

Part 2A of Form ADV – Firm Brochure

**ETF Portfolio Partners, Inc.**

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**5/26/15**

This Brochure provides information about the qualifications and business practices of ETF Portfolio Partners. If you have any questions about the contents of this brochure, please contact us at 913-851-1100 or [info@etfportfoliopartners.com](mailto:info@etfportfoliopartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

ETF Portfolio Partners is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provides you with information to help determine if you should hire or retain the Adviser.

Additional information about ETF Portfolio Partners also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure updated 5/26/15 is a document prepared according to the SEC’s requirements and rules.

This item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure which was on 2/28/14. There are no material changes from last year’s annual update.

Pursuant to SEC Rules, 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 fiscal year, which is December 31st. We may further provide other ongoing disclosure information about material changes as necessary.

Additionally we will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Our brochure may be requested free of charge by contacting Debbie Romey, Secretary of ETF Portfolio Partners at 913-851-1100 or [Debbie@etfportfoliopartners.com](mailto:Debbie@etfportfoliopartners.com).

Additional information about ETF Portfolio Partners is also available via the SEC’s website [www.adviser.sec.gov](http://www.adviser.sec.gov). The SEC’s website also provides information about any persons affiliated with ETF Portfolio Partners, Inc., who are registered, or are required to be registered, as investment adviser representatives of ETF Portfolio Partners, Inc.

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#### **Item 4 – Advisory Business**

ETF Portfolio Partners, Inc. provides investment advisory services on a discretionary basis to individuals, pension and profit sharing plan participants, charitable organizations, trusts and estates. These services are provided within guidelines formulated with each client, based on the client's specific investment goals, risk tolerance, and objectives. ETF Portfolio Partners manages various model portfolios comprised of exchange-traded funds and cash equivalents designed to maximize return for a given level of risk. The primary difference between the various portfolios we offer is how each portfolio is allocated among equity and fixed income exchange-traded funds.

ETF Portfolio Partners was founded in February 2004 in Overland Park, Kansas. The firm is a privately held company. The principal owners are Richard Romey, President, and Chief Compliance Officer, Debbie Romey, Secretary and Dr. Jeffrey L. Schlachter, Shareholder.

During our initial conference with a prospective client, we discuss our investment approach, philosophy, fee structure and our investment qualifications. The prospective client is provided a copy of our ADV Part 2A, Brochure Supplement, and Privacy Notice. If a prospective client elects to retain ETF Portfolio Partners as their portfolio manager, they are asked to complete an Investment Advisory Agreement, to designate and agree upon a custodian to hold their securities and execute transactions to be effected by ETF Portfolio Partners on their behalf. They are also given an Investment Questionnaire to complete on their own or to work through in a meeting. We use the answers provided by the client on the investment questionnaire along with notes taken during client meetings, to determine and agree upon an appropriate asset allocation.

ETF Portfolio Partners currently manages approximately \$126,500,000 in client assets. Of that approximately \$124,850,000 are managed on a discretionary basis and approximately \$1,650,000 on a non-discretionary basis as of 5/26/15.

#### **Item 5 – Fees and Compensation**

**Advisory Fees:** ETF Portfolio Partners charges an annual investment management fee, based upon a percentage of the market value (securities and cash) of the assets being managed by ETF Portfolio Partners. Clients may elect, by designating on the investment advisory agreement, to be billed directly for fees or to authorize ETF Portfolio Partners to directly debit fees from their accounts.

The advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter.

Fees will be billed or deducted, as per client's instructions, the first week of the quarter or after assets are deposited or transferred into the accounts.

Fees are negotiable for special circumstances and are calculated based upon the following schedule:

Total Household Portfolio Market Value	Annual Fee
First \$1,000,000.....	1.00%
Next \$4,000,000.....	0.75%
Thereafter.....	0.50%

In our advisory agreement there is a minimum annual relationship fee of \$2,500.00 We would never charge a fee greater than 3% of assets under management annually.

The investment advisory agreement may be canceled at any time, by either party, with 30 days written notice. Upon termination, the client will receive a prorated refund of that portion of any prepaid advisory fees that have yet to be earned by ETF Portfolio Partners. The refund will be calculated from 30 days after the date of the receipt of the written termination notice or other agreed upon date.

ETF Portfolio Partner's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and/or other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in each fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to ETF Portfolio Partner's fee. ETF Portfolio Partners does not receive any portion of these commissions, fees, and costs.

Refer to Item 12 which describes the factors that ETF Portfolio Partners considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions). Clients have the option to purchase investment products through broker-dealers of their choice.

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

ETF Portfolio Partners does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

ETF Portfolio Partners provides portfolio management services to individuals including trusts, IRAs, estates, 401(k) plan participants, high net worth individuals. We also provide portfolio management services to charitable organizations.

As a condition for starting and maintaining a relationship, ETF Portfolio Partners shall generally impose a minimum portfolio size of \$250,000. ETF Portfolio Partners, at its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related “household” accounts, and pre-existing clients. ETF Portfolio Partners shall accept clients with less than the minimum portfolio size if, in the sole opinion of ETF Portfolio Partners, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client’s identified risk tolerance.

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

Our investment philosophy is based on the belief that the most important decision an investor can make is the “asset allocation decision” or the mix between broad asset classes such as stocks, bonds and cash chosen for the investor’s portfolio. We believe this decision is the most significant factor in determining long-term investment results for any investor.

Our strategy is to construct investment portfolios that will provide our clients with a portfolio that balances risk, in the form of portfolio volatility, with return. We begin our analysis with a thorough review of each investor’s investment goals, time horizon and risk tolerance. This analysis is completed in discussions with each client after reviewing their responses to our investment questionnaire. After an agreement is reached on the investor’s risk and return profile, a portfolio of Exchange Traded Funds (ETFs), comprised of a diversified mix of stock ETFs, bond ETFs and cash equivalents is selected that we believe will best meet the individual investor’s needs. This portfolio is then continually monitored and periodically rebalanced as market conditions are reassessed.

ETF Portfolio Partners maintains regular ongoing contact with the investor through individual meetings (on the phone or in person), quarterly statements and reports as well as periodic email updates. As an investor’s goals, time horizon or risk tolerance change over time, the portfolio allocation is adjusted as necessary to meet the investor’s needs. We explain to the client that investing in a diversified portfolio of exchange traded funds involves the potential risk of loss of principal, and that the client should be prepared to bear this risk, particularly over shorter time periods.

ETF Portfolio Partners offers clients a single strategy, the management of globally diversified, balanced portfolios comprised of a mix of stock ETFs, bond ETFs and

cash/cash equivalents. Using ETFs, our strategy is to build portfolios that properly balance risk, defined as the volatility of the portfolio, with return. We attempt to reduce risk through investing in baskets of securities (ETFs) rather than investing in individual security issues. We are investors rather than traders, which means we trade sparingly, thereby keeping transaction costs low. Tax consequences, (i.e. gains and losses based upon anticipated portfolio changes) are discussed with clients on an ongoing basis. The risks in our strategy center around market fluctuations providing an element of volatility whereby the portfolio's value will fluctuate on a daily basis. ETF Portfolio Partners does not utilize margin trading in any of our portfolios. As much as possible, we attempt to limit risk through diversification and therefore improve the probability of producing positive returns, especially over a long time period.

We use Exchange Traded Funds, commonly referred to as ETFs in our portfolios. ETFs are diversified baskets of securities. As such, it is generally accepted that owning ETFs carry less risk than owning individual shares of common stocks.

#### **Item 9 – Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of ETF Portfolio Partners or the integrity of ETF Portfolio Partner's management.

ETF Portfolio Partners or associates have never been subject to any legal or disciplinary action.

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

ETF Portfolio Partners has no arrangements or affiliations that are applicable to this item.

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

ETF Portfolio Partners has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

Our Code of Ethics is available upon request and free of charge by contacting ETF Portfolio Partners at 913-851-1100.

ETF Portfolio Partners or any related person, does not recommend to clients, and does not buy or sell for clients, securities in which ETF Portfolio Partner's or a related person has a material interest.

Employees and persons associated with ETF Portfolio Partners are required to follow ETF Portfolio Partner's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of ETF Portfolio Partners and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for ETF Portfolio Partner's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of ETF Portfolio Partners will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time allowing employees to invest for their own accounts.

In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as a client, there is a possibility that employees might benefit from market activity by a client investing in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between ETF Portfolio Partners and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with ETF Portfolio Partner's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. ETF Portfolio Partners will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

ETF Portfolio Partner's will not affect any principal or agency cross securities transactions for client accounts. ETF Portfolio Partners will not cross trades between client accounts.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to an advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.



ETF Portfolio Partners is not dually registered as a broker-dealer and is not affiliated with any broker-dealer.

## **Item 12 – Brokerage Practices**

ETF Portfolio Partners has authority provided in the Investment Advisory Agreement to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of securities to be bought or sold in accordance with client's predetermined portfolio allocation. ETF Portfolio Partners does not take custody of money or securities in advisory accounts. ETF Portfolio Partners shall have no right to withdraw either cash or securities from a client's account, except as the client directs by written authority in the investment advisory agreement. This pertains to the deduction of advisory fees only.

ETF Portfolio Partners does not have the authority to use a specific broker/dealer. Unless the client directs otherwise, ETF Portfolio Partners shall generally recommend that all investment management accounts be maintained by Fidelity Investments. Factors that ETF Portfolio Partners consider in recommending custodians to clients include their respective financial strength, reputation, execution, pricing and services.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged by certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions).

ETF Portfolio Partners does not receive any portion of the brokerage commissions, and/or transaction fees charged to clients. Additionally, ETF Portfolio Partners has no control over the commission rate charged by the custodian to transact trades on behalf of the client.

ETF Portfolio Partners has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides ETF Portfolio Partners with "institutional platform services." The institutional platform services include, among other, brokerage, custody, and other related services. Fidelity's institutional platform services that assist ETF Portfolio Partners in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple clients accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers services intended to help ETF Portfolio Partners manage and further develop its advisory practice. Such services include, but are not limited to, performance

reporting, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom ETF Portfolio Partners may contact directly.

Fidelity is providing ETF Portfolio Partners with certain brokerage and research products and services that qualify as “brokerage or research services” under Section 28(e) of the Securities Exchange Act of 1934 (“Exchange Act”).

ETF Portfolio Partners is independently operated and owned and is not affiliated with Fidelity or any other custodian.

### **Item 13 – Review of Accounts**

Richard D. Romey, President, and Chief Compliance Officer, reviews all accounts on an ongoing basis. Each of our model portfolios is reviewed at least weekly. We review asset allocation mix, holdings, asset class and exposures. Client accounts are reviewed at least quarterly based on, the account’s investment objective, client guidelines, market conditions, and changes in the client’s financial status, as communicated by the client. All investment advisory clients are encouraged to discuss their needs, goals and objectives, or any other relevant factors with ETF Portfolio Partners on a regular basis. Also, total account reviews are performed at least annually.

ETF Portfolio Partners provides each client with a report on a quarterly basis detailing items such as performance net of fees over various time periods, quarterly fees paid or owed, and current portfolio value. The designated custodian/broker will provide clients with monthly or quarterly account statements that reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid. The custodian/broker will also provide prompt confirmation of all trading activity, year-end statements, and tax documents such as 1099 forms.

Clients are encouraged to access and review their accounts on-line and contact ETF Portfolio Partners with any questions or concerns.

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

This item does not apply to ETF Portfolio Partners.

### **Item 15 - Custody**

ETF Portfolio Partners does not have custody of client funds or securities. ETF Portfolio Partners may be given the authority to deduct fees from the client accounts indicated by

client preference in the investment advisory agreement. Client will receive a statement showing the fees deducted or an invoice to remit fees. Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. ETF Portfolio Partners urges clients to review their statements received from the custodian on an ongoing basis, and to call with questions or concerns.

#### **Item 16 – Investment Discretion**

ETF Portfolio Partners receives discretionary authority from the client at the outset of an advisory relationship. This is in the Investment Advisory Agreement which gives ETF Portfolio Partners the authority to select the identity and amount of securities to be bought or sold and the authority to rebalance or change allocations in accounts as market conditions warrant. This is discussed in meetings with the client prior to managing the accounts. As an investor's goals, time horizon or risk tolerance change over time, the portfolio is adjusted as necessary to meet the investor's needs. This discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client.

When selecting securities and determining percentage allocations, ETF Portfolio Partners observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to ETF Portfolio Partners in writing, in the appropriate space provided in the Investment Advisory Agreement.

ETF Portfolio Partners does not have the authority to withdraw funds or take custody of client funds or securities other than where the client has authorized the deduction of advisory fees via a qualified custodian.

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

As a matter of firm policy and practice, ETF Portfolio Partners does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. ETF Portfolio Partners may provide advice to clients regarding the clients' voting of proxies only at clients' request.

#### **Item 18 – Financial Information**

Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about ETF Portfolio Partner's financial condition.

ETF Portfolio Partners does not accept prepayment of more than \$500 in fees per client, six months or more in advance.

ETF Portfolio Partners has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## **Part 2B of Form ADV – Brochure Supplement**

This Brochure Supplement provides information about Richard D. Romey that supplements the ETF Portfolio Partners Brochure. You should have received a copy of that Brochure. Please contact Debbie Romey, Secretary at 913-851-1100 if you have not received ETF Portfolio Partners' Brochure or if you have any questions about the contents of this supplement.

Additional information about Richard D. Romey is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Richard D. Romey**

**ETF Portfolio Partners, Inc.**  
**4831 W. 136<sup>th</sup> Street, Suite 300**  
**Leawood, KS 66224**  
**913-851-1100**

**1/29/15**

#### **Item 2 – Educational Background and Business Experience**

Richard D. Romey was born in October, 1962. He earned a BS in Business Administration from the University of Missouri-Columbia in 1985.

From 1986 to 1988 Richard was a registered representative with Fidelity Investments. 1988 to 2004 he was a registered representative with Prudential Securities which became Wachovia Securities.

Richard started Romey Capital Management (now ETF Portfolio Partners, Inc.) in February of 2004. He is the President and Chief Compliance Officer of ETF Portfolio Partners.

#### **Item 3 – Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would influence your evaluation of each supervised person providing investment advice.

There is no disciplinary information to be disclosed.

**Item 4 – Other Business Activities**

No information is applicable to this Item.

**Item 5 – Additional Compensation**

No information is applicable to this Item.

**Item 6 – Supervision**

Richard Romey, President and Chief Compliance Officer, (913) 851-1100, is in charge of supervising the advisory activities on behalf of the firm. All correspondence is monitored daily and all client account documentation and trading history is reviewed on a continual basis. Support personnel assist in these processes.

## **Part 2B of Form ADV - Brochure Supplement**

This Brochure Supplement provides information about David A. Vaughn that supplements the ETF Portfolio Partners Brochure. You should have received a copy of that Brochure. Please contact Debbie Romey, Secretary at 913-851-1100 if you have not received ETF Portfolio Partners' Brochure or if you have any questions about the contents of this supplement.

Additional information about David A. Vaughn is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **David A. Vaughn**

**ETF Portfolio Partners, Inc.**  
**4831 W. 136th Street, Suite 300**  
**Leawood, KS 66224**  
**913-851-1100**

**1/29/15**

#### **Item 2 - Educational Background and Business Experience**

David A. Vaughn was born in May, 1968. He earned a BS in Economics and Communications from the University of Kansas in 1991.

From 1989 to 1995 David was a mortgage banker. From 1995 to 1998 he was a registered representative with Prudential Securities. From 1998 to 2000 he was a registered representative with Paine Webber. In 2000, David joined The Mutual Fund Store as a senior investment adviser prior to becoming a senior investment adviser with ETF Portfolio Partners in April, 2012.

#### **Item 3 - Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would influence your evaluation of each supervised person providing investment advice.

There is no disciplinary information to be disclosed.

#### **Item 4 - Other Business Activities**

No information is applicable to this Item.

**Item 5 - Additional Compensation**

No information is applicable to this Item.

**Item 6 - Supervision**

Richard Romey, President and Chief Compliance officer, (913) 851-1100, is in charge of supervising the advisory activities on behalf of the firm. All correspondence is monitored daily and all client documentation and trading history is reviewed on a continual basis. Support personnel assist in these processes.