

# **Silicon Hills Wealth Management, LLC**

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**June, 23, 2014**

This Brochure provides information about the qualifications and business practices of Silicon Hills Wealth Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (512) 774-5340 or via email at [james.werner@siliconhillswealth.com](mailto:james.werner@siliconhillswealth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Silicon Hills Wealth Management, LLC ("Silicon Hills Wealth Management") is a Registered Investment Adviser. Registration of an Investment Adviser 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 Silicon Hills Wealth Management is also available on the SEC's website at [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 Silicon Hills Wealth Management is 166030. The SEC's web site also provides information about any persons affiliated with Silicon Hills Wealth Management who are registered, or are required to be registered, as Investment Adviser Representatives of Silicon Hills Wealth Management.

## Item 2 – Material Changes

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Our last update was May 12, 2014. Our Form ADV Part 2A has been revised to reflect updates to our assets under management, which can be found under Item 4, “Advisory Business Introduction.” Specifically, as of June 13, 2014 we had \$104,071,176 assets under management, and 384 client accounts. Based on our current assets under management we are filing as an SEC registered investment adviser.

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 provide other ongoing disclosure information about material changes as necessary. We will also provide you with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting James Werner at (512) 774-5340.

Additional information about Silicon Hills Wealth Management is also available via the SEC’s website [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 Silicon Hills Wealth Management is 166030. The SEC’s web site also provides information about any persons affiliated with Silicon Hills Wealth Management who are registered, or are required to be registered, as Investment Adviser Representatives of Silicon Hills Wealth Management.

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## Item 4 – Advisory Business Introduction

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Silicon Hills Wealth Management, LLC (“Silicon Hills Wealth Management”) is a Registered Investment Adviser (“Adviser”) which offers investment advice, insurance, and other financial services to our clients. We are registered through and regulated by the United States Securities and Exchange Commission (“SEC”).

We provide investment advice through Investment Adviser Representatives (“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 commensurate educational and industry experience.

Silicon Hills Wealth Management was founded in January 2013 by James Werner who serves as Chief Compliance Officer and Managing Member and Thomas Brown who serves as Managing Member. We provide financial planning, consulting and asset management services to individuals, high net worth individuals, trusts, estates, corporate pension and profit-sharing plans, corporations, and small businesses. At inception, the Adviser’s name was TBJW, LLC DBA Silicon Hills Wealth Management. The Adviser’s name was officially changed in February 2013 to Silicon Hills Wealth Management, LLC and Pam Friedman was added as a Managing Member. We do not have a minimum account opening balance requirement.

We are committed to the precept that by placing the client’s 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

We provide financial planning, financial consulting services and asset management. Our focus is on helping you develop and execute plans that are based on your financial needs and objectives.

As of June 13, 2014 we had \$104,071,176 assets under management, and 384 client accounts.

We do not participate in wrap fee programs.

Accounts may be managed on a discretionary basis, which means you may give 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.

If you have not given us the authority to manage your account on a discretionary basis, then we cannot trade in your account without your express permission.

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.

We will also provide you with a quarterly performance statement starting at the end of the first full calendar quarter after signing the Asset Management Advisory Agreement. These statements give you additional feedback regarding performance.

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

## **1. Financial Planning and Consulting Services**

We provide comprehensive financial planning and consulting services. Fee based financial planning is a comprehensive relationship which incorporates many different aspects of your financial status into an overall plan that meets your goals and objectives. The financial planning relationship consists of face-to-face meetings and ad hoc meetings with you and/or your other advisors (attorneys, accountants, etc.) as necessary.

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. We are also available to provide you with a second opinion of your existing portfolio. Our services may focus on all or only one of these areas depending upon the scope of our engagement with you. Other professionals are engaged directly by the client on an as-needed basis. Our firm maintains close, ongoing relationships with multiple professionals, with no referral arrangements. It is our intent to offer a collaborative team of professionals working together for the client's best interests. Any perceived conflicts of interest will be disclosed upfront with the client in the unlikely event they should occur.

It is essential that you provide the information and documentation we request regarding your income, investments, taxes, insurance, estate plan, etc. We will discuss your investment objectives, needs and goals, but you are obligated to inform us of any changes. We do not verify any information obtained from you, your attorney, accountant or other professionals.

We may also provide consulting services directly to corporate sponsors of pension and profit sharing plans. We may assist sponsors in developing, designing and implementing pension and profit sharing plan solutions, which can provide plan participants with opportunities to save and invest in their employer sponsored pension and profit sharing plan. As a consulting service, we also offer the service of assisting a company to set up and establish a Simple IRA plan at a custodian. We also offer to work on a retainer

basis to add employees to the plan. Our services will be detailed in our Asset Management Consulting Agreement with the sponsor.

If you engage us to perform these services, you will receive a written agreement detailing the services, fees, terms and conditions of the relationship. You will also receive this Brochure. You may implement your financial plan through any financial organization of your choice. If you choose to implement your recommendations through us, you will receive and sign an Asset Management Advisory Agreement that details the services we will provide and the fees we will charge.

We obtain information from a wide variety of publicly available sources. We do not have any inside private information about any investments that are recommended. All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations. Choosing which advice to follow is your decision.

## **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. If you engage us to manage your assets, you will receive our Asset Management Agreement which describes what services you will receive and what fees you will be charged. 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.

We will meet with you to discuss your financial circumstances, investment goals and objectives, and to determine your risk tolerance. 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. Our recommendations and ongoing management are 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/or annual account reviews. These reviews will be conducted in person, by telephone conference, based on individual preference.

You are obligated to notify us promptly 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 any taxable events in these instances. 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.

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 recommend using Charles Schwab & Co, Inc. for your investment advisory accounts. 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. These statements list the total value of the account at the start of the time period, itemize all transaction activity during the time period, and list the types, amounts, and total value of securities held as of the end of the time period. Your statement may be in either printed or electronic form based upon your preferences. You 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.

We will also provide you with a quarterly performance statement starting at the end of the first full calendar quarter after signing the Asset Management Advisory Agreement. These statements give you additional feedback regarding performance.

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

### **3. Other Services**

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. You will not pay a separate fee for these and your advisory fee will not be reduced by any payments we receive from these sales.

## **Item 5 – Fees and Compensation**

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We provide asset management, financial planning and financial consulting services for a fee.

Either party may terminate initial agreements at any time by providing written notice to the other party within five (5) business days of signing the agreements. Refunds will be given on a pro-rata basis promptly upon cancellation. Accounts opened or terminated during a calendar quarter will be charged a prorated fee. Once an account is established, either party may terminate the relationship at any time with thirty (30) days written notice. Upon termination of any account, any prepaid fees that are in excess of the management services performed will be promptly refunded to you.



In no event shall we charge advisory fees that are both in excess of one thousand two hundred dollars (\$1200.00) and more than six (6) months in advance of advisory services rendered.

## **1. Financial Planning and Consulting Fees**

You may want us to create a financial recommendation for you. We can provide analysis and recommendations for retirement needs, estate planning needs, income tax planning, life and disability insurance needs, divorce planning, investment needs, and college education planning. Fees are determined at the start of the relationship; all fees are negotiable and predicated on the facts known at the start of the relationship. As a consulting service, we also offer the service of assisting a company to set up and establish a Simple IRA plan at a custodian. We also offer to work on a retainer basis to add employees to the plan.

Depending on the complexity and scope of the engagement, fixed fees may range from \$1,000 to \$5,000 and hourly fees may range from \$150 to \$300. In the event, that the client's situation is substantially different than originally disclosed and the scope of work and deliverables require additional services, a revised fee agreement will be presented for mutual agreement. Consultation services and financial planning services require no minimum net worth. If the recommendations are implemented through us, we may receive compensation from the sale of insurance products or services we recommend. This compensation would be in addition to the planning or consulting 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 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 and is prohibited. We have a fiduciary responsibility to you to always do what is in your best interest.

All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations.

## **2. Asset Management Fee Schedule**

We offer our services on a fee basis which, depending on the engagement, may include fixed fees and/or fees based on assets under management. The specific manner in which fees are charged is established in the Asset Management Advisory Agreement with us. All fees are subject to negotiation, and the factors considered are the size of the account, services requested and the type of assets managed.

Fees are charged 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 will be calculated as follows:

Annual Percentage	Portfolio Size (AUM)
1.10%	Of the amount up to \$1,000,000

0.85%	Of the amount from \$1,000,001-\$2,500,000
0.70%	Of the amount from \$2,500,001- \$4,000,000
0.55%	Of the amount over \$4,000,001

The fees shown above are annual fees. You will be billed one quarter of this amount on a quarterly basis. We do not impose an account minimum for initiating a relationship. However, we may impose a minimum quarterly fee of \$550.00 which may be negotiable under certain circumstances. No increase in the annual fee shall be effective without prior written notification to you. We believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

In certain circumstances, advisory fees may be negotiable based upon prior relationships as well as related account holdings. Our Asset Management Advisory Agreement defines what fees are charged and their frequency.

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians, 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. Mutual funds, money market funds and exchange-traded funds (ETFs) also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include 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 asset management services. In that case, you would receive the financial planning services provided by us which are designed, among other things, to assist you in determining which mutual funds or investments are most appropriate to your current financial condition and objectives.

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 from clients' assets. We do not receive any compensation from these fees. The 12(b)(1) fee, deferred sales charges and other fee arrangements will be disclosed upon your request and are typically described 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).

The fees we charge can be deducted directly from your account at the custodian. We will instruct the custodian to deduct the fees from your account at the beginning of the calendar quarter. This fee will show up as a deduction on your following month's account statement from the custodian.

If you do not want us to charge your account for the fee, you may pay the 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.

Multiple accounts of immediately-related family members, at the same mailing address, will be considered one consolidated account for billing purposes. The quarterly fee will be charged for the total of all of the accounts comprising the consolidated account. The total fee will be billed to one selected Client account unless arranged otherwise between us.

### **3. Other Services Fees**

In addition to the fees described above, our individual Investment Adviser Representatives may also be licensed as insurance agents to sell insurance and may receive insurance commissions for the sale of those insurance products.

This creates a conflict of interest and may offer Investment Adviser Representatives an incentive to recommend insurance products that produce insurance commissions for the Investment Adviser Representative. When any such recommendations are made, Investment Adviser Representatives will disclose their commissions prior to completing any transaction and will obtain specific consent from the Client before purchasing any insurance product. Additionally, Clients always have the option to purchase insurance products through other agents and/or representatives not affiliated with us.

Such insurance commissions will be a small part of the Investment Adviser Representatives' business as their primary focus will be the investment advisory business rather than their insurance business.

Any insurance commissions will be paid through the insurance company or agency to the Investment Adviser Representative in their capacity as an insurance agent.

## **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 financial planning, financial consulting services and asset management to individuals, high net worth individuals, trusts, estates, corporate pension and profit-sharing plans, corporations, and small businesses.

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

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For Financial Planning and Financial Consulting Services, we analyze the Client's financial goals and objectives, income and spending, savings and investments, risks and insurance needs, asset allocation, and tax implications. This analysis seeks to ensure that the Client's needs are addressed while making progress toward their financial goals and objectives.

For Asset Management Services, the investment strategies used will vary depending on the Client's financial goals and risk tolerances. Generally, Clients seeking capital preservation with limited risk may be managed with passive strategies using fixed income products (e.g. bonds) and index funds whereas Clients seeking growth with greater risk may be managed with active strategies using stocks, mutual funds, ETF's and stock options.

While we will not engage in day-trading, active strategies may entail additional risk due to a greater frequency in transactions, which may involve additional transaction costs, and taxes. Also, strategies that use options may entail additional risk as losses may exceed those seen in the underlying stock. Lastly, strategies that include private placement offerings entail greater risk as these offerings have limited regulatory oversight, have less liquidity, and depend on the due diligence of the investor or investment adviser.

We use Fundamental and Technical Analyses 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.

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 other
- Company press releases and websites

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
- Trading -securities sold within 30 days

## 2. 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.

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)
- Trading (securities sold within 30 days)

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.

## 3. Risks

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made for your account by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance.

A list of 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
- 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.
- The data used may be out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.

## 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

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 Risks

- 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

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.

## 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.

# Item 9 – Disciplinary Information

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.



We do not have any information to disclose concerning Silicon Hills Wealth Management or any of our investment advisors. We adhere to high ethical standards for all advisors and associates. We strive to do what is in your best interests.

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

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Thomas Brown is Managing Partner of Weymouth Capital, Ltd, which provides business planning and development consulting for companies in real estate, software and technology consulting. Mr. Brown's consulting activities account for approximately 5% of his time.

### **1. Insurance Agent**

While we are not an insurance agency, our Investment Adviser Representatives may be licensed as independent insurance agents and have affiliations with the various insurance companies whose products they sell. Specifically, James Werner is licensed as an independent insurance agent in Texas. Silicon Hills Wealth Management is not an affiliate of any insurance companies.

James Werner, the Managing Member and Chief Compliance Officer for Silicon Hills Wealth Management, is a licensed insurance agent/broker with various companies. In his role as an insurance agent/broker, he may offer commissionable (non-variable) insurance products to you for which he may receive compensation from insurance companies. He may recommend and sell life, health, and long-term care insurance and will receive the usual and customary commissions. The sale of these products accounts for approximately 5% of his time.

Thomas Brown is also a licensed insurance agent/broker with various companies. However, he does not sell any insurance products. James Werner handles all insurance for the firm.

James Werner may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to Clients. When such recommendations or sales are made, a conflict of interest exists as the Insurance licensed Investment Adviser Reps earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all Investment Adviser Representatives disclose this conflict of interest when such recommendations are made. Also, we require Investment Adviser Reps to disclose that Clients may purchase recommended insurance products from other insurance agents not affiliated with us.

### **2. Other**

Pam Friedman has been trained to work on collaborative law cases where she serves as a financial professional in a "neutral" capacity to provide options for the couple so they can make their own decisions in the divorce. This arrangement precludes her from serving as the investment adviser for either of the parties in the divorce.

Pam is the membership director of the Austin Chapter of "85 Broads" a national professional women's organization. For the McCombs School of Business at The University of Texas at Austin National BBA Board

and Business Honors Program Board, Pam is on the fundraising committee of the National BBA Board and is also the co-chair of the fundraising committee for Business Honors.

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

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### **1. General Information**

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.

### **2. Participation or Interest in Client Accounts**

Our Compliance policies and procedures prohibit anyone associated with Silicon Hills Wealth Management from having an interest in a client account or participating in the profits of a client's account without the approval of the CCO.

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 us from benefiting as a result of transactions placed on behalf of advisory accounts.

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, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices

You may request a copy of the firm's Code of Ethics by contacting James Werner.

### **3. Personal Trading**

We may recommend securities to you that we will purchase 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 us from benefiting as a result of transactions placed on behalf of advisory accounts.

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

- No securities for our personal portfolio(s) shall be bought or sold where this decision is substantially derived, in whole or in part, from the role of Investment Advisory Representative(s) of Silicon Hills Wealth Management, 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.

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.

#### **4. 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.

#### **5. Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to us 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.

#### **6. Conflicts of Interest**

Silicon Hills Wealth Management's advisors may employ the same strategy for their personal investment accounts as it does for its clients. However, advisors may not place their orders in a way to benefit from the purchase or sale of a security.

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 interests of all the accounts we advise.

## Item 12 – Brokerage Practices

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### 1. Best Execution

We may recommend that the custodian for your account be Schwab Advisor Services a division of Charles Schwab & Co., Inc. ("Schwab").

In recommending Schwab as custodian responsible for executing transactions for your portfolios, we consider at a minimum their:

- Existing relationship with us,
- Financial strength,
- Reputation,
- Reporting capabilities,
- Execution capabilities
- Pricing, and
- Types and quality of research.

The determining factor in the selection of a custodian to execute transactions for your accounts is not the lowest possible transaction cost, but whether they can provide what is in our view the best qualitative execution for your account.

We are independently owned and operated and not affiliated with Schwab.

### 2. Soft Dollars

Schwab and other third parties may provide us with certain research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). These research products and/or services will assist us in our investment decision making process. Such research generally will be used to service all of our clients.

Soft dollar benefits may be proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

Schwab may provide us with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). These research products and/or services will assist the Advisor in its investment decision making process. Such research generally will be used to service all of the Advisor's clients, but brokerage commissions paid by the client may be used to pay for research that is not used in managing the client's account. The account may pay to a broker-dealer a commission greater than another qualified broker-dealer might charge to effect the same transaction where the Advisor determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

Because soft dollar benefits could be considered to provide a benefit to the adviser that might cause the client to pay more than the lowest available commission without receiving the most benefit, they are considered a conflict of interest in recommending or directing custodial services. Silicon Hills Wealth Management mitigates these conflicts of interest through strong oversight of soft-dollar arrangements by the Chief Compliance Officer, in order to assure the soft dollar benefits serve the best interests of the client.

There may other benefits from recommending Schwab such as software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Other services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Silicon Hills Wealth Management may contract directly. Silicon Hills Wealth Management may receive seminar expense reimbursements from product sponsors which may be based on the sales of products to their clients. Silicon Hills Wealth Management advisors could also receive 12(b) (1) fees as a result of placing clients with mutual funds. Clients will receive full disclosure regarding 12(b) (1) fees prior to such a sale.

### **3. Brokerage for Client Referrals**

We do not receive any compensation or incentive for referring you to broker-dealers for brokerage trades; however, we may receive additional compensation for sales of insurance products only.

### **4. Directed Brokerage**

Not all advisory firms require you to direct brokerage to a specific broker-dealer or custodian. We have an obligation to seek best execution for you. 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, and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

By directing brokerage to Schwab, you may pay higher fees or transaction costs than those obtainable by other broker-dealers or custodians. In most cases, we believe you are paying a discounted and reasonable rate.

If you elect to select your own broker-dealer or custodian and direct us to use them, you may pay higher or lower fees than what is available through our relationships. Generally, we will not negotiate lower rates below the rates established by the executing broker-dealer or custodian for this type of directed brokerage account, unless we believe that such rate is unfair or unreasonable for the size and type of transaction.

## **5. Trading**

Transactions for each client account generally will be effected independently, 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.

## **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 the Company’s policies and procedures
- Establish a review system designed to provide reasonable assurance that our policies and procedures are effective and being followed

### **2. Reviews**

Reviews will be conducted at least annually or as agreed to by us. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, we will monitor for changes and shifts in the economy, changes to the management and structure of an equity or company in which client assets are invested, and market shifts and corrections.

### **3. Reports**

You will be provided with account statements reflecting the transactions occurring in your account at least quarterly. These statements may be written or electronic depending upon what you selected when you opened the account. You will be provided with confirmations for each securities transaction executed in the account. You are obligated to notify us of any discrepancies in the account(s) or any concerns you have about the account(s).

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

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We do not receive any compensation for referring clients to another advisor nor do we pay any compensation to another advisor if they refer clients to us.

## **Item 15 – Custody**

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We do not have physical custody of any accounts or assets. However, we may be deemed to have custody of your account(s) if we have the ability to deduct your quarterly fees from the custodian. 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 Silicon Hills Wealth Management.

We do not debit the client fees directly from your advisory account. We send information to your custodian to debit your fees and to pay them to us. You authorized the custodian to pay us directly at the onset of the relationship.

## **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 identity and amount of securities to be bought or sold. 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. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

We require that any investment guidelines and/or restrictions be provided to us in writing.

## **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.

In no event shall we charge advisory fees that are both in excess of twelve hundred dollars and more than six months in advance of advisory services rendered.

## **Item 19 – Requirements for State Registered Advisers**

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This is not required since we are SEC registered.