confirmations for each securities transaction executed in the account in either a paper or electronic format. You must notify us of any discrepancies in the account or any concerns you have about the account.

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

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We provide referral fees to certain sources as an incentive to refer prospective clients. These referral fees will not be paid unless the prospect becomes a client of HWA. Any such fees would be based on a percentage of the asset management fees generated by the client's assets under management at HWA.

Referral fees are paid to the referral source on a quarterly basis when collected from the respective client. All such arrangements include a written agreement between us and the solicitor as well as a separate disclosure document which is given to potential clients at the time of the solicitation. Any referral fee from HWA shall be paid solely from HWA's investment management fee, and shall not result in any additional charge to you (that is, you will not be charged more because of a solicitor's role in referring you to HWA).

As discussed in Item 10 above, we will provide such referral fees to New Legacy if they refer a client to us. In the case of New Legacy referrals, the referral arrangement is subject to a written solicitor's agreement between HWA and New Legacy and includes a separate disclosure document which is given to potential clients at the time of the solicitation. New Legacy's referral fee from HWA shall be paid

solely from HWA's investment management fee, and shall not result in any additional charge to you (that is, you will not be charged more because of New Legacy's role in referring you to HWA).

We do not receive any compensation or incentive for referring you to broker-dealers for brokerage trades. Please see the discussion in this Disclosure Brochure under Item 12 concerning benefits received by HWA from a broker-dealer in connection with execution of client securities transactions.

## **Item 15-Custody**

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We do not have custody of any accounts. We use Schwab as the custodian and/or broker-dealer for all your accounts. You should receive at least quarterly statements from the broker-dealer or custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare this official custodial record to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you notice any discrepancies, please contact Donald J. Hertling.

We do not debit the client fees directly from your advisory account. Only the custodian has the authority to directly charge and debit the advisory to your account, which is then forwarded to us. The custodian will provide you immediate transaction confirmations and monthly statements, either by mail or electronically per your request. Monthly statements list the total value of the account at the start and end of the month and itemize all transactions and security positions. For taxable accounts, the custodian will provide you consolidated year-end summary statements including IRS forms 1099 and other tax-related forms, as applicable. We are not allowed to make alterations or amendments to the custodian's statement. This preserves the integrity of the custodian's statement and provides you with an independent appraisal of the account.

## **Item 16-Investment Discretion**

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We usually receive discretionary authority from you at the beginning of an advisory relationship to select the investments to be made for the account, the quantity of securities to be bought and sold for the account, and the executing broker-dealer to be used to effect transactions in securities for that account. In some cases, we may be able to negotiate the commission rate charged by an executing broker. This information is described in the Advisory Agreement you sign with us. In all cases, however, this discretion is exercised in a manner consistent with your stated investment objectives for your account.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions you have set. Investment guidelines and restrictions must be provided to us in writing.



In some cases, clients may place assets with us on a non-discretionary basis whereby you retain the authority to approve each contemplated securities transaction. In either case, we may not have the authority to determine the execution costs or brokerage commissions that are assessed by the broker-dealer that executes the securities transactions.

## **Item 17-Voting Client Securities**

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As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We may provide advice to you regarding your voting of proxies. We are authorized to instruct the custodian to forward you copies of all proxies and shareholder communications relating to your account assets.

## **Item 18-Financial Information**

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings.

## Glossary of Key Terms

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**Adviser** – Heller Wealth Advisors, LLC

**Advisor** – Your individual representative at Heller Wealth Advisors, LLC

**Asset Allocation** – The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward tradeoff based on an individual's or institutions specific situation and goals; a key concept in financial planning and money management.

**Asset-class investment portfolios** – An asset class is a grouping of similar investments whose prices tend to move together. Asset classes can be defined on a very general level, such as stocks or on a more specific level, such as American silver producing companies. The concept of asset classes is important because one of the goals when building an investment portfolio is to use different asset classes which are not correlated with each other.

**Associated Person** – any employee of the Adviser, other than persons whose functions are solely clerical or administrative (unless they have access to nonpublic client information); any partner, officer, director or branch manager; or any other person directly or indirectly controlling, controlled by or under common control with the Adviser.

### Designations

**The CFP®, CERTIFIED FINANCIAL PLANNER™** and certification marks are financial planning credentials awarded by Certified Financial Planner Board of Standards Inc. (CFP Board) to individuals who meet education, examination, and experience and ethics requirements. CFP® certificate holders are required to have 30 continuing education hours every two years. [www.cfp.net](http://www.cfp.net).

**Chartered Financial Analyst® (CFA®)** is granted by CFA institute after passing three exams covering the global investment industry. Must meet experience and ethical standards and achieve continuing education requirements. [www.cfainstitute.org](http://www.cfainstitute.org)

**Certified Investment Management Analyst (CIMA®)** is granted by Investment Management Consultants Association after completing the self-study, classroom course work and examination requirements. Must meet experience and ethical standards and achieve continuing education requirements of 40 hours biennially. [www.imca.org](http://www.imca.org)

**Accredited Asset Management Specialist (AAMS™)** is granted by the College for Financial Planning after completing the self-study course work and a final exam. Must meet experience and ethical standards and achieve continuing education requirements of 16 hours biennially. [www.cffp.edu](http://www.cffp.edu)

**Diversification** – a portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at

the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

**Exchange-Traded Funds (ETFs)** — A type of an investment company (either an open-end company or UIT) whose objective is to achieve the same return as a particular market index. ETFs differ from traditional open-end companies and UITs, because, pursuant to SEC exemptive orders, shares issued by ETFs trade on a secondary market and are only redeemable from the fund itself in very large blocks (blocks of 50,000 shares for example).

**Expense Ratio** — the fund's total annual operating expenses (including management fees, distribution (12b-1) fees, and other expenses) expressed as a percentage of average net assets.

**Fees**— a list of all fees associated with different products we offer are listed below:

1. **12b-1 Fees** — Fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services. "Distribution fees" include fees to compensate brokers and others who sell fund shares and to pay for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. "Shareholder Service Fees" are fees paid to persons to respond to investor inquiries and provide investors with information about their investments.
2. **Account Fee**— A fee that some funds separately impose on investors for the maintenance of their accounts. For example, accounts below a specified dollar amount may have to pay an account fee.
3. **Distribution Fees** — Fees paid out of fund assets to cover expenses for marketing and selling fund shares, including advertising costs, compensation for brokers and others who sell fund shares, and payments for printing and mailing prospectuses to new investors and sales literature prospective investors. Sometimes referred to as "12b-1 fees."
4. **Management Fee** — fee paid out of fund assets to the fund's investment adviser or its affiliates for managing the fund's portfolio, any other management fee payable to the fund's investment adviser or its affiliates, and any administrative fee payable to the investment adviser that are not included in the "Other Expenses" category. A fund's management fee appears as a category under "Annual Fund Operating Expenses" in the Fee Table.
5. **Operating Expenses** — the costs a fund incurs in connection with running the fund, including management fees, distribution (12b-1) fees, and other expenses.
6. **Purchase Fee** — a shareholder fee that some funds charge when investors purchase mutual fund shares. Not the same as (and may be in addition to) a front-end load.
7. **Redemption Fee** — a shareholder fee that some funds charge when investors redeem (or sell) mutual fund shares. Redemption fees (which must be paid to the fund) are not the same as (and may be in addition to) a back-end load (which is typically paid to a broker). The SEC generally limits redemption fees to 2%.

8. **Sales Charge (or "Load")** — the amount that investors pay when they purchase (front-end load) or redeem (back-end load) shares in a mutual fund, similar to a commission. The SEC's rules do not limit the size of sales load a fund may charge, but FINRA rules state that mutual fund sales loads cannot exceed 8.5% and must be even lower depending on other fees and charges assessed.
9. **Shareholder Service Fees** — fees paid to persons to respond to investor inquiries and provide investors with information about their investments. See also "12b-1 fees."

**Index Fund** — describes a type of mutual fund or Unit Investment Trust (UIT) whose investment objective typically is to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, the Russell 2000 Index, or the Wilshire 5000 Total Market Index.

**Investment Adviser** — generally, a person or entity who receives compensation for giving individually tailored advice to a specific person on investing in stocks, bonds, or mutual funds. Some investment advisers also manage portfolios of securities, including mutual funds.

**Investment Company** — a company (corporation, business trust, partnership, or limited liability company) that issues securities and is primarily engaged in the business of investing in securities. The three basic types of investment companies are mutual funds, closed-end funds, and unit investment trusts (UITs).

**Investment Goals** — objective or target, usually driven by specific future financial needs. Some common goals for an individual are: saving for a comfortable retirement, saving to send children to college, managing finances to enable a home purchase, minimizing taxes, and maximizing return on investments given a certain risk tolerance, and estate or trust planning.

**Investment Objectives** — The financial goal or goals of an investor. An investor may wish to maximize current income, maximize capital gains, or set a middle course of current income with some appreciation of capital. Defining investment objectives helps to determine the investments an individual should select.

**Margin** — borrowing money (usually using securities you already own as collateral) that is used to purchase securities

**Mutual Fund** — the common name for an open-end investment company. Like other types of investment companies, mutual funds pool money from many investors and invest the money in stocks, bonds, short-term money-market instruments, or other securities. Mutual funds issue redeemable shares that investors purchase directly from the fund (or through a broker for the fund) instead of purchasing from investors on a secondary market.

**NAV (Net Asset Value)** — the value of the fund's assets minus its liabilities. SEC rules require funds to calculate the NAV at least once daily. To calculate the NAV per share, simply subtract the fund's liabilities from its assets and then divide the result by the number of shares outstanding.

**No-load Fund** — a fund that does not charge any type of sales load. Not every type of shareholder fee is a "sales load," and a no-load fund may charge fees that are not sales loads. No-load funds also charge operating expenses.

**Open-End Company** — the legal name for a mutual fund. An open-end company is a type of Investment Company that continuously offers new shares for sale.

**Option Contracts**—Options are a type of derivative; derivatives are securities whose prices are derived from the price of an underlying asset or group of assets. The most common underlying assets are equities, debt, commodities and currencies; option contracts also exist for indices and interest rates. Options consist of a type (call or put), a strike price (the price at which the underlying asset is delivered), a premium (the price a buyer pays the seller for the option contract) and an expiration date. Options come in two types:

*Calls:* Calls provide buyers, also known as holders, the right (but not the obligation) to purchase a specified amount of the underlying asset from the Seller. Calls obligate sellers, also known as writers, to sell a specified amount of the underlying asset to the buyer at the strike price.

*Puts:* Puts provide buyers, also known as holders, the right (but not the obligation) to sell a specified amount of the underlying asset to Seller. Puts obligate sellers, also known as writers, to buy a specified amount of the underlying asset from the buyer at the strike price.

For each type of option, the buyer may exercise his or her right prior to or at expiration. For stock options, the amount covered by the option is usually 100 shares. If the stock option contract is exercised, the writer is responsible for fulfilling the terms of the contract by delivering the shares to the holder. In the case of a security that cannot be delivered such as an index, the contract is settled in cash. For the holder, the potential loss is limited to the price paid to acquire the option. When an option is not exercised, it expires. No shares change hands and the money spent to purchase the option is lost. For the buyer, the upside is unlimited. Option contracts, like stocks, are therefore said to have an asymmetrical payoff pattern. For the writer, the potential loss is unlimited for uncovered calls and limited to the strike price less the premium received for uncovered puts. For the option writer, gains are limited to the payment received for the options. Option writers can also write covered options, meaning that the writer already owns or has sold the security underlying the option. Option contracts are most frequently utilized to increase leverage or provide downside protection on an underlying asset. As leverage, options allow the holder to control equity in a limited capacity for a fraction of what the shares would cost. The difference can be invested elsewhere until the option is exercised. As protection, options can guard against price fluctuations in the near term because they provide the right to acquire the underlying stock at a fixed price for a limited time. Risk is limited to the option premium (except when writing options for a security that is not already owned). However, the costs of trading options (including both commissions and the bid/ask spread) are higher on a percentage basis than trading the underlying stock. Options are also a wasting asset, meaning that their value eventually declines to zero if not exercised. In addition, options are very complex and require a great deal of observation and maintenance. Some types of option strategies involving multiple option contracts have unknown risks because the price movements between the different option contracts are not well understood.

**Portfolio** — an individual's or entity's combined holdings of stocks, bonds, or other securities and assets.

**Profile** — summarizes key information about a mutual fund's costs, investment objectives, risks, and performance. Although every mutual fund has a prospectus, not every mutual fund has a profile.

**Prospectus** — describes the mutual fund to prospective investors. Every mutual fund has a prospectus. The prospectus contains information about the mutual fund's costs, investment objectives, risks, and performance. You can get a prospectus from the mutual fund company (through its website or by phone or mail). Your financial professional or broker can also provide you with a copy.

**Risks** — a list of all risks associated with the strategies, products and methodology we offer are listed below:

#### 1. Alternative Investment Risk

Investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices
- Lack of liquidity in that there may be no secondary market for the fund and none expected to develop
- Volatility of returns
- Restrictions on transferring interests in the fund
- Absence of information regarding valuations and pricing
- Delays in tax reporting
- Less regulation and higher fees than mutual funds

#### 2. Bond Fund Risk

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- Call Risk - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- Credit Risk — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

- Interest Rate Risk — the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- Prepayment Risk — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### 3. Fundamental Analysis Risk

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- When using this method with mutual funds, the funds are composed of many companies and not all of them will be undervalued
- The data used may be at least six months out of date.
- It is difficult to give appropriate weightings to the factors.
- In the early 1970s and 1980s price/earnings multiples of 80 or 90 were considered acceptable by some for 'blue chip' stocks in the United States.
- In the 1980s in the United States some biotechnology stocks sold at '50 times sales'. The companies had no earnings and paid no dividend. The new yardstick to value these became 'products in the pipeline'. By the late 1980s most had lost three-quarters of their stock price.
- It assumes that the analyst is competent.
- A fundamental analyst assumes that other fundamental analysts will form the same view about the company and buy the stock, thus restoring its value and returning the trader or investor a capital gain. In practice, an undervalued company's stock price can stay at approximately the same level (or decline) for years.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- Even when fundamental analysis reveals an undervalued company, or a stock with high growth prospects, it does not tell us anything about the timing of the purchase of the stock. In other words, we may have discovered a grossly undervalued stock whose price has been falling for some time, and may well continue falling.

### 4. Insurance Product Risk

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- **Liquidity and Early Withdrawal Risk** – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.
- **Sales and Surrender Charges** –Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- **Fees and Expenses** – There are a variety of fees and expenses which can reach 2% and more such as:
  - Mortality and expense risk charges
  - Administrative fees
  - Underlying fund expenses
  - Charges for any special features or riders
- **Bonus Credits** – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.
- **Guarantees** - Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
- **Market Risk** -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** – The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

## 5. Mutual Funds Risk

Mutual funds can offer the advantages of diversification and professional management. But, as with other investment choices, investing in mutual funds involves risk and fees and taxes will diminish a fund's returns.



But mutual funds also have features that some clients might view as disadvantages, such as:

- **Costs despite Negative Returns** — Clients must pay sales charges, annual fees, and other expenses) regardless of how the fund performs. And, depending on the timing of their investment, clients may also have to pay taxes on any capital gains distribution they receive — even if the fund went on to perform poorly after they bought shares.
- **Lack of Control** — Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Price Uncertainty** — with an individual stock, you can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling your advisor. You can also monitor how a stock's price changes from hour to hour. But with a mutual fund, the price you purchase or redeem shares for will typically depend on the fund's NAV, which the fund might not calculate until many hours after you've placed your order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Currency Risk** -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- **Manager Risk** -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

## 6. Overall Fund Risk

- Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.
- Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.

While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

## 7. Stock Fund Risk

Although a stock fund's value can rise and fall quickly over the short term, historically stocks have performed better over the long term than other types of investments — including corporate bonds, government bonds, and treasury securities.

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

Not all stock funds are the same. For example:

- Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.
- Income funds invest in stocks that pay regular dividends.
- Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Index, by investing in all — or perhaps a representative sample — of the companies included in an index.
- Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

## 8. Technical Analysis risk

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.
- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.

- Models and rules can incur sufficiently high transaction costs.

**Risk Tolerance** – the extent to which an investor is willing to accept more risk in exchange for the possibility of a higher return. An investor with a high risk tolerance is likely to invest in securities, such as stocks in startup companies, and is willing to accept the possibility that the value of his/her portfolio will decline, at least in the short-term. An investor with a low risk tolerance, on the other hand, tends to invest predominantly in stable stocks and/or highly-graded bonds. One's risk tolerance is subjective and may vary according to age, needs, goals, and even personal dispositions

**Third Party Money Manager**— the professional management of various securities (shares, bonds and other securities) and assets (e.g., real estate), to meet specified investment goals for the benefit of the investors. The managers are not the actual advisers working with the investor. Investors may be institutions (insurance companies, pension funds, corporations, individuals etc.

**Total Annual Fund Operating Expense** — the total of a fund's annual fund operating expenses, expressed as a percentage of the fund's average net assets. You'll find the total in the fund's fee table in the prospectus.

**Unit Investment Trust (UIT)** — a type of investment company that typically makes a one-time "public offering" of only a specific, fixed number of units. A UIT will terminate and dissolve on a date established when the UIT is created (although some may terminate more than fifty years after they are created). UITs do not actively trade their investment portfolios.

**You** – the client