

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

**Wrenn Financial Strategies, Inc.**

8352 Six Forks Road, Suite 201  
Raleigh, NC 27615

Telephone: 919-848-9999  
Email: [maxwrenn@wrennfinancial.com](mailto:maxwrenn@wrennfinancial.com)  
Web Address: [www.wrennfinancial.com](http://www.wrennfinancial.com)

03/07/2017

This brochure provides information about the qualifications and business practices of Wrenn Financial Strategies, Inc.. If you have any questions about the contents of this brochure, please contact us at 919-848-9999 or [maxwrenn@wrennfinancial.com](mailto:maxwrenn@wrennfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Wrenn Financial Strategies, Inc. 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 109214.

## **Item 2    Material Changes**

This Firm Brochure, dated 03/07/2017, provides you with a summary of Wrenn Financial Strategies, Inc.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 03/28/2016:

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	7
Item 6	Performance-Based Fees and Side-By-Side Management	10
Item 7	Types of Clients	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9	Disciplinary Information	14
Item 10	Other Financial Industry Activities and Affiliations	14
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
Item 12	Brokerage Practices	16
Item 13	Review of Accounts	19
Item 14	Client Referrals and Other Compensation	20
Item 15	Custody	20
Item 16	Investment Discretion	21
Item 17	Voting Client Securities	21
Item 18	Financial Information	21

## Item 4    Advisory Business

Wrenn Financial Strategies, Inc. is a SEC-registered investment adviser with its principal place of business located in North Carolina. Wrenn Financial Strategies, Inc. began conducting business in 1988.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Maxie Edward Wrenn Jr., President, Treasurer
- Janice Regi Wrenn, Vice President, Secretary

Wrenn Financial Strategies, Inc. offers the following advisory services to its clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. 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* and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, philosophies, attitudes, time horizons, risk tolerance, expectations, tax position, cash flow, 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 investment objectives (i.e., maximum capital appreciation, growth, growth and income, or income), 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:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper

- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual funds (open and closed-end)
- Exchange-Traded Funds (ETFs)
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate, oil and gas interests
- Life insurance products
- Fixed annuities
- Direct real estate purchases
- Commodities
- Currencies

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

### **FINANCIAL PLANNING SERVICES**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's total financial situation. When executed properly, planning coordinates some or all of the following areas:

- Retirement Planning
- Education Funding
- Income & Expense (cash flow) Management
- Income Tax Planning
- Risk Management (insurance coverages)

- Investment Planning (portfolio analysis & development)
- Estate Planning (conservation & distribution)

When a client planning engagement involves evaluating all the key financial areas, we develop a *comprehensive financial plan*. However, if a client wants/needs assistance in just one or two areas (i.e., retirement and investment planning), our planning work is more focused. We refer to the latter as *sector planning*. Clients purchasing our planning services receive a written report with detailed analysis and specific recommendations designed to assist the client in achieving his/her financial goals and objectives.

There are three steps to our planning process:

- Data-gathering
- Analysis
- Presentation

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial condition (i.e., assets, liabilities, income, expenses), income tax status, future goals, expected returns, objectives, philosophies, and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client.

Once the data-gathering is complete, we begin the analysis work. Upon completion, the client receives a written report. This report is also thoroughly reviewed with the client during a direct presentation.

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 stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

When doing financial planning, we often provide investment advice on the following topics:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper

- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual funds (open and closed-end)
- Exchange-Traded Funds (ETFs)
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate, oil and gas interests
- Life insurance products
- Fixed annuities
- Direct real estate purchases
- Commodities
- Currencies

Typically the financial plan is presented to the client within a few weeks of the contract date, provided that all information needed to prepare the plan has been promptly provided.

Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2016, we were actively managing \$138,018,072 of clients' assets. Of this total, \$106,547,229 or 77% is managed on a discretionary basis and \$31,470,843 or 23% is managed on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management, the portfolio objective and asset allocation, and generally range from

0.20% to 1.25% as identified in the schedule below.

Managed Investment Portfolio -- Objective(s) --	Annual % Fee	
	Less Than \$100,000	More Than \$100,000
Cash Management	.25%	.20%
Fixed-Income Portfolio	.625%	.50%
Conservative Income Portfolio	.75%	.60%
Income Plus Portfolio	.75%	.60%
Income Portfolio	.75%	.60%
Diversified Income Portfolio	.75%	.60%
Income & Growth Portfolio	.875%	.70%
Balanced Portfolio	1.00%	.80%
Growth & Income Portfolio	1.125%	.90%
Growth Portfolio	1.125%	.90%
Capital Appreciation Portfolio	1.25%	1.00%
Diversified Equity Portfolio	1.25%	1.00%
Growth Equity Portfolio	1.25%	1.00%
Opportunity Portfolio	1.25%	1.00%

**Limited Negotiability of Advisory Fees:** Although Wrenn Financial Strategies, Inc. has established the aforementioned fee schedule, 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, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purpose of determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

Fees are billed quarterly in advance at a rate equal to one-fourth the annual percentage quoted herein. A client may choose to have the fee deducted from his/her account whereby each quarter a statement is provided to the client indicating the value of the portfolio and the fee calculation. Alternatively, the client can choose to be invoiced directly if he/she so chooses.

**Termination of Investor Supervisory Relationship:** A client agreement may be terminated by either party at any time without penalty upon receipt of written notice. If a client terminates this agreement within five (5) business days of its signing, the client shall receive a full refund of all fees. If this agreement is terminated after five (5) business days of its signing, any prepaid fees shall be prorated and the unused portion shall be returned to the client.

**Mutual Fund Fees:** All fees paid to Wrenn Financial Strategies, Inc. 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. 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.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and 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 adviser 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:*** Wrenn Financial Strategies, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. 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, Wrenn Financial Strategies, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

## **FINANCIAL PLANNING FEES**

Wrenn Financial Strategies, Inc.'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 are calculated and charged on an hourly basis, at the rate of \$175 per hour. Although the length of time it will take to provide a financial plan will depend on each client's total personal situation, we will provide an estimate (range of hours) for the time required at the start of the advisory relationship. The upper end of the hourly range quoted becomes our guaranteed maximum charge.

Max Wrenn, president of our firm, is licensed as an independent insurance agent. In this separate capacity, he is able to implement certain insurance (i.e., life, disability, long term health care, fixed annuity) recommendations for advisory clients for separate and typical compensation. This presents a conflict of interest to the extent that he recommends that a client purchase a product which results in a commission being paid to him. Clients are not under any obligation to engage Mr. Wrenn when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

***Termination of Financial Planning Relationship:*** A client agreement may be terminated by either party at any time without penalty upon receipt of written notice. If a client terminates this agreement within five (5) business days of its signing, the client shall receive a full refund of all fees. If this agreement is terminated after five (5) business days of its signing, any prepaid fees shall be prorated and the unused portion shall be returned to the client.

## **GENERAL INFORMATION**

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) 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.

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

Wrenn Financial Strategies, Inc. does not charge performance-based fees.

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

Wrenn Financial Strategies, Inc. 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)

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

#### **METHODS OF ANALYSIS**

We use the following tools in formulating our investment advice and/or managing client assets:

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

Additionally, there are other important criteria we use in selecting mutual funds and ETFs for our client portfolios:

- past performance, considered relative to appropriate benchmarks and other investments within its peer group. (Performance rankings over various timeframes are considered as well as consistency of performance.)
- historical volatility and downside risk in absolute terms and relative to appropriate benchmarks
- correlation to other holdings already in the portfolio
- investment tenure of the manager (actively-managed mutual funds)
- investment style of the manager and his/her ability or willingness to avoid “style drift” (actively-managed mutual funds)
- reasonableness of internal expenses (mutual funds and ETFs)
- largest holdings and portfolio turnover rate (actively-managed mutual funds)
- current economic environment
- probability and degree of upside potential, especially relative to other investment opportunities
- tax efficiency (actively-managed mutual funds)

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client’s portfolio.

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market

regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**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.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are 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.** Asset allocation is the precise method of dividing a portfolio's total assets among various asset classes, each with different risk and reward characteristics. We attempt to identify an appropriate ratio of 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 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. We rebalance client portfolios

periodically as needed to control/limit this risk (see below).

**Rebalancing.** Periodically, market conditions may cause a portfolio's investment in one or more categories to vary from the asset allocation recommended. Monitoring the performance of the markets and the portfolio's holdings daily enables us to measure the variance and rebalance to the recommended allocation when the need arises. Rebalancing normally occurs when the actual weighting varies 3% or more from the recommended weighting. We believe that timely rebalancing enhances the probability of maintaining a suitable portfolio for the client over time.

**Broad Diversification.** Our client portfolios are diversified by asset class, markets within each class, and management style. Geographic diversification is also an important consideration.

For stocks we invest in ultra-large, large, medium-sized, small, and tiny companies – both domestic and foreign – to gain the maximum diversification effect. High diversification is achieved within bonds by varying credit quality (U.S. government/agencies, high and low quality corporates) and maturities (short, medium and long term).

Investments may include actively-managed or unmanaged (index) mutual funds, or exchange-traded funds (ETFs) focusing on any domestic or non-U.S. stock or bond market. To ensure adequate diversification, smaller accounts (\$100,000 or less) will normally contain only diversified mutual funds. For larger accounts individual securities may be used to complete a portfolio, but only once maximum diversification is achieved through a mix of mutual fund or ETF holdings.

In summary, whether the client's investment objective is growth, income, or growth and income we seek to accomplish the objective(s) through a wide variety of investments. By combining investments with moderate to low, or even negative, correlation (price movement) to one another, we attempt to minimize total portfolio risk and achieve the desired rate of return.

A risk of broad diversification is that certain unforeseeable events/crises can cause asset classes and markets to move downward in lock-step, defeating the concept of diversification at all levels at least temporarily.

**Long-term purchases.** We typically purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding securities for this length of time, we may not take advantage of short-term gains that could be profitable to a client.

**Short-term purchases.** Occasionally, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

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

## **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.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

Max Wrenn, president of our firm, in his individual capacity, is an independent agent with several insurance companies. As such, he is able to receive separate, yet customary, commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage Mr. Wrenn when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Wrenn Financial Strategies, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Wrenn Financial Strategies, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information

may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [maxwrenn@wrennfinancial.com](mailto:maxwrenn@wrennfinancial.com), or by calling us at 919-848-9999 x302.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated

with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or a designee.

6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our Chief Compliance Officer.
10. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

### **THE CUSTODIANS AND BROKERS WE USE**

Client assets that we manage must be maintained in an account at a "qualified custodian," generally a broker dealer or bank. We recommend that most of our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker dealer, member of SIPC, as the qualified custodian. Other qualified custodians we recommend are The Vanguard Group and First Mercantile. Additional custodians we are currently using include AIG SunAmerica, Lincoln National Corp., Prudential and John Hancock. We are independently owned and operated and are not affiliated with Schwab or any of the other custodians mentioned above. Schwab and other custodians will hold client assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that clients use Schwab and others as custodians/brokers, the client decides whether to do so and will open his/her account with the custodian(s) by entering into an account agreement directly with them. We do not open the account for the client, although we may assist the client in doing so. If a client account is maintained at Schwab, we can still use other brokers to execute trades for the account as described below (see "*Client Brokerage and Custody Costs*").

In directing the use of a broker, the client should understand that we will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker). Therefore, we reserve the right to decline acceptance of any account for which the client directs the use of a broker that we believe would hinder our fiduciary duty to the client and/or our ability to service the account.

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



We recommend custodians/brokers 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 client 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, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us 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 us and our clients
- Availability of other products and services that benefit us, as discussed below (see *"Products and Services Available to Us From Schwab"*)

## **CLIENT BROKERAGE AND CUSTODY COSTS**

For our clients' accounts that Schwab maintains, Schwab 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 Schwab account. In addition to commissions, Schwab 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 Schwab 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 a client's trading costs, we have Schwab execute most trades for a client's account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of a client's trades. *Best execution* means the most favorable terms for a transaction based on all relevant factors, including those listed previously (see *"How We Select Brokers/Custodians"*).

## **PRODUCTS AND SERVICES AVAILABLE TO US FROM SCHWAB**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage - trading, custody, reporting, and related services - many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Below is a more detailed description of Schwab's support services:

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

***Services That May Not Directly Benefit the Client.*** Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's 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 Schwab. In addition to investment research, Schwab also makes 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 management fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

***Services That Generally Benefit Only Us.*** Schwab also offers other services intended to help us 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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **OUR INTEREST IN SCHWAB'S SERVICES**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may give us an incentive to recommend that our clients maintain accounts with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. [We have \$138 million in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.]

Wrenn Financial Strategies, Inc. does not attempt to put a specific dollar value on Schwab's services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients.

### **BLOCK TRADING**

Wrenn Financial Strategies, Inc. will trade in blocks where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** The underlying securities that make up our client investment accounts are continually monitored, and client accounts are reviewed at least monthly. More frequent reviews may be triggered by material changes in variables such as the client's individual

circumstances (changes in health, job or career, risk tolerance, timeframe(s), performance expectations, unexpected expenses, etc.,) or the market, political, economic, or regulatory environments.

These accounts are reviewed by: Maxie Edward Wrenn, Jr., President  
Frances H. Hymiller

**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.

## **FINANCIAL PLANNING SERVICES**

Financial plans are reviewed and updated upon the client's request. The client must contact us for such 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 for by the client.

**REPORTS:** Initially, planning clients receive a written financial plan. Additional reports or plan updates are not provided unless otherwise contracted for by the client.

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

It is Wrenn Financial Strategies, Inc.'s policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### **Item 15 Custody**

Our firm does not have actual or constructive custody of client accounts.

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.

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 us directly if they believe that there

may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send reports directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire us 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 his/her 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 us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **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 relating 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 copies of all proxies and shareholder communications relating to the client's investment assets to the client.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client engagement 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, we are also required to disclose any financial condition that is reasonably likely to impair our ability to

meet our contractual obligations. Wrenn Financial Strategies, Inc. has no such financial circumstances to report.

Wrenn Financial Strategies, Inc. has not been the subject of a bankruptcy petition at any time during its existence.