

# united Income

## Form ADV Part 2A: Brochure

### United Income, Inc.

July 2018

#### Principal Office

United Income, Inc.

1875 K Street NW

5th Floor

Washington, D.C. 20006

202-558-2017

[www.unitedincome.com](http://www.unitedincome.com)

This Brochure provides information about the qualifications and business practices of United Income, Inc. If you have any questions about the contents of this Brochure, please contact us at 202-558-2017 or by email at [ben@unitedincome.com](mailto:ben@unitedincome.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about United Income is also available on the SEC's website at: <http://www.adviserinfo.sec.gov/>.

## Item 2: Material Changes

On July 11, 2018, we amended this Form ADV Part 2A as follows:

- We have revised the disclosure in Item 4 to update the amount of client assets that we manage on a discretionary and non-discretionary basis.

United Income's annual updating amendment to Form ADV Part 2A filed on March 29, 2018 contained the following material changes:

- We updated Item 4 to include additional information about the services we provide in connection with our corporate sponsored retirement plan consulting services.
- We updated Item 5 to reflect a change to the fee schedule applicable to participants in the United Income Wrap Program.
- We updated Item 8 to include a description of cybersecurity risks.
- We updated Item 12 to reflect the fact that we do not recommend one specific broker-dealer and custodian to clients of our Traditional Portfolio Management Services.
- We updated Item 15 to reflect the fact that we are deemed to have custody of client funds and securities both because United Income can access client funds through its ability to debit advisory fees and because of certain functionality enabled through the United Income Wrap Program software platform.

United Income's registration with the SEC became effective on September 7, 2017.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	2
Item 4: Advisory Business.....	3
Item 5: Fees and Compensation.....	8
Item 6: Performance-Based Fees and Side-by-Side Management.....	12
Item 7: Types of Clients .....	12
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	12
Item 9: Disciplinary Information.....	16
Item 10: Other Financial Industry Activities and Affiliations.....	16
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ...	17
Item 12: Brokerage Practices.....	18
Item 13: Review of Accounts .....	21
Item 14: Client Referrals and Other Compensation .....	21
Item 15: Custody.....	21
Item 16: Investment Discretion .....	22
Item 17: Voting Client Securities .....	22
Item 18: Financial Information .....	22

## Item 4: Advisory Business

United Income, Inc. (“United Income,” the “Advisor,” the “firm,” “us,” “we,” “our”) is an SEC-registered investment adviser that offers portfolio management and financial planning services to clients (“the client”).

United Income was founded by Matt Fellowes in April 2016. He was previously the founder and CEO of HelloWallet, Chief Innovation Officer of Morningstar, and Fellow at The Brookings Institution. Fellowes has also been an Adjunct Professor at Georgetown University and George Washington University.

United Income’s investment program aims to extend the life and potential of money to complement the innovations that have extended human life. Our unified system of money management reflects a deeply held belief that financial decisions are interconnected. New data and technology allow us to observe and understand these relationships in new ways. Our goal is to translate this unique understanding into powerful and personalized money management for our clients that is designed to help bring their retirement dreams to life.

Our team brings decades of experience in the finance and technology markets. Our full-time team and company advisors have written or overseen the laws governing the retirement and financial markets in places such as the White House and Department of Treasury; have worked on technology used by millions of people at places such as Amazon and Palantir; and have won awards like the Webby for best financial services software.

United Income offers its investment advisory services through three different channels: a wrap fee program, Traditional Portfolio Management Services, and Corporate Sponsored Retirement Plan Consulting Services.

### Wrap Fee Program

We are the sponsor and portfolio manager of the United Income Wrap Program (UIWP). Through UIWP we provide portfolio management and financial planning services to individuals and businesses. We help clients develop and execute money management plans that are suitable for their specific retirement needs and spending goals. We provide our portfolio management and financial planning services in wrap fee investment programs that bundle our services (investment advice, trade execution, etc.) together and charge a single fee based on the value of assets under management.

Clients participating in the UIWP will have their assets custodied at a different custodian than non-wrap fee clients. A portion of the wrap fee will be allocated for our other services outside of portfolio management, including financial planning and other client services.

We will analyze the client’s financial circumstances, investment goals and objectives, and determine their risk score. We ask the client to provide information summarizing current investments, income and other earnings, recent tax returns, retirement plan information, other assets and liabilities, wills and trusts, insurance policies, basic health information, and other pertinent information, to determine effective money management. This allows us to create a personalized investment portfolio and money management plan for each of our clients. United Income primarily uses exchange-traded funds (ETFs) to build client portfolios in the UIWP, and may include stocks, bonds, and mutual funds already held by the client. The

specific allocation and investments will be chosen based on the client's best interest and based on certain assumptions made by United Income with respect to interest rates, inflation rates and capital market returns of individual investments, the financial markets, and the global economy.

As part of our portfolio management and financial planning services, we will:

- Review the client's present financial situation;
- Monitor and track assets under management;
- Provide updates to a client's portfolio and asset allocation on our web application and paper statements as needed (paper statements are an additional cost);
- Advise on asset allocation;
- Monitor portfolios for style drift and for performance against selected benchmarks and provide portfolio rebalancing as necessary;
- Assist in setting and monitoring goals and objectives;
- Provide personal consultations upon request; and
- Provide a dynamic predictive spending curve for each year of life.

The client is responsible for notifying us promptly about any changes in their financial situation, goals, objectives, personal circumstances, or needs that might affect their money management plan.

All UIWP accounts are managed on a discretionary basis. Under certain conditions, securities from outside accounts can be transferred into the client's account; however, we often recommend that the client sell any security if we believe that it is not suitable for the investment strategy we recommend. However, clients may restrict the sale of certain mutual funds, stocks, or other securities that are transferred into their UIWP taxable accounts.

When the client provides discretionary authority, we can determine the following without further consent:

- Securities to be bought or sold;
- The timing of those transactions;
- Amount of securities to be bought or sold; and
- Broker-dealer to be used for a purchase or sale of securities.

Trading is often required to meet initial allocation targets, after substantial cash deposits that require investment allocation, and/or after a request for a withdrawal that requires liquidation of a position. Additionally, accounts are rebalanced or reallocated periodically in order to maintain the targeted asset allocation. This rebalancing or reallocation will occur on a dynamic schedule that is based on market conditions, changes in the client's financial plan, and client deposits and withdrawals. The client is responsible for any and all tax consequences resulting from any rebalancing or reallocation of the account. We are not tax professionals and do not give tax advice; however we attempt to minimize the tax consequences of investment rebalancing (see Item 8). In all cases we will provide the client with annual tax documents to share with their personal tax advisor.

We will help the client open a custodial account(s). We require all UIWP accounts to be custodied at Apex Clearing Corporation ("Apex"), an independent custodian.

### **Additional UIWP Information**

After the client has completed United Income's questionnaire, United Income's proprietary algorithms generate a financial plan and goal-based asset allocation for a client's recommended portfolio. After the portfolio is implemented, the algorithms will continue to optimize the financial plan and rebalance the asset allocations based on market conditions and changes in the client's financial situation. In order to address the potential limitations of the algorithms and to ensure United Income is fulfilling its fiduciary duty to its clients, United Income's quality assurance engineers, investment and planning committees and the client's individual financial advisor each review these algorithms and the individual client accounts on an ongoing basis. If necessary, the engineers and advisors also have the ability to override the algorithms to make any necessary adjustments to a client's asset allocation. If the client's financial situation changes, the client should update their individual financial plan online or work with their personal financial advisor to make the necessary adjustments to their portfolio.

### **Traditional Portfolio Management Services**

In addition to our technology-based wrap fee program, we also provide Traditional Portfolio Management Services to clients seeking continuous advice regarding the investment of funds based on their individual needs. Through personal discussions, we will establish goals and objectives, develop a personal investment policy, and create and manage a portfolio based on that policy. During our data-gathering process, we determine individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss prior investment history, as well as family composition and background.

United Income manages these advisory accounts on a discretionary and non-discretionary basis. Account supervision is guided by stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income).

In both non-discretionary and discretionary relationships, the client may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Our investment recommendations are not limited to any specific product or service and will generally include advice regarding the following securities:

- ETFs and other exchange listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities

- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve additional degrees of risk, these investments will only be implemented or recommended to clients when consistent with stated investment objectives, risk tolerance, liquidity and suitability.

### **Corporate Sponsored Retirement Plan Consulting Services**

United Income's Corporate Sponsored Retirement Plan Consulting Services can be provided separately or in combination, and on either a discretionary or non-discretionary basis. While the primary clients for these services will be pension, profit sharing, and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates, and charitable organizations. Corporate Sponsored Retirement Plan Consulting Services comprise four distinct services. Clients may choose to use any or all of the following services:

#### **Investment Policy Statement (IPS) Preparation**

We meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the corporation's stated investment objectives for management of the overall plan. We then prepare a written IPS detailing those needs and goals and provide a proposed strategy to achieve those goals. The IPS also lists the criteria for selection of investment vehicles, as well as the procedures for monitoring investment performance.

#### **Selection of Investment Vehicles**

We assist the corporation in constructing appropriate asset allocation models. We will then review various investment vehicles such as mutual funds and exchange traded funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. When providing non-discretionary investment advisory services, we are responsible for making investment recommendations to the plan regarding the fund options made available to plan participants. The plan fiduciaries are ultimately required to exercise their discretion to act upon the investment recommendations we make. When providing discretionary investment advisory services, we are solely responsible for determining the appropriate investment options available to plan participants. We work with the plan administrator and qualified custodian to ensure the selected investment options are available to plan participants.

#### **Monitoring of Investment Performance**

We monitor client investments based on the procedures and timing intervals delineated in the IPS. When we provide non-discretionary investment advisory services we are not involved in any way in the purchase or sale of these investments, although we monitor the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate. When we provide discretionary investment advisory services we are responsible for the ongoing monitoring of investment options and implementing changes as necessary. Plan fiduciaries are given notice of changes to existing allocations and/or investment

choices; however, we implement those changes as promptly as possible in coordination with the administrator and plan custodian. Consent of the plan for investment options changes is not required.

### **Employee Communications**

For pension, profit sharing, and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we also provide educational support and investment workshops designed for the plan participants when the plan sponsor engages our firm to provide such services. We will determine the nature of the topics to be covered in partnership with the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

### **Company Ownership**

United Income's principal owners are Matthew Fellowes and Morningstar, Inc.

As of June 30, 2018, United Income managed a total of \$435,973,094 of client assets, constituting \$276,326,502 of client assets managed on a discretionary basis and \$159,646,592 of client assets managed on a non-discretionary basis. The non-discretionary assets managed under our Corporate Sponsored Retirement Plan Consulting Services are not included in the amount we report as "regulatory assets under management" in response to Item 5 of Form ADV Part 1A.

## Item 5: Fees and Compensation

### Wrap Fee Program

UIWP is a multi-tier investment program that includes portfolio management, financial planning services and the execution of all transactions for one annual fee. The annual fee we charge is based upon the value of the client's account, and not based on trade execution. Fees are charged monthly, in arrears. Fees are calculated as follows:

	Self Service (online-only)	Full Service (unlimited access to financial advisor <sup>1</sup> and retirement concierge)
Management Fees - Assets Under Management (AUM) Tiers	0.50%	First \$0.5M 0.80% Next \$1.0M 0.75% Next \$2.0M 0.65% Next \$6.5M 0.75% Over \$10.0M 0.45%
Account Minimums	\$10,000	\$300,000

<sup>1</sup> Full Service clients requesting in-person meetings with our advisory team are subject to an additional 0.08% fee.

The wrap fee amount is based on the previous month's average account balance. The wrap fees shown above are annual fees and are negotiable based upon certain circumstances and at the Advisor's discretion. Wrap fees for partial periods are charged on a pro rata basis based on the number of days remaining in the billing period. No increase in the wrap fee shall be effective without prior written notification to the client. We believe our wrap fee is reasonable, considering the fees charged by other investment advisors offering similar services/programs. Our wrap fees are not based upon a share of capital gains or capital appreciation of the client's account.

Clients authorize Apex to directly debit United Income's wrap fees from their accounts on a monthly basis. We use Apex as the custodian and broker-dealer to place trades for all UIWP accounts. Wrap fees are prorated for each contribution and withdrawal made during the applicable calendar month. The client will be provided with a monthly statement reflecting the deduction of United Income's wrap fees.

By participating in the UIWP, clients may end up paying more or less than they would through a non-wrap fee program. The wrap fee includes trade execution costs that would typically be passed directly through to the Client by the executing broker. Clients could invest directly in the debt and equity securities recommended through UIWP, without paying for the Advisor's services. In that case, clients would not receive the services provided by the Advisor, which are designed, among other things, to assist in determining which investments are appropriate for the client's portfolio.



United Income's wrap fees do not include other related costs and expenses which include certain charges imposed by Apex. The costs not covered include custodial printing fees for paper-based statements and documents, odd-lot differentials, paper checks, transfer taxes, and wire transfer fees. Mutual funds, money market funds and ETFs also charge shareholders certain fees that are disclosed in the fund's prospectus. To the extent that a client invests in mutual funds, money market funds and ETFs, the client will bear its pro rata portion of such fees, which may include, but are not limited to, a management fees, upfront and contingent deferred sales charges (or 'loads'), shareholder servicing fees, recordkeeping and sub-transfer agency fees and distribution fees (sometimes referred to as "12(b)(1) fees."). We do not receive any portion of the fees charged by mutual funds, money market funds and ETFs, but clients should understand that such fees are in addition to the management fee the client pays us. Clients should review the prospectuses of each fund in which they invest to fully understand the total amount of fees to be paid. Services similar to those we offer may be available elsewhere for more or less than the amounts we charge.

Since we do not charge fees based on trading activity, we may have an incentive to limit trading activities in account(s) because we incur costs for executing trades. In addition, the amount of compensation received by the Advisor may be more than what the Advisor would receive if the client paid separately ("unbundled") for investment advice, brokerage, and other services. The person recommending the UIWP may receive additional compensation as a result of a client's participation in UIWP, which may be more than what the employee would receive if a Client participated in other programs, and therefore may have a financial incentive to recommend the UIWP over other programs or services. The Advisor monitors all Client accounts to ensure that the Advisor's fiduciary duty is met for all Clients in recommending UIWP.

**Limited Negotiability of Advisory Fees:** Although we have established the aforementioned wrap fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining whether United Income may discount a client's wrap fee. These factors include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition and reports provided to the client, among other factors. The specific annual wrap fee schedule is identified in the advisory agreement between United Income and each client.

We aggregate certain related client accounts for the purposes of achieving potential break points in the wrap fee.

Wrap fee waivers, which are not generally available to our advisory clients, are offered to employees of our firm and their family members, defined as children, siblings, parents, grandparents, registered domestic partners or spouses, in-laws, first cousins, and aunts and uncles.

## Traditional Portfolio Management Services

The annualized management fees for Traditional Portfolio Management Services are charged as a percentage of assets under management, according to the following schedule:

Assets under Management	Annual Fee
First \$250,000	1.25%
Next \$250,001 to \$1,000,000	0.90%
Next \$1,000,001 to \$2,500,000	0.65%
Next \$2,500,001 to \$5,000,000	0.55%
Next \$5,000,001 to \$10,000,000	0.50%
Over \$10,000,000	Negotiable

A minimum of \$100,000 of assets under management is required for this service. This account size and fee are negotiable under certain circumstances as described below. United Income's management fees are paid quarterly, in advance, and are deducted directly from the client's custodial accounts. The management fee is based on the monthly average balance of the client's account during each billing period. If a client terminates its relationship with United Income during a quarter, we will refund a prorated portion of the prepaid management fee based on the number of days left in the quarter.

Clients receiving Traditional Portfolio Management Services who entered into investment advisory agreements with other investment advisers prior to consenting to United Income's management of their investment portfolios are subject to the management fees and billing process contained in their particular investment advisory agreements.

United Income's fees do not include other related costs and expenses which include certain charges imposed by the custodian. These costs include custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees on brokerage accounts and securities transactions. Mutual funds, money market funds and ETFs also charge shareholders certain fees that are disclosed in the fund's prospectus. To the extent that a client invests in mutual funds, money market funds and ETFs, the client will bear its pro rata portion of such fees, which may include, but are not limited to, a management fees, upfront and contingent deferred sales charges (or 'loads'), shareholder servicing fees, recordkeeping and sub-transfer agency fees and distribution fees (sometimes referred to as "12(b)(1) fees."). We do not receive any portion of the fees charged by mutual funds, money market funds and ETFs, but clients should understand that such fees are in addition to the management fee the client pays us. Clients should review the prospectuses of each fund in which they invest to fully understand the total amount of fees to be paid. Services similar to those we offer may be available elsewhere for more or less than the amounts we charge.

**Limited Negotiability of Advisory Fees:** Although United Income has established the aforementioned management fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining whether United Income may discount a client's management fee. These factors include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports provided to the client, among other factors. The specific annual management fee schedule is identified in the advisory agreement between United Income and each client.

United Income will group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Management fee waivers, which are not generally available to our advisory clients, are offered to employees of our firm and their family members, defined as children, siblings, parents, grandparents, registered domestic partners or spouses, in-laws, first cousins, and aunts and uncles.

### **Corporate Sponsored Retirement Plan Consulting Services**

Our fees for Corporate Sponsored Retirement Plan Consulting Services are based on a percentage of assets under advisement. We charge an annual fee for Corporate Sponsored Retirement Plan Consulting Services that ranges from 0.05% to 1.25% of plan assets, and we have in the past also charged an hourly rate documented in the advisory contract, depending on the services requested and the size of the plan.

Plan sponsors are invoiced in advance at the beginning of each calendar quarter.

A minimum fee of \$2,500 is required. This account size and fee are negotiable under certain circumstances.

### **General Information About All Services**

#### **Termination of the Advisory Relationship**

A client agreement can be canceled at any time, by either party, for any reason upon receipt of 30 days' written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

#### **Mutual Fund Fees**

All fees paid to United Income for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes a sales charge, a client would either pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without receiving our services, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial situation and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services United Income provides.

#### **ERISA Accounts**

United Income is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act (ERISA), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, we are subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, we may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

### **Advisory Fees in General**

Advisory fee waivers, which are not generally available to our advisory clients, are offered to employees of our firm and their family members, defined as children, siblings, parents, grandparents, registered domestic partners or spouses, in-laws, first cousins, and aunts and uncles.

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

United Income does not charge clients any performance-based fees. Some investment advisors experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to United Income.

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

United Income provides portfolio management and financial planning services to individuals, high net worth individuals, trusts, estates, corporations, corporate pension and profit sharing plans (other than plan participants), and other businesses.

As previously disclosed in Item 5, United Income has established certain initial minimum account requirements, based on the nature of the service(s) being provided.

For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **Wrap Fee Program, Traditional Portfolio Management Services, and Corporate Sponsored Retirement Plan Consulting Services**

United Income clients (individuals and employers), regardless of the specific services they receive, will take advantage of all or some of the following methodological strategies. Depending on the client's individual needs, the strategies will vary.

### **Methods of Analysis and Investment Strategies**

United Income invests in global asset classes to provide diversification, and we focus on factor strategies such as value, quality, momentum and low-volatility with the goal of outperforming the market. Our approach is based on the economic theories of Nobel Laureate Harry Markowitz, Nobel Laureate Eugene Fama, and other academic researchers. Using capital market assumptions from Morningstar Inc., including correlation analysis and projected financial performance of asset classes, we create a diversified global portfolio consisting primarily of ETFs personalized for each client based on their specified or actuarially calculated time horizon, selected risk tolerance, current asset allocation, other income sources, and dynamic financial goals.

### **Portfolio Allocation Methodology**

United Income takes a holistic view of a client's financial goals and objectives and accounts for variable risk tolerances of client portfolios to meet different expense and income goals, such as fixed and variable expenses throughout a client's lifetime.

Our investments are selected from diversified asset classes across the globe. United Income selects investments that we believe capture the asset class well and are low-cost relative to other investments in the same asset class. This includes low-cost ETFs and occasionally includes other investments, such as individual stocks, bonds or mutual funds.

We then assess the spending needs of our clients, across their discretionary, non-discretionary, health, charitable giving, and spending goals. This includes the (a) amount of the spending need, (b) the start and end dates of the spending need, and (c) the effect of projected inflation rates on the spending need, if relevant. This establishes a personalized baseline spending liability amount, which we find is much more effective than the routine default assumptions widely used in the financial planning market, such as a fixed percentage of income.

Next, we assess current investment holdings, which include holdings that United Income is managing, as well as extant holdings that are outside of United Income's management. This could include taxable and non-taxable investment accounts, as well as other sources of income or other assets, such as real estate, Social Security Income, rental income, annuities, or expected inheritances. This provides a baseline for understanding the existing asset class diversification of the client, as well as an understanding of their investment fees and other preferences.

United Income then creates a holistic investment strategy for clients by having the client assign a risk tolerance to each one of their spending needs, which then translates to an asset allocation between equity and fixed income. In concert with the information gleaned about extant holdings, this assessment of individual spending needs and risk tolerance gives us the information to develop a customized and dynamic portfolio for each client.

We then offset desired fixed income exposure with income sources such as Social Security, rental income, annuities, pensions, or other income. The resulting desired equity and fixed income exposures are invested across the approximately 10 asset classes in our model. Each client's portfolio is periodically rebalanced to maintain the allocation across these asset classes, which maintains the client's desired risk exposure.

We continuously update our investment methodology to make what United Income believes to be the best investment decisions for our clients. For instance, we are currently testing advanced models of risk analysis and empirical distributions to better inform our allocations.

### **Tax Drawdown Methodology**

United Income utilizes account drawdown strategies drawn from the academic literature for different account types (Roth IRA, Traditional IRA, and Taxable Accounts) to achieve tax efficient withdrawals and manage clients' required minimum distributions. This includes helping clients avoid short-term capital gains during portfolio rebalancing and withdrawals, and identifying the appropriate timing of rebalancing to minimize taxes on client accounts. We understand the importance of tax efficient withdrawals for our

clients and take very seriously the role that account-sequencing can play in increasing the lifetime investment returns of our clients.

### **Spending Curve Analysis and Methodology**

United Income believes strongly in the academic data-driven research about behavioral spending patterns of the aging US population, which inform our withdrawal projections for a client. Our retirement spending projections are customized for our clients, since recent literature has been unambiguous that spending patterns vary systematically as households age; this is especially true in retirement since, as longevity increases, health care costs become increasingly sizeable and volatile expenses. We believe that our customized spending projections are a much more accurate approach, compared to the widely used standard of taking a share of income and assuming that it is constant throughout retirement.

### **Cyclical Analysis**

United Income's portfolios are subject to change based on new or updated information from the client as well as changes in current and projected financial market analysis. For instance, Morningstar Inc., the source of our capital market assumptions, periodically updates its projections of asset class performance. In addition, our clients may receive inheritances, have new health spending needs, or change their charitable preferences, which can adjust the allocation of their portfolios. In short, United Income's personalized portfolios are fluid and dynamic. They are subject to interval-based updating, and rebalancing can occur on a regular basis to meet a client's changing goals and financial objectives.

### **Risk of Loss**

Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Diversification does not ensure a profit and may not protect against loss in declining markets. We cannot guarantee our investment strategy will yield a return and meet investor objectives. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that clients should be prepared to bear. Clients should understand that investment decisions made by United Income are subject to various market, currency, economic, political, and business risks. The investment decisions we make will not always be profitable, nor can we guarantee any level of performance.

Clients need to remember that past performance is no guarantee of future results. All investments carry some level of risk. Clients can lose some or all of the money invested, including principal, because the securities held in an account go up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

While past performance does not necessarily predict future returns, it can tell how volatile (or stable) an investment has been over a period of time. Generally, the more volatile the investment has been, the higher the investment risk. If money is needed to meet a financial goal in the near-term, the client probably

cannot afford the risk of investing in a security with a volatile history because there may not be enough time to ride out any declines in these types of investments.

### **Exchange Traded Funds**

ETFs are subject to market risk, including the possible loss of principal. ETFs trade like a stock and the value of the ETF will fluctuate with the value of the underlying securities. ETFs at times trade for more or less than their net asset value. ETFs will have underlying investment strategy risks consistent with the underlying investments in the ETFs' portfolios. The types of investments held in ETFs may include but are not limited to: equities, commodities, bonds, real estate and international securities or currencies. Due to their narrow focus, sector-based investments typically exhibit greater volatility. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance. The risk of loss in trading commodities and futures can be substantial. The high degree of leverage that is often obtainable in commodity trading can work either for or against the performance of this type of investment.

### **Mutual Funds**

Mutual funds involve risks including the possible loss of principal. When a mutual fund is not fully invested and maintains a portion of its portfolio in cash or cash equivalents, there is a risk that the market will begin to rise and cause the mutual fund to miss capturing the full effect of changing market conditions. Some mutual funds may use leverage as part of their investment strategy. Using leverage can magnify a mutual fund's potential for gain or loss and, therefore, amplify the effects of market volatility on a mutual fund's share price. A mutual fund may be subject to the risk that its assets are invested in a particular sector or group of sectors in the economy, and as a result, the value of the mutual fund may be adversely impacted by events or developments in a sector or group of sectors. The price of small or medium capitalization company stocks can be subject to more abrupt or erratic market movements than larger, more established companies or the market averages in general. A higher portfolio turnover will result in higher transactional and brokerage costs and can result in higher taxes when mutual fund shares are held in a taxable account. Mutual funds are subject to investment advisory and other expenses, which will be indirectly paid by the client who owns the mutual fund. As a result, the cost of investing in some mutual funds may be higher than the cost of investing in other mutual funds.

### **Common Stocks**

The risks of investing in common stocks include:

- Stock market risk, which is the risk that stock prices overall will decline (stock markets tend to move in cycles, with periods of rising prices and periods of falling prices);
- Sector risk, which is the risk that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market (daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market; and
- Difficulty in identifying undervalued stocks (there are no assurances that such opportunities will be successfully recognized or acquired).

## **Fixed Income**

The risks of investing in fixed income securities include:

- Credit risk, which is the risk that one of the credit agencies (e.g., Moody's or Standard & Poor's) downgrades the rating on a municipal, government, or corporate bond, thereby causing a decline in the bond's value;
- Call risk, which is the risk that a callable, high coupon bond is called away from the investor in a low interest rate environment, leaving the investor with less attractive reinvestment options; and
- Interest rate risk (bond prices move inversely to interest rates, and if interest rates rise, the price of bonds will decline).

## **Cybersecurity Risks**

As the use of technology has grown, there are ongoing cybersecurity risks that make United Income and its clients susceptible to operational and financial risks associated with cybersecurity. To the extent that United Income is subject to a cyber-attack or other unauthorized access is gained to its systems, United Income and its clients may be subject to substantial losses in the form of theft, loss, misuse, improper release or unauthorized access to confidential or restricted data related to United Income or its clients. Cyber-attacks affecting United Income's service providers holding its financial or client data may also result in financial losses to United Income's clients, despite efforts to prevent and mitigate such risks under United Income's policies. While measures have been developed which are designed to reduce the risks associated with cybersecurity, there are inherent limitations in such measures and there is no guarantee those measures will be effective, particularly since United Income does not directly control the cybersecurity measures of its service providers and financial intermediaries with which it does business.

## **Item 9: Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to evaluating United Income or the integrity of our management. We do not have any information to disclose concerning United Income, its management, or any of its employees that would be material to a client's or prospective client's evaluation of United Income's advisory business or the integrity of its management. We require high ethical standards from all United Income employees and strive to do what is in the client's best interest.

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

Management personnel of United Income are also managers of Benefit Strategies, Inc., which is a subsidiary of United Income, providing plan administration services to the sponsors of qualified retirement plans for a fee. Benefit Strategies is owned and operated by United Income.

In particular, Benefit Strategies, Inc. provides account record-keeping services and a trading platform (via internet and telephone) by which plan participants may direct the investment of assets in their qualified plan account. Benefit Strategies, Inc. may refer plan sponsors in need of advisory services to our firm. Conversely, United Income may refer clients in need of third-party administrative services to Benefit Strategies, Inc. However, there are no referral fee arrangements between Benefit Strategies, Inc., and United Income for these referrals. Third-party administrative services provided by Benefit Strategies, Inc.,



are separate and distinct from the advisory services we provide and are provided for separate compensation. No advisory client is obligated to use Benefit Strategies, Inc. for any third-party administrative services and no client of Benefit Strategies, Inc. is obligated to utilize United Income's advisory services. Sponsors or trustees of pension, profit sharing, 401(k), IRA, or other client accounts subject to the provisions of ERISA or the prohibited transaction provisions of the Internal Revenue Code are solely responsible for determining whether or not to engage the services of Benefit Strategies, Inc.

Advisory fees will be offset by compensation earned by Benefit Strategies, Inc. from pension, profit sharing, 401(k), IRA, or other client accounts if such fee arrangements would not constitute a prohibited transaction under the provisions of ERISA or the Internal Revenue Code and where an exemption from such prohibition is not otherwise applicable.

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

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

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

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

United Income's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. All employees are reminded that such information may not be used in a personal or professional capacity.

A copy of United Income's Code of Ethics is available to our prospective and current clients upon request by sending an email to [ben@unitedincome.com](mailto:ben@unitedincome.com) or by calling our office at (202) 558-2017.

United Income and our employees are prohibited from engaging in principal transactions and agency cross transactions.

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

United Income and/or our employees are permitted to buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, United Income employees may have an interest or position in certain securities which are also recommended to clients. It is the expressed policy of our firm that United Income employees may not purchase or sell any security prior to a transaction in the same security being implemented for a client account.

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

United Income has established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosures:

- No principal or employee of our firm will put his or her own interest above the interest of an advisory client.
- Principals and employees of United Income are prohibited from buying or selling securities for their personal portfolio(s) while in possession of material, non-public information relating to such securities.
- We maintain a list of all reportable securities held in our firm's and employees' investment accounts. These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
- We have established procedures for the maintenance of all required books and records.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- United Income will provide its Code of Ethics to all supervised persons and will require each supervised person to acknowledge their receipt and understanding of the Code of Ethics.
- United Income's Code of Ethics requires all supervised persons to report violations of the Code of Ethics to senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12: Brokerage Practices**

United Income aggregates trades for Traditional Portfolio Management Services clients and UIWP clients where possible and when advantageous to these clients. UIWP client trades will not be aggregated with Traditional Portfolio Management Services clients' trades. Aggregating trades permits the trading of blocks of securities from multiple client accounts, with each client in the aggregated trade receiving an average execution price and sharing pro-rata in the transaction costs. UIWP clients are not charged transaction costs for specific trades, as transaction costs are included in the UIWP fee.

Block trading allows us to execute equity trades in a timelier, more equitable manner, at an average share price. For Traditional Portfolio Management Services clients, United Income will typically aggregate trades for those clients whose accounts are held at the same custodian. United Income's block trading policy and procedures for clients who receive Traditional Portfolio Management Services are as follows:

- Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with United Income or our firm's order allocation policy.
- The United Income trading and rebalance algorithms, in concert with the portfolio manager, must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- The portfolio manager must reasonably believe that order aggregation will benefit and enable United Income to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- Prior to entry of an aggregated order, United Income identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- If the order cannot be executed in full, the quantity of securities purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd lots or partial shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- Generally, each client who participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- Funds and securities for aggregated orders are clearly identified on United Income's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- No client or account will be favored over another.

It is the policy of United Income to allocate the securities recommended to its UIWP clients in a way we believe to be in the best interests of our clients. If we have determined to invest in the same direction in

the same security at the same time for more than one of our UIWP accounts, we will generally aggregate these orders. If all such orders are not filled at the same price, we will, to the greatest extent possible, allocate the trades such that the order for each account is filled at the same average price. Similarly, if an order on behalf of more than one UIWP account cannot be fully executed under prevailing market conditions, we will allocate the trades among all accounts included in the aggregated trade on a basis that does not favor any specific client.

### **Broker Dealer Partner Selection**

For UIWP clients, United Income selected Apex as its broker-dealer and custodian, based on their ability to provide the necessary services for an appropriate fee and because Apex possesses the appropriate technology that integrates with United Income's systems.

For United Income clients receiving Traditional Portfolio Management Services, United Income did not select these accounts' broker-dealers and custodians. These clients selected their custodians prior to consenting to United Income's management of their investment portfolios. All trades for these clients are placed through the accounts' custodians. We expect that these custodians will only temporarily be connected to these clients, since all clients will eventually be moved to the UIWP and Apex, as custodian, typically within 6 months of hiring us.

### **Brokerage Practices at Apex**

United Income requires that clients in the UIWP establish brokerage accounts with Apex, to maintain custody of clients' assets and to affect trades for their accounts.

United Income is independently owned and operated and not affiliated with Apex.

Apex provides us with access to their institutional trading and custody services which are typically not available to retail investors. These services are not contingent upon our firm committing to Apex any specific amount of business (assets in custody or trading commissions). Apex's brokerage services include the execution of securities transactions, custody, and access to mutual funds and other investments that may otherwise only be available to institutional investors or would require a significantly higher minimum initial investment.

Apex's services that assist us in managing and administering our clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements);
- Facilitate trade execution and allocation of aggregated trade orders for multiple client accounts;
- Facilitate payment of our fees from clients' accounts; and
- Assist with administrative functions, record-keeping and client reporting.

United Income's receipt of additional services does not diminish our fiduciary duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

## **Item 13: Review of Accounts**

### **Wrap Fee Program and Traditional Portfolio Management Services**

Underlying securities within all portfolios are monitored and reviewed on a dynamic basis. These reviews are triggered by material changes in variables such as the client's individual circumstances and financial plan, or the market, political or economic environment.

Client accounts and financial plans are reviewed in the context of each client's stated investment objectives and guidelines. These reviews are conducted at least annually and are facilitated by one of our financial advisors. The nature of the review is to ensure that investments are consistent with client objectives and new life circumstances are taken into account.

United Income's clients' performance, holdings, and financial planning graphs are always available to clients through a secure portal accessible from our website. Investment holdings and performance information are updated daily.

### **Corporate Sponsored Retirement Plan Consulting Services**

United Income's Vice President of Investments reviews each clients' IPS annually or whenever the client advises us of a change in circumstances regarding the needs of the plan. United Income also reviews the investment options of each plan on a quarterly basis.

United Income provides reports to Corporate Sponsored Retirement Plan Consulting Services clients based on the terms set forth in the management agreement between United Income and each client.

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

United Income does not compensate any third-party solicitors for UIWP, Traditional Portfolio Management Services, or Corporate Sponsored Retirement Plan Consulting Services client referrals.

It is United Income's policy to not accept or allow our employees to accept any form of compensation, including cash, sales awards, or other prizes, from a non-client in conjunction with the advisory services we provide to our UIWP, Traditional Portfolio Management Services, or Corporate Sponsored Retirement Plan Consulting Services clients.

## **Item 15: Custody**

All clients' accounts are held in custody by unaffiliated broker-dealers. United Income is deemed to have custody of client assets both because United Income can access client funds through its ability to debit advisory fees, and because of certain functionality enabled through the UIWP software platform. Account custodians send statements directly to clients on at least a quarterly basis. Clients should carefully review these statements and compare these custodial statements to any reports provided by United Income.

## **Item 16: Investment Discretion**

United Income manages client accounts on both a discretionary and non-discretionary basis. Clients in the wrap fee program may impose restrictions on the sale of assets that they already hold in brokerage accounts, while clients in the traditional management program may impose broader restrictions on the purchase and sale of securities. Clients designate whether United Income has discretionary authority over their account through the execution of an investment advisory agreement with the firm.

## **Item 17: Voting Client Securities**

As a matter of firm policy, United Income does not vote proxies on behalf of clients. Therefore clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type events pertaining to the client's investment assets. Clients are responsible for instructing each account custodian to forward to the client copies of all proxies and other shareholder communications (e.g., class action notifications) relating to the client's investment portfolios.

If requested, United Income will provide clients with consulting assistance regarding proxy voting issues.

## **Item 18: Financial Information**

United Income does not have any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. United Income has not been the subject of a bankruptcy petition at any time over the past ten years.