

# **Wealthcare Capital Management LLC**

## **FORM ADV PART 2A – DISCLOSURE BROCHURE**

**Dated: December 26, 2017**

IARD/CRD Number: 111119 | SEC File Number: 801-60183

### **Main Office – Mailing Address:**

Two James Center, 1021 East Cary Street, Suite #1120, Richmond, VA 23219

Main Business Phone: (804) 644-4711

Primary Website: [www.wealthcarecapital.com](http://www.wealthcarecapital.com)

This Form ADV 2A (“Disclosure Brochure”) provides information about the qualifications and business practices of Wealthcare Capital Management LLC (“Wealthcare” or the “Advisor”). If you have any questions about the content of this Disclosure Brochure, please contact Wealthcare’s Compliance Department at (804)-644-4711 or at [compliance@wealthcarecapital.com](mailto:compliance@wealthcarecapital.com).

The information in this Disclosure Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Wealthcare is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The oral and written communications distributed by Wealthcare provide you with information to assist you in determining whether to hire Wealthcare as your investment advisor.

You can also find additional information about Wealthcare by viewing our Form ADV Part 1 on the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our firm's CRD number 111119. This will provide access to Form ADV Part 1 and a copy of this Disclosure Brochure.

You may also request a copy of this Disclosure Brochure at any time, by contacting us at (804) 644-4711 or by emailing us at [compliance@wealthcarecapital.com](mailto:compliance@wealthcarecapital.com).

Item 3 – Table of Contents

Contents

Item 2 – Material Changes ..... 2

Item 3 – Table of Contents ..... 3

Item 4 – Advisory Business..... 4

Item 5 – Fees and Compensation ..... 9

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 ..... 15

Item 12 – Brokerage Practices..... 16

Item 13 – Review of Accounts ..... 18

Item 14 – Client Referrals and Other Compensation ..... 19

Item 15 – Custody ..... 19

Item 16 – Investment Discretion ..... 19

Item 17 – Voting Client Securities ..... 19

Item 18 – Financial Information ..... 20

Privacy Policy ..... 21

## Item 4 – Advisory Business

### Company History

Wealthcare Capital Management LLC (“Wealthcare” of the Advisor) is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). Wealthcare is a limited liability company organized in the State of Delaware, whose predecessors were formed in 1999, is headquartered in Richmond, Virginia. Wealthcare is owned by Wealthcare Holdings LLC and Wealthcare Sub-Holdings Inc. For information regarding this Disclosure Brochure, please contact us at (804) 644-4711 or by emailing us at [compliance@wealthcarecapital.com](mailto:compliance@wealthcarecapital.com).

Wealthcare's mission is to power the future of financial advice through a completely new financial advising discipline focused on helping investors live the one life they have the best way they can. We call this revolutionary goals-based financial advisory platform the “Wealthcare Process”. Wealthcare developed and continues to own several groundbreaking U.S. and International patents for its wealth management system. Wealthcare was the first company to provide U.S. and Canadian professional financial advisors and financial institutions a web-based wealth management software product and also the first to do so with integrated simulated market return analysis.

Wealthcare was initially a technology provider to the financial services industry via an Application Service Provider (“ASP”) business model delivering wealth management software that supported the Wealthcare advising concepts over the Internet. The founders envisioned that at some point more direct involvement with the management of Client assets introduced through unaffiliated third-party financial advisors would be beneficial. The management team at Wealthcare realized that the best way to deliver the Wealthcare Process to the general public was to do so directly or exclusively with a select group of very like-minded independent financial advisors. The Advisor’s advisory services practice became significant in 2008 - 2009 when the Advisor began restricting its efforts to working only with advisors fully aligned with Wealthcare’s investment implementation philosophy. As of December, 2013, due to a merger agreement in which Wealthcare was acquired by NewSpring, a material change in the equity ownership of the Advisor’s common shares occurred. Since the merger, the Advisor has been reorganized as a limited liability company in the State of Delaware.

Today, the majority of advised Clients of Wealthcare are advised by advisor-employees of the Advisor, while through contractual relationships others Clients are advised, sub-advised or co-advised with unaffiliated third-party advisors who embrace the Wealthcare Process. However, the quality controls and internal Wealthcare advice delivering processes and standards are the same for Clients of employed-advisors and Clients introduced to Wealthcare by unaffiliated third parties.

Wealthcare provides investment advisory, portfolio management and related services to individuals, high net worth individuals, trusts, estates, pension, profit-sharing and defined-contribution retirement plans, business entities, including other investment advisors, charitable institutions, endowments and foundations (each hereinafter a “Client” or collectively as “Clients”).

The Wealthcare Process is based on helping Clients avoid unnecessary investment risk, avoid needless or irrational sacrifice of their lifestyle and constantly measuring—in a meaningful way—the progress toward accomplishing the goals that Clients value. All of this is done within the context of understanding the inherent uncertainty of financial markets, which neither we nor our Clients can control, and by balancing a Client’s range of goal choices and priorities in order to provide the Client with a sufficient level of confidence, while rationally minimizing the controllable cost of investment portfolio expenses and income taxes, if the Client requests, by primarily utilizing broadly diversified index funds and/or exchange-traded funds (“ETFs”). Wealthcare Plans are highly likely to change as Client’s life events, aspirations, and priorities among goals change and also due to uncertain financial markets.

Wealthcare views the following to be some of the most critical and valuable aspects of the Advisor’s value proposition to its Clients:

- ☐ Ongoing monitoring and reaffirmation (initially and on a consistent basis in future) of the Client's goal set;
- ☐ Ongoing reaffirmation of the ranges in value of each of the Client's individual goals, from the acceptable to ideal levels;
- ☐ Ongoing reaffirmation of the prioritization of goals amongst each other; and,
- ☐ The ongoing cycle of monitoring the Wealthcare plan's confidence level combined with the reaffirmation and identification of new goals and priorities is where Wealthcare can add the most value through continuous advice over a Client's lifetime.

In all of our efforts to deliver the Wealthcare Process to our Clients, we strive to remain objective and unbiased, continually seeking to advance our methods, supporting tools, and research while attempting to establish ourselves as the standard by which our industry measures quality, honesty, and integrity.

## **Types of Advisory Services Offered**

### **The Wealthcare Process**

#### SERVICES FOR INDIVIDUALS/TRUSTS/ENDOWMENTS

The most common type of arrangement Wealthcare has with a Client is through an investment advisory agreement. When Wealthcare signs an investment advisory agreement with a Client directly, the Client's account is serviced either by a registered investment advisor representative of Wealthcare, or by a third-party sub-or-co-advisor to Wealthcare. Wealthcare also offers these advisory and related services to non-affiliated third-party investment advisors generally via Sub-Advisory Agreement. There are specific agreements explaining and disclosing to end Clients the various relationships between the parties and their respective roles.

Wealthcare and its associates may perform any or all of the following advisory services on behalf of any direct or introduced end-Client, whether working with Wealthcare directly or through sub-advisory arrangements:

- 1) Understanding the Client's financial circumstances.
- 2) Discovering Client's goals to determine a range (Ideal and Acceptable) of: i) Potential Client personal and related financial or event goals of all types ii) Potential savings or other source of income levels iii) Potential levels of target investment allocation risk
- 3) Prioritizing each of the Client's potential financial and related personal goals in the context of other goals. For example, would the Client be willing to work longer in order to move closer to their ideal baseline retirement spending goals, or be willing to save more or take more investment risk, or some combination of two or more choices to improve the confidence of higher retirement spending? Alternatively, is living better today with less exposure to more volatile equity markets by planning on more modest retirement spending goals a better choice for other Clients based on their preferences?
- 4) Obtaining such other relevant information believed to be necessary to make determinations or recommendations for the investment of the Client's assets (e.g., pension information, social security estimates, rental income).
- 5) Analyzing investment portfolio allocation alternatives—in the context of prioritized financial goals—for those alternatives' likelihood of supporting those prioritized financial and other related goals (such as planned retirement date) in combination with other Client sources of income.
- 6) Making a recommended goal package with an appropriate asset allocation ("Wealthcare Plan") in conjunction with any overall savings or other sources of income that strikes a balance between the degree of confidence of the plan and avoiding unnecessary investment risk while not needlessly compromising the Client's lifestyle.
- 7) Implementing an action plan for adopting recommended investment alternatives.

8) Performing ongoing review and monitoring of the status of Client's financial goals in terms of their relevance to the Client's current ideal and acceptable ranges of goals and priorities and related funding confidence level.

9) Reporting on the Client's investment results on assets advised by Wealthcare on a periodic basis.

10) Rebalancing recommended investment allocations based typically on daily monitoring of variances between actual portfolio asset class allocations based on market returns and the recommended target allocations while monitoring the degree of variance, tax consequences, transaction costs and input from the Client or other advisors to the Client.

11) In some cases, relying on another Registered Investment Adviser or Registered Investment Adviser Representative to perform one or more of the above services.

#### SERVICES FOR PLAN SPONSORS AND PLAN PARTICIPANTS

Wealthcare also offers fiduciary advisory services to employee benefit plan sponsors (a "Plan Sponsor") and to the individuals who participate in employee benefit plans (the "Plan"). All Plans that contract with Wealthcare for ERISA advisory services must be administered by an independent third-party Plan Administrator using independent third-party custodians for Plan assets. Participants in such Plans will have the option, but are not required, to utilize portfolios comprised of multiple asset class index funds and/or ETFs allocated and managed by Wealthcare for their Plan advisory relationships. Such advised Plans typically experience a reduced cost, based on the Plan's balances and other factors, than any prior incumbent advised or unadvised Plan. The Plan Sponsor determines whether advisory services fees for the Plan are to be paid by the Sponsor or to be passed on to the Plan Participant.

Some Plan Participants have the option to obtain from Wealthcare advice about their benefit plan investment options based on personal goals, including if requested, preparation of a personal Wealthcare Plan and the use of the Wealthcare 401k Portfolios as investment options typically at no additional cost to the Plan Participant. Plan Participants may also elect to have additional assets outside their Plan considered in their personal Wealthcare Plan; however, the Plan Participant will have to enter into a separate investment advisory agreement with Wealthcare to obtain integrated discretionary asset management of other household financial assets by Wealthcare based on a Wealthcare Plan. The advisory fee is negotiable for non-benefit plan assets. If a Plan Participant chooses to invest in a self-directed brokerage account, in benefit plans where that feature is available, Wealthcare disclaims any fiduciary obligation for those assets and does not charge an advisory fee on those assets to the Plan Sponsor or a Plan Participant.

Services offered to Plan Sponsors and through those Plans, to the Plan Participants may include:

1. Development of an Investment Policy Statement for the Plan Sponsor.
2. Discretionary selection or non-discretionary recommendations of Plan Participant investment options and design of efficient portfolios (Wealthcare 401(k) portfolios) across the risk/return spectrum.
3. A phone-in service to answer Plan Participant questions about Plan investment options and related plan information including the offer to any Plan Participant to create a personalized Wealthcare Plan and, if approved by the Plan Participant, to periodically track and report on the status of the Plan and revise it as requested by the Plan Participant or to make new Plan recommendations for the Plan Participant to consider. For some Plan Sponsors, in-person Plan Participant retirement investment planning educational meetings may be provided.
4. Design and delivery of a self-scoring risk tolerance and time horizon questionnaire for use by Plan Participants mapped to the WCM 401(k) portfolio selections for optional use by Plan Participants.
5. Periodic rebalancing when appropriate of any Wealthcare 401k Portfolios selected as investment options by Plan Participants.

Currently, Wealthcare works with Employee Fiduciary Corporation of Mobile, Alabama as the preferred provider of third-party administrative and related services to 401(k) Plans and Plan Participants. Wealthcare is not financially affiliated with Employee Fiduciary Corporation. *Wealthcare does not receive any fees from Employee Fiduciary.*

## FINANCIAL PLANNING

Wealthcare may offer financial planning services to Clients that may not involve initial Wealthcare Plan implementation or ongoing investment advisory or supervisory services, Wealthcare Plan monitoring, and advice. The fee for this arrangement is usually a flat one-time fee, a retainer, or an hourly billed rate, but could be an ongoing engagement for a quarterly fee. A financial plan may or may not include a net worth statement, a cash flow analysis, a review of existing investments and/or retirement assets, investment recommendations, strategic tax planning, estate planning recommendations or education planning. A financial plan may include investment recommendations or consultative advisory services on Client investment decisions. Implementation of the recommendations is at the Client's discretion and their responsibility unless they decide to engage Wealthcare for full or partial discretionary investment management and ongoing financial advice.

## **SIGHTLINE INVESTMENTS**

### **A DIVISION OF WEALTHCARE CAPITAL MANAGEMENT LLC**

## INVESTMENT STRATEGIST SERVICES

SightLine Investments, a division of Wealthcare Capital Management LLC ("SightLine") serves as the sub-advisor to certain institutional Clients where it provides investment strategist services. Institutional Clients generally include registered investment advisors, broker-dealers and other business entities that in turn have direct relationships with other institutional or retail Clients (herein the "Sub-Advisor"). The Sub-Advisor establishes and maintains the relationship with its Clients and retains the sole responsibility for suitability and overall management of the Client relationship. SightLine will not establish a contractual relationship directly with Clients of the Sub-Advisor, but may accept, at its sole discretion, restrictions placed on its investment strategist services by the Sub-Advisor. SightLine's investment strategist services may include strategic asset allocation models, tactical asset allocation models, absolute-return oriented models as well a multi-manager, multi-product and/or multi-strategy models for individual asset classes and/or for the total portfolio asset allocation.

Investment models offered by SightLine may include other manager's models, mutual funds, ETFs, related securities and their derivatives. Investment models may be customized and offered for use in accounts with varying tax treatment, account size and complexity. As sub- advisor to a Sub-Advisor, SightLine will have the authority to make recommendations and manage the investment models, which each Sub-Advisor or their designee, shall act upon in their sole discretion with respect to each Client account pursuant to an advisory agreement between the Client and the Sub-Advisor. SightLine may also offer the investment strategist services in a sub-advised asset manager format where it not only manages the models but also the Client accounts subject to the direction and guidelines of the Sub-Advisor.

## SIGHTLINE CLIENT PORTFOLIO MANAGEMENT SERVICES

SightLine offers Total Portfolio Management Services, on a discretionary basis, based on a Client Investment Policy developed with the Client and reflecting Client objectives, constraints and risk tolerance. SightLine utilizes a disciplined approach that seeks to deliver a quality Client experience by managing risk exposures based on the evolving compensation for risk offered by the markets. Key steps in the process include:

1. Strategic Risk and Asset Allocation. Selection of a Client's long-term risk and asset allocation policy begins with the broad allocation between higher risk, growth oriented assets and lower risk, income oriented assets, based on interrelationship of Client risk tolerance, Client objectives, and long-term capital market expectations. The strategic risk allocation is implemented across multiple asset classes to create a well-diversified long-term, asset allocation policy. Asset classes may include, but are not limited to domestic equities, international equities, emerging market equities, investment grade bonds, high-income bonds, real return bonds, real estate, commodities, and alternative investments. Strategic Risk and Asset Allocation help

Clients address two key questions: Am I taking the appropriate amount of risk, given my circumstances and preferences? Over the long-term, what is a plausible range of returns, or compensation, for the risk I am taking?

2. Dynamic Strategic Allocation (DSA). A model-based process that seeks to maximize compensation-for-risk over time, subject to Client risk tolerance. DSA varies the strategic allocation based on expected compensation-for-risk under evolving economic conditions, valuations, and risk conditions relative to risk tolerance.

3. Manager/Product selection. A selection process that is both qualitative and quantitative based on the Advisor's proprietary methodologies and the Fundamental Law of Active Management. The selection framework is applied across a broad set of asset classes and investment products. It is designed to identify both passive and active investment strategies with desirable risk/reward characteristics that are cost-effective for the Client. The Advisor primarily uses ETFs-traded funds and mutual funds but may also use sub-advised strategies, individual securities and derivatives to customize portfolios to Client needs and objectives.

4. Portfolio Structure. A set of target weights for each investment holding. Target weights are set, subject to constraints, using a portfolio design that seeks to construct portfolios that efficiently manage risk, and are well-compensated for bearing risk, utilizing products selected in Step 3 above.

5. Monitoring and rebalancing. An ongoing periodic process of monitoring each investment product, the portfolio structure and overall asset allocation of the portfolio to help ensure that each product continues to serve its intended role in the portfolio and to keep the portfolio in reasonable alignment with its intended targets subject to constraints.

SightLine may also offer asset class or strategy specific portfolio solutions for Clients seeking a subset of its Total Portfolio Management services.

The Advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and/or increase performance. The Advisor may recommend employing cash positions or hedges to reduce the potential adverse impact on the portfolio when expected compensation for bearing risk is low. The Advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, concentrated business or sector risk exposure, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of Client, or any risk deemed inappropriate for the Client's risk tolerance.

Prior to rendering portfolio management services, SightLine will establish a Client Investment Policy, in conjunction with the Client, reflecting the Client's financial situation, risk tolerance, and investment objective[s].

SightLine will provide investment advisory services and portfolio management services and will not provide securities brokerage, custodial or other administrative services. At no time will SightLine accept or maintain custody of a Client's funds or securities. All Client assets will be managed within their designated brokerage account or pension account, pursuant to the Client Investment Advisory Agreement.

The entire premise of the Wealthcare Process is defining the individual goals and needs of each Client. Client investment account(s) can be customized as our Clients require. Clients may impose investment restrictions on their accounts by providing Wealthcare with written or otherwise documented instructions. Although Wealthcare has trading discretion over Clients' accounts, every Client has the right to direct their own account.

#### WRAP FEE AND OTHER SIMILAR PROGRAMS

Wealthcare may participate in an unaffiliated, third-party wrap fee program as a sub-advisor providing portfolio management and financial planning support services and may participate in other similar programs in the future. Under such an arrangement, the Program Sponsor will serve as the Client's primary advisor. The wrap fee program is inclusive of trade commissions, other custodial costs and both Wealthcare's advisory fee (which is disclosed) and the Program Sponsor's advisory fee. The Program Sponsor is the primary fiduciary to the wrap fee Client. Wealthcare is not a co-sponsor of any wrap fee



program and does not receive a reduced fee due to the Client's commissions or other expenses being included in the Primary Adviser's fee. The Client will receive a wrap fee program brochure from the Program Sponsor.

Wealthcare may have a separate advisory agreement with Clients who also have an agreement with another Adviser, where the other Adviser is the Client's Primary Adviser and Wealthcare may manage Clients' accounts in such an arrangement where the Primary Adviser does not charge Clients transaction or some custodial fees. In that case, Wealthcare's advisory fee is not reduced due to the Client's commissions or other expenses being borne by the Primary Adviser or an affiliate of the Primary Adviser.

## **Assets Under Management**

As of, September 30, 2017, Wealthcare managed Client assets on a discretionary basis in the amount of \$1,247,001,309.

## **Item 5 – Fees and Compensation**

### **The Wealthcare Process**

Wealthcare provides independent, fee-only investment management services to individuals, families, benefit plans and institutions. We receive no commission or other compensation from marketable securities or other financial products and services that we recommend to our Clients. We only receive a fee based upon either a Client's total household advised assets, the primary method, or a negotiated fixed or hourly advisory fee arrangement.

The specific manner in which fees are charged by Wealthcare is established in a Client's written agreement with Wealthcare. Fees are typically billed quarterly in advance and are usually debited by the custodian from a Client's custodial account and remitted by the custodian to Wealthcare. Fees may be prorated for any significant capital contribution made into a managed account following the initial establishment of a managed account during the applicable calendar quarter. Upon termination of any account, any prepaid, unearned fees will be refunded, and any earned, unpaid fees will be due and payable for the minority of accounts billed in arrears.

Wealthcare typically charges asset value based fees that normally are 1.85% or lower per annum for advisory relationships with natural persons or non-benefit plan institutional relationships and may institute a minimum annual fee, most commonly \$500 per year per advised household. The total fee is inclusive of the Financial Advisor fee as well as Wealthcare's Management Fee. Wealthcare charges fees that are normally less than 0.65% on advised assets for advisory relationships with retirement benefit plan sponsors. In most circumstances, the actual fee charged will depend on the services provided by the advisor, as well as the total household or retirement plan assets with typical breakpoints at various asset levels, although some Clients are billed a flat percentage or dollar fee regardless of household asset level. In most cases, as the household or asset level increases, the flat or graduated asset value based fee as applicable is reduced as a percentage of assets. Wealthcare may offer discounted rates to its employees and their families as well as to institutional and very high net worth Clients with substantial account balances.

For financial planning services offered by its Advisors, Wealthcare may assess a planning fee that is based on either a fixed fee for service or an hourly rate. The fee will vary based upon the complexity of the Client's finances and circumstances. Hourly rates can range from \$150 to \$400 per hour based upon the experience and skill set of the Planner. Wealthcare may grant exceptions to these normal fees and minimums as all fees are negotiable. Fixed or hourly financial planning fees are for those services exclusively and are not to be considered as part of the investment management fees, unless a certain specified threshold asset level is reached by the Client, which is determined by the investment advisory representative ("IAR"). All fees and components of Wealthcare's services are clearly set forth in the contract with the Client. Some Investment Advisory Representatives of Wealthcare accept small accounts in which the Client pays a financial planning fee for that service and an advisory fee for investment advisory services until a certain asset threshold is reached. This arrangement is disclosed in the Client contract and is described in the fee section herein.

All Advisory Fees are exclusive of brokerage commissions, transactions fees and other related costs and expenses which shall typically be incurred by the Client. Mutual funds, ETFs and annuities all charge internal management fees and other expenses, which are disclosed in a fund's or annuity's prospectus or equivalent disclosure document and are directly deducted from the value of such investment vehicles. Such charges, fees and commissions are exclusive of and in addition to Wealthcare's fee. Wealthcare and/or its Advisory Persons do not receive any portion of these commissions, fees and costs and do not have any affiliation with the sponsors or providers of these investment vehicles.

## **SIGHTLINE INVESTMENTS**

### **A DIVISION OF WEALTHCARE CAPITAL MANAGEMENT LLC**

As compensation for its Investment Strategist Services, SightLine will enter into an investment sub-advisory agreement with each Sub-Advisor. The fees for sub-advisory services are based on the size of the relationship and nature and complexity of the services to be provided. The frequency and methodology for payment of sub-advisory fees will be detailed in each sub-advisory agreement. Sub-advisory fees are generally 0.75% or less per annum payable monthly or quarterly, in advance, as agreed by contract.

Pursuant to an Investment Advisory Agreement signed by each Client, the Client will pay SightLine a Portfolio Management Fee, payable in advance on a monthly or quarterly basis, based on the amount of the assets to be managed by SightLine as of the last business day of the preceding period. Portfolio Management Fees are based on the size of the relationship and nature and complexity of the services provided. The frequency and methodology for payment of portfolio management fees will be detailed in each Client agreement. Asset management fees are generally 1.25% or less per annum payable either monthly or quarterly as detailed in the Client agreement.

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

Wealthcare does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client). WCM does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its Clients.

## **Item 7 – Types of Clients**

Wealthcare provides investment advisory, portfolio management and related services to individuals, high net worth individuals, trusts, estates, pension, profit-sharing and defined-contribution retirement plans, business entities, including other investment advisors, charitable institutions, endowments and foundations. Although Wealthcare Clients are not required to have a minimum account balance in order to contract with us, we may assess a minimum annual fee that is typically \$500.00 per annum for advisory management services. The minimum fee is waived for Supervised Persons of Wealthcare and their families who engage Wealthcare's advisory services.

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

### **The Wealthcare Process**

The investment philosophy of Wealthcare is based on the fundamental premise that the capital markets are continuously uncertain, and that our job as managers of wealth is to manage those things which we, or our Clients, can control over a Client's lifetime or other relevant time period (for institutions). In accepting the notion that the capital markets are always uncertain, one of our primary tasks is to control the amount of capital market uncertainty that is prudent to accept for each Client's financial circumstance, and the effect of that uncertainty on the funding status of all of a Client's unique financial needs and goals. Numerous studies, historical data and common sense, tell us that the primary driver of uncertainty is the amount of a portfolio that is allocated to riskier assets, like equities. This key decision—how much of a portfolio is prudent to

allocate to the risk of the equity markets—should not be taken lightly and should be based on the premise that needless risk should be avoided.

Wealthcare’s Investment Policy Committee (the “Committee”) is responsible for the selection of securities and design of portfolios on behalf of its Client’s accounts. The Committee, which is comprised of Executive Officers of the Advisor, confer regarding selection of securities for the Advisor’s Model Portfolios as well as any other investments managed by the Advisor. The Committee will also utilize the services of an investment consultant who is experienced in investment strategy, financial modeling and risk management. Other professional staff supply supporting research information to the Committee regarding the indexed ETFs or indexed mutual funds – such as liquidity, fund expenses, tracking error against the target asset class index and other factors. On a day-to-day basis, specific Client portfolio trading decisions are delegated to the officers who oversee the Advisor’s Portfolio Operations area. Portfolio Operations takes action on Client accounts based on general account guidelines for rebalancing or other Client requests (e.g., the need for cash by a Client or the infusion of new Client household assets from a Client) or whenever a revision to a Client’s target Wealthcare portfolio is required based on a new Wealthcare Plan recommendation that is made to a Client.

Wealthcare’s decisions regarding passive indexed securities selection are primarily driven by the belief that the higher underperformance risk of active fund managers compared to broadly diversified indexed funds, combined with certainty of the higher expenses normally generated by actively managed funds is an additional risk and cost to be avoided. In addition, any selection of active managers based on any prior period of superior returns over an asset class benchmark is an act of futility since prior performance is no indication of future results. As such, the majority of Client’s investments are held in ETFs that are benchmarked to:

A broad-based domestic equity index

A broad-based foreign equity index

A U.S. government securities index or other appropriate index

Money market fund(s).

The typically recommended Client target portfolio only requires three ETFs for a low cost, well diversified efficient portfolio. Those three ETFs in turn own approximately 3,000 to 5,500 underlying equity securities and 15 – 20 U.S. government treasury securities. For benefit plan advisory services, indexed mutual funds may be used in lieu of ETFs. On a less frequent basis, we may offer advice on mutual funds, securities traded over-the-counter, corporate debt securities, variable annuities, municipal securities and individual foreign and domestic equities. We do not make investment decisions based upon short-term marketing timing and discourage Clients from investing in alternative investments, and other often less-liquid, high management cost investment structures.

## Methods of Analysis

The Wealthcare Process involves the utilization of proprietary wealth management analysis and presentation tools based upon several patented processes, and include the use of simulation analysis of uncertain capital markets to help Clients evaluate their recommended Wealthcare Plan funded status in measurable confidence terms monitored on an ongoing basis. A Client’s Comfort Zone® status is reflected by the percentage of 1,000 simulations run against an investor’s ideal, acceptable and recommended set of Client goals.

The Wealthcare Analysis reported to Clients is not a projection of future portfolio values because future values are uncertain. The combined value of financial assets a Client needs to hold at any point in time for adequate statistical confidence in funding a given set of future financial and personal goals defined, can be measured based on Wealthcare’s disclosed capital market assumptions and shown to a Client.

The upper range represents Sacrifice - where 90% or more of simulated market results for the Client's current target portfolio, combined with Client savings and spending goals over the same period, indicate the likelihood all goals will be met or exceeded. Wealthcare believes, at this confidence level, a Wealthcare Plan is overfunded.

The lower range represents Uncertainty - where less than 75% of the simulated market results for the Client's current target portfolio combined with Client savings and spending goals over the same period, indicate the likelihood of all goals not being met. Wealthcare believes, at this confidence level, a Wealthcare Plan is underfunded.

The unpredictability of future investment returns for a Client's recommended allocation determines the range of portfolio values a Client needs at a given age between over- and under-funded statuses. This range is what Wealthcare calls the Comfort Zone®.

Wealthcare's ongoing advice is used to help steer changes in portfolio risk and a specific Client goal package to stay within the Comfort Zone® throughout their lifetime. **However, Wealthcare cannot and does not guarantee to any Client that all possible goals at all aspirational spending levels can be achieved.** In fact, we indicate to Clients in the quarterly Status Report, that the odds are typically non-trivial that within the next 1, 3 and 5 years, they will fall out of the Comfort Zone® based on their current Wealthcare Plan recommendation.

Wealthcare provides the following three methods of analysis when formulating and monitoring a Client's funded status:

Monte Carlo Simulation – This simulation method tests an investor's financial strategies against 1,000 random scenarios of investment returns an investor might encounter during their lifetime based on the Wealthcare's capital market assumption for each target portfolio. This is the most commonly used method of analysis for most Clients.

Historical Audit – This simulation method tests an investor's financial strategies against sequential historical returns using rolling historical monthly return periods since 1926, the number of which may vary based on the number of years in a plan.

WEALTHSIMULATOR® - This simulation method tests an investor's financial strategies against 1,000 actual historical monthly returns since 1926 that have been placed in random order (U.S. patent 7,562,040).

Random mortality analysis can be used with capital markets simulation analysis by Wealthcare under a U.S. patent under exclusive license to Wealthcare (U.S. patent 6,947,904), but fixed mortality set at Client age that has only about a 20% odds of being exceeded is more typically used in a Wealthcare Plan.

Certain patents granted, issued or held under exclusive license referenced in this document are held by a wholly-owned, non-advisory subsidiary of the Advisor called Wealthcare Capital Management IP, LLC.

## Investment Risk

Risk is the measurement of the degree of unpredictability of a given portfolio's return in any given period. Risk includes the possibility of losing some or all of your original investment. For its Clients, Wealthcare calculates 95<sup>th</sup> percentile downside risk. This means for any given 12-month period, only 1 out of 20 periods would have a negative return in excess of the calculated 95<sup>th</sup> percentile downside risk statistic using 1,000 simulations. Even the most conservative investment strategy is subject to risk. Market risk, also known as systematic risk, is the risk inherent to the entire market or an entire market segment. For example, interest rates, recession, natural disasters and wars all represent sources of nonsystematic market risk that cannot be avoided through market diversification.

Due to investments in foreign stocks, Clients may be subject to additional risks such as foreign currency fluctuations, differing financial accounting standards, possible political and economic system instability in some markets and higher portfolio holding expenses compared to domestic equities. For those reasons Wealthcare's recommended portfolios may underweight the portion recommended to be invested in an indexed non-U.S. foreign equities held via an ETF or mutual fund relative to a their representative global market capitalization percentage.

Mid and Small cap investing generally involves greater risk and volatility, and those types of equities are held in their representative capitalization percentage in the indexed ETF or mutual fund typically recommended to Clients.

In a rising interest rate environment, the value of fixed-income securities typically declines.

Wealthcare cannot guarantee a Client will—in all circumstances of changing personal financial goals and market conditions—be able to remain in a Client's Wealthcare Plan's Comfort Zone®, as that term is illustrated and described in this disclosure document.

***All investment programs carry the risk of loss and there is no guarantee that any recommended investment strategy will meet its objectives.***

## **SIGHTLINE INVESTMENTS**

### **A DIVISION OF WEALTHCARE CAPITAL MANAGEMENT LLC**

#### **Methods of Analysis & Investment Strategies**

*Fundamental Analysis* - SightLine primarily employs fundamental analysis methods in developing investment strategies and making investments for its Clients. Research and analysis from SightLine is based on the application of proprietary quantitative and qualitative methods to financial, market and economic data and information. Information sources include financial media and data companies, third-party research materials, internet sources, annual reports, prospectuses, press releases and research prepared by others. Fundamental analysis is focused on estimating the long-term expected compensation for employing an investment strategy or investment.

*Economic Analysis* – Economic analysis is based on the premise that certain economic units (country, asset class, sector, etc.) and investment strategies (value, growth, momentum, etc.) are impacted by changing economic conditions and tend respond to a set of factors or conditions and tend to respond in consistent ways. As an economy moves through various conditions, so too will interest rates, yield curves, credit spreads, equity markets, sectors and investment styles. SightLine will analyze economic conditions, analyze their impact on the expected compensation for bearing risk across different economic units and investment strategies, and, within context of the overall portfolio strategy, adjust the portfolio to favor those asset classes, styles and strategies expected to offer the highest compensation for bearing risk under current and evolving conditions.

*Market Analysis* – Market analysis tools are used for analyzing market conditions. These tools can be used in both short- and long-term contexts for analysis of risk conditions, trends, and relative value extremes. This analysis may include, volatility measures, momentum indicators, sentiment indicators, relative strength indicators, data smoothing techniques, over bought/oversold indicators, and others that may be useful in assessing risk conditions for an investment or strategy. These indicators do not speak to the fundamentals or expected compensation for employing a specific strategy or investment, rather, the indicators are used to gauge risk conditions with respect to an investment and may be used as an input for the implementation of particular portfolio change.

As noted above, SightLine generally employs a disciplined investment strategy for its Clients that is longer-term in nature and is consistent with the Client's investment policy. SightLine will typically hold all or a portion of a security or strategy for more than a year, but may hold for shorter periods for the purpose of rebalancing a portfolio, meeting the cash needs of Clients, or due to changes in the relative value or risk characteristics of the position. At times, SightLine may also buy and sell positions that are more short-term in nature, depending on the goals of the Client and/or the fundamentals of the security, sector or asset class.

#### **Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. For Clients with a direct advisory relationship with SightLine, SightLine will assist in

determining an appropriate strategy based on the Client's tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Each direct Client engagement will entail a review of the Client's investment goals, time horizon, tolerance for risk and other factors to develop an appropriate investment policy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for developing an appropriate investment policy. The Advisor shall rely on financial and other information provided by the Client, or their designees, without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in financial condition, goals or other factors that may impact the Client Investment Policy that will guide the management of the Client portfolio.

The risks associated with a particular strategy are provided to each Client in advance of investing Client accounts. The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process. SightLine may use margin in Client accounts to manage the timing of purchases and sales, as appropriate. SightLine may employ options strategies to hedge or gain additional exposure to a particular asset class or sector. SightLine's investment strategy may include a portion in actively managed concentrated portfolios.

### **Options Contracts**

Investments in options contracts have the risk of losing value in a relatively short period of time. Option contracts are leveraged instruments that allow the holder of a single contract to control many shares of an underlying stock or index. This leverage can compound gains or losses.

### **Concentrated Portfolios**

Concentrated portfolios can be highly volatile and should be viewed as a complementary component of a well-diversified overall portfolio. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic price swings. In addition, the rise or drop in price of any given holding in the portfolio is likely to have a larger impact on portfolio performance, than a more broadly diversified portfolio.

**Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.**

## **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a prospective Client's evaluation of Wealthcare or the integrity of Wealthcare's management. WCM values the trust you place in us. As we advise all Clients, we encourage you to perform the requisite due diligence on any advisor or service provider with whom you partner. Our backgrounds are on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching by our firm name or our CRD# 111119.

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

### **Other Registrations**

Wealthcare does not have a broker-dealer affiliate and its Supervised Persons are not registered, nor have an application pending to register, as a broker-dealer. However, certain Supervised Persons of Wealthcare may find it necessary to maintain a license as a registered representative of a broker-dealer. In that case, if management concurs, the Wealthcare employee may register as an outside business activity. Additionally, Wealthcare and its employees are not registered, nor have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, insurance agent or as an associated person of any entity engaged in the foregoing fields.



## Affiliations

As a result of the change in the beneficial ownership of Wealthcare by NewSpring in 2013, NewSpring may be considered an affiliate.

For purposes of the discussion of Wealthcare's investment management services and programs described within this ADV Part 2A, it is important to understand that NewSpring is a passive investor in the Advisor. Wealthcare i) has no business dealings with NewSpring in connection with the advisory services we provide to our Clients; ii) does not conduct shared operations with NewSpring; iii) does not refer Clients or business to NewSpring or vice versa; iv) does not share supervised persons or premises with NewSpring; and v) has no reason to believe that our relationship with NewSpring creates a conflict of interest with regard to our advisory Clients.

**Van Zandt Financial Services PLLC ("VZFS")** – A registered investment advisor representative/employee of Wealthcare, Richard Van Zandt, is also the Owner/Operator of VZFS, a bookkeeping and tax accounting firm in Rathdrum, Idaho. It should be noted that Mr. Van Zandt's accounting firm is independently operated of Wealthcare. Other than Mr. Van Zandt's services, no other supervised person at Wealthcare works for Mr. Van Zandt's accounting firm or completes any accounting services on its behalf. It is anticipated that Mr. Van Zandt will recommend the investment advisory services of Wealthcare to his accounting Clients.

**Beacon Small Business Solutions ("Beacon")** – A registered investment advisor representative/employee of Wealthcare, Bradley Joubert, is also the Principal of Beacon, a bookkeeping and accounting firm in Fort Mill, South Carolina. It should be noted that Mr. Joubert's accounting firm is independently operated of Wealthcare. Other than Mr. Joubert's services, and the services of another IAR of Wealthcare, Troy Fleming, no other supervised person at Wealthcare works for Mr. Joubert's accounting firm or completes any accounting services on its behalf. It is anticipated that Mr. Joubert will recommend the investment advisory services of Wealthcare to his accounting Clients.

## Outside Investment Advisors

In general, Wealthcare does not refer potential Clients to third-party investment advisors. Wealthcare may from time to time compensate, either directly or indirectly, any person for Client referrals. Any solicitation on behalf of Wealthcare will comply with the Cash Solicitation Rules established by the Securities and Exchange Commission. Any fee paid to a solicitor or a sub-advisor does not increase or change the overall advisory fee charged by Wealthcare. Additionally, all solicitor fees or relationships with third-party RIAs are separately disclosed under a solicitor's disclosure statement or within the Client's Wealthcare advisory contract which the Client acknowledges in writing.

Solicitors may be, though are not necessarily, Investment Adviser Representatives (RIARs) of Wealthcare. However, unless the IAR is an employee of Wealthcare, as opposed to an independent agent or advisory firm acting as a solicitor of Wealthcare, such independent IAR or Investment Adviser does not render advice on behalf of Wealthcare to any Client or prospect and such IAR merely facilitates communication between Wealthcare and such Client or prospect.

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

Wealthcare and its associated person have committed to a Code of Ethics that establishes a high standard of integrity and professional ethics in conducting business with the Advisor, its Clients and its business vendors and partners. All Wealthcare associates (herein our "Supervised Persons") are required to review and sign a formal Code of Ethics adopted to comply with Rule 204(A)-1 of the Investment Advisers Act of 1940 (the "Advisers Act").

Wealthcare's Code of Ethics provides for 1) a high ethical standard of conduct; 2) compliance with all federal securities laws; and (3) policies and procedures for the reporting of personal securities transactions by our Supervised Persons on a quarterly

basis as well as upon hire and annually for all Wealthcare's Supervised Persons. The Chief Compliance Officer of Wealthcare periodically reviews the personal trading of our Supervised Persons. The Chief Compliance Officer's trades are reviewed by the Chief Executive Officer of Wealthcare or his designee. These reviews help ensure that the personal trading of Supervised Persons comply with Wealthcare's Code of Ethics. Due to the nature of Wealthcare's recommended portfolios, we believe it would be very unusual for any Supervised Person's personal trades in individual securities to present any ethical conflicts with any ETF or other portfolio recommendations or trades made on behalf of Client assets.

Wealthcare does not recommend securities to Clients in which Wealthcare or its Supervised Persons have a material financial interest. The primary securities invested in by Wealthcare on behalf of its Clients are passive ETFs and indexed mutual funds, although portfolio management and advice on prior Client positions which may have to stay in a Client's portfolio for some time for tax or other personal Client reasons is sometimes required. Wealthcare does not typically recommend the purchase of publicly-traded or privately-placed individual stocks, bonds, master limited partnerships, hedge funds or limited liability companies to its Clients.

Wealthcare may periodically offer for sale or grant to its Supervised Persons common stock in the company as an employee incentive. It should be noted that some Supervised Persons are also considered Clients of Wealthcare, but no advisory fees are associated with such an investment. Wealthcare's Supervised Persons may be invested in the same passive ETF or indexed mutual funds as Wealthcare Clients via their personal or 401k custodial accounts. We do not feel this presents a conflict of interest because the minimal exposure that Wealthcare's overall ownership of these securities (Client and employee) would not have a significant impact on their pricing given the large capitalization and market liquidity of the securities recommended.

A copy of Wealthcare's Code of Ethics is available to Wealthcare's Clients upon written request to the Compliance Officer at Wealthcare's principal office address or by email request to [compliance@wealthcarecapital.com](mailto:compliance@wealthcarecapital.com).

## **Item 12 – Brokerage Practices**

### **Broker Selection**

All Client's must establish their accounts at a "qualified custodian" (Please see item 15). Wealthcare typically recommends that Clients establish accounts at either Charles Schwab & Co., Inc., Fidelity Investments, Inc., TD Ameritrade, Inc. and Pershing Advisor Solutions (herein each a "Custodian") due to their discounted ETF and in some cases free trade commissions, automation and special services for Registered Investment Advisors. Wealthcare is not affiliated with any of its preferred custodians. It should be noted that most benefit plan Clients utilize a custodian whose fees are typically based on plan assets and not trades. The custodian used is recommended by our preferred third-party administrator, Employee Fiduciary Corporation, who we mentioned previously in Item 4.

The primary factors that determine Wealthcare's recommending a broker-dealer custodian to a Client are in no specific order:

- |                                    |                                  |
|------------------------------------|----------------------------------|
| . 1) Commission Cost               | . 2) Automation/Technology       |
| . 3) Services for independent RIAs | .4) Properly registered with SRO |
| . 5) Execution capabilities        | .6) Client preferences           |

Wealthcare may recommend broker dealers and custodians to Clients of the Advisor in need of these services. Wealthcare will normally only recommend those broker-dealers where Wealthcare has a business relationship that enables Wealthcare efficient and cost-effective access to brokerage services to facilitate Wealthcare's discretionary portfolio management services. No Client is obligated to use any recommended broker- dealer/custodian. In circumstances where a Client wants to remain with their current custodian who is not a preferred custodian of Wealthcare, we may provide advisory services to such a Client if it is operationally feasible. No advisory fee surcharge for any operational inconvenience to Wealthcare is made.



The custodial fees for trading in Client accounts for listed equities and ETF currently range from \$4.95 to \$9 per trade for most accounts. The custodial fees for trading in Client accounts for mutual funds currently range from \$18 to \$50 per trade for most accounts. There are other types of securities, not typically recommended by Wealthcare, where Clients may incur higher trading costs and commissions. Client accounts that don't accept e-delivery of statements and confirmations will sometimes be subject to higher fees for trades. Some custodians charge additional fees for trades of 3,000 shares or more. For the specific fees associated with a specific custodian, Wealthcare will provide a listing upon request.

### **Soft Dollar Arrangements**

Wealthcare does not have any formal or informal arrangements or commitments to obtain any research or research related products or services on a soft-dollar basis. However, due to the institutional relationships we have with our preferred custodians, we do receive services that assist Wealthcare in managing and administering Clients' accounts. These services may include software and other technology that (i) provide access to Client data; (ii) facilitate trade execution and allocate aggregated trade orders for multiple Client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its Client accounts; and (v) assist Portfolio Operations with back-office functions, recordkeeping and Client reporting. Additionally, preferred custodians may provide third-party research, publications, access to educational conferences, roundtables and webinars or practice management resources. Wealthcare does not typically utilize these services other than practice management or compliance related publications or seminars. Wealthcare did receive a one-time 20% discount on the initial license implementation fee from a subsidiary Charles Schwab for the portfolio accounting software licensed from a subsidiary of Charles Schwab it uses for Client accounts.

### **Brokerage for Client Referrals**

Generally speaking, Wealthcare does not receive Client referrals from broker-dealers. However, should we receive such a referral, Wealthcare would not necessarily recommend that a Client leave or remain with the referring broker.

### **Directed Brokerage**

As of December 26, 2017, no Clients of Wealthcare have instructed the Advisor to direct transactions in their account to a specific brokerage firm. For listed ETFs and individual equity securities and most mutual funds, both Wealthcare and the Client presume the executing broker will be the Client account custodian.

If a Client directs Wealthcare to trade the account's transactions at a particular broker with whom Wealthcare does not have a business relationship, this may result in greater transaction expenses for the account than for other accounts Wealthcare manages. The directed accounts may charge higher commissions and/or receive less favorable trade execution than the non-directed accounts. The non-directed accounts may benefit from any negotiated commissions and some operational Client account support services Wealthcare has arranged for its Clients through its preferred custodial relationships. Preferred custodians may discount or waive fees for Clients of Wealthcare that it might otherwise charge to retail Clients for the same services. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to Clients who direct the Advisor to use a particular broker/dealer or custodian and other Clients who do not direct the Advisor to use a particular broker/dealer or custodian.

All Clients should understand that any broker-dealer/custodian recommendations made by Wealthcare are a conflict of interest as Wealthcare anticipates continual operational relationships with the broker-dealers/custodians that we recommend. Wealthcare does limited due diligence reviews of these firms, all of which are well established nationally recognized broker dealer custodians; Wealthcare only recommends them as a convenience to our Clients.

### **Aggregation of Orders**

The aggregation or blocking of Client transactions allows the Advisor to execute transactions in a more timely, equitable, and efficient manner and seeks to provide, when feasible based on similar time frames of information required to make a trade

decision, the same execution price for Clients at the same Custodian and/or executing broker-dealer [if different]. Wealthcare's seeks to aggregate Client transactions where possible and when advantageous to Clients. In these instances, Clients participating in any aggregated transactions will receive an average share price at each executing broker-dealer/custodian where the transaction costs will be charged separately based upon each firm's commission schedule. When possible, the Advisor will seek to obtain lower commissions for Clients that qualify under various Custodians' promotional programs but not at the cost of unnecessary portfolio turnover and related tax consequences.

In the event transactions for Wealthcare, its employees or principals are aggregated with Client transactions and conflicts arise, Wealthcare will always defer to the benefit of the Client in the transaction. If aggregation is in the best interest of Clients with accounts at more than one Custodian on the same trade date, an impartial process is used to determine the order in which the Custodians are sequenced to submit aggregated orders.

**LPL Relationship:** As discussed previously, certain associated persons of the [Advisor] may be registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about [Advisor's] Clients, even if Client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact your financial advisor.

## **Item 13 – Review of Accounts**

### **Reconciliation of Client Accounts**

All active Wealthcare Client accounts are reconciled to their most recent month-end custodial statement before the end of the next calendar month by the Portfolio Operations Department. The Portfolio Operations Department is supervised by the Vice President – Director of RIA Solutions. In most cases, where Wealthcare has established an electronic reconciliation link between the custodian and our portfolio accounting system, the accounts are reconciled on a daily basis. Whenever valuation information differs between the custodian's records and our accounting system's records, the differences are investigated and resolved. Once reconciled, electronic copies (where available) or paper copies of the Client's custodian statement are maintained along with a copy of a reconciled holdings statement from Wealthcare's accounting system. In the event there are any differences (i.e. trade settlement, etc.) an explanation is also documented and retained by the Portfolio Operations Department.

### **Financial Plan Review**

Each Client's Advisory Person will initiate a review and update the Client's financial plan on at least an annual basis for changes in the Client's financial situation and plan objectives. Additional reviews may be initiated for several reasons including 1) due to changes in a Client's priorities, 2) upon demand by the Client, 3) whenever the Adviser considers a plan update and review is in the Client's best interest, 4) should there be a material change in circumstances for the Client or 5) should the Client's Plan fall materially outside its Comfort Zone®.

### **Regular Reports**

Delivery of Wealthcare quarterly reports vary by advisor or Client preference. They may be delivered in person in physical or virtual Client meetings, via regular mail or via secure online or electronic delivery.

Regular reports include information on portfolio holdings, Client goals, values, and the funded Comfort Zone® status of the Wealthcare Plan. Each report will contain disclosures that include an offer to the Client to request and receive Wealthcare's most current Form ADV Part 2A – Disclosure Brochure, which includes the Advisor's Privacy Policy. The Form ADV Part 2A – Disclosure Brochure is also available by hyperlink from the Wealthcare website. Unaffiliated Registered Investment Advisors or Wealthcare Sub-Advisors determine the frequency of delivery of Wealthcare quarterly status reports to that firm's Clients.

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

Wealthcare and its employees do not receive any sales awards or prizes as compensation from third-party advisors. The receipt of such gifts would be a violation of Wealthcare's Code of Ethics.

As a matter of policy and practice, Wealthcare does not compensate any third-party persons, either individuals or entities, for the referral of advisory Clients to the Advisor unless a formal solicitor's agreement has been entered into with a registered investment advisor representative ("RIAR") or with such person's supervising firm which is a registered investment advisor ("RIA"), or with an individual who is exempt from registering as an RIAR under the appropriate state's cash solicitation rules. Wealthcare does not increase its advisory fees in order to compensate a Solicitor. The Solicitor receives a portion of the advisory fee collected.

When such an agreement is entered into, it specifies the percentage of the Client fees that are to be paid as solicitor's fees and requires the solicitor to provide written disclosure of his arrangement with Wealthcare, including his or her method of compensation, to the Client via a signed disclosure statement. The Client's countersignature is required on the disclosure statement prior to Wealthcare executing any trades.

## **Item 15 – Custody**

Clients are required to maintain their accounts with a "qualified custodian", herein referred to as the Custodian. Wealthcare will not accept custody of a Client's funds or securities, except for the authorized deduction of the Advisor's fees. Clients will receive statements from the Custodian at least quarterly. The reports will include a list of all securities held in the Client's investment portfolio, their market value as of the last day of the previous month and all trade activity for the preceding month/quarter and reflect Wealthcare's advisory fee charges to the custodial account when applicable. Method of delivery (mail versus secure electronic delivery) is determined by the Client. Wealthcare urges the Client to carefully review such statements and compare such official custodial records to the Wealthcare Plan Status Reports that is provided by the Advisor.

## **Item 16 – Investment Discretion**

Wealthcare receives discretionary authority from most of its Clients at the outset of an advisory relationship through the execution of an investment advisory or portfolio management agreement. Wealthcare is typically authorized to select the identity and amount of securities to be bought or sold within the Client's accounts. Additionally, the Client authorizes this investment discretion through the execution of a limited power of attorney ("LPOA") or related documents required by the Custodian. The LPOA will grant Wealthcare the authority 1) to trade securities on the Client's behalf in the account, 2) to authorize the disbursement of Wealthcare's quarterly investment advisory fee and 3) to authorize Wealthcare to instruct the custodian to disburse a check or money electronic transfers from the Client's custodial account to their address of record or, with additional paperwork signed by the Client, to a bank account registered in the Client's name.

The Client can provide Wealthcare with reasonable restrictions as to the degree of discretion Wealthcare has in trading one or more of the Client's investment accounts or specific investment securities. Typically, the Client's Wealthcare Plan determines the Client's targeted investment allocation Wealthcare monitors and maintains at the combined household versus individual account level.

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

As a matter of firm policy and practice, Wealthcare does not generally have any authority to and does not vote proxies on behalf of Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in accounts. All proxy notices are forwarded directly to the Client by their account custodians as has been indicated on the Client's custodial account application.

Wealthcare's investment advisory and portfolio management agreements specifically define proxy voting as the responsibility of the Client with one exception. Wealthcare will vote proxies on behalf of ERISA Client accounts, except where the Plan

Sponsor has requested to vote on behalf of the Plan. At this time, Wealthcare does not have responsibility to vote proxies on behalf of any Plan.

Since the recommended portfolios of Wealthcare represent near equivalents of broad indices of securities (ETFs) as the primary Client holding, generally speaking, if Wealthcare were to vote a proxy, Wealthcare would only vote on matters regarding the fee structure of those securities as it is the primary issue Wealthcare is focused on actively monitoring that would normally require a shareholder vote. Otherwise, all non-material issues are viewed as very unlikely to impact the pricing or returns from holding such ETFs.

A complete copy of Wealthcare's proxy voting Policy can be obtained by sending a request to Wealthcare's CCO via email [compliance@wealthcarecapital.com](mailto:compliance@wealthcarecapital.com) or via telephone at (804) 644-4711. If a Client has a question regarding a proxy notice that they have received, they should speak with their Wealthcare IAR to review the content of the proxy. However, the decision as to how to vote a proxy will remain with the Client.

## **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about their financial condition. Wealthcare has no financial commitment or condition that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.

A balance sheet is not required to be provided because Wealthcare does not serve as a custodian for Client funds or securities and does not require prepayment of fees of more than \$1,200 per Client six months or more in advance.

**Privacy Policy**  
**(Effective January 1, 2017)**

Wealthcare Capital Management LLC and its DBA's or divisions ("Wealthcare") have adopted policies and procedures to protect our Client's non-public personal information.

As your investment adviser, or service provider to your investment adviser, Wealthcare collects non-public personal information about you from unaffiliated third-party investment custodial applications and other forms submitted to us by you or submitted to us by your financial consultant, custodian or other representatives (such as your accountant or attorney) and through the normal course of business as your investment adviser or as a service provider to your investment adviser.

The types of non-public personal information Wealthcare collects and shares will depend on the product or services you receive from us. Wealthcare regards non-public personal information to be data such as your name, address, telephone/fax numbers, e-mail addresses, Social Security number, assets, income, investment objectives, risk tolerance, account numbers, account balances, transaction history, beneficiary information, bank account information and credit card information.

Wealthcare will not disclose non-public personal information about you to anyone, except:

1. For our everyday business purposes - such as to process your transactions or maintain and monitor your account(s)
2. To affiliated and non-affiliated third parties who assist us in servicing or administering your investment account(s) - such as our affiliated Registered Investment Advisors or your brokerage, mutual fund or other investment custodian(s)
3. In connection with a government or self-regulatory organization request or investigation
4. For our marketing purposes – to offer *our* services to you
5. With Broker-Dealers who have regulatory requirements to supervise certain of your Advisor's activities.

**Wealthcare restricts access to your personal and account information to those employees who need to know that information to provide services to you, your financial consultant or other authorized representative. Employees and third-party vendors/contractors governed by confidentiality agreements are prohibited from disclosing non-public personal information to any person or entity outside Wealthcare, during or subsequent to their employment or contractual engagement with Wealthcare.**

Additionally, Wealthcare maintains physical, electronic and procedural safeguards that meet federal and/or state standards to guard your non-public personal information.

Wealthcare's privacy policy applies to current, future and past Clients. If you decide to close your account(s) or become an inactive Client, Wealthcare will adhere to the privacy policies and practices as described in this notice. If there is a material change in Wealthcare's privacy policy, you will be notified via written notice.

As Wealthcare only shares your non-public personal information as permitted by current federal and/or state statutes and law and as we will not share your non-public personal information with our affiliate, we have not provided an Opt-Out form.

If you have any questions regarding this privacy policy, please do not hesitate to call your financial consultant or call Wealthcare's Compliance Department at (804)-644-4711, or send an email inquiry to [compliance@wealthcarecapital.com](mailto:compliance@wealthcarecapital.com).