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This brochure provides information about the qualifications and business practices of Conservative Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact by telephone at (323) 876-3300 or email at ([phil@phildemuth.com](mailto:phil@phildemuth.com)). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

Additional information about Conservative Wealth Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Conservative Wealth Management, LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplement for more information on the qualifications of our firm.

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## ITEM 2: MATERIAL CHANGES TO FIRM BROCHURE

Conservative Wealth Management, LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update. We must clearly state that we are only discussing material changes since the last annual update of our Brochure, and provide the date of the most recent annual update.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure. At this time, there are no material changes to report about our Brochure.

Last annual update: February 10, 2014

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#### ITEM 4: ADVISORY BUSINESS

A. Description of our advisory firm, our principal owner and how long we have been in business.

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed in the State of California and has been in business as an investment adviser since 2006. The firm is one hundred percent owned by Dr. Philip DeMuth.

B. Description of the types of advisory services we offer.

Asset Management:

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), mutual funds and other public securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. The management of their financial resources is ultimately based upon an analysis of the client's current situation, goals, and objectives. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives. Each client has the opportunity to place restrictions on the types of investments to be held in the portfolio.

Our overall assessment of the client's financial situation usually includes general recommendations for a course of activity or specific action to be taken on behalf of the client. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. We may also refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services.

C. Explanation of whether we (i) tailor our advisory services to the individual needs of clients and (ii) whether clients may impose restrictions on investing in certain securities.

(i) We offer individualized investment advice to clients utilizing our firm's Asset Management service.

(ii) We allow clients to impose restrictions on investing in certain securities or types of securities despite the level of difficulty this would entail in managing their account.

D. Participation in wrap fee programs.

We do not offer wrap fee programs.

E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis as of 12/31/2013.

We manage<sup>1</sup> zero dollars on a discretionary basis and \$150,000,000 on a non-discretionary basis as of 12/31/2013.

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ITEM 5: FEES AND COMPENSATION

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally negotiable.

A. Description of how we are compensated for our advisory services provided to you.

On an annualized basis, our fees for continuous portfolio management services range from 0% to 1% of the assets under management\*, depending on the amount of assets to be managed and the complexity of the portfolio.

In limited circumstances, we may provide services on a per hour basis at a rate of \$500 per hour\*\*. The final fee will be based on the complexity of the client's financial situation and the portfolio(s) to be managed.

\*Our firms' fees are billed on a pro-rata annualized basis quarterly in arrears based on the average value of your account during the previous quarter.

\*\*The fee-paying arrangements for hourly charges, if any, will be determined on a case-by-case basis and will be detailed in advance in the signed agreement for services.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

Our firms' fees are billed on a pro-rata annualized basis quarterly in arrears based on the average value of your account during the previous quarter. Fees will generally be automatically deducted from your managed account\*. As part of this process, you understand and acknowledge the following:

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<sup>1</sup> Please note that our method for computing the amount of "client assets we manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A of Form ADV. However, we have chosen to follow the method outlined for Item 5.F in Part 1A of Form ADV. If we decide to use a different method at a later date to compute "client assets we manage," we must keep documentation describing the method we use and inform you of the change. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our "as of" date must not be more than three months before the date we last updated our *Brochure* in response to Item 4.E of Form ADV Part 2A.

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) We provide you with access to a copy of our invoice which includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940.\*\*

\*In rare cases, we will agree to directly bill clients.

\*\*The legend urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements.

In certain circumstances, we may provide services on an hourly basis. Our hourly fee is \$500 per hour.

Hourly clients will be invoiced directly for the fees, and fees will be assessed pro rata in the event the management agreement is executed at any time other than the first day of a calendar quarter.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm through which trades are executed. Also, clients will pay the following separately incurred expenses, of which we do not receive any part: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

We have nothing to disclose regarding wrap accounts as we do not offer wrap fee programs.

D. Client's advisory fees are due quarterly in arrears.

We charge our advisory fees quarterly in arrears. Either party may terminate the agreement at any time by providing written notice to the other party. You will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the client. Refunds will be given on a pro-rata basis.

E. Commissionable securities sales.

We do not sell securities for a commission. In order to sell securities for a commission, we would need to have our associated persons registered with a broker-dealer. We have chosen not to do so.

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## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge performance fees to our clients.

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## ITEM 7: TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Corporations, limited liability companies and/or other business types.

We do not require a minimum account balance for our asset management service. However, most client relationships involve a total of at least \$2.5 million dollars in investable assets.

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## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

We use Fundamental methods of analysis in formulating investment advice and managing assets.

Investment Strategies we use:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)

#### **Please note:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

### B. Our practices regarding cash balances in *client* accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments.

In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to comprehensive portfolio management, asset management service and portfolio monitoring, as applicable.

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#### ITEM 9: DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

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#### ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

We have no other financial industry activities and affiliations to disclose.

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#### ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>2</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times.

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<sup>2</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.



Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Neither our firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities within 24 hours prior to buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

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## ITEM 12: BROKERAGE PRACTICES

### A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. With the aforementioned in consideration, we utilize the services of Fidelity Institutional Wealth Services ("Fidelity") through Fidelity Brokerage Services LLC under which we receive non-soft-dollar services such as research and administrative functions including portfolio pricing, account statement generation and fee calculations, which are intended to support our firm in conducting business and in serving the best interests of our clients. These services do not incentivize us to recommend Fidelity.

Our recommendation of Fidelity to our clients is based on our clients' interests in receiving best execution and the level of competitive, professional services Fidelity provides.

Our firm does not receive client brokerage commissions (or markups or markdowns) to obtain research or other products or services. We do not receive soft dollars, products or services acquired with client brokerage commissions. Our firm does not receive brokerage for client referrals. We do not allow client-directed brokerage, as trades in our clients' accounts are executed through Fidelity, a qualified custodian and broker-dealer; neither do we direct client transactions to Fidelity in return for soft-dollar benefits.

- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are effected only when we believe that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

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### ITEM 13: REVIEW OF ACCOUNTS

- A. Review of client accounts along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

We review accounts on at least a quarterly basis for our Asset Management clients. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Philip DeMuth, Managing Director and Chief Compliance Officer, will conduct reviews of all client accounts.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We write quarterly letters to clients describing their accounts' investment performance in general terms. We also provide access to specific quarterly reports for all clients.

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ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Fidelity may charge commissions (ticket charges) for executing our clients' transactions. We do not receive any part of these separate charges which are assessed directly to us. It is important to note that Fidelity does not maintain supervisory relationships with respect to us or our representatives nor are they in any way affiliated with us. We are independently owned and operated. We may recommend/require that clients establish accounts with Fidelity to maintain custody of clients' assets and to effect trades for their accounts. Fidelity may provide us with access to their institutional trading and custody services, which are typically not available to Fidelity retail investors. Fidelity's services include brokerage custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For our Clients' accounts maintained in their custody, Fidelity does not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees or securities trades that are executed through Fidelity or that settle into Fidelity. Fidelity also makes available to us other products and services that may benefit us but which may not directly benefit our clients. These types of services will help us in managing and administering client accounts. These include software and other technology that provide access to client account data (i.e. trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from clients' accounts; and assist with back-office functions, record-keeping, and client reporting. Many of these services are used to service our clients' accounts. We place trades for our Clients' accounts subject to our duty to seek best execution. We may use broker-dealers other than Fidelity to execute trades for client accounts maintained at Fidelity, but this practice may result in additional costs to clients so that we are more likely to place trades through Fidelity rather than other broker-dealers. Fidelity's execution quality may be different than other broker-dealers.

Referral Fees:

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. However, CWM has an arrangement with Foliofn, Inc. ("Folio Investing") where the firm is paid a \$100.00 referral fee for each individual who invests in the "CWM Global Market Folio". The "CWM Global Market Folio" was designed for individuals who do not have \$2.5 million of investable assets to be directly managed by CWM.

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## ITEM 15: CUSTODY

All of our clients receive monthly account statements directly from their custodian. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. When we make account statements available to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those made available by our firm.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

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## ITEM 16: INVESTMENT DISCRETION

Our clients need to sign a non-discretionary investment advisory agreement with our firm for the management of their account. We do not exercise discretion with respect to our clients' accounts.

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## ITEM 17: VOTING CLIENT SECURITIES

We do not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy vote or other solicitation.

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## ITEM 18: FINANCIAL INFORMATION

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- We have never been the subject of a bankruptcy proceeding.