

Form ADV, Part 2A, Appendix 1 – Wrap Fee Program Brochure  
Item 1 - Cover Page



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This wrap fee program brochure provides information about the qualifications and business practices of Kelman-Lazarov, Inc. If you have any questions about the contents of this brochure, please contact us at (901) 685-8284 or [ron@kelman-lazarov.com](mailto:ron@kelman-lazarov.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Kelman-Lazarov, Inc. is an investment advisory firm registered with the appropriate regulatory authority. Registration does not imply a certain level of skill or training. Additional information about Kelman-Lazarov, Inc. also is available on the SEC's website at **[www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov)**.

**Item 2 - Material Changes**

The purpose of this Item 2 is to disclose material changes that have been made to this Wrap fee Program Brochure since the last annual update of this Brochure.

This is the initial version of this Brochure. As such, there are no material changes to report.

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## **Item 4 – Services, Fees and Compensation**

### **General Information**

Kelman-Lazarov, Inc. (“Kelman-Lazarov”) has offered customized and confidential financial planning and investment advisory services since 1979.

Martin S. Kelman and Ronald J. Lazarov are the founding and principal owners of Kelman-Lazarov. Please see the **Brochure Supplements** (Form ADV Part 2B) for more information on these principal owners and other individuals who formulate investment advice and have direct contact with clients, or have discretionary authority over client accounts.

### **Kelman-Lazarov Wrap Fee Program**

Kelman-Lazarov actively manages wrap fee program accounts using a long term philosophy to help clients work toward achieving their financial goals. The investments selected by Kelman-Lazarov may include closed-end funds, exchange-traded funds, open-end mutual funds, individual stocks and/or bonds, dependent upon the client’s stated needs, objectives and risk tolerance. Kelman-Lazarov uses a proprietary process to select securities and allocate assets among asset classes. It also monitors investment returns relative to appropriate benchmarks.

Kelman-Lazarov does not serve as custodian of clients’ assets. All cash and securities will be held in the custody of a qualified custodian. Clients do not give up any rights of ownership in their assets, and Kelman-Lazarov cannot remove cash or securities, other than for fees earned.

### **Use of Asset Allocation Models**

Accounts with less than \$200,000 in assets under management may be managed using a different strategy than larger accounts. These smaller accounts may be managed using asset allocation models comprised of mutual funds or ETFs which may carry higher expense ratios than those of other mutual funds or ETFs. The securities selected for these smaller accounts are intended to allow for more economically efficient management of the account. Kelman-Lazarov does not receive any portion of the expense ratios charged by mutual funds or ETFs. Please refer to the fund prospectus for a complete description of all fees and charges associated with investing in mutual funds and ETFs.

### **Tailoring of Advisory Services**

Advisory services are tailored to client’s individual needs. Kelman-Lazarov spends time getting to know clients and developing a financial profile. The profile will be documented in an Investment Policy Statement (“IPS”), which will be updated periodically, as appropriate. Areas to be explored with clients may include, but are not limited to, the client’s age, investment experience, financial circumstances, investment objectives, major goals, tolerance for market fluctuations (risk tolerance), time horizon, needs for liquidity, types of securities to be invested in, and asset allocation mix. This information is used in structuring a portfolio designed to meet the client’s goals. Portfolios are managed individually, with the selection and mix of investments dependent on what is suitable for each client. Therefore, investment performance varies from client to client.

To implement the client’s IPS, Kelman-Lazarov will manage the client’s investment portfolio on a discretionary basis. As a discretionary investment adviser, Kelman-Lazarov will have the authority to supervise and direct the portfolio without prior consultation with the client. Kelman-Lazarov may offer non-discretionary asset management services on a limited basis, at the discretion of the firm. Client with non-discretionary arrangements must be contacted prior to the execution of any trade, which may result in a delay in executing recommended trades. Clients with non-discretionary arrangements retain the responsibility for the final decision on all actions taken within the account.

Notwithstanding the foregoing, clients may impose certain written restrictions on Kelman-Lazarov in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Client portfolios are treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of Kelman-Lazarov.

#### Program Fees

In this program, accounts pay one inclusive fee that covers both portfolio management and transaction costs, or costs charged for the execution of client securities transactions. The fee associated with the Wrap Fee Program is higher than the management fee charged by Kelman-Lazarov to clients who do not participate in Kelman-Lazarov's Traditional Asset Management Program, as those clients are required to pay transaction costs separately, and in addition to, our fee for managing their accounts.

The fees associated with this program, negotiable at the discretion of the firm, are:

<u>Assets under Management of Kelman-Lazarov</u>	<u>Annual Asset Management Fee based on value at quarter-end</u>
\$0 - \$1,000,000	1.25%
Thereafter to \$2,000,000	1.00%
Greater than \$2,000,000	0.80%

Kelman-Lazarov manages all assets in the Program and does not compensate any third party portfolio managers. Kelman-Lazarov will pay all transaction charges associated with the client's account from the Program fee paid by the client according to the above schedule, and will retain the remainder of this as compensation for services rendered.

Participation in the Wrap Fee Program may cost the client more or less than participating in Kelman-Lazarov's Traditional Asset Management Program. Kelman-Lazarov's investment philosophy and strategy remains the same in both programs; however, due to the different fee structures associated with each program, one program may be more appropriate than the other for a particular client. For example, if the anticipated frequency of trading in a client's account is expected to be high, the client should consider participating in the Wrap Fee Program to avoid paying a large number of transaction charges. Conversely, if the anticipated frequency of trading a client's account is expected to be low, the client should consider participating in the Traditional Asset Management Program to avoid paying potentially higher costs than necessary.

In deciding whether to recommend Kelman-Lazarov's Traditional Asset Management Program or the Wrap Fee Program, Kelman-Lazarov will consider the anticipated frequency of trading and the types of securities to be traded, and will make a recommendation to the client. Kelman-Lazarov may have an incentive to recommend one program over the other based on the anticipated frequency of trading. Accounts in both programs are monitored for consistency with client objectives and the IPS, as well as securities held, trading frequency, and suitability of investments for each client.

### Payment of Fees

Portfolio management fees are payable quarterly in advance, unless otherwise agreed to in writing by Kelman-Lazarov and the client. Deposits to and withdrawals from the account during the quarter are subject to proration over the quarter in determining fee calculation. If management begins after the start of a quarter, fees will be prorated accordingly. Fees are normally debited directly from client account(s), unless other arrangements are made. If the client has two or more related accounts under management with Kelman-Lazarov, they may be combined for the purpose of qualifying for applicable break points.

### Additional Fees and Charges

The fees noted above are separate and distinct from the internal fees and expenses charged by mutual funds, Exchange Traded Funds (ETFs), or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). Some "no load" mutual fund shares may be required to be held for a minimum time period, generally six months. If positions in such funds are liquidated or reduced prior to the end of the holding period, early redemption fees will apply. The client should review all fees charged by funds, brokers, Kelman-Lazarov and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

### Termination of Agreement

Either Kelman-Lazarov or the client may terminate their written agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to Kelman-Lazarov from the client will be invoiced or deducted from the client's account prior to termination.

If a client chooses to terminate an Agreement within the first twelve months after the execution of such Agreement, client will be charged an administrative fee of \$300 dollars to defray initial account setup and administration costs. Kelman-Lazarov may waive the administrative fee in its sole discretion.

### ***Item 5 – Account Requirements and Types of Clients***

Kelman-Lazarov serves individuals, pension and profit-sharing plans, corporations, trusts, estates and charitable organizations. Kelman-Lazarov may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where Kelman-Lazarov deems it appropriate under the circumstances.

### ***Item 6 – Portfolio Manager Selection and Evaluation***

Kelman-Lazarov manages all assets in the Program and does not offer the services of any third party portfolio managers through the Program.

### Advisory Services Offered

In addition to offering asset management services through the Wrap Fee Program, Kelman-Lazarov also offers asset management services through its Traditional Asset Management Program, as well as retirement plan management and consulting, financial planning, and general consulting services.

As noted in Item 4 above, advisory services are tailored to client's individual needs. Portfolios are managed individually, with the selection and mix of investments dependent on what is suitable for

each client. Kelman-Lazarov will honor any written restrictions imposed by the client in the management of their accounts. Please refer to Form ADV, Part 2A, for a complete description of the advisory services offered through Kelman-Lazarov.

Although Kelman-Lazarov manages client accounts through traditional asset management as well as through a wrap fee program, Kelman-Lazarov's investment philosophy and strategy remains the same in the management of such accounts. As noted above, Kelman-Lazarov will pay all transaction charges associated with the client's account and will retain the remainder of the program fee as compensation for services rendered.

#### Performance-Based Fees and Side-By-Side Management

Kelman-Lazarov does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because Kelman-Lazarov has no performance-based fee accounts, it has no side-by-side management.

#### Methods of Analysis, Investment Strategies and Risk of Loss

##### *Methods of Analysis*

Kelman-Lazarov uses a variety of methods of analysis and investment strategies to formulate investment advice and manage assets. The primary method of analysis is fundamental analysis, looking at the financial health of the economy, industries, and individual companies. For equity securities, both quantitative analysis, such as information that might be found in a company's financial statement, and qualitative analysis, such as the tenure and experience of a company's top management, are key. This analysis helps Kelman-Lazarov formulate opinions regarding underlying strength of the security and the potential for future performance.

For bonds, the strength of the issuing corporation or municipality is stressed. For mutual funds, exchange traded funds, and closed-end funds, research as to past performance, safety ratings, fees, and the fund's manager are paramount. Instrumental to this analysis are research resources at Kelman-Lazarov's disposal, including Morningstar Office, a suite of Morningstar research and publications on a variety of asset classes. Kelman-Lazarov analyzes the research from the various resources and makes informed decisions on the allocation of funds.

Technical analysis is also, to a lesser extent, employed, looking at past performance and patterns to predict future performance. One of Kelman-Lazarov's strengths is seeking out closed-end funds trading at a discount to the fund's net asset value, tracking the 52-week moving average, and setting a target price to buy the closed-end funds when they trade at a discount greater than the norm.

##### *Investment Strategies*

Kelman-Lazarov's investment strategy has a long-term focus and is centered on asset allocation. Asset allocation involves determining an appropriate percentage to invest in a variety of asset classes. Asset allocation is client-specific and is based on the client's Investment Policy Statement. The diversification afforded by appropriate asset allocation helps balance the risks and rewards of investing.

Being a "long-term investor" generally means that securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. From time to time, though, Kelman-Lazarov may take advantage of market fluctuations,

and purchase securities with the expectation that they will be sold within a relatively short period of time, generally less than one year. This type of advice is usually the exception, and not the rule.

#### *Risk of Loss*

While Kelman-Lazarov seeks to diversify clients' investment portfolios across various asset classes consistent with each client's IPS in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While Kelman-Lazarov manages client investment portfolios based on Kelman-Lazarov's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Kelman-Lazarov allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Kelman-Lazarov's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, Kelman-Lazarov will often invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risks.* Kelman-Lazarov may invest portions of client assets directly into equity investments, either stocks or pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* Kelman-Lazarov may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* Kelman-Lazarov may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are



also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

#### Voting Client Securities

As a policy and in accordance with its client agreement, Kelman-Lazarov does not have, and will not accept, authority to vote client securities. Clients will receive their proxies or other solicitations directly from the custodian. Clients may contact Kelman-Lazarov at (901) 685-8284 with questions about a particular proxy or solicitation. However, Kelman-Lazarov does not typically research nor develop a firm opinion with regard to a particular proxy or solicitation.

#### ***Item 7 – Client Information Provided to Portfolio Managers***

As Kelman-Lazarov manages all assets in the Program and does not offer the services of any third party portfolio managers through the Program, this item is not applicable. The investment adviser representatives of Kelman-Lazarov who render the asset management services provided under the program work directly with the Program clients to obtain and update client investment objectives and suitability information.

#### ***Item 8 – Client Contact with Portfolio Managers***

As Kelman-Lazarov manages all assets in the Program and does not offer the services of any third party portfolio managers through the Program, this item is not applicable. There are no restrictions on the client's ability to contact Kelman-Lazarov regarding the management of the account.

#### ***Item 9 – Additional Information***

##### Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Kelman-Lazarov or the integrity of Kelman-Lazarov's management. Kelman-Lazarov has no disciplinary events to report.

##### Other Financial Industry Activities and Affiliations

As previously described, Kelman-Lazarov executive officers and associates may also be Registered Representatives and/or Investment Adviser Representatives of Cetera Advisor Networks ("Cetera"), LLC 200 N. Sepulveda Blvd. Ste.1300, El Segundo, CA 90245-5670, 800/879-8100, a broker/dealer (member FINRA) and federally registered investment adviser and may receive usual and customary commissions associated with insurance and securities brokerage transactions or advisory fees for the servicing of advisory clients of Cetera. These individuals may also be licensed and appointed with various insurance companies for sale of health, disability, and long-term care and annuity products.

Advisory associates of Kelman-Lazarov may be licensed to sell life, health, disability, and annuity products through various insurance companies and may receive compensation for these products.

Clients are under no obligation to purchase securities, insurance, and/or other products through the resources available to Kelman-Lazarov, its officers, and associated persons. The client is free to choose the source through which to implement advisory recommendations.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### *Code of Ethics and Personal Trading*

Kelman-Lazarov has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. Kelman-Lazarov's Code has several goals. First, the Code is designed to assist Kelman-Lazarov in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Kelman-Lazarov owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with Kelman-Lazarov (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Kelman-Lazarov's associated persons. Under the Code's Professional Standards, Kelman-Lazarov expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Kelman-Lazarov associated persons are not to take inappropriate advantage of their positions in relation to Kelman-Lazarov clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, Kelman-Lazarov's associated persons may invest in the same securities recommended to clients. Under its Code, Kelman-Lazarov has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

### *Participation or Interest in Client Transactions*

As outlined above, Kelman-Lazarov has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In the event of any identified potential trading conflicts of interest, Kelman-Lazarov's goal is to place client interests first.

Consistent with the foregoing, Kelman-Lazarov maintains policies regarding participation in initial public offerings (IPOs) and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If a Kelman-Lazarov associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

Finally, if associated persons trade with client accounts (e.g., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with Kelman-Lazarov's written policy.

### Review of Accounts

Kelman-Lazarov periodically reviews client accounts. Securities are monitored on an ongoing basis, with formal investment reviews of accounts at least quarterly. These investment reviews consider a variety of factors including the existing asset allocation relative to the targeted allocation, and determining if the account needs to be rebalanced. The holdings are reviewed as to performance, to

be sure they are suitable for the client, and with an eye to tax efficiencies. More frequent reviews might be triggered by economic or market conditions, upon a client's request, or when a client notifies Kelman-Lazarov of a change in their personal circumstances that might result in a change in their needs or objectives. Examples of changes in personal circumstances might include retiring, losing a job, or getting divorced. Reviews are conducted by Ronald J. Lazarov, President of Kelman-Lazarov, Martin S. Kelman, Chairman of Kelman-Lazarov and/or other associates.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms.

#### Client Referrals and Other Compensation

As noted above, Kelman-Lazarov may receive an economic benefit from the custodian in the form of support products and services it makes available to Kelman-Lazarov and other independent investment advisors that have their clients maintain accounts with the custodian. The availability of the custodian's products and services to Kelman-Lazarov is based solely on our participation in the custodian's programs and not in the provision of any particular investment advice.

From time to time, Kelman-Lazarov may enter into arrangements with third parties ("Solicitors") to identify and refer potential clients to Kelman-Lazarov. Consistent with legal requirements under the Investment Advisers Act of 1940, as amended, Kelman-Lazarov enters into written agreements with Solicitors under which, among other things, Solicitors are required to disclose their compensation arrangements to prospective clients before they enter into an agreement with Kelman-Lazarov, as well as deliver a Solicitor's Disclosure Statement and a copy of this Kelman-Lazarov Brochure (Form ADV Part 2) to prospective clients.

#### Financial Information

Kelman-Lazarov does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Therefore no disclosure is required for this item.