



**Sensible Investments, Inc.**

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## **Disclosure Brochure**

### **1) Cover Page:**

This brochure provides information about the qualifications and business practices of Sensible Investments, Inc. If you have any questions about the contents of this brochure, please contact John Sensenbrenner at 206-228-9753 or [sensibleinvestments@comcast.net](mailto:sensibleinvestments@comcast.net).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Sensible Investments is also available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov)

Sensible Investments, Inc. is a registered investment advisor (RIA), but registration does not imply a certain level of training or skills.

### **2) Material Change:**

This Disclosure Brochure contains the following change from the 05/23/2016 brochure filing:

The Disclosure Brochure has been expanded to reflect the SEC's uniform requirements for an Investment Adviser's Brochure, with emphasis on ADV Part 2B "Brochure Supplement", Item 19 (a) ii.

In addition, Sensible has expanded its description of risks in Item 8 and description of trade allocations and trade errors in Item 13.

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#### **4) Advisory Business:**

- a. Sensible Investments, Inc. is an SEC registered and independent investment advisory firm, founded in 1994. The firm provides independent personalized investment advisory services to individuals. Principal owners are John S. Sensenbrenner and Martha G. Sensenbrenner.
- b. Sensible Investments, Inc. provides independent investment advice to individuals with equities and fixed-income, using individual securities, bonds, certificates of deposit and cash, as well as mutual funds and exchange-traded funds (ETF's).
- c. Sensible Investments, Inc. works with clients to develop individualized portfolios, based on the client's objectives, needs, risk tolerance, tax situations and type of account. Clients may impose restrictions on investing in specific securities or types of securities.
- d. Sensible Investments, Inc. does not participate in wrap fee programs.
- e. As of December 31, 2016, Sensible Investments, Inc. manages \$245,733,614 in assets on a discretionary basis.

#### **5) Fees and Compensation:**

- a. Sensible Investments, Inc. bills fees quarterly, in arrears, to clients, based on the client's account asset value on the last business day of that calendar quarter.

Sensible Investment, Inc.'s annual fee schedule:

Up to \$1,000,000	0.50%
\$1,000,001 and more	0.10%
Minimum Annual Fee	\$650.00

- b. Sensible Investment, Inc.'s clients can select a quarterly billing payment method. Either the client requests the account custodian pay the fees directly to Sensible Investments, Inc. upon receipt of the quarterly billing, or the fees are paid by the client directly to Sensible Investments, Inc. upon receipt of the mailed invoice. Fees may only be deducted from client accounts if a client authorizes the service directly through the account custodian.
- c. Clients may incur certain charges imposed by third parties such as custodial fees, SEC fees, commissions, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, for certain fixed income transactions that trade away from the custodian, clients may pay a trade-away fee charged by the custodian.
- c. Sensible Investments, Inc. does not bill or collect fees in advance.

- d. Sensible Investments, Inc. receives no compensation for the sale of securities or other investment products.

## **6) Performance-Based Fees and Side-By-Side Management:**

Sensible Investments, Inc. does not charge any performance-based fees to its clients.

## **7) Types of Clients:**

Sensible Investments, Inc. provides independent investment advice and portfolio management services to individuals and high net worth individuals with various accounts: brokerage accounts, trusts accounts, and retirement accounts. Sensible Investments, Inc. requires no minimum asset values for opening or maintaining an account.

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

- a. Sensible Investments, Inc.'s primary method of analysis is the qualitative and quantitative fundamental analysis method. Fundamental analysis is the study of historical and estimated financial data which considers financial statements, management, markets and competition, and the economy. Occasionally Sensible Investments, Inc. waives fundamental analysis to purchase stocks of companies with limited revenues or net income.

Sensible Investments, Inc.'s primary investment strategy is derived from the modern portfolio theory, emphasizing asset diversification of an account. Investment plans are developed based on client objectives, needs, risk tolerance, tax situations and other factors a client may have. Sensible Investments, Inc. does not use model portfolios. Investment advice may include a range of investment products, such as equities, bonds, mutual funds, money market instruments, fixed income and cash, from a variety of sectors and industries.

Investing in securities, regardless of the method of analysis or investment strategies, involves the risk of loss that all clients must be prepared to bear. Sensible Investments, Inc. does not guarantee a positive return on investment, and past performance does not guarantee future results.

- b. All methods of analysis and investment strategy present risks. For fundamental analysis potential risks of unexpected changes in the economy or market conditions could make forecasts inaccurate, incomplete or invalid. There is also the potential risk that a stock or mutual fund may not perform and lose value.

Investment risks include, but are not limited to, loss of principal, loss of return, loss of value, tax penalties and losing money. Risks are subject to macro-economic changes, operational issues, competitive trends, and international and domestic factors. There are also risks with stocks of companies with limited revenues or income. If a company's product or service succeeds, the stock could provide above-average capital appreciation, if not, there could be a loss of investment. Frequent buying and selling of equities can also affect investment performance. Buying at the top of the market and selling too early could result in missing future gains and increase custodian fees.

**General Investing Risks include:**

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with an industry or a company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy or a declining market value.

**9) Disciplinary Information:**

Sensible Investments, Inc. is required to disclose all material legal or disciplinary events that would be material to a client's or prospective client's evaluation of Sensible Investments, Inc. or the integrity of Sensible Investments, Inc. or its' management. Sensible Investments, Inc. has no disclosures to report for this requirement.

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

Neither Sensible Investments, Inc. or any of its principals have any other financial industry activities or affiliations.

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

- a. Sensible Investments, Inc. maintains a Code of Ethics which provides a standard of conduct, both for internal operations and for the fiduciary responsibility to clients. Sensible Investments, Inc.'s Code of Ethics includes, among other things, the confidentiality of client information and officer security trading procedures. Clients may request a copy of Sensible Investments, Inc.'s Code of Ethics at any time.
- b. Sensible Investments, Inc. does not buy or sell securities to or from clients; does not solicit client investments for investment partnerships; and does not recommend investment companies to clients.
- c. Sensible Investments, Inc.'s officers may have a material financial interest in securities recommended to or invested in for clients. The Sensible Investments, Inc. Code of Ethics is designed to insure any officer transactions do not interfere with the interest of clients. Officer's trading is monitored under the Code of Ethics to prevent a conflict of interest between Sensible Investments, Inc. and clients.
- d. Sensible Investments, Inc. may buy or sell securities held by its officers and clients on or near the same day. When buying or selling client securities, Sensible Investments, Inc. has two strategies in place to avoid a trading-based conflict of interest: client securities and Sensible Investments, Inc.'s officer securities are purchased and sold in two separate master accounts, preferably on different days (buying or selling for clients on one day and Sensible Investments, Inc.'s officer's accounts on another day); or, if the same security is purchased or sold on the same day for clients and Sensible Investments, Inc.'s officer's, Sensible Investments, Inc. attempts to have officer's purchases incur the higher cost basis, and officer's sales incur the lower sale price.

## **12) Brokerage Practices:**

- a. Sensible Investments, Inc. uses Charles Schwab & Co., Inc. as the primary custodian of client assets. The following factors are considered when selecting a broker-dealer for clients: ease, speed, and accuracy of trade execution; reasonable fund fees and stock commission costs; availability and diversity of products; and, quality and timeliness of services provided to manage and service accounts.
  - i. Sensible Investments, Inc. receives proprietary and 3<sup>rd</sup> party research from Charles Schwab, but does not receive any research in connection with client transactions. Sensible Investments, Inc. receives no soft dollar benefits.
  - ii. Charles Schwab provides no client referrals to Sensible Investments, Inc.
  - iii. Sensible Investments, Inc. does not allow directed brokerage.

Sensible Investments, Inc. uses master accounts to buy and sell (trade aggregation or block trade) securities for clients. Aggregation allows Sensible Investments, Inc. to execute transactions efficiently and in a timely manner, and allows for cost-averaging of securities purchased or sold multiple times a

day. Each client participating in a block trade receives the average share price, if multiple purchases are made during the day. Sensible Investments also buys and sells securities directly in individual account.

In the event Sensible determines that a prorated allocation of a block trade is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, such as cash balances, asset allocation in the portfolio, and other factors. Sensible inputs its orders through the Schwab portfolio system and includes an allocation sheet for each trade.

Sensible corrects all trade errors through its Trade Error Account. Sensible shall be responsible for any losses in the accounts; however if there are any gains resulting from the correction of any trade error, Schwab retains the gain.

### **13) Review of Accounts:**

- a. Sensible Investments, Inc. reviews client accounts regularly to assure client needs and objectives are being met. Client accounts, in most cases are reviewed weekly. Client accounts are reviewed by the Sensible Investments, Inc. portfolio manager, John Sensenbrenner. Purchases and sales of investment vehicles in client accounts are based on portfolio reviews.
- b. Sensible Investments, Inc. may perform more frequent client account reviews as economic, market, or account-specific issues change or other variables warrant it.
- c. Written quarterly client account reports are sent by Sensible Investments, Inc. to clients. The reports include account statements, a letter that reviews the quarter and the client account, and a Sensible Investments, Inc. billing statement. The client's letter of review may contain general thoughts on market conditions, the economy and trends, as well as other company reports. The account custodian also sends quarterly account statements directly to all clients.

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

- a. Sensible Investments, Inc. receives no economic benefit from outside sources as a result of providing investment advice to our clients.
- b. Sensible Investments, Inc. provides no direct or indirect compensation to anyone for client referrals.

### **15) Custody:**

Sensible Investments, Inc. has no custody of client assets. The qualified custodians used by Sensible Investments, Inc. are Charles Schwab & Co., Inc. and Associated Bank. Custodians send monthly and/or quarterly statements directly to clients. As mentioned in item 13c, Sensible Investments, Inc. also sends quarterly statements to clients. Sensible Investments, Inc. recommends clients review and compare both statements to assure accuracy.

### **16) Investment Discretion:**

Sensible Investments, Inc. is given discretionary authority, through Sensible Investments, Inc. client contractual agreements, to select the identity and amount of securities to be purchased and sold. Client

contracts are written and signed by both Sensible Investments, Inc. and the client. In addition, each Client approves a Limited Power of Attorney (LPOA) with Schwab the custodian to allow the discretionary trading.

### **17) Voting Client Securities:**

- a. Sensible Investments, Inc. has the authority with some clients to vote client securities. Authority is client designated through the qualified custodian account application. The client may direct Sensible Investments, Inc. to: appoint the IA (e.g., Sensible Investments) to make voting decisions and receive all other issue-related information; or, retain voting decision and receive all other issue-related information. SEC Rule 206(4)-6 requires Sensible Investments, Inc. to: vote in the best interests of the client, retain proxy voting records, and upon request, provide clients with information regarding proxy voting policies, procedures and/or our voting record.

A client may obtain a copy of the firm's full proxy voting policy and/or a record of how the firm voted by emailing [sensibleinvestments@comcast.net](mailto:sensibleinvestments@comcast.net).

- b. Some Sensible Investments, Inc. clients retain voting authority and elect to have informational copies of proxies and other correspondence sent directly from the custodian to Sensible Investments, Inc. Clients receive proxies and other information directly from the custodian. Sensible Investments, Inc. does not proxy vote or keep proxy voting records for these clients.

### **18) Financial Information:**

Sensible Investments, Inc. does not require or solicit prepayment of fees in advance. Sensible Investments, Inc. has not been subject to a bankruptcy petition during the past ten years.

### **19) ADV 2B "Brochure Supplement":**

Item 1: Cover Page:

- i. John Sensenbrenner is the supervised person of: Sensible Investments, Inc., 380 Chiltern Drive, Lake Forest, IL 60045; 206-228-9753.
- ii. Brochure supplement date: 2/22/17.
- iii. This brochure supplement provides information about John Sensenbrenner that supplements the Sensible Investments, Inc. brochure. You should have received a copy of that brochure. Please contact John Sensenbrenner at [sensibleinvestments@comcast.net](mailto:sensibleinvestments@comcast.net) if you did not receive Sensible Investments, Inc.'s brochure or if you have any questions about the contents of this supplement. Additional information about John Sensenbrenner is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Item 2: Educational Background and Business Experience:

- i. John Sensenbrenner, 54 years old, Sensible Investments, Inc. Co-President, Secretary, and Investment Advisor, since 1995. John has a BA from Duke University (1984) and an MBA from the University of Washington (1994).
- ii. John holds a Series 65 license. A Series 65 license requires the passing of the Series 65 Investment Advisor Law Exam, designed to qualify candidates as investment adviser representatives. The exam covers topics that have been determined to be necessary to



understand in order to provide investments advice to clients. The Series 65 exam consists of 130 questions, with a passing of 94 questions or 70%.

Item 3: Disciplinary Information:

- i. John Sensenbrenner has faced no disciplinary actions.

Item 4: Other Business Activities:

- i. John Sensenbrenner is not actively engaged in any other investment-related business or occupation.
- ii. John Sensenbrenner does not receive commissions, bonuses, or other compensation based on the sale of securities or other investment products, including distribution of service fees for the sale of mutual funds.
- iii. John Sensenbrenner is not actively engaged in any business or occupation for compensation not discussed in 4.i above.

Item 5: Additional Compensation:

- i. John Sensenbrenner does not receive economic benefit from someone who is not a client for providing advisory services. John receives no bonus for the number or amount of sales, client referrals, or new accounts.

Item 6: Supervision:

- i. John Sensenbrenner is the sole advisory associate of Sensible Investments, Inc., 206-228-9753.