

**Portfolio Solutions**  
**Form ADV Part 2A**  
**Investment Adviser Brochure**

March 2015

This brochure provides information about the qualifications and business practices of Portfolio Solutions®. If you have any questions about the contents of this brochure, please contact us at 800.448.3550 or [info@portfoliosolutions.com](mailto:info@portfoliosolutions.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. Registration as an investment advisor does not imply any level of skill or training.

Additional information about Portfolio Solutions® is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may look up Portfolio Solutions® using the unique identifying number, CRD # 107774.

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## Item 2: Material Changes

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Portfolio Solutions® (“Portfolio Solutions®” or the “Firm”) reviews its policies and procedures on a regular basis to evaluate its continuing effectiveness. As a result of that process or due to changes in our business, it may amend this Form ADV from time to time.

There have been material changes since the last Form ADV Annual Amendment update on March 31, 2014.

On February 4, 2015, Rick Ferri, LLC and Liberty PS Holdings, LLC became the owners of Portfolio Solutions®. Richard A. Ferri is a Managing Partner and Chief Compliance Officer, and he is the head of the Investment Committee where he directs investment policy at the Firm. Details regarding Mr. Ferri’s role are disclosed in Form ADV Part 2B under Richard (Rick) A. Ferri, CFA, Business Background.

Portfolio Solutions® Form ADV may be requested at any time by contacting us at 800.448.3550 or [info@portfoliosolutions.com](mailto:info@portfoliosolutions.com).

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## Item 4: Advisory Business

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Portfolio Solutions®, LLC (“Portfolio Solutions®,” “we,” “our,” or “us”) is a privately owned Michigan limited liability company headquartered in Troy, MI. The members are Rick Ferri, LLC and Liberty PS Holdings, LLC. Rick Ferri, LLC is 100% owned by Richard A. Ferri. Liberty PS Holdings, LLC is 100% owned by the James S. Gladney 1992 Revocable Trust and the James S. Gladney 1992 Revocable Trust is 100% owned by James S. Gladney. Portfolio Solutions® has been in business since July 1999, when we first registered as an investment advisor with the SEC.

### **Advisory Services Offered**

We provide our clients with investment management services regarding their investment accounts (“client accounts”). We manage accounts on a discretionary basis, which means our clients give us the authority to buy and sell securities for their accounts in our discretion (“discretionary authority”). We do not provide services on a non-discretionary basis. Portfolio Solutions® has the ongoing responsibility to select and make recommendations, based upon the objectives of the client, as to specific securities or other investments that we purchase or sell in client accounts.

Portfolio Solutions® specializes in managing low-cost, well-balanced and globally-diversified client accounts. We use stock and bond mutual funds and ETFs known as index funds or funds that have similar characteristics as index funds. Index funds are mutual funds or ETFs that aim to achieve the same return as a particular market index or asset class.

We offer our investment management services to our clients by managing their accounts according to the particular model investment strategy selected by the client, as discussed below under Item 8, and customized portfolios as needed based on each client’s need. Methods of Analysis, Investment Strategies and Risk of Loss. We apply the client’s selected investment strategy based on the client’s general financial and tax situation. The client’s investment strategy is outlined in a Confidence Map®. We make investment decisions for client accounts based on the information the clients supply about their general financial situation, goals, risk tolerance and return objectives. Our recommendations may be limited if a client does not provide us with accurate and complete information, or fails to keep us informed of any changes to the client’s investment objectives, general financial situation or restrictions.

Portfolio Solutions® occasionally offers general investment guidance on any investment type held by the client at the start of the advisory relationship. We may also occasionally offer guidance regarding additional types of investments, if appropriate, to address the individual needs, goals, and objectives of the client or in response to client inquiry. We do not offer specific advice on individual securities outside of the investment strategies offered by Portfolio Solutions®.

The investment strategies offered by Portfolio Solutions® are reviewed when appropriate by our investment committee (“Committee”). The Committee is led by

Richard (Rick) Ferri, CFA (Managing Partner and Chief Compliance Officer) and includes Anthony R. Watson, CFA (Chief Investment Officer).

In offering investment management services, the following limitations apply:

### **ERISA Clients**

Portfolio Solutions® offers fiduciary services to retirement plan sponsors. Portfolio Solutions® acknowledges that we are a fiduciary and as such we discharge our duties for the exclusive benefit of plan participants. Portfolio Solutions®, in compliance with the U.S. Department of Labor regulations under section 408(b)(2) of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, discloses information about the services Portfolio Solutions® provides and the compensation it receives for such services in both its IMA and in this ADV Part 2A.

### **Limitation on Equities**

We do not invest in individual equity securities, except for exchange-traded funds (ETFs) that trade during the day like individual securities. We will only transact in individual equities when liquidating existing holdings of new client accounts. We typically do not conduct individual fixed income securities transactions except when liquidating existing positions in new client accounts.

### **Limitations on Mutual Funds**

Portfolio Solutions® generally limits recommendations of open-end mutual funds to no-load funds. Some of the mutual funds we purchase are institutional funds that are not ordinarily available to the general public.

### **Limitation by Custodian**

All clients establish accounts with Schwab Advisor Services™, a division of Charles Schwab & Co., Inc. ("Schwab"), FINRA registered broker-dealer, Member SIPC. Schwab is the qualified custodian of all client accounts. Portfolio Solutions® is limited to the securities transactions available through Schwab.

### **Limitation by Client**

Clients may also request restrictions on and customizations to their accounts. Portfolio Solutions® reserves the right to not accept and/or to terminate management of a client account if we feel that the client's imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

### **Wrap Fee Programs**

We do not manage client accounts as part of a wrap or bundled fee program.

### **Assets Under Management**

We manage client assets on a discretionary basis only. As of March 23, 2015, the total amount of assets under our management was \$ 1,410,407,692.

## Item 5: Fees and Compensation

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For our investment management services, including ERISA Plans, we charge fees based on a percentage of the client's total assets under management, according to the following fee schedule:

<b>Assets Under Management</b>	<b>Annual Fee Rate*</b>
First \$3 Million	0.37%
Greater Than \$3 Million	0.20%

The minimum quarterly fee is \$925 for the first \$1 million.

*\*Fees are negotiable for client relationships over \$10 million. Portfolio Solutions® may also negotiate investment management fees for relationships under \$10 million at its discretion and on a case by case basis.*

Our investment management fees are charged and payable quarterly in arrears following the end of each calendar quarter. The fee is based on the daily average value of the Assets Under Management for each "Client Relationship" during the quarter. The formula used for the calculation is as follows: *(Daily Average Value of Assets Under Management During The Quarter) x (A Factor Equal To The Number of Days In The Calendar Quarter) / (The Number of Days in the Calendar Year) x (Annual Fee Rate).*

The investment management fee payment is a pro-rata calculation for new and terminated client accounts. The calculation is based on the actual number of days assets were in a clients' account during the calendar quarter. The formula used to calculate new and terminating client account investment management fees is as follows: *(Daily Average Value of Assets Under Management During The Pro-Rata Quarter) x (A Factor Equal To The Number of Days Assets Were In A Client's Account In The Calendar Quarter) / (The Number of Days in the Calendar Year) x (Annual Fee Rate).*

For investment management fee calculation purposes, a calendar quarter is a period beginning on the first day of the month during a new calendar quarter (January, April, July and October) and ending on the last day of the month of a calendar quarter (March, June, September and December). A day is any calendar day including weekends and holidays.

Schwab withdraws Portfolio Solutions' investment management fees from the client's account based on our instruction. Schwab does not verify the accuracy of Portfolio Solutions' advisory fee calculation. Portfolio Solutions' clients have their fees deducted from their accounts. Upon termination, we instruct Schwab to debit all outstanding unpaid investment management fees. All clients receive brokerage statements from Schwab no less frequently than monthly. Each Schwab statement shows the deduction of the investment management fee withdrawn directly from their Schwab account.

Either a client or Portfolio Solutions® may terminate the Investment Management

Agreement (“IMA”) upon written notice to the other party. If the IMA is terminated, the current investment management fee will be pro-rated to the written notice date. Portfolio Solutions® will not liquidate any securities in the client’s terminated accounts. All securities in the client’s accounts on the date of written termination notice will remain in the client’s accounts and under custody with Schwab. A client can contact Schwab directly and self-manage his/her accounts.

In the event of a client’s death or disability, we will continue management of the account until an authorized party notifies us of client’s death or disability and provides alternate instructions.

We do not require or accept investment management fees in advance.

### **Other Fees and Expenses**

Our investment management fees do not include Schwab’s transaction fees. Clients pay all brokerage commissions (transaction fees), stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the accounts.

In addition, any mutual fund shares and/or ETFs held in a client’s account may be subject to fund-related fees and expenses that are described in the prospectus of the mutual fund or ETF. All fees paid to Portfolio Solutions® for investment management services are separate and distinct from the fees and expenses charged by mutual funds and ETFs.

### **Other Compensation**

Neither Portfolio Solutions®, nor any person providing investment advice on its behalf (“investment personnel”), accepts any compensation or revenue in connection with the management of client accounts except for the investment management fees charged directly to clients as stated above.

## **Item 6: Performance Based Fees and Side-by-Side Management**

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Neither Portfolio Solutions®, nor any of its investment personnel, charges performance-based fees that are based on a share of capital gains on, or capital appreciation of, the assets of a client.

## **Item 7: Types of Clients**

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We offer discretionary investment management services to individuals, high net worth individuals, trusts, estates, endowments, institutions, individual participants of retirement plans, pension and profit sharing plans, charitable organizations, corporations and other businesses.



Generally, Portfolio Solutions® requires clients to maintain a Client Relationship size of \$500,000. If a client withdraws significant funds, we may ask the client to deposit additional funds in order for us to continue to manage the client's accounts. We will aggregate client accounts that have immediate family or business relationships with each other for purposes of calculating the investment management fees. For purposes of calculating fees, a "Client Relationship" means an individual and: (a) his or her spouse or domestic partner; (b) his or her minor children; (c) a business or non-profit entity over which the individual and/or other person defined in (a) above exercises exclusive control; and (d) a trust in which the individual and/or other person defined in (a) above is the sole trustee. Portfolio Solutions® reserves the right to limit this Client Relationship account aggregation policy where the circumstances, in our sole discretion, warrant.

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

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### **Methods of Analysis and Investment Strategies General Investment Strategies**

Portfolio Solutions® generally uses diversification in an effort to optimize the risk and potential return of a portfolio. More specifically, we may utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification.

Portfolio Solutions' general investment strategy is to seek a total return proportionate with the level of risk the client decides to take. We assist each client in developing a Confidence Map®, more commonly known as an investment plan, which is done by understanding the client's general financial situation, investment objectives, liquidity needs, time horizon, return objective, and risk tolerance, as well as any special considerations and/or restrictions the client chooses to place on the management of the client accounts. Based on this information, we determine the securities that comprise each client's portfolio and then make investment strategy recommendations that are consistent with the client's Confidence Map®.

Client portfolios with similar investment objectives and asset allocation goals may own the same or different securities. Tax factors also influence Portfolio Solutions® investment decisions. Clients who buy or sell securities on the same day may receive different prices based on the timing of the transactions during open market hours.

Each portfolio will maintain a target asset allocation. Generally, we review client portfolios not less than daily to evaluate how closely the actual allocation matches the target allocation. When we consider the variance excessive, we will take appropriate actions (by buying or selling securities) to bring the actual allocation within acceptable range of the target allocation. We refer to this process as "rebalancing." The process of rebalancing offers a systematic process to buy or sell securities when investment categories (asset classes) vary from their target allocation.

## **Investment Portfolios**

Portfolio Solutions® offers several different investment strategy (“asset allocation”) types for managing client accounts. Based on the client’s personal situation, as described in the client’s Confidence Map®, we will recommend managing the client’s accounts in accordance with one or multiple asset allocation strategies.

## **Methods of Analysis for Selecting Securities**

In analyzing mutual funds and exchange-traded funds (ETFs), Portfolio Solutions® may use various sources of information, including data provided by Morningstar, Inc., Factset, Bloomberg, a fund company’s website, and other online and subscription resources as needed. We cannot guarantee that any such strategy or analysis will prove profitable or successful.

## **General Risks of Owning Securities**

Prior to entering into an IMA with Portfolio Solutions®, each client should carefully consider:

1. That investing in securities involves risk of loss, which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time, the client’s assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that are long-term in nature, typically a minimum of a ten-year time horizon.

We do not guarantee that an investment strategy will meet its investment objectives or that an account will not suffer losses.

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds and ETFs in a client’s account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income. For additional risk information please see appropriate mutual fund and ETF prospectuses.

## **Specific Risks of Securities**

### ***Exchange-Traded Funds (ETFs)***

An ETF is a type of investment company (usually, an open-end fund or unit investment trust) containing a basket of stocks or bonds that usually tracks a specific index or sector. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market index or that fall into a particular sector. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock and bond mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track specific sectors. An investment in an ETF could lose money over short

or even long periods. You should expect the ETFs share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market.

### ***Mutual Funds (Open-end Investment Companies)***

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes. An investment in a mutual fund could lose money over short or even long periods. You should expect the fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market.

### **Different Types of Funds**

When it comes to investing in mutual funds and ETFs, investors have literally thousands of choices. Most mutual funds and ETFs fall into one of three main categories: money market funds, bond funds (also called "fixed income" funds), and stock funds (also called "equity" funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

### **Bond Funds**

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards. Some of the risks associated with bond funds include:

#### ***Interest Rate Risk***

Interest rate risk refers to the risk that the market value of bonds will go down when interest rates go up. Because of this risk, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

#### ***Credit Risk***

Credit risk refers to the risk that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds and exchange-traded funds (ETFs) that hold these 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.

***Prepayment Risk***

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to “retire” its debt and issue new bonds that pay a lower rate. When this happens, the bond fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

**Stock Funds**

A stock fund’s value can rise and fall quickly (and dramatically) over short or even long periods. You should expect a fund’s share price and total return to fluctuate within a wide range. Overall stock market risk poses the greatest potential danger for investors in stock funds. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Stock prices can fluctuate for a broad range of reasons—such as the overall state of the economy or demand for particular products or services. Some other risks associated with various types of stock funds include:

***Small Cap Funds***

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger companies. Historically, smaller company stocks have experienced a greater degree of market volatility than the overall market average.

***International Funds***

Funds that invest in foreign securities involve special additional risks. International investments are subject to stock market risk as well as additional risks, including currency fluctuation, political instability, country/regional risk, and potential illiquid markets.

***Emerging Market Funds***

Emerging market investments involve stock market risk and the same risks as international investments. Investing in emerging markets may accentuate those additional risks.

***Real Estate Investment Trust (REIT) Funds***

REIT Funds include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. REIT investments include illiquidity and interest rate risk.

**Item 9: Disciplinary Information**

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Portfolio Solutions® does not have any disciplinary information to disclose.

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

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We do not have any relationships or arrangements with broker-dealers, mutual funds, other investment advisers, or other entities which are related persons that create any material conflict of interest for us in rendering investment management services to our clients.

### **Affiliations – Lawyer**

Florence Affatato is an attorney, but does not currently practice law outside of her role at the Firm.

### **Affiliations – Certified Public Accountant**

John Bergmann is a Certified Public Accountant but does not practice traditional accounting outside of his role at the Firm.

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

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### **Code of Ethics**

Portfolio Solutions® has a fiduciary duty to provide our clients with the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of Portfolio Solutions® and our personnel. Our personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

We attempt to address specific conflicts of interest that either we have identified or that could likely arise. Our personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable state and federal securities laws.

Portfolio Solutions® prohibits all personnel from acting upon any material, non-public information, as defined under federal securities laws and our Code of Ethics insider trading policy.

Portfolio Solutions® does not recommend securities in which there is a material financial interest to us or any related person of Portfolio Solutions®.

Portfolio Solutions® will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### **Personal Trading Practices**

All Portfolio Solutions® personnel are subject to personal trading policies governed by the Code of Ethics. Portfolio Solutions® and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate

for a client account. Portfolio Solutions® and our personnel may purchase or sell securities for themselves that we also recommend to clients. In order to avoid potential conflicts of interest with clients, we require all personnel to obtain written approval by our Chief Compliance Officer (“CCO”) or the Compliance Manager before directly or indirectly trading in certain securities.

## **Item 12: Brokerage Practices**

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### **Factors Considered in Selecting Broker-Dealers for Client Transactions**

Portfolio Solutions® requires that clients open one or more brokerage accounts in their own names at Schwab Advisor Services™, a division of Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, Member SIPC. The client will enter into a separate agreement with Schwab to custody the assets. Portfolio Solutions® also requires that each client grant Portfolio Solutions® a limited power of attorney to execute client transactions through Schwab. Portfolio Solutions® is independently owned and operated, and unaffiliated with Schwab.

Schwab may charge brokerage commissions (transaction fees and/or ticket charges) for executing securities transactions. We do not receive any part of these separate charges. Schwab may provide us with access to their institutional trading and custody services platform, which is typically not available to Schwab retail investors. Schwab’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.

We consider several factors in recommending Schwab to clients, such as ease of use, reputation, service execution, pricing and financial strength. Portfolio Solutions® may also take into consideration the availability of the products and services received or offered (detailed below).

### **Research and Other Soft Dollar Benefit**

Schwab may provide us with products and services that may benefit Portfolio Solutions® but may not directly benefit our clients’ accounts. We may use these types of services to 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 client accounts; and assist with back-office functions, record keeping, and client reporting. We place trades for our clients’ accounts based on our duty to seek best execution and other fiduciary duties. We may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients, therefore we are more likely to place trades through Schwab rather than other broker-dealers. Schwab’s execution quality may be different from that of other broker-dealers.



Schwab may also provide us with other benefits and services such as client appreciation and educational events, and conferences on regulatory compliance, information technology, and business enterprise development. Schwab may discount or waive fees it would charge for some of these services or pay all or a part of the fees of a third party providing these services to Portfolio Solutions®. These benefits and services are not a significant consideration for us in requiring clients to use Schwab as a broker-dealer, nor do they result in any material conflicts of interest between us and clients.

As part of our fiduciary duty to clients, Portfolio Solutions® always strives to put the interests of our clients first. Clients should be aware, however, that a potential conflict of interest is created when Portfolio Solutions® receives economic benefits and may indirectly influence our recommendation of Schwab for custody and brokerage services.

### **Brokerage for Client Referrals**

Portfolio Solutions® does not receive client referrals, compensation or revenue from any broker-dealer or third party in exchange for using that broker-dealer or third party.

### **Directed Brokerage**

We do not allow clients to direct us to use a specific broker-dealer to execute transactions. Clients must use Schwab as the qualified custodian and broker-dealer. Not all investment managers or advisers require their clients to trade through specific broker-dealers.

Since we require all of our clients to maintain their accounts with Schwab, we suggest that clients consider and compare the significant differences between having assets custodied at another broker-dealer, bank or other custodian prior to opening an account with Schwab. Some of these differences include, but are not limited to: total account costs, trading flexibility, transaction fee/commission rates, and security and technology services. By requiring clients to use Schwab, Portfolio Solutions® believes we may be able to more effectively manage client accounts, achieve favorable execution of client transactions, and overall lower the costs to the client accounts. In seeking best execution through a broker-dealer on behalf of our clients, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution. When taking into consideration qualitative execution, we consider the full range of broker-dealer services, such as: historical relationship, reputation, financial strength, execution capability, commission and/or transaction rates, and responsiveness.

Portfolio Solutions® does not have any soft dollar arrangements with any broker-dealer or third party.

### **Aggregation and Allocation of Transactions**

In most cases, Portfolio Solutions® will recommend the purchase or sale of the same security for multiple clients at the same time. In those cases, Portfolio Solutions® may combine buy and sell orders for all clients with the same security transaction order. These are sometimes referred to as “block” transactions. Block transactions are

typically done in an effort to get better trade execution across multiple client accounts. Portfolio Solutions® will generally allocate the securities or proceeds arising out of those transactions on an average price basis among the various participants in the transactions. We believe that combining orders in this way will be advantageous to all participating clients.

However, the average price could be more or less advantageous to a particular client than if that client had been the only account affecting the transaction, or if the transaction had been completed before or after the other clients.

Portfolio Solutions® may also place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order, and practicability of participating in “block” transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. There are circumstances when some of a client’s transactions in the security may not be aggregated with those of other clients. Portfolio Solutions® has adopted policies and procedures intended to ensure that our trading allocations are fair to all of our clients.

## **Item 13: Review of Accounts**

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### **Account Reviews**

We review client accounts and positions on a continuous basis. Our Chief Investment Officer supervises the Portfolio Management staff conducting internal daily reviews of client accounts for adherence to a client’s Asset Allocation Strategies.

We assign a dedicated Investment Specialist to each client. An Investment Specialist will review a client’s specific investment goals and objectives on a periodic basis and work with a client to align them with the client’s investment strategy. We also offer account reviews directly with a client on an as-requested basis. Clients may choose to receive reviews in person (local in our office), by telephone, or by email. During reviews, we mainly focus on changes to a client’s Confidence Map® which include: a change in the client’s investment objectives, general financial situation, tax considerations and significant cash deposits or withdrawals in client accounts.

### **Account Reporting**

Portfolio Solutions® provides written reports detailing performance in client accounts on a quarterly basis. We may also provide additional reporting as agreed upon with the client on a case-by-case basis. In addition, each client receives a monthly statement from Schwab that includes an accounting of all holdings and transactions in the account for the reporting period.

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

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**Referral Fees**

Portfolio Solutions® does not directly or indirectly receive any economic benefit from any person for providing investment advice or other advisory services to our clients. Portfolio Solutions® does not currently use unaffiliated solicitors.

**Referrals to Other Professionals**

Portfolio Solutions® may refer clients or prospective clients to unaffiliated professionals for specific needs such as financial planning, estate planning, or accounting related work.

Portfolio Solutions® only refers clients to professionals we believe are competent and qualified in their field. However, it is ultimately the client's responsibility to review the professional's qualifications. We will generally provide the client with the professional's contact information, and it is solely the client's decision whether to hire the professional. Clients are under no obligation to purchase any products or services through these professionals, and we have no control over the services they provide. Clients that choose to hire these professionals will sign a separate agreement with them. Fees charged by these professionals are separate from and in addition to fees charged by Portfolio Solutions®.

Portfolio Solutions® does not directly or indirectly compensate any person for client referrals who is not a supervised person. Occasionally, Portfolio Solutions® will receive reciprocal referrals from these professionals. This may create a potential conflict of interest. Portfolio Solutions® does not have any agreements to receive or pay compensation for the referral of clients or prospective clients.

If the client desires, Portfolio Solutions® will work with these professionals or the client's other advisers (such as an accountant, attorney or financial planner) to help ensure that the professional understands the client's portfolio and to coordinate services for the client. Portfolio Solutions® will never share information with an unaffiliated professional unless the client authorizes us to do so in writing.

**Item 15: Custody**

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Portfolio Solutions® has limited custody of client funds or securities, when clients authorize us to deduct our investment management fees directly from their accounts. A qualified custodian (Schwab) holds the clients' accounts and investments.

Clients will receive statements directly from Schwab at least monthly. The statements will reflect all securities held with Schwab as well as any transactions that occurred in the account, including the deduction of our investment management fee. Clients should review the account statements received from Schwab and should compare them to the reports they receive from Portfolio Solutions®. Clients can contact us at the address or phone number on the cover of this brochure with any questions about their statements and reports.

## **Item 16: Investment Discretion**

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Portfolio Solutions® has full discretion to decide the specific securities to trade, the quantity of such securities, and the timing of securities transactions for client accounts. Clients grant us this discretionary authority when they sign the IMA. Portfolio Solutions® will not contact clients before placing trades in their accounts, but clients will receive confirmations directly from the broker-dealer and/or Schwab for any trades placed. Clients also give us trading authority over their accounts when they sign the custodian (Schwab) paperwork. Certain client-imposed conditions may limit our discretionary authority, such as when the client prohibits transactions in specific security types.

## **Item 17: Voting Client Securities**

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### **Proxy Voting**

Portfolio Solutions® accepts and has the authority to vote client proxies pertaining to securities held in a client's account. Each proxy is voted after taking into consideration any contractual obligations, as well as other relevant facts and circumstances. A client may request to vote his/her own proxies by sending a written request to our main office address listed on the cover page of this brochure.

Although it is highly unlikely, it may be possible that Portfolio Solutions® may be called on to vote a proxy in a situation that may cause a conflict of interest. If any vote would cause a possible conflict of interest, we will contact the client for consent prior to casting a vote on behalf of a client.

You can obtain information regarding how the proxies pertaining to the client's account were voted by sending a written request to Portfolio Solutions®.

### **Mutual Funds**

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

### **Class Actions**

Portfolio Solutions® does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on a client's behalf. However, if a client notifies us that he/she wishes to participate in a class action, we will provide the client with any available transaction information necessary to file a proof of claim.

## **Item 18: Financial Information**

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Portfolio Solutions® does not require or solicit the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients under our IMA. We have never been the subject of a bankruptcy petition.

## Privacy Policy

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Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

The types of personal information we collect and share depends on the product or service you have with us. This information can include:

- Social Security number and income;
- Account balances and assets; and
- Transaction history.

All financial companies need to share customers' personal information to perform their services and run their everyday business. In the section below, we list the reasons financial companies and Portfolio Solutions® can share its customers' personal information; and whether you can limit this sharing.

We can share your personal information (1) for our everyday business purposes, such as to process your transactions, maintain your account(s) or to respond to court orders and legal investigations; and (2) for our marketing purposes— to offer our products and services to you.

Portfolio Solutions® collects non-public personal information about you for example, when you:

- Open an account;
- Deposit money;
- Seek advice about your investments;
- Enter into an investment advisory contract; and
- Tell us about your investment or retirement portfolio or earnings.

We are committed to protecting your privacy and your non-public personal information. We do not sell or market your non-public personal information to unaffiliated organizations. We maintain physical, electronic and procedural safeguards to guard your non-public personal information. We hold our employees to strict standards of conduct regarding confidentiality, and employees who violate our Privacy Policy are subject to disciplinary process. We restrict access to your information to those employees who need to know that information to carry out their duties.

We do not disclose any non-public personal information about our clients or former clients without the client's authorization, except as permitted by law. We may disclose the non-public information we collect to employees and affiliates, and unaffiliated third parties as permitted by law. Third parties may include law enforcement agencies,

government and regulatory authorities, and professionals such as our legal counsel and auditors. It is our policy to conduct a due diligence review and to require all third party service providers that will receive information to sign strict confidentiality agreements agreeing to safeguard such information and use it only for the purpose it was provided.

**Portfolio Solutions**  
**Form ADV Part 2B**  
**Investment Adviser Brochure Supplement**

**Supervisor:** Richard (Rick) A. Ferri

**Supervisor of:**

Anthony (Tony) R. Watson  
Gary J. Brancalone  
Michael (Mike) A. Palazzolo  
Jennifer C. Flaherty

**March 2015**

This brochure supplement provides information about the Firm's Supervised Persons that supplements the Portfolio Solutions'® brochure. You should have received a copy of that brochure. Please contact us if you did not receive Portfolio Solutions'® brochure or if you have any questions about the contents of this supplement.

Additional information about the Firm's Supervised Persons is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying CRD number for each Supervised Person.

## **Richard (Rick) A. Ferri, CFA**

### **Education Background and Business Experience**

Richard A. Ferri, CFA – Managing Partner, Chief Compliance Officer

Year of birth: 1958

CRD #1930456

### **Education:**

MSF – Walsh College, 1999

BS – Finance, University of Rhode Island, 1980

### **Professional Designations:**

Chartered Financial Analyst® (CFA®), 1995

### **Business Background:**

Richard Ferri began his career in the investment business in 1989, when he joined Kidder Peabody, Inc. as a Registered Representative. Richard left Kidder Peabody, Inc. and joined Smith Barney, Inc. in June 1994 as a Registered Representative. Richard left Smith Barney, Inc. in 1999 and founded Portfolio Solutions®. From 1999 to October 2013, Richard (Rick) directed the research and education, was engaged in the day-to-day business activities, and headed the Investment Committee at Portfolio Solutions®. From October 2013 to February 2015, Rick directed the research, but was not engaged in the day-to-day business activities of the Firm or its Investment Committee. In February 2015, Rick became the Managing Partner and Chief Compliance Officer and resumed his role as the head of the Investment Committee, where he reviews and directs the Firm's investment strategies policies. He also resumed his involvement the day-to-day business activities of the Firm. Rick also continues to direct the Firm's research and education.

Rick has over 25 years of experience in the investment industry including more than ten years as a financial consultant at two major Wall Street firms. He graduated from the University of Rhode Island with a B.S. degree in business and from Walsh College with an M.S. degree in finance. Rick is a CFA® charterholder who has published extensively on low-cost investing using index funds and ETFs, including six books and hundreds of articles. Rick is also a retired Marine Corps officer fighter pilot.

Rick is the author of six investment books: *Serious Money – Straight Talk About Investing for Retirement*, *All About Index Funds*, *All About Asset Allocation*, *The ETF Book*, *Protecting Your Wealth in Good Times and Bad*, and *The Power of Passive Investing*. Through his work as a researcher, author and investment manager, he continually monitors and evaluates the latest index funds and exchange-traded funds (ETFs). Rick is responsible for research used in promoting Portfolio Solutions®. In addition, he shares his insights as a frequent news commentator, Wall Street Journal Expert panelist, Forbes columnist, media contributor and public speaker.

### **Disciplinary Information**

Rick Ferri has no disciplinary history to disclose.

### **Other Business Activities**

As noted above, Rick is the author of six investment books for which Portfolio Solutions® receives royalties. Book writing is not a substantial source of revenues. From time-to-time writing investment related books and material may take more than 10% of Rick's time. Rick is also a member of Rick Ferri, LLC, Medina, TX, 78055.

### **Additional Compensation**

Richard Ferri does not receive any economic benefit from anyone who is not a client.

### **Supervision**

Richard A. Ferri (Managing Partner & Chief Compliance Officer) supervises all Portfolio Solutions® personnel through office interactions. Rick can be reached at 248.689.1550 or by email at rferri@portfoliosolutions.com.

## **Anthony R. Watson, CFA**

### **Educational Background and Business Experience**

Anthony R. Watson – Chief Investment Officer

Year of birth: 1974

CRD # 5682762

### **Education:**

MBA – University of Michigan, Ross School of Business, 2006

BA – Business Administration, Finance, Walsh College, 1997

### **Professional Designations:**

Chartered Financial Analyst® (CFA®), 2003

### **Business Background:**

Anthony Watson began his career in financial services in 1997, when he joined Old Kent Bank as a Credit Analyst. In 1999, he was promoted to Corporate Banking Loan Officer. Anthony left Old Kent Bank in 2001 and joined National City Bank as an Assistant Vice President, Small Business Banking. He received his CFA® designation in 2003. Anthony left National City Bank in 2004 to join Charter One Bank as a Senior Business Banking Officer. In 2006, he joined Meritor, Inc. as a Senior Financial Analyst. In 2009, he joined J.P. Morgan Private Bank as a Vice President. In 2012, Anthony joined Portfolio Solutions® as Chief Investment Officer.

Anthony is responsible for investment operations and oversees the portfolio management department. In addition, Anthony is a member of the Investment Committee at Portfolio Solutions®.

### **Disciplinary Information**



Anthony Watson has no disciplinary history to disclose.

**Other Business Activities**

Anthony Watson's only business is providing investment management services through Portfolio Solutions®.

**Additional Compensation**

Anthony Watson does not receive any economic benefit from anyone who is not a client.

**Supervision**

Richard A. Ferri (Managing Partner & Chief Compliance Officer) supervises all Portfolio Solutions® personnel through office interactions. Richard can be reached at 248.689.1550 or by email at rferri@portfoliosolutions.com.

**Gary J. Brancaleone, CFP®, CRPC®****Education Background and Business Experience**

Garry J. Brancaleone, CFP®, CRPC® - Director of Investment Specialists

Year of birth: 1955  
CRD #5647973

**Education:**

BS – Finance, Oakland University, 1982

**Professional Designations:**

Certified Financial Planner™, 1987  
Chartered Retirement Planning Counselor<sup>SM</sup>, 2013

**Business Background:**

Prior to joining Portfolio Solutions®, Gary was employed as a Banker in the private bank at J.P. Morgan, where he worked closely with high net worth clients and helped them achieve their financial goals using investment services offered by the bank. He also worked as an Area Sales Manager for Residential Mortgages for J. P. Morgan Chase Bank. Prior to that, Gary was a Regional Mortgage Manager at Charter One Bank. Gary has also obtained his Certified Financial Planner™ certification and is a Chartered Retirement Planning Counselor<sup>SM</sup>.

Gary is responsible for working with clients to help ensure that their investment strategy is appropriately aligned with their financial goals and objectives.

**Disciplinary Information**

Gary Brancaleone has no disciplinary history to disclose.

**Other Business Activities**

Gary Brancalone's only business is providing investment management services through Portfolio Solutions®.

**Additional Compensation**

Gary Brancalone does not receive any economic benefit from anyone who is not a client.

**Supervision**

Richard A. Ferri (Managing Partner & Chief Compliance Officer) supervises all Portfolio Solutions® personnel through office interactions. Richard can be reached at 248.689.1550 or by email at rferri@portfoliosolutions.com.

**Michael A. Palazzolo, CFP®****Education Background and Business Experience**

Michael A. Palazzolo CFP® – Senior Investment Specialist  
Year of birth: 1970  
CRD #6039633

**Education:**

MS – Computer Science & Engineering, Oakland University, 1996  
BS – Computer Science, Oakland University, 1992

**Professional Designations:**

Certified Financial Planner™, 2010

**Business Background:**

Prior to joining Portfolio Solutions®, Michael worked as a Financial Counselor with GreenPath Inc., where he advised clients experiencing personal financial challenges. Prior to GreenPath, Michael worked in the automotive and defense industries developing vehicle and simulation software.

Michael has a Graduate Certificate in Personal Financial Planning. He has also obtained his Certified Financial Planner™ certification.

Michael is responsible for working with clients to help ensure that their investment strategy is appropriately aligned with their financial goals and objectives.

**Disciplinary Information**

Michael Palazzolo has no disciplinary history to disclose.

**Other Business Activities**

Michael Palazzolo's only business is providing investment management services through Portfolio Solutions®.

**Additional Compensation**

Michael Palazzolo does not receive any economic benefit from anyone who is not a client.

**Supervision**

Richard A. Ferri (Managing Partner & Chief Compliance Officer) supervises all Portfolio Solutions® personnel through office interactions. Richard can be reached at 248.689.1550 or by email at rferri@portfoliosolutions.com.

**Jennifer C. Flaherty, CFP®, CRPC®****Educational Background and Business Experience**

Jennifer C. Flaherty, CFP®, CRPC® – Investment Specialist  
Year of birth: 1967  
CRD #5764234

**Education:**

BS – Engineering, Chemical Michigan State University, 1991

**Professional Designations:**

Chartered Retirement Planning Counselor<sup>SM</sup> 2011 Certified Financial Planner<sup>TM</sup>, 2013

**Business Background:**

Prior to joining Portfolio Solutions®, Jennifer worked as a Financial Planning Associate with Future Benefits Corporation. While there, she worked with an advisor to develop personalized plans for clients' long-term financial success and provided financial planning and operations efficiency support. Jennifer has also worked at Merrill Lynch as a Client Associate where she evaluated client assets and liabilities to analyze the feasibility of meeting goals and providing recommendations. Prior to Merrill Lynch, Jennifer worked in the mortgage and manufacturing industries managing teams and improving products and processes. Jennifer has a Graduate Certificate in Personal Financial Planning. Jennifer has also obtained her Certified Financial Planner<sup>TM</sup> certification and is a Chartered Retirement Planning Counselor<sup>SM</sup>.

Jennifer is responsible for working with clients to help ensure that their investment strategy is appropriately aligned with their financial goals and objectives.

**Disciplinary Information**

Jennifer Flaherty has no disciplinary history to disclose.

**Other Business Activities**

Jennifer Flaherty's only business is providing investment management services through Portfolio Solutions®.

**Additional Compensation**

Jennifer Flaherty does not receive any economic benefit from anyone who is not a client.

**Supervision**

Richard A. Ferri (Managing Partner & Chief Compliance Officer) supervises all Portfolio Solutions® personnel through office interactions. Richard can be reached at 248.689.1550 or by email at [rferri@portfoliosolutions.com](mailto:rferri@portfoliosolutions.com).

## Professional Designation Descriptions

**CFA®:** The Chartered Financial Analyst® charter is a professional designation established in 1962 and awarded by the CFA Institute. To earn the CFA® charter, candidates must pass three sequential, six hour examinations over two to four years. The three levels of the CFA® Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA® charterholders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

**CFP®:** Certified Financial Planner™ certificants must pass the comprehensive CFP® Certification Examination, pass the Certified Financial Planner™ Board of Standard's Fitness Standards, agree to abide by the Board's Code of Ethics and Professional Responsibility and Rules of Conduct which put clients' interests first, and comply with the Financial Planning Practice Standards which spell out what clients should be able to reasonably expect from the financial planning engagement.

**CRPC®:** Individuals who hold the Chartered Retirement Planning Counselor<sup>SM</sup> designation have completed a course of study encompassing pre-and post-retirement needs, asset management, estate planning and the entire retirement planning process using models and techniques from real client situations. Additionally, individuals must pass an end-of-course examination that tests their ability to synthesize complex concepts and apply theoretical concepts to real-life situations. All designees have agreed to adhere to Standards of Professional Conduct and are subject to a disciplinary process.