

# Derastone LLC dba Wealth Habits Firm Brochure

*This brochure provides information about the qualifications and business practices of Derastone LLC dba Wealth Habits. If you have any questions about the contents of this brochure, please contact us by email at: [gabriel.kaplan@derastone.com](mailto:gabriel.kaplan@derastone.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 Derastone LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Derastone LLC's CRD number is: 153748*

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*Registration does not imply a certain level of skill or training.*

Version Date: 4/23/2019

## **Item 2: Material Changes**

Derastone LLC has the following material changes to report. This list summarizes changes to policies, practices or conflicts of interests only.

- No material changes

The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (917) 789-1770 to request a copy at any time. As with all firm documents, clients and prospective clients are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

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### **Important Information**

Throughout this document Derastone LLC dba Wealth Habits shall also be referred to as “the firm,” “firm,” “our,” “we” or “us.” The client or prospective client may be also referred to as “you,” “your,” etc., and refers to a client engagement involving of a single person as well as two or more persons. In addition, the term “advisor” and “adviser” are used interchangeably where accuracy in identification is necessary (i.e., Internet address, etc.).

## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Derastone LLC dba Wealth Habits (hereinafter “Wealth Habits”) is a Limited Liability Company organized in the State of New York.

This firm has been in business since May 14, 2010, and the principal owner is Gabriel Kaplan.

### **B. Types of Advisory Services**

Wealth Habits offers the following services to advisory clients:

#### ***Portfolio Management Services***

Wealth Habits offers ongoing portfolio management services based on the individual goals, objectives, time horizon, risk tolerance, and liquidity needs of each client. Wealth Habits creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client’s specific situation. Investment Supervisory Services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Security selection           |
| • Risk tolerance      | • Regular portfolio monitoring |

Wealth Habits evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Wealth Habits will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction." "Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Portfolio Management services are offered via one of the following programs:

**Wealth Habits’ Wealth Starter Portfolio:** This is a personalized ETF/Mutual Fund portfolio, which simplifies the selection process to help you create a diversified portfolio of low cost

mutual funds or ETFs that meets the needs of the client, based on the client's individual investment objectives and risk tolerance.

**Wealth Habits' Alpha Plus Portfolio:** Wealth Habits maintains a set of model portfolios of securities that are designed to fulfill a variety of investment objectives. Wealth Habits makes the recommendation to assist clients in allocating to these model portfolios, depending on their objectives and risk profiles.

**Wealth Habits' Bespoke Portfolio:** Wealth Habits makes the recommendation to assist clients in creating and allocating to these model portfolios, depending on their objectives and risk profiles. These portfolios are built specifically for the client based on their specific objectives, capital liquidity, and risk profiles. Creation of these portfolios will be used when the model portfolios aren't a good fit for the client.

### ***Services Limited to Specific Types of Investments***

Wealth Habits invests mostly in equities. However, Wealth Habits may use other securities as well for diversification, hedging and return considerations when applicable. Other securities may include but are not limited to; futures, ETF's, options, fixed income, currencies, commodities, mutual funds, equities, bonds, debt securities, REITs, Treasury Inflation Protected/Inflation Linked Bonds, precious metal ETF's, and government securities.

Wealth Habits seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of Wealth Habits' economic, investment or other financial interests. To meet its fiduciary obligations, Wealth Habits attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, Wealth Habits' policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is Wealth Habits' policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

### ***Financial Planning***

Financial planning is an evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they impact and are impacted by the entire financial and life situation of the client.

This service involves working one-on-one with a planner over a period of time. By paying a fixed fee, monthly, or a monthly/quarterly fee, clients get to work with a planner who will work with them to develop and implement their plan. Depending on the desired plan services, they may be required to provide information to help complete the following areas of analysis: net worth, cash flow, insurance, credit scores/reports, employee benefit, retirement planning, insurance, investments, college planning and estate planning. Once the client's information is reviewed,

their plan will be built and analyzed, and then the findings, analysis and potential changes to their current situation will be reviewed with the client.

Clients subscribing to this service will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

Gabriel Kaplan is a CPA, but not an attorney or insurance licensed.

In general, the financial plan will address any or all of the following areas of concern. The client and advisor will work together to select the specific areas to cover. These areas may include, but are not limited to, the following:

- Financial Goals
- Cash Flow & Debt Management
- Investment Analysis
- Retirement Planning
- Tax Planning Strategies
- Risk Management

#### **C. Client Tailored Services and Client Imposed Restrictions**

Wealth Habits offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

#### **D. Wrap Fee Programs**

We provide a wrap fee program, which is outlined in detail within the Form ADV Part 2A Appendix 1.

#### **E. Amounts Under Management**

Wealth Habits has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$37,014,213	\$0.00	December 2018



## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Asset- Based Fees for Portfolio Management*

##### Wealth Habits' Starter Portfolio:

Total Assets Under Management	Annual Maximum Fee
From \$0 to \$100,000	0.00% <sup>(1)</sup> / 1.00%
From \$100,001 to \$250,000	0.95%
From \$250,001 to \$500,000	0.90%
From \$500,001 to \$1,000,000	0.85%
From \$1,000,001 to \$5,000,000	0.80%
From \$5,000,001 to \$10,000,000	0.75%
From \$10,000,001 to \$20,000,000	0.50%
Above \$20,000,000	0.25%

##### Wealth Habits' Alpha Plus Portfolio:

Total Assets Under Management	Annual Maximum Fee
From \$0 to \$100,000	0.00% <sup>(1)</sup> / 1.00%
From \$100,001 to \$250,000	1.00%
From \$250,001 to \$500,000	0.90%
From \$500,001 to \$1,000,000	0.85%
From \$1,000,001 to \$5,000,000	0.80%
From \$5,000,001 to \$10,000,000	0.75%
From \$10,000,001 to \$20,000,000	0.50%
Above \$20,000,000	0.25%

##### Wealth Habits' Bespoke Portfolio:

Total Assets Under Management	Annual Maximum Fee
\$100,000 - \$5,000,000	1.50%
\$5,000,001 - \$10,000,000	1.25%
Above \$10,000,000	1.00%

- (1) Reduced fee of 0% requires client to be subscribed to an ongoing financial planning program

These fees are negotiable and the final fee schedule is attached as an Exhibit to the Investment Advisory Contract. Fees are paid daily, monthly, or quarterly for clients with Interactive Brokers LLC (“Interactive Brokers”), only monthly or quarterly for clients with accounts at TD Ameritrade, Inc. (“TD Ameritrade”) and Robust Wealth (“Robust Wealth”). Accounts initiated or terminated during a calendar month will be charged a pro-rated fee based on the amount of time remaining in the billing period. These advisory fees are withdrawn directly from the client’s accounts with client written authorization. Clients may also choose to pay by check or credit card. Clients may select the method in which they are billed. For purposes of calculating portfolio based fees, advisor will rely on values reported by Interactive Brokers, TD Ameritrade, and Robust Wealth.

Clients are billed in arrears, and may terminate their contracts with thirty days’ written notice. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract.

No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement. An account may be terminated with written notice at least 30 calendar days in advance.

Fees may be reduced or waived for families, friends, and any past, present, and future employees.

### ***Financial Planning Fees***

Financial Planning fees consists of an upfront charge and an ongoing fee that is paid monthly, in advance. The fee may be negotiable in certain cases. Fees for this service may be paid by credit card, electronic funds transfer, or check. This service may be terminated with 30 days’ notice. Upon termination of any account, the fee will be prorated and any unearned fee will be refunded to the client.

The upfront portion of the Financial Planning fee is for client onboarding, data gathering, and setting the basis for the financial plan. This work will commence immediately after the fee is paid, and will be completed within the first 30 days of the date the fee is paid. Therefore, the upfront portion of the fee will not be paid more than 6 months in advance.

### ***Financial Planning Monthly Subscription Fees***

Plan Name	Fee
Do-It-Yourself	\$25/month
Foundations	\$250/month
Integrated	\$450/month

Other monthly subscription plans may be offered. The cost of those services may vary based on the complexity of the engagement. Wealth Habits is also provides hourly services clients at \$250 per hour. Fixed fee projects might also be offered to clients. The costs of fixed fee projects will derive from the \$250 per hour multiplied by the estimated hours to completion. In essence, the total fees of the project will depend on the scope of the requested fixed fee project. Fixed fee projects can be paid via credit card/ACH or check. The client can cancel at any point but since it is in arrears, it's not refundable.

All fees may be negotiable in certain cases. Fees may be reduced or even waived for families or friends.

## **B. Other Types of Fees and Expenses**

For clients that utilize our Portfolio Management Services and agree to engage RobustWealth as a sub-adviser, our fees may be inclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. (See Form ADV Part 2A Appendix 1 - WRAP Brochure).

## **C. Prepayment of Fees**

Wealth Habits collects its fees in arrears. It does not collect fees in advance.

## **D. Outside Compensation For the Sale of Securities to Clients**

Neither Wealth Habits nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

Wealth Habits does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

Wealth Habits generally provides management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities
- ❖ Investment Companies

***Minimum Account Size***

We have no minimum account size.

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

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

#### ***Methods of Analysis***

Wealth Habits' methods of analysis include primarily fundamental analysis, and secondly macroeconomic analysis. Fundamental analysis involves the assessment of quantitative and qualitative information related to a company including normalized returns on invested capital, competitive position, business opportunity, financial resources, management, sustainability of franchise, and valuation. Macroeconomic analysis involves the analysis of economic factors and business cycles as a consideration in the buying and/or selling of securities. Wealth Habits focuses primarily on fundamental internal company-specific research to estimate the intrinsic value range for a business relative to the market price of the equity. Wealth Habits pursues investments when there is a significant difference between the two. Wealth Habits considers both quantitative and qualitative factors. Most importantly: (1) Business quality: including normalized returns on capital, competitive position, business opportunity, financial resources, management, and sustainability of franchise. (2) Valuation: the market price of the shares in relation to future business potential, including growth, which is considered separately from quality

#### ***Investment Strategies***

Wealth Habits Company, industry and macro information are considered in thesis development and portfolio management. Company and industry-specific information generally plays a more important role than global and country-specific macro-economic factors, but all factors are actively considered in portfolio construction, positioning and risk control. While company specific investments comprise a majority of our investment activity over a market cycle, Wealth Habits sometimes engages in macro oriented investments, especially for hedging purposes. Wealth Habits strives to make both a source of positive returns over the long term. Wealth Habits has the willingness to: (1) Take large, concentrated and differentiated long and short investment positions to generate attractive returns, and (2) Hold securities that are not liquid in the secondary market. Wealth Habits may utilize, but is not limited to, long term trading, short term trading, short sales, margin transactions, futures and options writing (including covered options, uncovered options, or spreading strategies). Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### ***Methods of Analysis***

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and Medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

## ***Investment Strategies***

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

Wealth Habits utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Wealth Habits generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, Wealth Habits will utilize short sales, margin transactions, and options writing. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies. The investment types listed below (excluding Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

Equity investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

Margin transactions use leverage that is borrowed from a brokerage firm as collateral. The use of margin can magnify the effect of any loss or gain on the investor, and can cause forced sales of investments at unfavorable times or prices.

Stocks & Exchange Traded Funds (ETF): Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy).

Future contracts involve a net zero gain between two parties; one individual benefits from the contract while the other individual loses by the same magnitude. Therefore, the chance of losing money is greater with investing in futures than with stocks or mutual funds, which can grow without an individual having to lose.

Precious Metal ETFs (Gold, Silver, Palladium Bullion backed "electronic shares" not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

Mutual Funds: Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

US Treasury Inflation Protected/Inflation Linked Bonds: The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting; carrying a potential risk of losing share price value.

Fixed Income is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

Debt securities carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

REITs have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

Currency carries risk due to the change in price of one currency against another. Investors face currency risk if their positions are not hedges when investing across borders.

Commodities carries higher than average risk due to the higher than average returns. Commodities markets are also populated with speculative traders whose primary goal is to make short term profits.

Government Securities carry less risk than most other investments since they are backed by the credit and taxing power of a country or other political unit. This investment has a low risk of default with corresponding lower rate of returns.

Bonds carry a default risk such that the borrowing entity is unable to repay the debt obligation to the lending entity. The default risk will vary depending on the nature and credibility of the borrowing entity.

Long term trading is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

Short term trading risks include liquidity, and economic and political stability.

Short sales risks include the upward trend of the market and/or specific securities, and the possibility of infinite and total loss of a portfolio, not just the position itself.

Options writing involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market.



## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither Wealth Habits nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Wealth Habits nor its representatives are registered as a futures commission merchant, commodity pool operator or a commodity trading advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Wealth Habits does not have any related parties. As a result, we do not have a relationship with any related parties.

### **D. Recommendations or Selections of Other Investment Advisers**

As referenced in Item 4 of this brochure, Wealth Habits may refer clients to Outside Managers or sub-advisers to manage their accounts. In the event that we recommend an Outside Manager, please note that we do not share in their advisory fee. Our fee is separate and in addition to their compensation (as noted in Item 5) and will be described to you prior to engagement. You are not obligated, contractually or otherwise, to use the services of any Outside Manager we recommend. Additionally, Wealth Habits will only recommend an Outside Manager who is properly licensed or registered as an investment adviser.

## **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients or prospective clients may request a free copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

Wealth Habits does not recommend that clients buy or sell any security in which a related person to Wealth Habits has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Wealth Habits may buy or sell securities for themselves that they also purchase or sell on behalf of clients. This may provide an opportunity for representatives of Wealth Habits to buy or sell the same securities before or after purchasing or selling the same securities on behalf of clients resulting in a potential conflict of interest. Wealth Habits will always transact client business either before their own or at the same time (i.e. block trades) when similar securities are being bought or sold. Wealth Habits will conclude there is a potential conflict of interest in cases where on a given trading day (1) Wealth Habits representatives personal trading takes place prior to Wealth Habits client trading in a given security and (2) Wealth Habits client trading amounts to more than 2% of the prior 30-day average market volume in that security on that day. Wealth Habits will document all such potential conflicts.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Wealth Habits may buy or sell securities for themselves that they also purchase or sell on behalf of clients. This may provide an opportunity for representatives of Wealth Habits to buy or sell the same securities before or after purchasing or selling the same securities on behalf of clients resulting in a potential conflict of interest. Wealth Habits will always transact client business either before their own or at the same time (i.e. block trades) when similar securities are being bought or sold. Wealth Habits will conclude there is a potential conflict of interest in cases where on a given trading day (1) Wealth Habits representatives personal trading takes place prior to Wealth Habits client trading in a given security and (2) Wealth Habits client trading amounts to more than 2% of the prior 30-day average market volume in that security on that day. Wealth Habits will document all such potential conflicts.

## Item 12: Brokerage Practices

### A. Factors Used to Select Custodians and/or Broker/Dealers

Wealth Habits does not have any affiliation with Broker-Dealers. Specific custodian recommendations are made to client based on their need for such services. We recommend custodians based on the reputation and services provided by the firm.

#### **1. *Research and Other Soft-Dollar Benefits***

Wealth Habits receives research, products, or other services from its broker/dealer or another third-party in connection with client securities transactions (“soft dollar benefits”). There is no minimum client number or dollar number that Wealth Habits must meet in order to receive research from the custodian or broker/dealer. Wealth Habits receives a benefit because it does not have to pay for or produce the research, services, or products and therefore Wealth Habits might have an incentive to recommend a custodian based on its interest rather than their clients. Wealth Habits will always seek to act in the best interests of the client.

#### **2. *Brokerage for Client Referrals***

Wealth Habits will not allow clients to direct Wealth Habits to use a specific broker-dealer to execute transactions. Clients must use Wealth Habits recommended custodian (broker-dealer). Not all investment advisers require their clients to direct brokerage. By requiring clients to use our specific custodian, Wealth Habits may be unable to achieve most favorable execution of client transaction and that this may cost clients’ money over using a lower-cost custodian.

#### **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

Wealth Habits will require clients to use a specific broker-dealer to execute transactions. Not all advisors require clients to direct brokerage. Most favorable execution may not be achieved which may cost the client more.

#### **4. *The Custodian and Brokers We Use***

The Custodian, Interactive Brokers LLC (CRD# 36418), was chosen primarily based on its relatively low transaction fee, capability to facilitate timely transfers and payments to and from accounts, ability and willingness to work with foreigners, strength of trading platform, access to mutual funds and ETFs, support services, and reputation. Wealth Habits will never charge a premium or commission on transactions, beyond the actual cost imposed by the Custodian.

Wealth Habits participates in TD Ameritrade's institutional (CRD #7870) customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Wealth Habits' participation in the program and the investment advice it gives to its clients, although Wealth Habits 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 Wealth Habits 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 discounts on compliance, marketing, research, technology, and practice management products or services provided to Wealth Habits by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Wealth Habits' related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Wealth Habits but may not benefit its client accounts. These products or services may assist Wealth Habits in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Wealth Habits manage and further develop its business enterprise. The benefits received by Wealth Habits 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, Wealth Habits endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Wealth Habits or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Wealth Habits' choice of TD Ameritrade for custody and brokerage services.

Wealth Habits does not maintain custody of your assets on which we advise and manage; although we may be deemed to have custody of your assets if you give us authority to withdraw advisory fees from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank.

The broker-dealer will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Interactive Brokers LLC as custodian/broker, you will decide whether to do so and will open your account with the broker-dealer by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

Wealth Habits maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing Wealth Habits the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed regularly at a quarterly basis by Gabriel Kaplan, Managing Member. Gabriel Kaplan is the chief advisor and is instructed to review clients' accounts with regard to clients' respective investment policies and risk tolerance levels. All accounts at Wealth Habits are assigned to this reviewer.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or excessive draw-down).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian. Wealth Habits does not itself provide such written reports.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

We receive a non-economic benefit from Interactive Brokers LLC, TD Ameritrade, or Robust Wealth in the form of the support products and services it makes available to us and clients who maintain their accounts at Interactive Brokers LLC, TD Ameritrade or Robust Wealth.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

Wealth Habits does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

Wealth Habits does not accept custody of client funds and/or securities, except for in the instance of withdrawal of fees. Wealth Habits with client written authority, has limited custody of client's assets through direct fee deduction of Wealth Habits' fees only. If the client chooses to be billed directly by Interactive Brokers LLC (CRD #36418), TD Ameritrade (CRD #7870), or Robust Wealth (CRD #269919), Wealth Habits would have constructive custody over that account and must have written authorization

from the client to do so. Clients will receive all account statements and billing invoices from custodian directly. For accounts held at Interactive Brokers, our statements will be available for you to review on the activity section of your Interactive Brokers account portal. You will also receive quarterly account statements directly from the custodian and they should be carefully reviewed for accuracy.

### **Item 16: Investment Discretion**

For those client accounts where Wealth Habits will have investment discretion, the client has given Wealth Habits written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. Discretionary authority is executed by agreement through the custodian account application and the investment advisory contract. The client provides Wealth Habits discretionary authority via a limited power of attorney in the Investment Advisory Contract and executing limited power of attorney in the contract between the client and the custodian.

### **Item 17: Voting Client Securities (Proxy Voting)**

We do not vote client proxies. Therefore, clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the client's investment assets. The client shall instruct the client's qualified custodian to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Wealth Habits does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Wealth Habits nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Neither Wealth Habits nor its management have been the subject of a bankruptcy petition in the last ten years.

## **Item 19: REQUIREMENTS FOR STATE REGISTERED ADVISERS**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

Wealth Habits currently has only one management person and only one executive officer; Gabriel Kaplan. Gabriel Kaplan's education and business background can be found on the Supplemental ADV Part 2B form.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Gabriel Kaplan's other business activities can be found on the Supplemental ADV Part 2B form.

### **C. How Performance Based Fees are Calculated and Degree of Risk to Clients**

Wealth Habits does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at Wealth Habits has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding

### **E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Neither Wealth Habits, nor its management persons, has any relationship or arrangement with issuers of securities.