

## **Part 2A of Form ADV: *Firm Brochure***

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July 28, 2015

This brochure provides information about the qualifications and business practices of McGladrey Wealth Management LLC (MWM), a registered investment adviser. Registration does not imply a certain level of skill or training, but only indicates that MWM has registered its business with the United States Securities and Exchange Commission (SEC). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this brochure, please contact MWM at 612-376-9363 or [wmcompliance@mcgladrey.com](mailto:wmcompliance@mcgladrey.com). Additional information about MWM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 111221.

## Item 2 Material Changes

This item of MWM's brochure is updated if material changes have occurred during the course of MWM's fiscal year or with MWM's Annual Updating Amendment.

This summary, dated July 28, 2015, contains the following material changes to our most recent Brochure dated December 10, 2014:

1. Our brochure has been updated to describe the multi-family office services offered by MWM. These services may include financial reporting, estate planning, risk management, philanthropy and governance services.
2. Our brochure has been updated to provide an enhanced description of the investment advisory services available to retirement plan sponsors. These services include Benchmarking Services, Fiduciary Process Management, Investment Policy Statement Preparation, Recommendation of Investment Vehicles, Monitoring of Investment Performance and Employee (Participant) Communications.

Item 5 of our Brochure has also been updated to reflect MWM's Assets Under Management and Assets Under Advisement as of April 30, 2015.

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. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4 Advisory Business

MWM is an SEC-registered investment adviser with its principal place of business located in Minnesota. MWM began conducting investment advisory business in 2000.

MWM's parent company and sole member is McGladrey LLP.

MWM offers the following advisory services to our clients:

### INDIVIDUAL PORTFOLIO MANAGEMENT

Our firm provides continuous advice to a client regarding the investment of client funds based on the client's individual needs. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy or asset allocation and create and manage a portfolio based on that policy or allocation. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Mutual fund shares
- Exchange traded funds
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance and annuities
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in other investments (Private Placements)

We do not make recommendations for clients to purchase individual equity securities. However, we will assist clients in making decisions to hold or sell these positions consistent with clients' Investment Policy Statements.

MWM will not provide recommendations to purchase or sell equity securities or fixed income securities of issuers for which McGladrey LLP provides audit or attest services (See Item 10 for services offered by McGladrey LLP). Stock and bonds of issuers for which McGladrey

LLP provides audit or attest services are referred to as “Restricted Securities”. MWM may recommend alternatives to Restricted Securities.

Because some types of investments, such as private placements, involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **MULTI-FAMILY OFFICE SERVICES**

MWM also provides comprehensive family office services to high net worth clients. If this service offering is chosen, specific services will be selected and agreed to by the Client and MWM. Those services may include:

- Financial reporting. This service may include access to an online portal and document management system, balance sheets, income statements and statements of projected cash flow.
- Estate planning. While MWM does not draft legal documents or provide legal advice, we can provide reviews of existing documents and recommended techniques to meet estate preservation and transfer objectives.
- Risk management. This service may include a risk assessment, advice and ongoing maintenance and review.
- Philanthropy. MWM can help family offices develop a philanthropic structure and process.
- Governance. MWM can assist with organization and leadership of family meetings, family education and coaching.
- Coordination with Tax Professionals. MWM does not provide tax or accounting opinions, but we will coordinate with your tax professional for your tax planning and tax compliance needs.

## **RETIREMENT PLAN CONSULTING SERVICES**

While the primary clients for these services will be pension, profit sharing and 401(k) plan sponsors, we offer these services, where appropriate, to individuals, trusts, estates and charitable organizations. Retirement Plan Consulting Services are comprised of six distinct services. Clients, usually plan sponsors, may choose to use any or all of these services.

### *1. Benchmarking Services:*

We evaluate plan sponsors' existing retirement plans and perform a side-by-side comparison of different vendors for recordkeeping services. We can provide clients with an executive summary including a cost analysis and an analysis of services available through various retirement plan recordkeepers, helping employers make informed decisions.

### *2. Fiduciary Process Management:*

We assist the plan sponsor in building, managing and monitoring a fiduciary process designed to help meet their fiduciary responsibilities under ERISA.

### *3. Investment Policy Statement Preparation (hereinafter referred to as "IPS"):*

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS and contract for this service also list the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

### *4. Recommendation of Investment Vehicles:*

We review various investments to construct a list of investment options and determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

### *5. Monitoring of Investment Performance:*

We monitor client investments based on the procedures and timing intervals delineated in the Investment Policy Statement and client contract. In addition, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

### *6. Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own accounts ("self-directed accounts"), we may also provide periodic educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by MWM and the client. Unless specifically contracted for, the educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

## **SELECTION AND MONITORING OF THIRD-PARTY MONEY MANAGERS**

We also offer advisory management services to our clients through the selection and/or monitoring of Third-Party Money Managers.

If requested by the client, our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's personal Investment Policy Statement ("IPS").

Based on the client's individual circumstances and needs (as exhibited in the client's IPS) we will then perform manager searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

We monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not meeting the needs of our client, we may suggest that the client contract with a different registered investment adviser and/or program sponsor. Under this scenario, our firm assists the client in selecting a new registered investment adviser and/or program.

## **AGGREGATION AND REPORTING SERVICES**

We also provide aggregated reporting for clients' investment holdings, whether managed by MWM or by one or more third-party investment managers. Reporting is generally provided on a quarterly basis.

## **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, questions, information and analysis are considered as they impact and are impacted by the financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan, and may receive online access to reports and other financial planning information.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax, spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze current investments and alternatives to those investments, and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies to meet estate preservation and transfer objectives.
- **EDUCATION:** We analyze potential future education expenses and review options for funding.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or other advisors. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

Financial Planning services may also include access through an online client portal to a web-based financial organization and document storage tool.

### **CONSULTING SERVICES**

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **AMOUNT OF MANAGED ASSETS**

As of April 30, 2015, we were actively managing \$ 4,128,603,788 of clients' assets on a discretionary basis plus \$ 890,526,476 of clients' assets on a non-discretionary basis, for a total of \$5,019,130,264 of clients' assets under management.

In addition, as of April 30, 2015, we had \$ 1,056,658,210 of retirement plan and separately managed account assets under advisement.

## **Item 5 Fees and Compensation**

### **INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Individual Portfolio Management Services are based upon a percentage of assets under management up to 2.0%.

A minimum of \$250,000 of assets under management is required for this service. This minimum account size may be negotiable under certain circumstances. MWM may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.



**Limited Negotiability of Advisory Fees:** Although MWM has established the aforementioned fee range, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. The specific annual fee is identified in the contract between the adviser and each client.

Discounts, not generally available to our advisory clients, may be offered to employees and their family members.

## **MULTI-FAMILY OFFICE FEES**

MWM's Multi-Family Office services fees are determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Multi-Family Office services fees may be calculated and charged on an hourly basis, ranging from \$100 to \$600 per hour. Although the length of time it will take to provide these services will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

Our fees for this service may instead be calculated and charged on a fixed fee basis, depending on the specific arrangement reached with the client.

**Multi-Family Office Services Fee Offset:** MWM may reduce or waive the hourly fee and/or the minimum fixed fee if a Multi-Family Office client chooses to engage MWM for our Portfolio Management Services.

## **RETIREMENT PLAN CONSULTING FEES**

Our fees for Retirement Plan Benchmarking Services are charged on a fixed-fee basis depending on the nature and complexity of the services provided.

Our fees for ongoing Retirement Plan Consulting Services are based on a percentage of assets under advisement.

We charge an annual fee for Retirement Plan Consulting Services up to 1.5% of plan assets, or an agreed-upon minimum flat fee depending on the services requested and the size of the plan.

Plan sponsors are invoiced at the beginning of each calendar quarter.

**Retirement Plan Benchmarking Fee Offset:** MWM may reduce or waive the fixed fee for benchmarking services if a retirement planning client chooses to engage MWM for our ongoing Retirement Plan Consulting Services.

## **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS AND AGGREGATION AND REPORTING SERVICES FEES**

MWM's fee for these services does not include independent investment advisers' fees for those entities' advisory/management services. The independent investment advisers' management fees are disclosed in the independent investment advisers' Firm Brochure or other disclosure document.

Our annual fee for these services is charged as a percentage of assets under management up to 2.0%.

### **GENERAL INFORMATION ABOUT ASSET BASED FEES**

For Individual Portfolio Management clients and Selection and Monitoring of Third-Party Money Managers clients, fees are generally payable in advance in quarterly installments during the first month of each calendar quarter and are computed based on the value of the Managed Assets on the last day of the month preceding the billing month. The fee for the quarter in which the account has been initially funded will be prorated. Certain accounts may be charged a fee for additional deposits or fees may be refunded for withdrawals during the calendar quarter.

For Retirement Plan Consulting clients, fees are generally payable in advance in quarterly installments during the first month of each calendar quarter. Fees for some Retirement Plan Consulting clients will be billed in arrears in quarterly installments based on the selected recordkeeper's billing practices. Whether billed in advance or in arrears, annual asset based fees are based on the value of total plan assets on the last day of the month preceding the billing month. Generally, investments in employer stock and self-directed brokerage accounts are excluded. The fee for the quarter in which the agreement becomes effective will be prorated.

For Retirement Plan Consulting clients for whom MWM provides services under an agreement directly with the individual plan participant, rather than to the plan sponsor or Trustee, agreed-upon fees are paid by the plan participant either directly from the participant's plan account, or indirectly by the participant based on an agreed-upon arrangement.

Clients may grant the firm the authority to receive payments of MWM's fees directly from the Client's account held by a qualified custodian. The custodian will deduct the fee from the client's account and will send the Client a statement, at least quarterly, indicating all the amounts disbursed from the account including the amount of Advisory Services Fees paid. Clients paying investment advisory fees by check will receive an invoice for quarterly fees, which are billed in advance during the first month of each quarter and are payable within 30 days of receipt of the invoice.

### **FINANCIAL PLANNING FEES**

MWM's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees may be calculated and charged on an hourly basis, ranging from \$100 to \$600 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

Our Financial Planning fees may instead be calculated and charged on a fixed fee basis, typically ranging from \$2,000 to \$5,000, depending on the specific arrangement reached with the client.

***Financial Planning Fee Offset:*** MWM may reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage MWM for other services.

### **CONSULTING SERVICES FEES**

MWM's Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees may be calculated and charged on an hourly basis, ranging from \$100 to \$600 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

Our Consulting Services fees may instead be calculated and charged on a fixed fee basis, subject to the specific arrangement reached with the client.

### **GENERAL INFORMATION**

#### ***Termination of the Advisory Relationship:***

The Advisory Agreement shall terminate under the following conditions:

- A. By mutual agreement of client and MWM.
- B. By either party giving written notice to the other party specifying the date of termination. MWM will provide client with 30 day advance written notice prior to terminating the agreement.
- C. In the event of termination in the manner set forth in Section B above, MWM's Fees for the Services paid will be refunded pro rata to client based upon the number of days in the quarter for which MWM provided the Services prior to the effective date of the termination. The effective date of termination requested by Client is the date in which MWM receives the letter, unless the letter specifies a future termination date.

***Mutual Fund Fees:*** All fees paid to MWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to

assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Wrap Fee Programs and Separately Managed Account Fees:** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for other fees. These may include fees imposed for third-party reporting services providers, and/or expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** To the extent that services provided to advisory clients under an agreement are fiduciary in nature, MWM is a fiduciary under ERISA section 3(21)(A). In certain circumstances, and as agreed contractually with the client, MWM may also serve as a fiduciary under ERISA section 3(38).

As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, MWM may only charge fees for investment advice on products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees. MWM may only charge fees for investment advice on products for which our firm and/or our related persons receive commissions or 12b-1 fees when such fees are used to offset MWM's advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may be available from other registered investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

**Indirect Compensation:** MWM may from time to time receive non-monetary compensation in connection with investment advisory business generally, and also potentially with respect to your client account(s), from providers or other third parties such as mutual fund companies, insurance companies, custodians or retirement plan record-keepers. Non-monetary compensation includes the value of gifts or entertainment that are received from providers or third parties, as well as the cost of meals, travel, lodging, waived registration fees and

entertainment that advisors may receive in connection with training events or conferences, generally subject to limits imposed by MWM. Item 12 of this document provides additional information about compensation related to brokerage practices.

For more information, clients can contact their advisor or the Wealth Management Compliance Department at (612) 376-9363 or [wmcompliance@mcgladrey.com](mailto:wmcompliance@mcgladrey.com).

## **Item 6 Performance-Based Fees and Side-By-Side Management**

MWM does not charge performance-based fees.

## **Item 7 Types of Clients**

MWM provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Trusts
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **METHODS OF ANALYSIS and RISKS**

In providing investment advice to clients, our Wealth Management National Investment Team uses a multi-step due diligence process for investments we recommend. This process includes quantitative screening, qualitative screening, a review and approval process, as well as ongoing review to help determine investments for our client portfolios. Examples of the quantitative data reviewed include both relative and risk adjusted investment performance, assets in the particular investment, and minimum track record. Examples of the qualitative data reviewed include the quality of the firm and management as well as a review of the manager's investment philosophy. We may also use outside consultants in certain circumstances to provide expertise in particular areas of information or analysis. While we may use outside consultants to conduct due diligence on all types of investments, we often use outside consultants in the areas of private placements (hedge funds) and separately managed accounts. Our Investment Council, a group comprised of several MWM management team members, meets regularly to discuss changes that impact the investment platform.

MWM and its advisors may also use the following tools and information: commercially available software and databases, securities rating services, market and financial information,

financial newspapers, various reports of mutual fund performance, prospectuses, various financial and business magazines, periodicals and issuer-prepared information, including filings with the Securities and Exchange Commission and financial statements.

Wealth Management advisors may also report on performance, conduct analysis of investments using publicly-available information, and provide advice to clients about investments held in a client's portfolio and assets held in a client's account(s) not held at our primary custodians, Charles Schwab & Co., Inc. (Schwab) or Fidelity Brokerage Services LLC (Fidelity.) In these situations, clients should be aware that the MWM National Investment Team does not conduct due diligence on those assets.

The primary sources of information used in providing investment advice to clients include the advisor's financial analysis regarding the client and the client's Investment Policy Statement (IPS). We place a high premium on the IPS as we believe it to be the framework for defining objectives, risk tolerance, and performance parameters.

***Risks for All Forms of Analysis:*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

***Risk of Loss:*** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

## **INVESTMENT STRATEGIES and RISKS**

Our advice is primarily based upon long-term investment strategies that incorporate the principles of modern portfolio theory. We emphasize the development of broadly and globally diversified portfolios. Our disciplined investment approach allows MWM to focus on the issues and concerns of our clients, and we stay away from decisions based on emotion or short-term forecasts. We use the IPS to document the advisor and client understanding of the strategy for each client's account(s), as it is important that implementation is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

***Asset Allocation:*** Rather than focusing primarily on securities selection, we attempt to identify an appropriate mix of various types of equity securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equity securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals. Rebalancing is a process that we employ to minimize this risk. Rebalancing is a process whereby the client's current asset allocation is adjusted back to its target allocation.

**Long-Term Purchases:** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy because we want exposure to a particular asset class over time.

A risk in a long-term purchase strategy is that by holding the security for this length of time, clients may not take advantage of short-term gains that could be profitable. Another risk is that a security may decline sharply in value before a decision to sell is made.

## **TYPES OF INVESTMENTS and RISKS**

Our advisors strive to ensure our clients understand the risks of the investments we recommend and the client's portfolio matches the client's risk tolerance. The most common types of investment recommendations include mutual funds, exchange traded funds (ETF), separate account managers, and individual bonds. For mutual funds, we typically look to obtain access to the least expensive share class available and may recommend more tax efficient mutual funds (passively managed or indexed). Certain investors may also have access to limited partnership vehicles or options strategies. Clients should read any prospectus or offering memorandum provided by the mutual fund or investment manager for details on the risks associated with the specific investment.

Our advisors primarily use mutual funds as an implementation vehicle. Certain risks of investing in mutual funds may include high fees, tax inefficiency, poor performance, poor quality of management and concentrated securities.

Equity investments carry certain types of risks. For example, smaller companies or companies considered value companies may have more volatility versus companies considered more mature or growth oriented companies. International securities may carry currency risk. With less developed or emerging nations, political instability provides another possible risk. Being broadly diversified may help mitigate these risks.

With fixed income investments, interest rate risk and credit quality risk are two of the main risks. As interest rates rise, the value of fixed income investments fall and vice versa. Credit quality risk is the risk that the issuer cannot meet their obligations and defaults on their payments. Credit quality risk can be seen with corporate bonds, municipal bonds, and bonds of emerging markets, among others. When purchasing individual bonds for our clients, all bonds must be investment grade at the time of purchase and are monitored on a quarterly basis. Being broadly diversified can help mitigate these risks.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The following are disciplinary events relating to our firm and/or our management personnel:

The Firm has no events required to be disclosed.

The National Managing Director for Wealth Management has the following disclosure:

National Association of Securities Dealers (“NASD”) (June 2007) Randall Matz, in his capacity as Branch Manager of Citigroup Global Markets, Inc., signed a letter of acceptance, waiver, and consent, which states he violated NASD Conduct Rules 3010 and 2110 by failing to supervise three registered representatives from 1994 to 2002. As part of a larger settlement, Matz paid a \$60,000 fine and completed a 90 day suspension from acting in any supervisory or principal capacity. Mr. Matz is a member of the management team for our Wealth Management group; however, he does not directly supervise advisor recommendations to clients.

Additional Information may be obtained from MWM’s Chief Compliance Officer at 612-376-9526.

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

The management and advisory personnel of MWM’s advisory business spend the majority of their time on advisory business.

Personnel of MWM may be separately licensed as insurance agents of Birchtree Financial Services LLC (BFS), an affiliated insurance agency. These individuals, in their separate capacity, can process certain insurance transactions for which they will receive separate, yet customary compensation. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

While MWM and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Except for insurance products, it is not our practice to recommend transactions where the firm or its personnel receive additional compensation in the form of commissions. In the event MWM would receive additional compensation, it would be disclosed to the client. Clients who purchase insurance through BFS will be required to sign a disclosure document acknowledging they understand BFS is receiving a commission on the transaction.

MWM and BFS have established an Insurance Program with insurance service organizations and a network of Independent Insurance Agents (IIAs). The IIAs are licensed, independent insurance agents who are not affiliated with MWM or BFS. MWM clients who may benefit from the acquisition of insurance products to meet financial needs may be provided a referral through BFS to a participating IIA. If a client chooses to purchase an insurance product through an IIA or an MWM Wealth Advisor acting as an insurance agent, BFS will receive a commission based on a percentage of the commission paid on the case. Clients are under no obligation to purchase a product after the referral.

McGladrey is the brand under which McGladrey LLP serves clients’ business needs. McGladrey LLP is the U.S. member of the RSM International (“RSMI”) network of



independent accounting, tax and consulting firms. The member firms of RSMI collaborate to provide services to global clients, but are separate and distinct legal entities which cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party.

MWM management and certain Wealth Advisors may also be partners or principals of McGladrey LLP. McGladrey LLP tax and consulting professionals refer McGladrey LLP tax and consulting clients in need of investment advisory services to Wealth Management. Conversely, Wealth Management typically refers clients in need of McGladrey LLP tax and consulting services to the McGladrey LLP tax and consulting professionals who provide those services. Tax and consulting services provided by McGladrey LLP are separate and distinct from our investment advisory services. No Wealth Management client is obligated to use McGladrey LLP for other services and conversely, no client of non-advisory services is obligated to use the investment advisory services provided by Wealth Management. Wealth Advisors may also refer investment advisory clients who require assurance services to McGladrey LLP.

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

MWM has adopted a code of ethics to comply with Rule 204A-1 under the Advisers Act (referred to below as the “Code of Ethics”). The Code of Ethics requires employees of MWM who are involved in the firm’s Investment Advisory business to:

- Certify they have received and read the Code of Ethics upon being hired and annually during their employment.
- Comply with the firm’s fiduciary obligations to investment advisory clients.
- Comply with applicable securities laws.
- Report violations of the Code of Ethics to the Chief Compliance Officer of MWM.
- Periodically submit reports of their personal securities holdings and transactions or duplicate brokerage confirmations or account statements in lieu of those reports to the Chief Compliance Officer.
- Restrict or refrain from purchasing or selling securities on a restricted list of securities maintained by McGladrey LLP and MWM.
- Certify upon being hired and periodically, that they have received, read and will comply with McGladrey LLP Independence Policy and Procedures, adopted by MWM and McGladrey LLP to comply with the AICPA Standards.

In compliance with Section 204A-1 of the Advisers Act, MWM has adopted written policies and procedures, including those set forth in its Code of Ethics, designed to detect and prevent the misuse of material, non-public information and to protect against any advantage to firm personnel from any recommendations made to clients. Through its professional activity, there may be a potential conflict of interest if the firm or individuals associated with the firm

purchase, have an interest in, or sell certain securities that are the same as those recommended to customers for their personal accounts. Moreover, the firm or a related person might have an interest or position in a certain security(ies) which may also be recommended to a client. However, because of the types of services offered and the securities typically recommended (mutual funds, exchange traded funds, private placements or fixed income securities), it is unlikely that any security holding by the firm or any associated person would have an impact on the market and would not likely have any influence on any recommendation.

A copy of the Code of Ethics will be provided upon request. Clients and prospective clients may request a copy from their advisor or by requesting one from the Compliance Department.

McGladrey Wealth Management LLC  
Attn: Compliance Department  
801 Nicollet Mall, Suite 1100  
Minneapolis, MN 55402-2526  
(612) 376-9363

## **GENERAL POLICIES AND PROCEDURES**

It is the express policy of MWM that no person employed by the firm may benefit, either directly or indirectly, from recommendations made to or transactions placed by or on behalf of advisory accounts.

MWM monitors personal trading activity of those individuals involved in the provision of the firm's Advisory Services and this activity is reviewed to ensure compliance with the firm's policies and procedures.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm may be licensed as insurance agents. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

### **THE CUSTODIAN AND BROKERS WE USE**

MWM does not maintain custody of client assets on which we advise, although we may be deemed to have custody of a client's assets if given authority to withdraw assets from a client's account (see Item 15 – Custody, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker/dealer or bank. We generally recommend that clients use Charles Schwab & Co., Inc. (Schwab); however, we may also recommend that clients use Fidelity Brokerage Services LLC (Fidelity) as the qualified custodian. Both Schwab and Fidelity are registered broker-dealers and members SIPC. If clients do not wish to place assets at Schwab or Fidelity, we may not be able to manage the account. We are independently owned and operated and are not affiliated with any custodian. The custodian will hold client assets in a brokerage account and buy and sell securities when we or a client instructs them to. While we recommend that clients use Schwab or Fidelity as custodian/broker, clients will decide whether to do so and will open client accounts with the

custodian by entering into an account agreement directly with them. We do not open the account for clients, although we may assist clients in doing so. Even though a client's account is maintained at the custodian, we can still use other brokers to execute trades for a client account as described below (see "Client Brokerage and Custody Costs").

## **HOW WE SELECT BROKERS/CUSTODIANS**

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds)
- Availability of investment research and tools that assist MWM in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to MWM and our other clients
- Availability of other products and services that benefit MWM, as discussed below (see "Products and Services Available to MWM From Custodians")

## **CLIENT BROKERAGE AND CUSTODY COSTS**

For our clients' accounts that Schwab or Fidelity maintains as custodian, the custodian generally does not charge clients separately for custody services but is compensated by charging clients commissions or other fees on trades that it executes or that settle into a client's account. In addition to commissions, the custodian charges clients a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, in order to minimize client trading costs, we have Schwab or Fidelity execute most trades for client accounts. We have determined that having Schwab or Fidelity execute most trades is consistent with our duty to seek "best execution" of client's trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How We Select Brokers/Custodians").

## **PRODUCTS AND SERVICES AVAILABLE TO MWM FROM CUSTODIANS**

Our custodians, including Schwab and Fidelity, provide MWM and our clients with access to their institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab or Fidelity retail customers. The custodians also make available various support services. Some of those services help MWM manage or administer our clients' accounts, while others help MWM manage and grow our business. The custodians' support services generally are available on an unsolicited basis (we do not have to request them) and at no charge, or little charge, to MWM. Following is a more detailed description of the custodians' support services:

### ***Services That Benefit Clients***

The custodians' services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The custodians' services described in this paragraph generally benefit clients and clients' accounts.

### ***Services That May Not Directly Benefit Clients***

The custodians also make available to MWM other products and services that benefit MWM but may not directly benefit clients or a client's account. These products and services assist MWM in managing and administering our clients' accounts. They include investment research, both the custodians' own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at one of these custodians. In addition to investment research, the custodians also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### ***Services That Generally Benefit Only MWM***

The custodians also offer other services intended to help MWM manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

The custodians may provide some of these services directly. In other cases, a custodian will arrange for third-party vendors to provide the services to MWM. A custodian may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

Custodians may also provide MWM with other benefits, such as occasional business entertainment of our personnel.

### ***Our Interest in our Custodians' Services***

The availability of these services from the custodians benefits MWM because we do not have to produce or purchase them. We don't have to pay for the custodians' services so long as our clients collectively keep a specific number of their assets in accounts at the custodian. This is a potential conflict of interest. We believe, however, that our selection of Schwab or Fidelity as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of the custodians' services (see "How We Select Brokers/Custodians") and not the custodians' services that benefit only MWM. We have over \$5 Billion in client assets under management, and we do not believe that recommending our clients to collectively maintain a minimum amount of those assets at Schwab or Fidelity in order to avoid paying the custodian quarterly service fees presents a material conflict of interest.

As a matter of practice, MWM does not generally consolidate client trades into block orders; therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

## **Item 13 Review of Accounts**

### **INDIVIDUAL PORTFOLIO MANAGEMENT AND SELECTION, MONITORING of THIRD-PARTY MONEY MANAGERS, AGGREGATION AND REPORTING SERVICES and MULTI-FAMILY OFFICE SERVICES**

**REVIEWS:** Accounts of clients to whom MWM provides Investment Advisory Services are reviewed on a periodic basis, not less than annually. The review is conducted by the advisor responsible for the account, in association with the client. There is no minimum number of accounts assigned to the reviewer. The review process consists of the following elements: a comparison of the portfolio to the client's goals and objectives as outlined in the client's investment policy statement or the client's asset allocation; an evaluation of the investment strategy in light of any change in client's circumstances; a review of the assets in the portfolio; and discussion with the client as to rebalancing the portfolio, if and as necessary.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

### **RETIREMENT PLAN CONSULTING SERVICES**

**REVIEWS:** MWM will review the client's Investment Policy Statement (IPS) whenever the client advises MWM of a change in circumstances regarding the needs of the plan. MWM will also review the investment options of the plan according to the agreed upon time intervals established in the IPS and contract. Such reviews will generally occur quarterly.

These plans are reviewed by the advisor assigned to the account.

**REPORTS:** These client accounts will receive reports as contracted at the inception of the advisory relationship.

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted.

### **CONSULTING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted. Such reviews will be conducted by the client's account representative.

**REPORTS:** Consulting Services clients will not typically receive reports due to the nature of the service.

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

MWM receives an economic benefit from custodians in the form of the support products and services the custodians make available to MWM and other independent investment advisors that have their clients maintain accounts at Schwab or Fidelity. These products and services, how they benefit MWM, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to MWM of the custodians' products and services is not based on MWM giving particular investment advice, such as buying particular securities for our clients.

### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to MWM. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to MWM by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to MWM by clients referred by solicitors are not increased as a result of any referral.

## **OTHER COMPENSATION**

Non-Wealth Management Employees of McGladrey LLP may receive additional compensation for introducing clients to Wealth Management.

### **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. MWM urges its clients to compare the official account statement from the custodian with the Portfolio Review sent from MWM.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact MWM directly if they believe that there may be an error in their statement.

Unless specifically granted by the client, we do not accept authority to sign checks or otherwise disburse funds on any of our advisory client's behalf.

### **Item 16 Investment Discretion**

Clients may hire MWM to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give MWM discretionary authority when they sign a discretionary agreement with our firm. They may limit this authority by giving MWM written instructions. Clients may also change/amend such limitations by once again providing MWM with written instructions.

Notwithstanding a grant of discretionary authority, MWM will not exercise any discretionary authority for stocks or for bonds which are Restricted Securities as defined above (Item 4).

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

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all

elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts and may be deemed to have custody, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. MWM has no additional financial circumstances to report. MWM has not been the subject of a bankruptcy petition at any time during the past ten years.