



COMPOSEDPRO

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WRAP FEE PROGRAM BROCHURE

September 26, 2019

This brochure provides information about the qualifications and business practices of ComposedPro, Inc. If you have any questions about the contents contained within, please contact the Company at (281) 705-7161 or support@composedfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ComposedPro, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

ComposedPro, Inc. is a registered investment advisor in the State of Texas. Registration does not imply a certain level of skill or training.

Item 2 - Material Changes Since Last Annual Update

Since our last annual update, we have changed our headquarter office address to:

708 Main St, 10th Floor
Houston, TX 77002

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Item 4 – Services, Fees, and Compensation

ComposedPro, Inc. (“ComposedPro”, “the “Company”, “we”, “our”, “Advisor”, and or, “the “Firm”) was formed in 2018 and provides investment management and financial planning services to its Clients. It was formed by Matt Schwegman who is also an Investment Advisor Representative of the Company. The Company’s mission is to ***improve financial outcomes through organization and technology.***

ComposedPro’s clients are typically working professionals who are acquiring more and more accounts with more and more acronyms. They may have a growing family, and the time to manage multiple accounts is scarce. The need ComposedPro to regain control of their finances, and improve their financial outcomes.

ComposedPro improves financial outcomes by focusing on two main issues in client portfolios: FEES and TAXES. ComposedPro lowers fees and taxes in client portfolios through the **Employer-Coordinated Portfolio™**, the **Smart Location Score™**, and the **Asset Location Heat Map™**. The **Employer-Coordinated Portfolio™** is a method created by ComposedPro to look at all accounts used for Retirement in aggregate instead of individually. Getting accounts to work together and looking at the big picture can lead to lower fees and taxes. In our opinion, this is the best path towards an improved financial outcome. The **Employer-Coordinated Portfolio™** first looks at accounts INSIDE and employer (i.e. 401ks and 403bs) to find the good options available, and then supplements with accounts OUTSIDE (i.e. IRAs and brokerages) where the INSIDE accounts may be lacking good options.

Because ComposedPro focuses on the big picture, it is able to provide services that may not be offered by other firms. Please see below for the full list of services ComposedPro provides:

- **Investments** – the Employer-Coordinated Portfolio™ is a method for lowering fees and taxes on an overall portfolio. If multiple accounts are used for one goal, then we are most concerned with the overall investment allocation. Looking at the aggregate big picture allows us to meaningfully lower fees and taxes for clients. Our Smart Placement Score™ grades client portfolios as to how well their investments are placed in their various accounts. The Asset Location Heat Map™ is a visual depiction of how well investments are placed.
- **Contributions** - Confused on traditional vs Roth contributions to your 401(k)? We provide specific contribution recommendations so that you maximize your company match and are properly diversified among your tax-exempt, tax-deferred, and taxable accounts.
- **New Accounts** - If your portfolio is lacking certain accounts that could benefit you, we will recommend that you open certain accounts if eligible.
- **Less Conflicted Rollovers** - We provide recommendations on when to roll over your employer account. Most advisors are ONLY concerned with accounts OUTSIDE of your employer. They have an inherent conflict to your best interests because they receive more fees if you roll an employer account to an IRA for them to manage. Since we look at the big picture of all accounts, we simply care about providing quality advice. If you have enough good options in your employer plan, leave it there.
- **Financial Planning** - a detailed, custom financial plan will be developed that is tailored to your unique situation. Our goals-based financial planning software is linked to your accounts and updated nightly to track

progress. A success rate of 70-90% is desired, and we will contact you immediately if your plan falls outside of that range.

- **CERTIFIED FINANCIAL PLANNER™** - all Clients receive access to a CFP® Professional to assist them with any difficult financial questions they may have.
- **Everplans.com Subscription** - Clients receive a free subscription to Everplans.com to organize their wills, life insurance policies, healthcare documents, pet information, digital accounts, and so much more.

Service Levels, Fees, and Compensation

ComposedPro offers only one services level:

ComposedPro
Advanced

\$1,000 per year + 0.50% of AUM

SELECT

All Services:

- Investments
- Contributions
- New Accounts
- Less Conflicted Rollovers
- Financial Planning
- CERTIFIED FINANCIAL PLANNER™
- Everplans.com Subscription

The fees shown above include a Fixed Fee as well as a Wrap Fee based on assets under management ("AUM"). All fees described above are negotiable, and in most cases the fixed fee is waived. The fees based on AUM fee is deemed to be a Wrap Fee because it includes a bundle of services including portfolio management, trading commissions, and custody services. There shall be four "Wrap Fee Periods" throughout the year, approximately

coinciding with the calendar quarter. Wrap Fees are calculated based on the average portfolio value of all Assets of Client's AUM Accounts as of the close of each calendar day.

Clients may terminate their account at any time according to the Advisory Agreement.

Clients are required to establish accounts at a Qualified Custodian chosen by ComposedPro. The Qualified Custodian currently required is TD Ameritrade ("the Broker"). Clients grant limited authority to ComposedPro to deduct the fees charged from his or her account. In the event there is not a sufficient balance of cash in the account available to pay such fees, securities will be sold in an amount to cover the deficiency.

The bundled services provided by ComposedPro may be higher or lower than the Client might incur by purchasing the services separately. In order to determine the value of unbundled versus bundled services, the Client should consider the aforementioned bundled advisory fees of ComposedPro versus:

- 1) The fees charged by other Investment Advisors who do not bundle services,
- 2) The trading activity in the Clients account and the trading commissions that may be incurred as a result, and
- 3) The custody services that may be charged on the account.

Other Fees and Expenses

Fixed Fees and Wrap Fees payable to the ComposedPro do not include all the fees a Client will pay when securities are recommended, sold, purchased, or held on his or her behalf. The following list of fees or expenses are what a Client can expect to pay directly to third parties, whether a security is being recommended, purchased, sold or held in the Client's accounts. ComposedPro, Inc. does not receive, directly or indirectly, any of these fees charged to the Client. These fees include the fees embedded in the Products purchased on Client's behalf or recommended to the Client, commissions for the purchase or sale of Products at third-party broker-dealers or custodians within AUA Financial Accounts, other fees charged directly by third-party broker-dealers or custodians within AUA Financial Accounts, or other fees charged directly by TDA within AUM Financial Accounts, wire transfer fees, ACH or other processing fees, or costs associated with exchanging currencies. ComposedPro does not earn or receive such fees embedded in the Products or on the fees charged directly by TDA or other third party broker-dealers or custodians.

Item 5 – Account Requirements and Types of Clients

ComposedPro performs services for Individuals and High Net Worth Individuals. The Company has no minimum account size.

A Client must open an account with or transfer an account to the firm's Qualified Custodian in order to receive the services. The Client receives a truly unique investment allocation profile that takes into account the Client's held-away employer sponsored retirement accounts ("ESRAs"). The Company provides automated investing services for the accounts held at the Qualified Custodian. Clients also have access to budgeting and financial planning tools.

Clients also have access to a CERTIFIED FINANCIAL PLANNER™ which will assist in creating and reviewing more detailed financial plans for retirement, education, and other goals of the Client.

Item 6 – Portfolio Manager Selection and Evaluation

Internal Portfolio Management

ComposedPro manages Client portfolios internally and does not utilize any outside managers. Matt Schwegman designs the portfolios in the Wrap Fee Program. Other investment advisory firms may charge the same or lower fees than ComposedPro for similar services. This may create a conflict of interest.

Advisory Business

The Company provides the following services described below. Those marked as algorithmic can be read about further in this Item 6 in a section titled “Methods of Analysis, Investment Strategies, and Risk of Loss”

- **Investments** (algorithmic) – the Employer-Coordinated Portfolio™ is a method for lowering fees and taxes on an overall portfolio. If multiple accounts are used for one goal, then we are most concerned with the overall investment allocation. Looking at the aggregate big picture allows us to meaningfully lower fees and taxes for clients. Our Smart Placement Score™ grades client portfolios as to how well their investments are placed in their various accounts. The Asset Location Heat Map™ is a visual depiction of how well investments are placed.

ComposedPro currently has the following assets under management, as calculated on September, 28, 2019:

Discretionary	\$11,108,498
Non-discretionary	<u>\$0</u>
Total	\$11,108,498

- **Contributions** (algorithmic) - Confused on traditional vs Roth contributions to your 401(k)? We provide specific contribution recommendations so that you maximize your company match and are properly diversified among your tax-exempt, tax-deferred, and taxable accounts.
- **New Accounts** (algorithmic) - If your portfolio is lacking certain accounts that could benefit you, we will recommend that you open certain accounts if eligible.
- **Less Conflicted Rollovers** (algorithmic) - We provide recommendations on when to roll over your employer account.
Most advisors are ONLY concerned with accounts OUTSIDE of your employer. They have an inherent conflict to your best interests because they receive more fees if you roll an employer account to an IRA for them to manage. Since we look at the big picture of all accounts, we simply care about providing quality advice. If you have enough good options in your employer plan, leave it there.
- **Financial Planning** - a detailed, custom financial plan will be developed that is tailored to your unique situation. Our goals-based financial planning software is linked to your accounts and updated nightly to track progress. A success rate of 70-90% is desired, and we will contact you immediately if your plan falls outside of that range.

- **CERTIFIED FINANCIAL PLANNER™** - all Clients receive access to a CFP® Professional to assist them with any difficult financial questions they may have.
- **Everplans.com Subscription** - Clients receive a free subscription to Everplans.com to organize their wills, life insurance policies, healthcare documents, pet information, digital accounts, and so much more.

Performance Based Fees and Side by Side Management

The Company does not charge performance based fees or participate in side by side management. Client fees are based on a flat Subscription Fee as well as a Wrap Fee percentage applied to the Client's assets under management.

Methods of Analysis, Investment Strategies, and Risk of Loss

Our methods focus on one overarching principle:

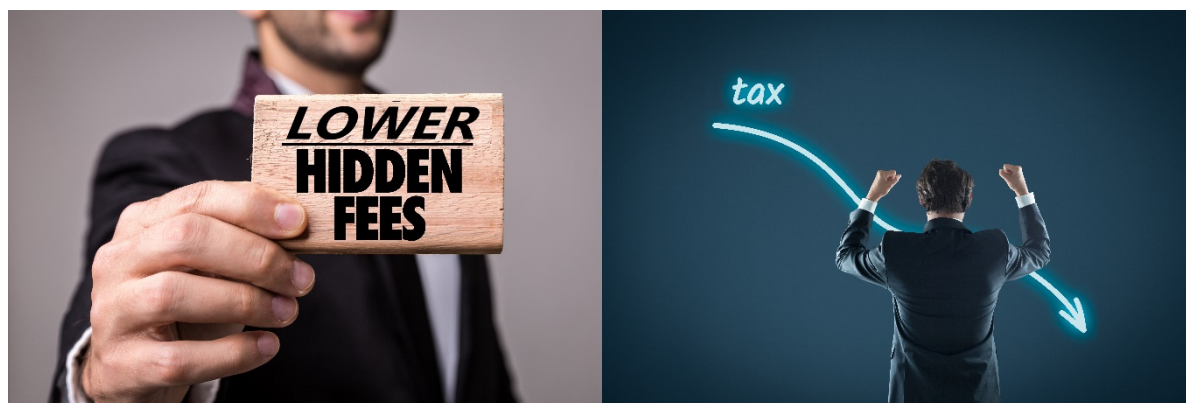
Lowering **FEES** and **TAXES** is the optimal strategy for long-term investing success.

The following is a description of the algorithms that ComposedPro utilizes to provide services related to Investments, Contributions, New Accounts, and Rollovers. These four areas of recommendations are the center of the services we provide to clients, and each is based upon sound logic and widely-accepted investment theory.

Investments

The Employer-Coordinated Portfolio™ is a method for lowering fees and taxes on an overall portfolio. If multiple accounts are used for one goal, then we are most concerned with the overall investment allocation. Looking at the aggregate big picture allows us to meaningfully lower fees and taxes for clients. Our Smart Placement Score™ grades client portfolios as to how well their investments are placed in their various accounts. The Asset Location Heat Map™ is a visual depiction of how well investments are placed.

ComposedPro's investment methodology stems from the belief that investors are best served by focusing on the things they CAN control, and less on the things they cannot. We believe the optimal strategy for long-term investing success is one that focuses on lowering both **FEES** and **TAXES**.



If you are saving for retirement, and your plan for saving includes accounts both INSIDE your employer (401k) and OUTSIDE (IRA or brokerage), then we call this an [**Employer-Coordinated Portfolio™**](#).

The steps that ComposedPro takes to create a *personalized* investment plan for you are:

1. [Define the goal](#)
2. [Gather unique information](#)
3. [Create a holistic investment plan](#)
4. [Focus on investment expenses](#) (lower **FEES**)
5. [Fine-tune asset location](#) (lower **TAXES**)
6. [Monitor and rebalance](#)

Steps 4 and 5 are truly unique for your situation. We go the extra mile to create a tailored plan just for you. More details = better results.

STEP 1: DEFINE THE GOAL

ComposedPro adheres to goals-based financial planning, so the selection of a goal or goals is the first step in our process. Whether you are planning for retirement or some other aspiration, we will help you reach that goal with a personalized plan. We need to define the following for each goal:

1. The after-tax amount needed for the goal
2. The date when your need will start
3. How many years you will need the amount

STEP 2: GATHER UNIQUE INFORMATION

The next step in the process involves gathering your unique information. This requires us to collect information including, but not limited to:

1. The accounts you will use to save for the goal
2. A short survey to assess your risk tolerance

STEP 3: CREATE A HOLISTIC INVESTMENT STRATEGY

Now it is time to start your investment plan. ComposedPro invests across twelve [asset categories](#). Some asset categories are riskier than others, and ComposedPro invests its clients on a glide path that each gets more conservative over time. Please see below for a visual depiction of our glide path.



You can see that the glide path gets more conservative over time in an attempt to 'lock-in' any gains that may have accumulated. This is appropriate as you prepare to make withdrawals from your portfolio to fund your goal. The Glide Path is most concerned with the END not when a goal starts like other firm's glide paths. A financial plan with a longer need (such as a plan for Retirement) should not be treated the same as a financial plan that has a shorter need (such as a plan for Education). For example, a normal glide path focused on when a goal STARTS instead of ends might have you invested at 50% higher risk / 50% lower risk by the time retirement hits. But what if your retirement need is for 30+ years of spending? A 50 / 50 portfolio might not be appropriate at the start of retirement in this case because the portfolio must support withdrawal needs over a very long period.

So, we are more concerned about the END of your financial plan. Your **Effective Years Until END** are determined by the following formula:

The number of years until the first goal in your financial plan starts

PLUS

A discounted number of years that you need your after-tax goal amount

We add in the number of years you will need your after-tax amount because an amount needed for 30 years should have a more aggressive allocation than an amount needed for only a few years. We discount this figure because of the time value of money (i.e. a dollar needed in 30 years is worth less than a dollar needed a few years from now). If you would like to learn more, please read our article on how we calculate your **Effective Years Until END**.

Your Effective Years Until END determine your portfolio's current investment allocation. Below are the details of how you would be invested across asset categories at various effective years until END on the glide path:

Glide Path By Asset Category

Asset Category	Effective Years Until END								
	40	35	30	25	20	15	10	5	0
Cash	0.0%	0.0%	0.0%	2.0%	5.0%	10.0%	12.0%	15.0%	20.0%
US Large Cap Equities	22.0%	22.0%	21.0%	19.0%	16.0%	13.0%	11.0%	8.0%	6.0%
US Mid Cap Equities	14.0%	13.0%	12.0%	11.0%	10.0%	8.0%	6.0%	4.0%	2.0%
US Small Cap Equities	20.0%	18.0%	16.0%	12.0%	8.0%	6.0%	4.0%	2.0%	1.0%
Non-US Developed Equities	15.0%	16.0%	16.0%	15.0%	14.0%	12.0%	10.0%	7.0%	3.0%
Non-US Emerging Equities	15.0%	15.0%	13.0%	11.0%	8.0%	5.0%	3.0%	2.0%	1.0%
US Government Bonds	1.0%	2.0%	5.0%	7.0%	10.0%	11.0%	15.0%	18.0%	21.0%
US Municipal Bonds	0.0%	0.0%	0.0%	1.0%	2.0%	4.0%	8.0%	12.0%	12.0%
US Corporate Bonds	1.0%	3.0%	6.0%	8.0%	10.0%	10.0%	10.0%	11.0%	13.0%
US High Yield Bonds	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%	4.0%	3.0%	2.0%
Non-US Developed Bonds	1.0%	1.0%	2.0%	5.0%	8.0%	12.0%	14.0%	16.0%	18.0%
Non-US Emerging Market Bonds	1.0%	1.0%	1.0%	2.0%	3.0%	4.0%	3.0%	2.0%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Higher Risk	97.0%	94.0%	87.0%	77.0%	65.0%	53.0%	41.0%	28.0%	16.0%
Lower Risk	3.0%	6.0%	13.0%	23.0%	35.0%	47.0%	59.0%	72.0%	84.0%

Want to change our suggested allocation? No problem, we let you slide to a more or less risky allocation if you wish. This will become your selected Investment Strategy. All Investment Strategies will follow a glide path, meaning they will shift to become gradually more conservative as time passes.

Once you have selected an allocation for your portfolio we are now ready to get into the details and personalize your investment plan.

STEP 4: FOCUS ON INVESTMENT EXPENSE (LOWER FEES)

Your investment plan now starts to become unique, because your situation is unique. We first look to any accounts you have with limited investment options, such as your 401(k). We analyze all the options available and classify them as **GOOD**, **ACCEPTABLE**, OR **BAD**.

GOOD investment options are those that have:

1. **Low Fees** - we set fee hurdles that each investment option must satisfy in order to be classified as having low fees. Some investments are more expensive to invest in than others so we assign different hurdles that each investment must satisfy. For example, investing in US Large Cap Equities is typically less expensive than investing in Non-US Emerging Equities. So a US Large Cap investment option with a 0.15% expense ratio may not qualify as low fee, whereas an investment option in Non-US Emerging Equities with the same 0.15% expense ratio may qualify as low fee.
2. **Performance as Expected** - we next make sure the investment option being analyzed is highly correlated to its benchmark. We determine each investment option's beta and r-squared to assess whether it performs as expected. Beta tells us how much investment option's price may move in relation to a movement by its benchmark. We require each investment option to have a beta between 0.9 and 1.1. This means that a price change in the benchmark should translate to a similar price change in the investment option. R-squared tells us the percentage of an investment option's movements that are explained by movements in its benchmark. In other words, it tells us the reliability of our beta calculation.

ACCEPTABLE investment options are those that have **Performance as Expected** but do not have low fees. Acceptable investment options are only used when necessary. For example, we may invest in an acceptable investment option if there are no other **GOOD** options available, but we still need to invest somewhere to get you properly allocated.

BAD investment options are those that do NOT perform as expected and are NOT low fee. We never invest in bad investment options.

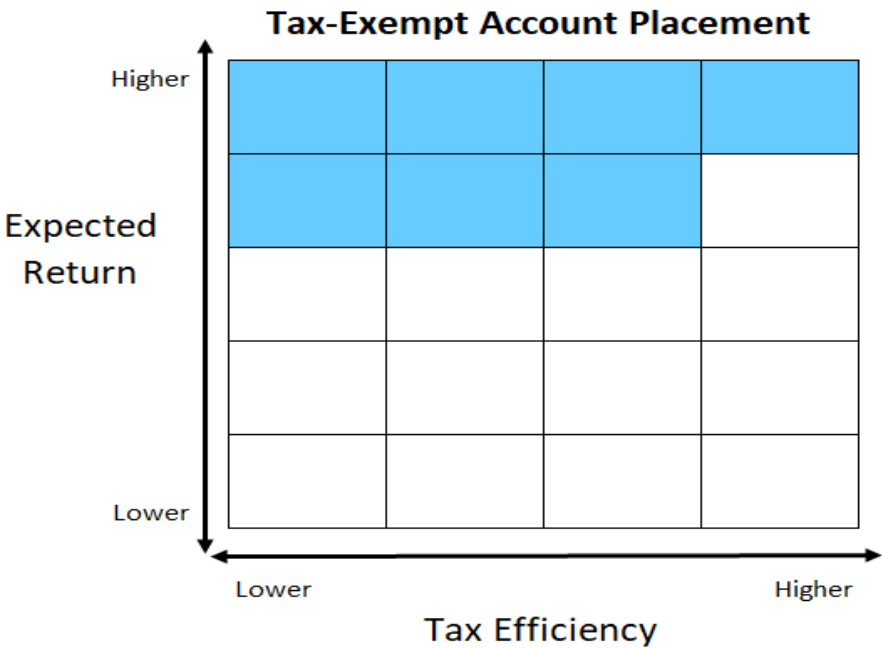
After we invest your accounts with limited options, we use your accounts with unlimited options (such as an IRA outside your employer) to invest where your 401(k) or other limited-option account may be lacking. We use commission-free ETFs at the custodian where your account is held where possible. If your custodian does not have a commission-free ETF that we qualify as low-fee, then we may recommend an ETF that requires a commission to be paid.

Clients of ComposedPro will never pay a commission on accounts managed by ComposedPro.

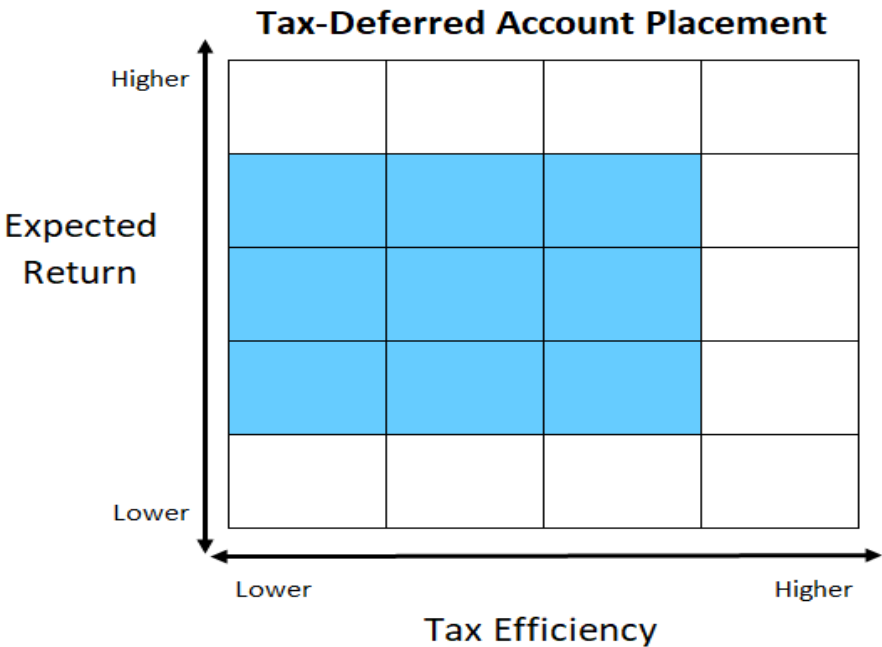
STEP 5: FINE-TUNED ASSET LOCATION (LOWER TAXES)

The final step in our investment process is to smartly place assets in the accounts where they belong. We generally place investments according to the framework below. First, let us discuss the benefits of smart investment placement. Certain investments may be better placed in specific types of accounts. At the most generic level, taxable bonds might be poorly placed in taxable accounts because they throw off interest income that would be taxable each year. Taxable bonds could be better placed in a tax-deferred account to avoid income tax today. Smart asset location may help you over the long term and may improve your outcome. See below for how ComposedPro fine-tunes asset location across your portfolio.

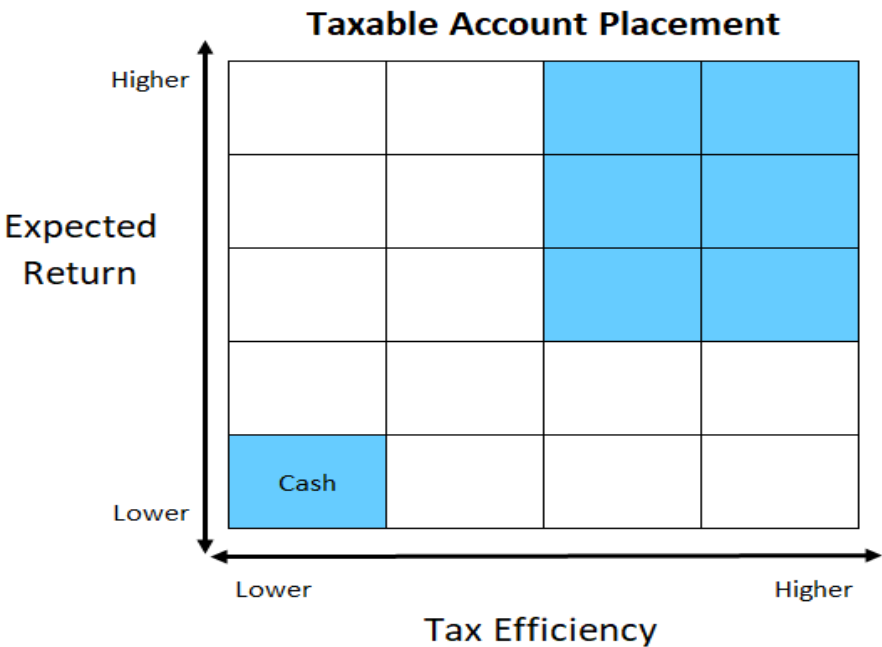
- **Tax-exempt accounts** - place investments with the highest expected return or a high expected return that are also tax inefficient. Investments could include Non-US Emerging Market Equities or US High Yield Bonds.



- **Tax-deferred accounts** - place investments with a medium-to-high expected return that are also tax inefficient. Investments could include US Corporate Bonds or Non-US Developed Bonds.



- **Taxable accounts** - place investments with a higher expected return that are also tax-efficient and always tax-exempt bonds. Investments could include US Large Cap Equities or US Municipal Bonds. Any cash in the portfolio is also attempted to be held in taxable accounts because we prefer tax-advantaged accounts to be fully invested.



Please see our discussion on [Asset Categories](#) to see how ComposedPro tries to place each within your portfolio.

Smart investment placement through the framework above allows us to create an **Asset Location Heat Map™** and a **Smart Location Score™**.

STEP 6: MONITOR AND REBALANCE

With all the steps now complete, we can then start the monitoring process.

ComposedPro examines your portfolio weekly to determine if a rebalance is necessary. We rebalance anytime portfolio drift exceeds 10%. We calculate your portfolio drift as the absolute variation of each asset category from its target allocation, divided by two. For example, please see below:

Asset Category	Actual Allocation	Target Allocation	Actual Deviation	Absolute Deviation
Cash	4.0%	8.0%	-4.0%	4.0%
US Large Cap Equity	18.0%	16.0%	2.0%	2.0%
US Mid Cap Equity	9.0%	10.0%	-1.0%	1.0%
US Small Cap Equity	12.0%	8.0%	4.0%	4.0%
Non-US Developed Equity	16.0%	14.0%	2.0%	2.0%
Non-US Emerging Equity	8.0%	8.0%	0.0%	0.0%
US Government Bond	7.0%	9.0%	-2.0%	2.0%
US Municipal Bond	1.0%	2.0%	-1.0%	1.0%
US Corporate Bond	6.0%	8.0%	-2.0%	2.0%
US High Yield Bond	7.0%	6.0%	1.0%	1.0%
Non-US Developed Bond	10.0%	8.0%	2.0%	2.0%
Non-US Emerging Bond	2.0%	3.0%	-1.0%	1.0%
Total	100.0%	100.0%	0.0%	22.0%
Higher Risk	72.0%	65.0%	Total Drift / 2 = 11.0%	
Lower Risk	28.0%	35.0%		

Any time your portfolio drifts more than 10%, a rebalance is triggered. We calculate drift once per week, typically on Fridays after market close.

Please note that the following situations may limit our ability to minimize drift:

- Designating some investments as 'Do Not Sell'
- The lack of acceptable investment options available within employer or other limited-option accounts.

That wraps up the ComposedPro Investment Methodology. The end result is an efficient portfolio created by ComposedPro focused on lowering fees and taxes. A smart, efficient portfolio gives you a better chance to reach your goal.

Disclosures:

Assumptions, Limitations and Inherent Risks

Please note that higher tax-deferred balances could result in higher required minimum distributions (RMDs) in retirement. This should be considered when implementing any contribution recommendations or other such strategies that seek to optimize across tax-exempt, tax-deferred, or taxable accounts. If you are seeking to minimize RMDs, a contribution strategy that recommends a higher tax-deferred balance in your portfolio may not be appropriate. Please consult your tax advisor when implementing any strategy that attempts to lower income taxes.

Clients may not realize the benefits of asset location or other strategies discussed herein. Factors that affect an asset location strategy include, but are not limited to, market performance, the relative size of each account included in financial plan, the equity exposure of the portfolio, the frequency and size of deposits into the various accounts, the tax rates applicable to the investor in a given tax year and in future years, and the time elapsed before liquidation of any of the accounts becomes necessary.

Nothing herein should be interpreted as tax advice. ComposedPro does not represent in any manner that the tax consequences described herein will be obtained or result in any particular tax consequence. Please consult your personal tax advisor as to whether ComposedPro's asset location strategy is a suitable strategy for you, given your particular circumstances. The tax consequences of asset location are complex and uncertain. You and your tax advisor are responsible for how transactions conducted in your account are reported to the IRS on your personal tax return. ComposedPro assumes no responsibility for the tax consequences to any client of any transaction.

In addition to the assumptions described in the documentation above, all of our recommendations are based upon Modern Portfolio Theory ("MPT") - the theory that return can be maximized for a given level of risk through portfolio construction. By introducing assets that not perfectly correlated with one another (i.e. diversification), portfolio risk may be reduced without a proportional decreased in return. Limitations of Modern Portfolio Theory include:

- Changing market assumptions – MPT relies on market assumptions that need to be updated over time. Correlation between assets are never stable and fixed; they tend to change together with the changes in the universal relations, existing between fundamental assets. Expected return and risk assumptions may not be realized.
- Some degree of reliance on past performance – MPT uses mathematical calculations on expected values, based on past performance to measure the correlations between risk and return. However, past performance is not a guarantee of future performance. Taking into account only past performances leads to overpassing newer circumstances, maybe not having existed during the time when the historical data were compiled.
- Irrational investors - MPT assumes that investors are always rational and risk-averse – this is not always true, and the field of behavioral finance seeks to explain these diversions from rational thought.
- Less than perfectly efficient markets – MPT assumes all investors have access to the same information at the same time. In reality, markets are not perfectly efficient.

There is a risk that the options in the employer plan may have changed by the time we give our recommendation. Market conditions could change that impact our determination of whether a particular employer plan investment option is a **GOOD** option.

ComposedPro's investment algorithm might rebalance client accounts without regard to market conditions and on a more frequent basis than the client might expect.

Internal Development and Review

No third parties were involved in the development, management, or ownership of our algorithms. ComposedPro develops the recommendations for its algorithmic recommendations internally and performs a review at least annually of its four main recommendation algorithms.

Contributions

ComposedPro provides recommendations on how to contribute to your various tax-exempt, tax-deferred, and taxable accounts. We believe that you should be diversified not only in your investments but also in your contributions. ***Nobody knows how income tax rates will look in the future, so a good contribution strategy may be to have more options once the future arrives.*** Read more about why [Contribution Diversification](#) is important.

Now, let's get into the details on how we determine your contribution recommendations. **Please consult with your tax advisor before implementing any contribution strategy to understand any tax consequences that may result.**

1. [Gather information about your current contributions](#)
2. [Determine how current contributions affect your income taxes](#)
3. [Find out your current balances in tax-exempt, tax-deferred, and taxable accounts.](#)
4. [Calculate desired balances](#)
5. [Determine initial recommendations necessary to reach the desired balances](#)
6. [Adjust to ensure any employer matches are maximized.](#)
7. [Adjust to ensure recommendations produce a similar income tax impact](#)
8. [Conform to IRS rules](#)
9. [Prioritize accounts that have the most investment options classified as **GOOD**.](#)

STEP 1: GATHER INFORMATION ABOUT YOUR CURRENT CONTRIBUTIONS

We first ask you to tell us about how you are currently contributing to all of your accounts. This helps us understand how your current contributions fit into your budget.

STEP 2: DETERMINE HOW CURRENT CONTRIBUTIONS AFFECT YOUR INCOME TAXES

We then ask you about your income tax situation. You will need to input your filing status (i.e. single, married, etc.) and tell us information about your taxable income. This helps us estimate your total marginal income tax rate. We include your state income tax rate when determining your total marginal income tax rate. This will later help us adjust our recommendation to ensure they have a similar income tax impact as your current contributions.

STEP 3: FIND OUT YOUR CURRENT BALANCES IN TAX-EXEMPT, TAX-DEFERRED, AND TAXABLE ACCOUNTS.

By looking at accounts within your retirement financial plan, we look at how your portfolio is allocated across tax-exempt, tax-deferred, and taxable balances. We do not include accounts attached to other financial plans.

STEP 4: CALCULATE DESIRED BALANCES

We then calculate the desired balances in your tax-exempt, tax-deferred, and taxable accounts. We currently desire a minimum balance of 20% of your total retirement portfolio in each tax category and a maximum balance of 50% of your total retirement portfolio.

STEP 5: DETERMINE INITIAL RECOMMENDATIONS NECESSARY TO REACH THE DESIRED BALANCES

The next step is to calculate our initial set of contribution recommendations for the three tax categories (tax-exempt, tax-deferred, and taxable). Contributions are placed where the minimums in Step 4 are not met and excluded from any tax category where the maximum is exceeded.

STEP 6: ADJUST TO ENSURE ANY EMPLOYER MATCHES ARE MAXIMIZED

We adjust our initial recommendation to ensure that any employer matches are maximized. Employer matches are guaranteed returns on your contributions, so we make sure to first contribute to these accounts. We contribute the minimum in order to get the maximum company match. Then we waterfall the remaining contributions to other accounts based on the criteria in step 9.

STEP 7: ADJUST TO ENSURE RECOMMENDATIONS PRODUCE A SIMILAR INCOME TAX IMPACT

We also adjust our initial recommendation to ensure that our recommendations produce a similar income tax impact. We do not want our recommendations to have an unexpected impact, so we do our best to ensure a similar impact as your current contributions. **Please consult with your tax advisor before implementing any contribution strategy to understand any tax consequences that may result.**

STEP 8: CONFORM TO IRS RULES

The IRS places various limits on how much we can contribute to certain types of accounts such as 401(k)s, IRAs, and other accounts. Such limits may be related to your age or the amount of contribution allowed. We ensure our recommendations conform to IRS limits. **However, it is ultimately up to you to ensure your contributions conform to IRS rules.** There are various reasons why our contributions recommendations need to be thoroughly reviewed by you to ensure conformity, including, but not limited to, changes in your gross income, contributions you make to accounts outside your retirement plan, changes in employment status, or changes to marital status.

STEP 9: PRIORITIZE ACCOUNTS THAT HAVE THE MOST INVESTMENT OPTIONS CLASSIFIED AS GOOD

The last step is to prioritize our contribution recommendations to accounts that have the most investment options that are classified as **GOOD**. We apply the following prioritization logic in order from highest to lowest priority:

1. Accounts with unlimited options
2. Accounts with limited options (i.e. employer accounts such as 401(k)s) that have five or more **GOOD** investment options. These accounts are then further ranked by the average expense ratios of their **GOOD** investment options, with accounts having a lower average expense ratio ranked higher.
3. Accounts with limited options that have four or less **GOOD** investment options receive the lowest priority. These accounts are then further ranked by the average expense ratios of their **GOOD** investment options, with accounts having a lower average expense ratio ranked higher.

Please read about our [Investment Methodology](#) to see how we classify investment options as **GOOD**, **ACCEPTABLE**, OR **BAD**.

Disclosures:

Please note that higher tax-deferred balances could result in higher required minimum distributions (RMDs) in retirement. This should be considered when implementing any contribution recommendations or other such strategies that seek to optimize across tax-exempt, tax-deferred, or taxable accounts. If you are seeking to minimize RMDs, a contribution strategy that recommends a higher tax-deferred balance in your portfolio may not be appropriate. Please consult your tax advisor when implementing any strategy that attempts to lower income taxes.

Clients may not realize the benefits of asset location or other strategies discussed herein. Factors that affect an asset location strategy include, but are not limited to, market performance, the relative size of each account included in financial plan, the equity exposure of the portfolio, the frequency and size of deposits into the various accounts, the tax rates applicable to the investor in a given tax year and in future years, and the time elapsed before liquidation of any of the accounts becomes necessary.

Nothing herein should be interpreted as tax advice. ComposedPro does not represent in any manner that the tax consequences described herein will be obtained or result in any particular tax consequence. Please consult your personal tax advisor as to whether ComposedPro's asset location strategy is a suitable strategy for you, given your particular circumstances. The tax consequences of an asset location strategy are complex and uncertain. You and your tax advisor are responsible for how transactions conducted in your account are reported to the IRS on your personal tax return. ComposedPro assumes no responsibility for the tax consequences to any client of any transaction.

In addition to the assumptions described in the documentation above, all of our recommendations are based upon Modern Portfolio Theory ("MPT") - the theory that return can be maximized for a given level of risk through portfolio construction. By introducing assets that not perfectly correlated with one another (i.e. diversification), portfolio risk may be reduced without a proportional decreased in return. Limitations of Modern Portfolio Theory include:

- Changing market assumptions – MPT relies on market assumptions that need to be updated over time. Correlation between assets are never stable and fixed; they tend to change together with the changes in the universal relations, existing between fundamental assets. Expected return and risk assumptions may not be realized.
- Some degree of reliance on past performance – MPT uses mathematical calculations on expected values, based on past performance to measure the correlations between risk and return. However, past performance is not a guarantee of future performance. Taking into account only past performances leads to overpassing newer circumstances, maybe not having existed during the time when the historical data were compiled.
- Irrational investors - MPT assumes that investors are always rational and risk-averse – this is not always true, and the field of behavioral finance seeks to explain these diversions from rational thought.
- Less than perfectly efficient markets – MPT assumes all investors have access to the same information at the same time. In reality, markets are not perfectly efficient.

There is a risk that the options in the employer plan may have changed by the time we give our recommendation. Market conditions could change that impact our determination of whether a particular employer plan investment option is a **GOOD** option.

Internal Development and Review

No third parties were involved in the development, management, or ownership of our algorithms. ComposedPro develops the recommendations for its algorithmic recommendations internally and performs a review at least annually of its four main recommendation algorithms.

New Accounts

ComposedPro looks at the accounts you have assigned to retirement financial plans to see if there are any gaps that you may have for tax-exempt, tax-deferred, and taxable accounts. If you do not have a certain type of account available, we will recommend you open new accounts based on your unique situation. See below for the accounts ComposedPro will recommend if you are lacking tax-exempt, tax-deferred, or taxable accounts within your retirement financial plan.

Tax-exempt accounts

If you are lacking tax-exempt accounts, we first look to see if you can add to your tax-exempt portfolio through an employer account, such as a 401(k). If your 401(k) is determined to be a plan with enough **GOOD** investment options, and the plan allows for Roth or after-tax contributions, then we recommend you contribute to the plan. Please refer to our [Investment Methodology](#) to see how we determine **GOOD** investment options.

Otherwise, we will recommend you open a Roth IRA if you are eligible.

Tax-deferred accounts

If you are lacking tax-deferred accounts, we recommend the following:

- If you are self-employed, you should consider [an individual 401\(k\) or SEP IRA](#).
- If you are not self-employed but eligible for a traditional IRA, you should consider a traditional IRA.

Taxable accounts

If you are lacking taxable accounts, we recommend opening a brokerage account. If multiple people are listed as needed to open a brokerage account, you may consider a joint account, but please consult your tax advisor before opening.

Disclosures:

You should consult with your tax advisor before opening any new accounts.

Please note that higher tax-deferred balances could result in higher required minimum distributions (RMDs) in retirement. This should be considered when implementing any contribution recommendations or other such strategies that seek to optimize across tax-exempt, tax-deferred, or taxable accounts. If you are seeking to minimize RMDs, a contribution strategy that recommends a higher tax-deferred balance in your portfolio may not be appropriate. Please consult your tax advisor when implementing any strategy that attempts to lower income taxes.

Clients may not realize the benefits of asset location or other strategies discussed herein. Factors that affect an asset location strategy include, but are not limited to, market performance, the relative size of each account included in financial plan, the equity exposure of the portfolio, the frequency and size of deposits into the various accounts, the tax rates applicable to the investor in a given tax year and in future years, and the time elapsed before liquidation of any of the accounts becomes necessary.

Nothing herein should be interpreted as tax advice. ComposedPro does not represent in any manner that the tax consequences described herein will be obtained or result in any particular tax consequence. Please consult your personal tax advisor as to whether ComposedPro's asset location strategy is a suitable strategy for you, given your particular circumstances. The tax consequences of an asset location strategy are complex and uncertain. You and your tax advisor are responsible for how transactions conducted in your account are reported to the IRS on your personal tax return. ComposedPro assumes no responsibility for the tax consequences to any client of any transaction.

In addition to the assumptions described in the documentation above, all of our recommendations are based upon Modern Portfolio Theory ("MPT") - the theory that return can be maximized for a given level of risk through portfolio construction. By introducing assets that not perfectly correlated with one another (i.e. diversification), portfolio risk may be reduced without a proportional decreased in return. Limitations of Modern Portfolio Theory include:

- Changing market assumptions – MPT relies on market assumptions that need to be updated over time. Correlation between assets are never stable and fixed; they tend to change together with the changes in the universal relations, existing between fundamental assets. Expected return and risk assumptions may not be realized.
- Some degree of reliance on past performance – MPT uses mathematical calculations on expected values, based on past performance to measure the correlations between risk and return. However, past performance is not a guarantee of future performance. Taking into account only past performances leads to overpassing newer circumstances, maybe not having existed during the time when the historical data were compiled.
- Irrational investors - MPT assumes that investors are always rational and risk-averse – this is not always true, and the field of behavioral finance seeks to explain these diversions from rational thought.
- Less than perfectly efficient markets – MPT assumes all investors have access to the same information at the same time. In reality, markets are not perfectly efficient.

Internal Development and Review

No third parties were involved in the development, management, or ownership of our algorithms. ComposedPro develops the recommendations for its algorithmic recommendations internally and performs a review at least annually of its four main recommendation algorithms.

Less-Conflicted Rollovers

Inherent conflicts of interest arise when an investment advisor makes a recommendation for a client to rollover an employer plan into an IRA. The account moves from an employer plan that the advisor does not directly charge a fee on, to an IRA which the advisor can deduct a fee. ComposedPro seeks to minimize these conflicts with rules-based guidance that helps clients determine whether their employer plan has enough **GOOD** investment options according to the client's personal situation. If a client has enough **GOOD** investment options within the employer plan, then we simply will not recommend that they rollover to an IRA.

In addition to disclosing the [Factors to Consider Before Rolling Over an Employer Account to an IRA](#), ComposedPro will only recommend rollover over an employer plan when certain conditions are met.

ComposedPro performs the following steps before recommending a client rollover their employer account to an IRA:

1. Obtain all the investment options in the employer plan

First, we obtain a list of investment options for the plan from a third party provider, which we verify with the client. Each employer plan has different investment options available, and an accurate list is a crucial input when determining a rollover recommendation. Clients should notify ComposedPro any time the list of investment options changes within their employer plan.

2. Evaluate each option individually to determine if it is a GOOD option

GOOD investment options are those that have:

- **Low Fees** - we set fee hurdles that each investment option must satisfy in order to be classified as having low fees. Some investments are more expensive to invest in than others so we assign different hurdles that each investment must satisfy. For example, investing in US Large Cap Equities is typically less expensive than investing in Non-US Emerging Equities. So a US Large Cap investment option with a 0.15% expense ratio may not qualify as low fee, whereas an investment option in Non-US Emerging Equities with the same 0.15% expense ratio may qualify as low fee.
- **Performance as Expected** - we next make sure the investment option being analyzed is highly correlated to its benchmark. We determine each investment option's beta and r-squared to assess whether it performs as expected. Beta tells us how much investment option's price may move in relation to a movement by its benchmark. We require each investment option to have a beta between 0.9 and 1.1. This means that a price change in the benchmark should translate to a similar price change in the investment option. R-squared tells us the percentage of an investment option's movements that are explained by movements in its benchmark. In other words, it tells us the reliability of our beta calculation.

3. Determine if enough GOOD options are present given a client's overall portfolio composition

We then tailor our recommendation specific to the client.

If the employer plan account's balance is more than 50% of all the money in a client's retirement portfolio, then the employer plan must have more than 6 **GOOD** investment options or else we will recommend a rollover.

If the employer plan account's balance is more than 25% but less than 50% of all the money in a client's retirement portfolio, then the employer plan must have more than 4 **GOOD** investment options or else we will recommend a rollover.

If the employer plan account's balance is less than 25% of all the money in a client's retirement portfolio, then the employer plan must have more than 2 **GOOD** investment options or else we will recommend a rollover.

Disclosures:

Assumptions, Limitations and Inherent Risks

The factors to consider before rolling over an employer account to an IRA vary according to your personal situation and preferences. The decision to rollover may be irrevocable (or very costly to reverse), may involve a substantial portion of your net worth, and can thus have significant long-term impacts. You should consult with your tax advisor before making such a decision.

In addition to the assumptions described in the documentation above, all of our recommendations are based upon Modern Portfolio Theory ("MPT") - the theory that return can be maximized for a given level of risk through portfolio construction. By introducing assets that not perfectly correlated with one another (i.e. diversification), portfolio risk may be reduced without a proportional decreased in return. Limitations of Modern Portfolio Theory include:

- Changing market assumptions – MPT relies on market assumptions that need to be updated over time. Correlation between assets are never stable and fixed; they tend to change together with the changes in the universal relations, existing between fundamental assets. Expected return and risk assumptions may not be realized.
- Some degree of reliance on past performance – MPT uses mathematical calculations on expected values, based on past performance to measure the correlations between risk and return. However, past performance is not a guarantee of future performance. Taking into account only past performances leads to overpassing newer circumstances, maybe not having existed during the time when the historical data were compiled.
- Irrational investors - MPT assumes that investors are always rational and risk-averse – this is not always true, and the field of behavioral finance seeks to explain these diversions from rational thought.
- Less than perfectly efficient markets – MPT assumes all investors have access to the same information at the same time. In reality, markets are not perfectly efficient.

Limitations of our rollover recommendations include not being able to value the 'soft' benefits of the employer plan. These include:

- The level of service available in the plan (i.e. access to a CFP®)
- The ability to take penalty-free withdrawals (i.e. 457b accounts)

- The application of required minimum distributions (RMDs)
- Protection from creditors and legal judgments
- Holdings of employer stock
- Other special features of the employer plan account

Please see our article on [Factors to Consider Before Rolling Over an Employer Account to an IRA](#) to an IRA for more information.

There is a risk that the options in the employer plan may have changed by the time we give our recommendation. Market conditions could change that impact our determination of whether a particular employer plan investment option is a **GOOD** option.

Internal Development and Review

No third parties were involved in the development, management, or ownership of our algorithms. ComposedPro develops the recommendations for its algorithmic recommendations internally and performs a review at least annually of its four main recommendation algorithms.

Voting Client Securities

ComposedPro does not have any authority to and do not vote proxies on behalf of its Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. Clients will receive proxies from their applicable custodians.

Item 7 – Client Information Provided to Portfolio Managers

As mentioned earlier in Item 6, ComposedPro manages portfolios internally. No data is shared with outside portfolio managers as no outside managers are utilized by ComposedPro.

Item 8 – Client Contact with Portfolio Managers

As mentioned earlier in Item 6, ComposedPro manages portfolios internally. Clients may contact ComposedPro to discuss portfolio management, subject to availability of time.

Item 9 – Additional Information

Disciplinary Information

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. The Company has no disciplinary events to disclose about itself or any of its investment advisor representatives.

Other Financial Industry Activities

ComposedPro is an independent investment advisor, and has no affiliations with any other financial institutions. Matt Schwegman is also an Investment Advisor Representative of Composed Financial Management, PLLC, a

separate Investment Advisor registered with the State of Texas. Composed Financial Management, PLLC will be shut down by 12/31/2019.

Code of Ethics, Participation in Client Transactions, and Personal Trading

ComposedPro, Inc. has developed its own Code of Ethics designed to comply with Rule 204A-1 of the Investment Advisers Act of 1940. The Code of Ethics describes the level of integrity, trust, business conduct, and fiduciary duty that each Client deserves and should expect. Client confidentiality is an important standard within the Firm's business conduct. The Company believes that it is in its best interests to act in the Client's best interest every day. The long term gains in building a trusting relationship with each Client far outweigh the short term profits that could be obtained in failing to act in the Client's best interests. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. The Code of Ethics also documents the records kept surrounding the securities the Company or related persons invest in which are also recommended or obtained for Clients. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended. In order to obtain a copy of ComposedPro, Inc.'s Code of Ethics, please feel free to contact the Company at any time. The Company does not purchase from or sell securities to Clients, either directly or indirectly. Neither the Company nor any related person acts as a general partner in a partnership in which it solicits Client investments. Neither the Company nor any related person acts as an investment advisor to an investment company that it recommends to Clients.

The Firm and its employees may invest in the securities that are recommended to Clients. There is no preferential treatment to any related person of the Company or any Client in the occurrence that a security is owned by all parties. There is no opportunity for "front running" or any other favorable treatment with respect to one account over another. Nevertheless, the firm does still adhere to its policies of integrity and fiduciary duty to its Clients as detailed in its Code of Ethics.

ComposedPro does not foresee a conflict of interest due to the liquidity and depth of the markets in which these securities trade. Clients should be aware that this potential conflict of interest exists.

Review of Accounts

Accounts are monitored by the Company's portfolio management software on a continual basis. Exception reporting is monitored by a member of the Investment Committee. Accounts are assigned a unique asset allocation profile and are monitored for deviations from that profile. A deviation may trigger a rebalance if certain criteria are met. A determination as to whether a rebalance is required is performed once per week, typically on Friday after market close. Clients can access account information online via www.advisorclient.com. Additionally, Clients receive detailed statements at least quarterly from the Qualified Custodian. Clients are urged to verify information provided by ComposedPro with statements prepared by the Qualified Custodian.

Client Referrals and Other Compensation

ComposedPro does not receive any economic benefits from anyone who is not a Client for providing investment advice or other advisory services to the Company's Clients. ComposedPro does not solicit or otherwise compensate for client referrals.

Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors without cost or at a discount. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to Clients, Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

None of the activities described in this Client Referrals and Other Compensation section result in any clients paying additional fees or costs.

Financial Information

ComposedPro has discretionary authority over certain Client funds, and is thus required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients. The Company is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients. The Company has not been subject to any bankruptcy proceedings.

Item 10 – Requirements for State-Registered Advisers

Matt Schwegman has two additional entities that he currently operates as a sole proprietor.

He is the sole managing member and investment advisor representative of Composed Financial Management, PLLC, an Investment Advisor registered in the state of Texas. Matt previously performed more traditional advisory services to Clients through this investment advisor. Mr. Schwegman spends 0 hours per year in this capacity as this entity will be shut down by 12/31/2019. Composed Financial Management, PLLC has no relationship with ComposedPro, Inc. other than the ownership interests of Mr. Schwegman.

Mr. Schwegman is also the sole managing member of Matt Schwegman, CPA PLLC. He performs accounting and tax preparation services through this entity. Mr. Schwegman spends roughly 40 hours per year in this capacity. Matt Schwegman, CPA PLLC has no relationship with ComposedPro, Inc. other than the ownership interests of Mr. Schwegman.

Appendix I – Brochure Supplement- Matt Schwegman, CFP®, CPA

Educational and Business Backgrounds:

Matt Schwegman (CRD# 5967562, Born: 1983)
Chief Executive Officer

Business Background (Five Preceding Years)

Composed Financial Management, PLLC, June 2011 to Present
Managing Member and Investment Advisor Representative

Education

Texas A&M University, May 2006
B.B.A., Accounting
M.S., Finance

Certifications

CERTIFIED FINANCIAL PLANNER™, Certified June 2016
Certified Public Accountant ("CPA"), Certified in State of Texas January 2008

Additional Information

Mr. Schwegman has no disciplinary information to disclose.

He is also the sole managing member and investment advisor representative of Composed Financial Management, PLLC, an Investment Advisor registered in the state of Texas. Matt performs more traditional advisory services to Clients through this investment advisor. Mr. Schwegman spends 0 hours per year in this capacity as this entity will be shut down by 12/31/2019. Composed Financial Management, PLLC has no relationship with ComposedPro, Inc. other than the ownership interests of Mr. Schwegman.

Mr. Schwegman is also the sole managing member of Matt Schwegman, CPA PLLC. He performs accounting and tax preparation services through this entity. Mr. Schwegman spends roughly 40 hours per year in this capacity. Matt Schwegman, CPA PLLC has no relationship with ComposedPro, Inc. other than the ownership interests of Mr. Schwegman.

Supervision

Mr. Schwegman is supervised by the Chief Compliance Officer, in accordance with the Company's Policies and Procedures Manual.