



Advice. Management. Security.

Item 1 – COVER PAGE

FORM ADV PART 2A\*  
Brochure

March 2018

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\*This brochure provides information about the qualifications and business practices of Emery Howard Portfolio Management ("Emery Howard", "Firm" or "Advisor"). If you have any questions about the contents of this brochure, please contact the Firm's Managing Director and Chief Compliance Officer, Frank C. Marinaro at telephone 650-579-7100. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority. Additional information about Emery Howard is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A**

This updated Form ADV Part 2A contains the following changes from the prior annual update:

- Updated disclosures regarding assets under management at Item 4.
- Updated disclosures regarding custody arrangements at Item 15.
- Updated disclosures regarding brokerage arrangements at Items 12 and 14.
- Updated disclosures regarding custody arrangements at Item 15.

## **Item 3 - TABLE OF CONTENTS**

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## INDEX OF ERISA REQUIRED DISCLOSURES

Emery Howard (sometimes the "Firm" or "Advisor") may provide investment management services to retirement plans governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). ERISA regulations require that specific disclosures be made to the ERISA plan fiduciary that is authorized to enter into, or extend or renew, an agreement with the Firm to provide these services. The following Index identifies the disclosures required and the location where plan representatives may find them. It is intended to assist ERISA Plan representatives with compliance with the Department of Labor's service provider disclosure regulations under section 408(b)(2) of ERISA, with regard to those services. Any questions concerning this guide or the information provided regarding our services or compensation should be addressed to our Chief Compliance Officer at the number noted on the cover page of this ADV Part 2A.

Required Disclosure	Location of the Required Disclosure
Description of the services that Advisor will provide to covered ERISA plans	Item 4 of this Form ADV Part 2A and Paragraph 1 of the investment management agreement signed with our Firm.
Statements that the services that Advisor will provide to covered ERISA plans will be as an ERISA fiduciary and registered investment adviser	Item 4 [at "Retirement Plan Consulting Services"] of this Form ADV Part 2A and Paragraph 11 of the investment management agreement signed with our Firm.
Description of the direct compensation to be paid to Advisor	Item 5 of this Form ADV Part 2A and Paragraph 5 of the investment management agreement signed with our Firm.
Description of the indirect compensation Advisor might receive from third parties in connection with providing services to covered ERISA plans, if any	Items 12, 14 and 15 of this Form ADV Part 2A
Description of the compensation to be shared between Advisor and any third party or any affiliated entity, if any	Items 4, 5, 10, 12 and 14 of this Form ADV Part 2A.
Compensation that Advisor will receive upon termination of its agreement to provide investment management services, if any	Item 4 of this Form ADV Part 2A.

#### **Item 4 - ADVISORY BUSINESS**

Registration History -	Predecessor firm registered 1991
Current Registration Status –	Registered with the SEC on May 23, 2001 <sup>1</sup>
Principal Owner –	Michael K. Howard

#### **ADVISORY SERVICES**

Emery Howard (sometimes “the Firm” or “Advisor”) provides investment management, financial planning and other financial advisory services to its clients. Investment management services typically are provided on a fully discretionary basis and include, among other services, financial goal setting, risk assessment, strategic asset allocation and the selection of investments.

The investment management services we provide are based on each individual client's financial circumstances and investment objectives. Our portfolio managers meet with each client to discuss the client's current financial condition and to review the client's current investment holdings. Based upon each client's circumstances, we determine an appropriate asset allocation for the client's investment portfolio, in accordance with the client's specific financial objectives and risk tolerance and in consideration of other factors, including the client's time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Each client's financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are incorporated into an investment plan that is customized to the client. Clients may identify any investment restrictions to be placed on their account.

Financial planning services also are offered to our clients and may include analysis and planning in the areas of cash flow requirements, education funding needs, risk management, investments, financial independence strategies, retirement planning, and/or transition planning, amongst other services.

#### **SEPARATE ACCOUNT MANAGER ARRANGEMENTS AND THE ETF TACTICAL STRATEGY**

Under certain circumstances, and consistent with an individual client's financial condition, risk tolerance and investment goals, Emery Howard may recommend that the client enter into an investment management agreement with an independent, third party investment manager to manage all or a portion of the client's portfolio. This may occur when the client expresses interest in an investment strategy, asset class or investment vehicle that Emery Howard believes would be advantageously managed by a manager that specializes in that strategy, asset or investment type. Currently, those of our clients interested in following our ETF Tactical Strategy are advised to place a portion of their assets with a third party separate account manager who offers an investment strategy suitable for those Emery Howard clients. The terms and conditions under which a client engages that separate account manager are established in a separate written investment management agreement between the client and the separate account manager and are described in that manager's Form ADV Part 2A disclosure brochure. For these clients, Emery Howard continues to render advisory services and ongoing monitoring and review of the separate account manager's account performance. For its ongoing services, Emery Howard receives its standard annual investment management fee on all client assets under direct management or monitored and reviewed by Emery Howard. [Please see Item 5 below for an explanation of the fees charged by Emery Howard.]

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<sup>1</sup> “Registration” means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply a certain level of skill or training or that the SEC guarantees the quality of our services or recommends them.

## RETIREMENT PLAN CONSULTING SERVICES

In addition to its investment management services, Emery Howard also provides consulting services to retirement plans subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") which may include:

- Defined Contribution Industry benchmarking
- Plan Design Consulting
- Service Provider review and benchmarking
- Administrative assistance with plan
- Financial Analysis of retirement plan
- Education on regulatory issues and industry trends
- Negotiate fees with service providers on behalf of client

We may offer retirement plan consulting services only, investment management services only, or a combination thereof. Clients that retain us for retirement plan consulting services are not obligated to retain us for investment management services and those relying on us for investment management services are not obligated to use our retirement plan consulting services.

## Fiduciary Status

Emery Howard is a fiduciary under applicable federal regulations adopted by the U.S. Securities and Exchange Commission and the U. S. Department of Labor. As a fiduciary, it adheres to specific impartial conduct standards: to provide services and advice that are in the best interest of each client; to provide such services on a basis that is not materially misleading and that fully discloses any conflicts of interest; and to charge a reasonable fee. Copies of the Firm's impartial conduct policies and procedures are available to clients upon request.

## ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2017

Discretionary Assets – \$ 1238688650

Non-discretionary Assets – \$ 6256912

Total Assets Under Management - \$ 1244945562

## Item 5 - FEES AND COMPENSATION

### ADVISORY FEES

For its portfolio management services, Emery Howard charges a blended fee based on a percentage of assets under management. Fees are payable quarterly, in advance. On the opening of an account, we charge the initial management fee based on the value of assets placed in an account, prorated for the remaining portion of the calendar quarter. Our standard fee schedule is as follows:

<u>Portfolio Value of Assets Under Management</u>		<u>Annual Fee as a Percentage of Assets</u>
Up to	\$1,500,000	1.00%
Next	\$1,500,000	0.75%
Next	\$2,000,000	0.50%
Over	\$5,000,000	0.25%

The client's investment management fee to the Firm is determined in accordance with the above standard fee structure, with exceptions negotiated on a case-by-case basis at our discretion. Actual investment management fee arrangements may be lower than the stated schedule.

All fees are payable quarterly in advance, based on the market value of the portfolio on the last day of the prior calendar quarter, with the quarterly fee representing one-fourth of the annual fee.

Clients customarily authorize Emery Howard to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client's instructions to its custodian. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

Clients may arrange to pay their fee directly to the Firm. Under this arrangement, payment is due upon client's receipt of our billing invoice.

### **SEPARATE ACCOUNT MANAGER FEES**

When an Emery Howard client places a portion of their portfolio with a separate account manager for investment management, the client pays an additional management fee to that separate account manager based upon the assets placed with that manager. Such fees are paid pursuant to the client's investment management agreement with the separate account manager and as disclosed to the client in such manager's Form ADV Part 2A disclosure brochure. Separate account management fees are in addition to investment management fees paid to Emery Howard for its management services. Such fees also are in addition to fees and commissions paid to their custodians and executing brokers and, where applicable, to the issuers of securities purchased for their accounts (see custodian, broker, fund and bond disclosures below).

### **RETIREMENT PLAN CONSULTING SERVICES**

Retirement plan consulting fees are assessed in accordance with the specific services requested by the plan representative, as documented in the applicable investment management agreement. Fees are assessed as a percentage of plan assets up to 1.00%, based upon the unique selection of services made by the client plan. All management fees are identified in the investment management agreement executed by the plan representative with exceptions from the above fee structure negotiated on a case-by-case basis at our discretion.

### **GENERAL FEE DISCLOSURE**

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Emery Howard.

The Firm does not provide clients advice as to the tax deductibility of its advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

The client's investment management fee is determined in accordance with the above fee structure, with exceptions negotiated on a case-by-case basis at Emery Howard's discretion. Any deviations from the fee structure are based upon a number of factors including the amount of work involved, the amount of assets placed under management and the attention needed to manage the account. Services provided for the above fees are for investment advice or consultation and quarterly reporting of asset holdings, valuations and performance reviews. Brokerage commissions, custodial charges and asset specific fees such as those charged by mutual funds or money market funds for fund management/administration are not included in the above fees.

### **CUSTODIAN AND BROKERAGE FEES**

Please see Item 12 below for an explanation of our brokerage practices. Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees

on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

## **FUND DISCLOSURES**

Mutual funds, closed-end funds, exchange traded funds and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by Emery Howard, clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Emery Howard. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

## **BOND DISCLOSURE**

Clients whose assets are invested in bonds may pay a sales "mark-up" or other fees to the executing broker in connection with the transaction (secondary market bonds). Clients whose assets are invested in bonds purchased directly from the bond's underwriter (new issues) will not pay a sales credit, sales concession or markup to the underwriter.

## **TERMINATION OF AGREEMENT**

Clients may terminate the management agreement at any time upon written notice to the Firm. The Firm does not assess fees related to termination but will be entitled to all management fees earned up to the date of termination. Any prepaid, unearned fees will be refunded to the client by Advisor on a pro rata basis determined on the amount of time expired in the billing period.

For new clients of the Firm, if a copy of this Form ADV Part 2A disclosure statement was not delivered to the client prior to or simultaneous with a client entering into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

## **Item 6 - PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT**

Emery Howard does not charge an additional performance fee based upon a percentage of the capital gains realized in client accounts. Emery Howard does not manage any client accounts where a performance fee is charged.

## **Item 7 - TYPES OF CLIENTS**

Our clients include individuals and their trusts and estates, pension and profit sharing plans and charitable foundations.

## **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

### **METHODS OF ANALYSIS AND INVESTMENT STRATEGY**

Our portfolio managers focus on strategic asset allocation for our clients. We seek to optimize our client's portfolios employing global diversification, focusing on return expectations, and selecting complimentary asset classes. Client portfolios are constructed around equity and fixed income investments utilizing exchange traded funds (ETFs), institutional class mutual funds, and individual bonds. We base our analysis upon information derived from market publications, commercially available software, securities rating services and corporate financial information.

Specific investments are selected on a basis of expectations of future performance, transaction costs, diversification and the specific financial profile of each client account. When choosing mutual funds Emery Howard attempts to select low cost funds with consistent, strong long term performance in up and down markets. Fixed income investments are chosen on a basis of our judgment of appropriate risk and return characteristics and in almost all cases bonds are purchased with an expectation of being held to maturity.

Our portfolio managers encourage long term holding of investments and a focus on long term results. Although certain market sectors may be over weighted from time to time, we strive to maintain portfolios of broadly diversified investments within the context of a specific client's personal situation.

### **INVESTMENT RISKS**

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk. Here are some of the general risks associated with parts of our investment strategy:

**Inflation** - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

**Price Fluctuation** - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

**Reinvestment of Dividends** - An investor can choose to reinvest interest, dividends and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.

**Short-term purchases** - While we generally purchase securities with the intent to hold them for more than a year, we may on occasion determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value



**Mutual Funds with Foreign Asset Holdings** – Any investments in mutual funds that make foreign investments are subject to the uncertainty with changes in the foreign currency value. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

**Bond Pricing** – The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

**Mello Roos Land-Secured Bonds.** Generally, Emery Howard only invests in Mello Roos land-secured bonds upon which the underlying land development has been nearly completed or completed. Where the land securing a Mello Roos bond is less developed or undeveloped, the risks of Mello Roos bonds may increase and include: **Development Risk.** Until fully built-out, all land-secured bonds bear some degree of development risk subject to downturns in the real estate market. **Higher Leverage.** If a portion of the property securing the bonds remains undeveloped, the value of the undeveloped property may fall below the amount of the land-secured debt allocated to that property in which case, either the property owner or mortgage holder may not remain economically motivated to pay special tax obligations. A **Higher Value-To-Lien Ratio** could potentially provide a stronger incentive for a property owner or mortgage holder to pay taxes and or assessments due on that property. **Taxpayer Concentration.** A land-secured municipal bond deal can mean investors have long-term exposure to a single developer or group of developers, a characteristic that would be lengthened if project development slows.

**Short Sale Trading** – Short Sale Trading, or “shorting” involves a great amount of risk and is not advocated by the Firm, nor is it a part of its investment strategy. In rare cases, short selling may be used as directed by client to achieve specific goals.

**Margin Trading** –In some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client's custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

**Option Trading** – Certain clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

**Alternative Asset Classes** – Many alternative investments are illiquid, which means that the investments can be difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price.

**IPOs** – Are generally investments in companies with limited operational histories and non-existent or weak earnings and are highly subject to market sentiment. Shares purchased through an IPO can often trade down immediately from their offer price or can be subject to wild fluctuations in performance at certain time periods after their entry to the public markets and, as such, carry increased risks of investment loss.

## **Item 9 - DISCIPLINARY INFORMATION**

Emery Howard has no reportable disciplinary history and consequently, is not subject to any disciplinary disclosures.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Emery Howard is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. Although we recommend that our clients custody their investment accounts at Charles Schwab & Co., Inc. ("Schwab"). Schwab is a broker-dealer that is regulated by the Financial Industry Regulatory Authority ("FINRA") and it participates in the Securities Investors Protection Corporation ("SIPC") insurance fund. (See also, Item 12 Brokerage Practices, below.) We have no legal affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

On occasion, we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters however neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

## **Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Emery Howard has adopted a code of ethics and policies and procedures to govern its proprietary and employee personal trading. A copy of Emery Howard's code of ethics is available upon request. The Firm and/or its employees may personally invest in the same securities that are purchased for clients and may own securities of issuers whose securities are subsequently purchased for clients. If a security is bought or sold for clients and for Firm employees on the same day, transactions for clients and employees must either be: aggregated with the client transactions, in which case all participants in the transaction participate on an average price basis and share execution costs proportionately or be executed only after client orders have been filled.

If executed at different times from client orders, it is possible that Emery Howard or employee account transactions may be executed at more favorable prices than were obtained for clients. The Firm or its employees may buy or sell different investments, based on their personal investment considerations, which our portfolio managers may not deem appropriate to buy or sell for clients. It is also possible that the Firm or employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. We may also buy or sell a specific security for a Firm or employee personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. This can occur when securities which are not suitable for clients at the time of purchase are purchased by Emery Howard or its employees. If these securities subsequently appreciate, these personal transactions could be deemed a conflict of interest.

Conversely, the Firm or its employees may liquidate a security position which is held both for their own account and for the accounts of clients, sometimes in advance of clients. This occurs when personal considerations (i.e. liquidity needs, tax-planning, industry/sector weightings) deem a stock sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be deemed a conflict of interest.

Occasionally, our portfolio managers may recommend to clients the same securities that employees previously acquired for themselves in non-public transactions. In addition, the Firm or an employee may purchase options on the same securities held on behalf of clients.

## **Item 12 - BROKERAGE PRACTICES**

### **RECOMMENDATION OF CUSTODIAN AND EXECUTING BROKER**

Emery Howard recommends that clients establish brokerage accounts with Charles Schwab & Co., Inc., (a "qualified custodian", a FINRA registered broker-dealer, and a member SIPC) to maintain

custody of clients' assets and to effect trades for their accounts. While we recommend that clients use Schwab as their custodian and executing broker, the client always decides whether to do so and clients open investment accounts directly with Schwab by entering into a written Schwab account agreement. Schwab is independently owned and operated and not affiliated with Emery Howard and does not supervise or otherwise monitor Emery Howard's investment management services to its clients. Equally, Emery Howard does not supervise or otherwise monitor Schwab's custodial and brokerage services to its clients.

We recommend Schwab as our clients' custodian/broker on the basis of our determination of which custodian/broker will hold our clients' assets and execute transactions on terms that are overall most advantageous to the client when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- A combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of investment products made available (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 them
- Reputation, financial strength and stability of the provider
- Schwab's prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below

Schwab generally does not charge separately for custody for Emery Howard client accounts maintained there, but is compensated instead by commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into the client's Schwab account. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab to avoid "trade away" charges imposed by Schwab for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through Schwab, and in light of Emery Howard's best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab Advisor Services 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 are generally available on an unsolicited basis and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. Nevertheless, our receipt of such services provides an incentive to recommend Schwab custodial services to our clients. Schwab's support services include:

*Services that Benefit You.* 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 you and your account.

*Services that May Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. 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 some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- 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
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- 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 or contribute to third-party vendors (such as Morningstar, Advent/Black Diamond or others) 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.

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 we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give us an incentive to recommend Schwab based on our interest in receiving its services that benefit our business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of 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. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above and not Schwab's services that benefit only us. We have over \$700 million in client assets under management, and do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a conflict of interest.

## **BEST EXECUTION POLICY**

As an investment advisor, the Firm is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, Emery Howard's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the

value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, the Firm's portfolio managers may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. The Firm may select broker-dealers whose fees may be greater than those charged for similar investments if we determine that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Emery Howard's portfolio managers review transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom we execute transactions on behalf of clients.

#### **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

Emery Howard may purchase from a broker-dealer, or may allow a broker-dealer to purchase brokerage or research products or services (known as "soft dollar" products or services) on its behalf. Soft dollar brokerage services and research products may include, but are not limited to: research or market reports, market data services, market research software, corporate governance research, quantitative analytical software, financial newsletters, tuition to research related seminars, execution, order routing, trade settlement services, trade order communication services, order management systems and trading software.

In 2018, the only soft dollar research and services accepted by Emery Howard were provided by Schwab. On an annual basis, Schwab sets a soft dollar allocation for each of the investment advisors whose clients custody accounts at Schwab. This allocation is based upon an advisor's total assets under management placed at Schwab for custody services, rather than on the amount of trade commissions earned by Schwab for executing client securities transactions. In 2018, Schwab allocated \$20,000 to Emery Howard for its use in obtaining soft dollar research, products and services. In 2018, Emery Howard used its allocation to obtain back office client account and data services from Advent/Black Diamond a third party service provider.

Soft dollar brokerage and research products or services may be provided by various broker-dealers and used by Emery Howard for the benefit of all its clients, including clients whose securities transactions are not affected by the broker-dealer that provides the services and research. Such research, or other soft dollar products or services provide a benefit to Emery Howard because it does not have to pay for the research, products or services directly. In exchange for these services, Emery Howard may direct client trades to the providers of such services and research. In such cases, Emery Howard's interest in receiving such research, products or services provides an incentive to select a given broker-dealer to effect transactions or to custody client accounts.

Emery Howard's policy is to only accept research, products and brokerage services when doing so is consistent with its best execution obligations, described above. Further, Emery Howard's policy is to limit its use of such soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Only *bona fide* research and brokerage products and services that provide assistance to Emery Howard in the performance of its investment decision-making responsibilities are permitted.

Clients may pay brokerage commissions (or markups or markdowns) in excess of that which another broker-dealer might charge for effecting the same transaction in recognition of the value of the brokerage and research products and services received by Emery Howard. In such cases, however, Emery Howard will determine in good faith that such commission is reasonable in relation to the value of the brokerage or research products and services provided, viewed in terms of either the specific transaction or Emery Howard's overall responsibilities to the accounts over which it

exercises investment authority. An account may pay higher brokerage commissions than are otherwise available, or may pay more.

### **AGGREGATION OF TRADES AND POTENTIAL CONFLICTS**

In rare instances, Emery Howard may aggregate orders of more than one client if the portfolio manager determines that aggregation is in the best interests of the clients. When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client on a *pro rata* basis, based upon the ratio of the amount of particular issue of securities allocated to the account to the overall amount of that issue purchased. It is our policy that trades are not allocated in any manner that favors one group of similarly-situated clients over another. Client transactions may be aggregated according to custodial relationship in consideration of execution charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Prices for securities purchased or sold in aggregated trades are averaged across the client accounts participating in the trade. Aggregated trades placed with different executing brokers may be priced differently.

While Emery Howard believes combining transaction orders in this way should, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants. There may be circumstances in which transactions on behalf of Emery Howard or its associated persons may not, under certain laws and regulations, be combined with those of some of Emery Howard's other clients. In such cases, neither the Firm nor its associated persons will effect transactions in a security on the same day as clients until after client transactions have been executed.

### **ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

Because Emery Howard manages more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. Emery Howard attempts to resolve all such conflicts in a manner that is generally fair to all clients over time. Emery Howard may give advice and take action with respect to any of the Firm's clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is Emery Howard's policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio manager, based upon client financial condition, investment objectives and guidelines, it is not desirable to acquire a position in such security for that account.

### **Item 13 - REVIEW OF ACCOUNTS**

Individual client accounts are reviewed not less than quarterly by either, Michael Howard, President; Frank Marinaro, Portfolio Manager; or Robert Gross, Financial Planner. Additionally, client accounts are reviewed in response to changes in the financial markets, changes in the firm's investment strategies, and/or changes in individual client circumstances. Reviews verify that client portfolios are invested and managed consistent with client objectives and guidelines and the Firm's investment strategy.

Emery Howard provides written quarterly reports to all clients. These reports include current and historic performance, asset allocation, gains and losses and contributions and withdrawals. In addition, each client receives an account statement from the custodian of the account at least quarterly.

## **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Although it is not currently a party to such an arrangement, Emery Howard may enter into third party marketing arrangements whereby it pays referral fees to persons or entities that refer clients to the Firm. The marketing arrangements will be consistent with Rule 206(4)-3 of the Investment Advisors Act of 1940, as amended. Under no circumstances will the client be disadvantaged by the payment of such fees. Clients of the Firm whose accounts involve third party marketing arrangements are advised of the arrangement and do not pay higher fees as a result of the arrangement.

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

Employees are not paid "sales awards" or other prizes for referring clients to the Firm.

## **Item 15 - CUSTODY**

Emery Howard does not maintain physical custody of client investment assets or funds. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. Emery Howard is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary.

Although Emery Howard does not maintain physical custody of client investment accounts, it is deemed to have custody of client assets on the basis of the Firm's authority to: 1. direct client-approved transfers of assets between a client's own accounts and if authorized, to client-designated third party accounts; and 2. to receive payment of its management fees directly from a client's account.

### **Disclosures Related to Custodians**

Schwab acts as custodian and executing broker-dealer for Emery Howard clients. Schwab is independently owned and operated and not affiliated with Emery Howard and does not supervise or otherwise monitor our investment management services to our clients.

For Emery Howard client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into client accounts that are held with Schwab. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab to avoid "trade away" charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab sends account statements directly to the client (or to an independent third party representative designated by the client), no less than quarterly, showing all funds and securities held, their current value and all transactions executed in the client's account, including the payment to Emery Howard of its investment management fees. Clients should carefully review

those statements promptly when they are received. We also urge clients to compare Schwab's account statements to the periodic portfolio reports they receive from us.

#### **Item 16 - INVESTMENT DISCRETION**

Clients typically appoint Emery Howard as their investment advisor and grant full trading and investment discretion over their assets by executing instructions to or a power of attorney prepared by their account custodian at the time they establish their investment accounts. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell; and
- The broker-dealer to be used in the transaction.

For all client accounts over which Emery Howard has been granted discretionary authority, it is authorized to enter into any type of investment transaction that it deems appropriate for the account, given the financial circumstances, investment objectives, risk tolerance and investment restrictions, if any, set by the individual client. This discretion may be limited by client investment guidelines (asset allocation, types of securities) and by any investment restrictions set by the client.

Emery Howard may continue to hold a security in one client account while selling it for another client account. This occurs when client guidelines or risk tolerances mandate a sale for a particular client. In some cases, consistent with client objectives and risk, the Firm may purchase a security for one client while selling it for another. Client trades may be executed at different times and prices consistent with specific client objectives and risk tolerance.

#### **Item 17 - VOTING CLIENT SECURITIES**

It is Emery Howard policy not to vote proxy solicitations or other corporate actions received on behalf of clients from the issuers of securities held in client's account. All such solicitations will be forwarded to client for voting. Any client wishing to review our proxy voting policies in full may request a copy from the Firm at his or her convenience.

#### **Item 18 - FINANCIAL INFORMATION**

Emery Howard does not require or solicit prepayment of its management fees from clients six months or more in advance. There are no adverse conditions related to the Firm's finances that are likely to impair our ability to meet our contractual commitments to our clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.