

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

**Prosperity Planning, Inc.**

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03/28/2019

This brochure provides information about the qualifications and business practices of Prosperity Planning, Inc. If you have any questions about the contents of this brochure, please contact us at 816-587-7526 or [info@prosperityplanninginc.com](mailto:info@prosperityplanninginc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Additional information about Prosperity Planning, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 298268.

## **Item 2      Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/28/2019, is our disclosure document prepared according to the SEC's new requirements and rules.

This Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Since our last filing, dated 8/01/2018, Daniel Scott Reiter has become an owner and Principal of the firm. We have made various non-material changes to this Brochure to update our Regulatory Assets Under Management and enhance the clarity of our Brochure; as such we encourage you to review it in its entirety.

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## **Item 4      Advisory Business**

Prosperity Planning, Inc. is a SEC-registered investment adviser with its principal place of business located in Missouri. The firm was founded in April 2004 as an S Corporation under the laws of the State of Missouri and began conducting business as an SEC-registered investment adviser in 2018.

The firm's principal shareholders include:

- Lucinda Lynn Richey, President
- Kenneth Austin Borum, Vice President
- Ryan Kent Noble, Principal
- Daniel Scott, Reiter, Principal

As of December 31, 2018, Prosperity Planning, Inc.'s Regulatory Assets Under Management totaled \$181,774,198 in 641 accounts, of which \$179,726,872 in 637 accounts was discretionary and \$2,047,326 in 4 accounts was non-discretionary.

Prosperity Planning, Inc. offers the following advisory services to our clients:

### **PORTFOLIO MANAGEMENT SERVICES**

We provide continuous and regular investment supervisory services on a discretionary as well as nondiscretionary basis. We provide our clients with a personalized mix of investments that are appropriate for their investment goals as determined through personal discussions and our data-gathering process. Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. We encourage broad-based diversification across a globally diversified portfolio of equities, bonds, real estate, commodities, and cash, primarily using mutual funds and exchange-traded funds. We then review the client portfolios at least annually and rebalance or make recommendations as needed based on the client's individual needs. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

### **FINANCIAL PLANNING SERVICES**

We provide a range of financial planning services, personalized to the needs of clients. Financial planning is a process that helps clients understand their overall financial situation, define specific goals, and take action toward reaching those goals. Our service may encompass one or more of the following topics: retirement planning, college funding, tax planning, portfolio analysis, investment management, risk management, estate planning, and other areas. Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company; recommendations are of a general nature.

## PENSION CONSULTING SERVICES

For business owners and self-employed clients, we provide advisory services to help establish a corporate retirement plan, enroll eligible employees, educate employees on investments available within the plan, and provide reporting services. Some of these services are arranged through various third-party administrators.

### Item 5 Fees and Compensation

#### PORTFOLIO MANAGEMENT SERVICES FEES

The annualized fee for Portfolio Management Services is charged as a percentage of assets under management, according to the following schedule\*:

Amount Managed	Annual Fee
\$0 - \$500,000	1.15%
\$500,001 - \$1,000,000	0.80%
\$1,000,001 - \$2,500,000	0.70%
\$2,500,001 - \$5,000,000	0.60%
Over \$5,000,001	0.50%

*\*This is a blended fee schedule. For example a \$1,000,000 account would be billed as follows: 1.15% of the first \$500,000 and 0.8% of the remaining \$500,000. The effective fee would be 0.96%.*

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the market value of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Investment Advisory Agreement.

A minimum of **\$500,000** of assets under management is required for this service. Portfolio Management clients meeting the investment minimum are eligible to receive financial planning services at no additional charge.

**Limited Negotiability of Advisory Fees and Investment Minimums:** Although Prosperity Planning, Inc. has established the aforementioned fee schedule, we retain the discretion to adjust fees and investment minimums on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule and investment minimums. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum requirements and determining the annualized fee.

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

## **FINANCIAL PLANNING SERVICES**

### **Financial Planning Provided In Conjunction with Portfolio Management Services**

For some Portfolio Management Services clients, including those meeting the investment minimum, we provide financial planning services. These services may vary from client-to-client but could include one or more of the following topics: retirement planning, college funding, tax planning, portfolio analysis, investment management, risk management, estate planning, and other areas.

### **Financial Planning For a Fee**

Prosperity Planning, Inc. also offers financial planning services to clients. Specific services provided will vary from client-to-client but could include one or more of the following topics: retirement planning, college funding, tax planning, portfolio analysis, investment management, risk management, estate planning, and other areas. Fees for this service range from \$750-\$2500 per quarter and are determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client and are billed quarterly in advance.

## **PENSION CONSULTING SERVICES**

Fees are assessed as a percentage of assets under consultation and do not exceed 1.15% annually, depending on the assets, number of participants, services provided, and anticipated future assets, among other possible factors. The specific annual fee schedule is identified in the agreement between the firm and client. Billing methods vary by custodian platform and client requirements.

## **GENERAL INFORMATION**

***Fees, Commissions and Other Sales-Related Compensation:*** Some associated persons of our firm are licensed as registered representatives of a broker-dealer and/or licensed as insurance agents or brokers. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

**Termination of the Advisory Relationship:** A client agreement may 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 pro-rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund/ETF Fees:** All fees paid to Prosperity Planning, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer (i.e. Fidelity) with which Prosperity Planning, Inc. effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

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

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

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

Prosperity Planning, Inc. does not charge performance-based fees and does not engage in side-by-side management.

## **Item 7      Types of Clients**

Prosperity Planning, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

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

### **METHODS OF ANALYSIS**

In formulating our investment advice, we use various tools and sources of information including financial planning software, general market information, historical data from investment fund providers, analysis from third parties, financial publications and journals, securities rating services, and portfolio analysis software.

***Risks for all forms of analysis:*** The main risk associated with our methods of security analysis is the potential for reliance on inaccurate information, or the misinterpretation of accurate information.

***Risk for financial planning analysis:*** Financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. All return assumptions use estimates of future returns of asset classes, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products. We use financial planning as a tool to guide our clients, but we cannot guarantee that clients will achieve the results shown in the plan.

### **INVESTMENT STRATEGIES**

Our primary investment strategy is a long-term, broad-based allocation of an investor's portfolio across globally diversified asset classes, including equities, bonds, real estate, commodities, and cash. We typically do not invest in individual securities, but rather through diversified, index-based mutual funds, and exchange traded funds. We believe this strategy increases an investor's exposure to the broader global economy and minimizes exposure to individual security risk. We use portfolios constructed



around certain characteristics of publicly traded companies, which can provide higher expected returns over long periods of time. These portfolios systematically overweight stocks of smaller companies, lower-priced “value” stocks, and companies with higher profitability.

We favor investments that offer daily liquidity with clear objectives that can be measured against a relevant benchmark. We favor funds with relatively low operating expenses and low turnover (buying and selling of securities within the fund).

We design portfolios with tax considerations in mind, utilizing tax-qualified accounts and tax-efficient investments as appropriate for each client’s situation. However, we are not tax advisors and we strongly recommend that you consult with a tax professional regarding the investment of your assets.

***Risks of investment strategy:*** The risks associated with our strategy are that even a diversified long-term approach cannot guarantee a profit. Economic, political, and issuer specific events will cause the value of the securities, and the mutual funds that own them, to rise or fall. Currency, interest rate, and commodity price fluctuations may also affect security prices. Because of the inherent risk of loss associated with investing, we are unable to assure that our strategies or methods of analysis will be profitable or insulate our clients from losses.

Additional risks associated with our investment strategy are:

- **Mutual Fund and ETF Risk** - The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities within the ETF or mutual fund, which can vary widely. In very general terms, the higher the anticipated return of the fund, the higher the associated risk of loss.
- **Individual Securities Risk** - While we generally recommend mutual funds and ETFs for diversification, we may recommend holding individual securities in some cases, for example to avoid taxation of unrealized gains. When investing in stock positions, there is additional company-specific or industry-specific risk that is inherent in each investment.
- **Non-U.S. Securities Risk** – Non-U.S. securities are subject to the risks of foreign currency fluctuations, tax policy changes, and changes in the economic, political, and regulatory environment.
- **Emerging Markets Risk** – To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

## **Item 9      Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

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

Some associated persons of Prosperity Planning, Inc. are separately licensed as registered representatives of Cetera Advisors, LLC ("Cetera"), a non-affiliated dually registered broker-dealer and investment advisory firm and a member of the Financial Industry Regulation Authority ("FINRA"). Each of these associated persons spends less than 10% of their time in providing services to Cetera clients. These associated persons also receive compensation, commissions and/or trailing 12b-1 fees from Cetera for services provided to Cetera's brokerage and/or investment advisory clients. Should clients implement recommendations through registered representatives of Cetera, the representatives may receive commissions or other transaction-based compensation in addition to the advisory fees Prosperity Planning receives. This presents a conflict of interest because the associated person may have an incentive to recommend Cetera for executing securities transactions or securities for which they receive additional compensation. Commissions paid through Cetera may be higher or lower than at other broker-dealers. Additionally, account maintenance costs and transaction costs may be higher or lower at Cetera than at other broker-dealers. When recommending commissionable products to advisory clients, we have a fiduciary duty to recommend products that are in the best interest of the client regardless of whether we are receiving a commission on the product. Clients are under no obligation to act on any recommendations of these individuals or place any transactions through them or through Cetera if they decide to follow their recommendations.

Some associated persons of Prosperity Planning, Inc. are separately licensed as investment adviser representatives of Cetera Advisors, LLC ("Cetera"). In that capacity, the individuals provide advisory services through Cetera. The advisory services delivered by Cetera are distinct from those provided by our firm and are provided for separate compensation. Cetera's advisory services may be recommended to our clients for whom it is appropriate. There are no referral fee arrangements between our firm and Cetera. However, a conflict of interest is created by this arrangement to the extent that this individual recommends that a Prosperity Planning, Inc. client open a Cetera account through which this individual will receive additional compensation. No Prosperity Planning, Inc. client is obligated to use Cetera or its services. Clients choosing to implement Prosperity Planning, Inc.'s recommendations through Cetera's advisory services should refer to Cetera's Firm Brochure or other disclosure document for details regarding that firm's services and fees.

We may occasionally trade the same or similar securities in client portfolios that are traded by Cetera in its client portfolios. When this occurs, our clients may receive a better or worse price or execution than Cetera depending on the order of trade execution, the type of security traded and the broker-dealer used. In order to minimize the potential for any systematic disadvantage to clients, when trades are placed in the same security on the same day for both our clients and Cetera advisory clients (whose portfolios are within the control of our affiliated person through their individual capacity as investment adviser representatives of Cetera), the individual will seek to rotate the order of execution.

As this dual registration with Cetera may present potential conflicts of interest, we have established written policies and procedures for insider trading that prohibit such individuals, and any other member, officer or employee of our firm, from buying, selling or recommending the securities of companies bought, sold or recommended by Cetera where the decision is substantially derived, in whole or in part, by reason of access to the recommendations of Cetera to its clients.

Some associated persons of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by Prosperity Planning, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Prosperity Planning, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

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

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

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any

acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Prosperity Planning, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [info@prosperityplanninginc.com](mailto:info@prosperityplanninginc.com), or by calling us at 816-587-7526.

Prosperity Planning, Inc. and individuals associated with our firm are prohibited from engaging in principal transactions.

Prosperity Planning, Inc. and individuals associated with our firm are prohibited from engaging in 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.

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

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

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

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

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.

2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any reportable security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12      Brokerage Practices**

Prosperity Planning, Inc. requires discretionary clients to provide us with written authority to determine the broker dealer to use and the commission costs/transaction fees that will be charged to these clients for these transactions.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

As a matter of policy and practice, Prosperity Planning, Inc. does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Prosperity Planning, Inc. has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides our firm with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help our firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Prosperity Planning, Inc. may contract directly.

Prosperity Planning, Inc. is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of Prosperity Planning, Inc.'s clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Prosperity Planning, Inc. will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

## **Item 13      Review of Accounts**

### **PORTFOLIO MANAGEMENT SERVICES**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least annually by the investment adviser representative working with the client. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Because our allocations are strategic, we generally don't make allocation changes more than once or twice a year.

We make changes to portfolio under the following circumstances:

- Portfolio drift: Asset class performance causes the allocation to shift, requiring "rebalancing" back to the target allocation.
- Change in client goals: Client circumstances or financial plan assumptions change, necessitating a different stock/bond allocation.
- Fund substitution: Funds may close to new investors or we may find a better fund for the asset class.
- Special opportunities, such as the ability to minimize potential income tax exposure.
- Strategic adjustments: From time to time we may add or eliminate certain asset classes or change the weightings within asset classes based on expected returns.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, Prosperity Planning, Inc. will provide quarterly reports summarizing account investment results, balances and holdings.

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, formal reviews will be conducted for Financial Planning Services clients at least annually. Such reviews will be conducted by the investment adviser representative working with the client.

**REPORTS:** Financial Planning Services clients will receive a report at least annually.

### **PENSION CONSULTING SERVICES**

**REVIEWS:** Prosperity Planning, Inc. will review the investment options of the plan according to the agreed upon time intervals established in the IPS.

These accounts are reviewed by the investment adviser representative working with the client.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory relationship.

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

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

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

## **Item 15      Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current and to contact us with questions. In the event of a discrepancy the custodian's data will prevail.

We are deemed to have custody because in certain circumstances we will execute third-party transfers from client accounts pursuant to standing letters of authorization.

Our firm does not have actual custody of client accounts or constructive custody in any other way.

## **Item 16      Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:



- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

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

## **Item 17     Voting Client Securities**

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

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

## **Item 18     Financial Information**

As an advisory firm that maintains discretionary authority for client accounts and is deemed to have custody, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Prosperity Planning, Inc. has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Prosperity Planning, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.