

# AJ WEALTH STRATEGIES, LLC

## FIRM BROCHURE PART 2A OF FORM ADV

MARCH 28, 2019

Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of AJ Wealth Strategies, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 729-7750. 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.

AJ Wealth Strategies, LLC is registered as an investment adviser with the Securities and Exchange Commission (“SEC”); however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about AJ Wealth Strategies, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**CRD number:** 161950

## Item 2 – Material Changes

AJ Wealth Strategies, LLC (“AJ Wealth”) is amending this Brochure with an update to Item 4, Advisory Business, Assets Under Management to reflect Assets Under Management as of December 31<sup>st</sup>, 2018 and Item 12 Brokerage Practices, Item 14 Client Referrals and other Compensation, and Item 15 Custody: amended to describe in detail AJ Wealth’s custodial relationships. These are AJ Wealth’s only changes within this Brochure. AJ Wealth encourages each client to read this Brochure carefully and to call with any questions you have. Our previous version of Form ADV Part 2A was dated March 28, 2018.

Pursuant to state regulation, AJ Wealth will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of AJ Wealth’s fiscal year end. Additionally, as the Firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover that includes an offer to provide a copy of the updated Brochure and information on how to obtain the Brochure.

For more information about the Firm, please contact us at (212) 729-7750.

Additional information about AJ Wealth and its investment adviser representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4 – Advisory Business

### **A. Firm Information**

AJ Wealth Strategies, LLC (“AJ Wealth” or the “Advisor”) is a registered investment adviser with the Securities and Exchange Commission and is based in New York, N.Y. and is organized as a Limited Liability Company (LLC) under the laws of the State of New York. AJ Wealth was founded in April 2012, and is owned and operated by Managing Principal, Justyn G. Volesko and Managing Principal, Andrew Cooper. This Disclosure Brochure provides information regarding the qualifications, business practices, and the advisory services provided by AJ Wealth.

### **B. Advisory Services Offered**

AJ Wealth offers investment advisory services to individuals, high net worth individuals, trusts, estates in New York and other states (each referred to as a “Client”).

#### Portfolio Management

AJ Wealth provides customized investment advisory solutions for its Clients. This is achieved through continuous personal Client contact and interaction while providing discretionary investment management and consulting services.

We believe it is in both the client's and AJ Wealth's best interest to keep the client fully informed, fully engaged, and fully educated on all investment decisions. We take great care in understanding your risk tolerance, your retirement goals and your financial commitments. With this understanding in mind, we create a diversified portfolio of low cost and mostly liquid investments. In designing this plan, we will consider outside accounts that are not on our platform. While it is important to maintain a diversified portfolio to weather volatile markets, each client's individual risk tolerance and financial needs will differ and in turn lead to every client having a personalized asset allocation.

Once we have determined the right asset allocation, we then take great care in picking the right investment vehicles and the most efficient locations to hold these vehicles. We maintain an open architecture investment model that picks the most appropriate investment for each asset class. While portfolios include individual stocks and bonds, ETFs, United States government bonds, municipal securities, mutual funds and limited partnerships we believe that in most cases the appropriate investment for each asset class will be low cost, passive index funds. The Advisor will also utilize annuities, alternative investment strategies and other securities to meet the needs of its Clients.

AJ Wealth's investment strategy is primarily long-term focused, but the Advisor will buy, sell or re-allocate positions that have been held less than one year to meet the objectives of the Client or due to market conditions. AJ Wealth will construct, implement and monitor the portfolio to ensure it meets the goals, objectives, circumstances, and risk tolerance agreed to by the Client. Each Client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio, subject to the acceptance by the Advisor.

AJ Wealth evaluates and selects assets for inclusion in Client portfolios only after applying their internal due diligence process. AJ Wealth will recommend, on occasion, redistributing investment allocations to diversify the portfolio. AJ Wealth will recommend specific positions to increase sector or asset class weightings. The Advisor will recommend employing cash positions as a possible hedge against market movement, which will adversely affect the portfolio. AJ Wealth will recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position[s] in the portfolio, change in risk tolerance of Client, generating cash to meet Client needs, or any risk deemed unacceptable for the Client's risk tolerance.

**Prior to rendering investment advisory services, AJ Wealth will ascertain, in conjunction with the Client, the Client's financial situation, risk tolerance, and investment objective[s].**

AJ Wealth will provide investment advisory services and portfolio management services and will not provide securities custodial or other administrative services. All Client assets will be managed within their designated brokerage account or pension account, pursuant to the Client Investment Advisory Agreement.

#### Financial Planning and Consulting Services

AJ Wealth will typically provide a variety of financial planning services to individuals and families, pursuant to a written Financial Planning or Consulting Agreement. Services are offered in several areas of a Client's financial situation, depending on their goals, objectives and financial situation.

Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the Client's financial goals and objectives. This planning or consulting encompass one or more areas of need, including, but not limited to investment planning, retirement planning, personal savings, cash flow planning, education savings, estate planning, taxes, insurance and philanthropic planning and other areas of a Client's financial situation. Consulting services are also offered for banking and lending, including third party recommendations.

A financial plan developed for or financial consultation rendered to the Client will usually include general recommendations for a course of activity or specific actions to be taken by the Client. For example, start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable giving programs. AJ Wealth will also refer Clients to an accountant, attorney or other specialist, as appropriate for their unique situation. For certain financial planning engagements, the Advisor will provide a written summary of Client's financial situation, observations, and recommendations. For consulting or ad-hoc engagements, the Advisor may not provide a written summary. Plans or consultations are typically completed within six months of contract date, assuming all information and documents requested are provided promptly.

Financial planning and consulting recommendations can pose a potential conflict between the interests of the Advisor and the interests of the Client. Clients are not obligated to implement any recommendations made by the Advisor or maintain an ongoing relationship with the Advisor. If the Client elects to act on any of the recommendations made by the Advisor, the Client is under no obligation to affect the transaction through the Advisor.

**Pursuant to CCR Section 260.238(k), the Advisor hereby discloses that all material conflicts of interest are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.**

#### **C. Client Account Management**

Prior to engaging AJ Wealth to provide investment advisory services, each Client is required to enter into an Investment Advisory Agreement with the Advisor that defines the terms, conditions, authority and responsibilities of the Advisor and the Client. These services can include:

- Establishing an Investment Policy Statement – AJ Wealth, in connection with the Client, will develop a statement that summarizes the Client's investment goals and objectives along with the broad strategy[ies] to be employed to meet the objectives. An Investment Policy Statement generally include specific information on the Client's stated goals, time horizon for achieving the goals, investment strategies, Client risk tolerance and any restrictions imposed by the Client.

- Asset Allocation – AJ Wealth will develop a strategic asset allocation that is targeted to meet the investment objectives, time horizon, financial situation and tolerance for risk for each Client.
- Portfolio Construction – AJ Wealth will develop a portfolio for the Client that is intended to meet the stated goals and objectives of the Client.
- Investment Management and Supervision – AJ Wealth will provide investment management and ongoing oversight of the Client’s portfolio and overall account.

#### D. Wrap Fee Programs

AJ Wealth does not manage or place Client assets into a wrap fee program. Investment management services are provided directly by AJ Wealth.

#### E. Assets Under Management

AJ Wealth is a registered investment advisor with the Securities and Exchange Commission. As of Advisor’s December 31, 2018 fiscal year end, the amount of client assets managed on a discretionary basis was approximately \$708,000,000<sup>1</sup> and assets managed on a non-discretionary basis was \$218,000,000<sup>1</sup>.

### Item 5 – Fees and Compensation

The following paragraphs detail the fee structure and compensation methodology for investment management. Each Client shall sign an Investment Advisory Agreement that details the responsibilities of AJ Wealth and the Client.

#### A. Fees for Advisory Services

##### Portfolio Management

Investment Advisory Fees are paid quarterly in advance pursuant to the terms of the Investment Advisory Agreement. Investment Advisory Fees are based on the market value of assets under management at the end of each calendar quarter. Investment Advisory Fees range from 1.00% to 0.00% based on the following schedule:

Assets Under Management	Annual Rate
\$0 to \$10,000,000	1.00%
\$10,000,000 to \$20,000,000	0.75%
\$20,000,000 to and Over	0.50%

Relationships with multiple objectives, specific reporting requirements, portfolio restrictions and other complexities can be charged a higher fee or additional fixed fees.

Investment Advisory Fees in the first quarter of service are prorated to the inception date of the account to the end of the first quarter. Fees are negotiable at the discretion of the Advisor. The Client’s fees will take into consideration the aggregate assets under management with Advisor. All securities held in accounts managed by AJ Wealth will be independently valued by the designated Custodian. AJ Wealth will not have the authority or responsibility to value portfolio securities.

The Client at times, will be able to attain similar services for a lower fee from other service providers.

<sup>1</sup>The term “assets under management” and rounding as defined by SEC’s General Instructions for Part 2 of Form ADV.

### Financial Planning and Consulting Services

AJ Wealth offers financial planning or consulting services on a fixed fee basis ranging from \$5,000 to \$100,000, which is negotiable depending on the nature and complexity of each Client's circumstances. An estimate for total cost and hours will be determined prior to establishing the advisory relationship.

The Advisor's fee is exclusive of, and in addition to brokerage fees, transaction fees, and other related costs and expenses, which will be incurred by the Client. However, the Advisor shall not receive any portion of these commissions, fees, and costs.

## **B. Fee Billing**

### Portfolio Management

Investment Advisory Fees will be automatically deducted from the Client Account by the Custodian. The Advisor shall send an invoice to the Custodian indicating the amount of the fees to be deducted from the Client Account at the respective quarter end date. The amount due is calculated by applying the quarterly rate (annual rate divided by 4) to the total assets under management with AJ Wealth at the end of each quarter. Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the Investment Advisory Fee. In addition, the Advisor will provide the Client a report itemizing the fee, including the calculation period covered by the fee, the account value and the methodology used to calculate the fee. It is the responsibility of the Client to verify the accuracy of these fees as listed on the custodian's brokerage statement as the Custodian does not assume this responsibility. Clients provide written authorization permitting AJ Wealth to be paid directly from their accounts held by the Custodian as part of the Investment Advisory Agreement and separate account forms provided by the Custodian.

### Financial Planning and Consulting Services

Financial planning and consulting fees are invoiced 50% upon execution of the Financial Planning and Consulting Agreement and 50% per half, thereafter.

## **C. Other Fees and Expenses**

Clients incur certain fees or charges imposed by third-parties, other than AJ Wealth, in connection with investment made on behalf of the Client's account[s]. The Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Investment Advisory Fee charged by AJ Wealth is separate and distinct from these custodian and execution fees.

In addition, all fees paid to AJ Wealth for investment advisory services are separate and distinct from the expenses charged by mutual funds and exchange-traded funds to their shareholders, if applicable. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A Client could invest in these products directly, without the services of AJ Wealth, but would not receive the services provided by AJ Wealth which are designed, among other things, to assist the Client in determining which products or services are most appropriate to each Client's financial situation and objectives. Accordingly, the Client should review both the fees charged by the fund[s] and the fees charged by AJ Wealth to fully understand the total fees to be paid.

## **D. Advance Payment of Fees and Termination**

### Portfolio Management

AJ Wealth is compensated for its services in advance of the quarter in which investment advisory services are rendered. Clients can request to terminate their Investment Advisory Agreement with AJ Wealth, in whole or in part, by providing advance written notice. The Client shall be responsible for Investment Advisory Fees up to and including

the effective date of termination. Upon termination, the Advisor will refund any unearned, prepaid Investment Advisory Fees from the effective date of termination to the end of the quarter. The Client's Investment Advisory Agreement with the Advisor is non-transferable without Client's written approval.

#### Financial Planning and Consulting Services

In the event a Client should wish to cancel the financial planning agreement under which any plan is being created, the Client shall be billed for actual percentage of work completed on the planning project. Any surplus in the Advisor's possession as the result of collecting a deposit at the time of signing the financial planning agreement will be returned to the Client within 5 business days of cancellation.

Either party can terminate a planning or consulting agreement at any time by providing written notice to the other party. In addition, the Client can terminate the agreement within five (5) days of signing the Advisor's financial planning or consulting agreement at no cost to the Client. After the five-day period, the Client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the Client. Refunds will be given on a pro-rata basis.

#### **E. Compensation for Sales of Securities**

AJ Wealth does not buy or sell securities and does not receive any compensation for securities transactions in any Client account, other than the Investment Advisory Fees noted above.

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

AJ Wealth does not charge performance-based fees for its investment advisory services. The fees charged by AJ Wealth are as described in Item 5 – Fees and Compensation above and are not based upon the capital appreciation of the funds or securities held by any Client.

AJ Wealth does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its Clients.

#### Item 7 – Types of Clients

AJ Wealth provides investment advisory services to the following types of Clients:

- Individuals, Personal Trusts and Estates – private investors, investing their personal assets

AJ Wealth generally does not impose a minimum account size for establishing a relationship.

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

##### **A. Methods of Analysis**

AJ Wealth primarily employs fundamental analysis methods in developing investment strategies for its Clients. Research and analysis from AJ Wealth is derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others.

As noted above, AJ Wealth generally employs a long-term investment strategy for its Clients, as consistent with their financial goals. AJ Wealth will typically hold all or a portion of a security for more than a year but will also hold for shorter periods for the purpose of rebalancing a portfolio or meeting the cash needs of Clients. At times, AJ Wealth



will also buy and sell positions that are more short-term in nature, depending on the goals of the Client and/or the fundamentals of the security, sector or asset class.

## **B. Risk of Loss**

Investing in securities involves certain investment risks. Securities fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. AJ Wealth will assist Clients in determining an appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Fundamental analysis utilizes economic and business indicators as investment selection criteria. These criteria are generally ratios and trends that indicate the overall strength and financial viability of the entity being analyzed. Assets are deemed suitable if they meet certain criteria to indicate that they are a strong investment with a value discounted by the market. While this type of analysis helps the Advisor in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in the fundamental analysis can lose value and in turn have negative investment performance. The Advisor monitors these economic indicators to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included in Item 13.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account. The Advisor shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in financial condition, goals or other factors that will affect this analysis.

The risks associated with a particular strategy are provided to each Client in advance of investing Client accounts. The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process. Following are some of the risks:

### Non-diversification Risk

The risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

### Equity (stock) Market Risk

Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

### Fixed Income Risk

When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

AJ Wealth uses margin in Client accounts to manage the timing of purchases and sales, as appropriate. AJ Wealth employs options strategies to hedge or gain additional exposure to a particular asset class or sector. AJ Wealth's investment strategy encompasses active trading in concentrated portfolios. Following are some of the risks associated with certain transactions:

#### Margin Borrowings

The use of short-term margin borrowings can result in certain additional risks to a Client. For example, if securities pledged to brokers to secure a Client's margin accounts decline in value, the Client could be subject to a "margin call", pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the pledged securities to compensate for the decline in value.

#### Alternative Investments (Limited Partnerships)

The performance of alternative investments (limited partnerships) can be volatile and have limited liquidity. An investor could lose all or a portion of their investment. Such investments often have concentrated positions and investments that can carry higher risks. Client should only have a portion of their assets in these investments.

#### Concentrated Portfolios

Concentrated portfolios are an aggressive and highly volatile approach to trading and investing and should be viewed as complementary to a stable, highly predictable investment approach. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic price swings. In addition, the rise or drop in price of any given holding in the portfolio is likely to have a larger impact on portfolio performance, than a more broadly diversified portfolio.

#### Frequent Trading

Frequent trading in securities can result in higher transaction costs in the Client's account[s]. For taxable accounts, frequent trading can also result in taxable transactions each year that would not be present in a buy and-hold strategy. There are no guarantees that a frequent trading strategy will correctly time purchases and sales of any particular security.

Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.

### Item 9 – Disciplinary Information

There are no reported legal, regulatory or disciplinary events involving AJ Wealth or any of its employees.

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

#### Insurance Agency Affiliations

Mr. Volesko and Mr. Cooper serve as sales agents for various insurance companies. This activity is done separate and apart from their role with AJ Wealth. As an insurance agent, Mr. Volesko and Mr. Cooper receive customary commissions and other related revenues from the various insurance companies whose products are sold. Commissions generated by insurance sales do not offset regular advisory fees. This can cause a conflict of interest in recommending certain products of the insurance companies. Clients are under no obligation to implement any recommendations made by Mr. Volesko, Mr. Cooper or the Advisor.

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

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

AJ Wealth has implemented a Code of Ethics that defines our fiduciary commitment to each Client. This Code of Ethics applies to all persons associated with AJ Wealth. The Code of Ethics was developed to provide general ethical guidelines and specific instructions regarding our duties to you, our Client. AJ Wealth and its personnel owe a duty of loyalty, fairness and good faith towards each Client. It is the obligation of AJ Wealth associates to adhere not only to the specific provisions of the Code, but also to the general principles that guide the Code. The Code of Ethics covers a range of topics including but not limited to; general ethical principles, reporting personal securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics. AJ Wealth has written its Code of Ethics to meet and exceed regulatory standards. To request a copy of our Code of Ethics, please contact us at (212) 729-7750 or via email at [info@ajwealthllc.com](mailto:info@ajwealthllc.com).

### **B. Personal Trading with Material Interest**

AJ Wealth allows our employees to purchase or sell the same securities recommended to and purchased on behalf of Clients. AJ Wealth does not act as principal in any transactions. AJ Wealth does not have a material interest in any securities traded in Client accounts.

### **C. Personal Trading in Same Securities as Clients**

AJ Wealth allows our employees to purchase or sell the same securities recommended to and purchased on behalf of Clients. Owning the same securities we recommend (purchase or sell) to you presents a potential conflict of interest that, as fiduciaries, we must disclose to you and mitigate through policies and procedures. We have also adopted written policies and procedures to detect the misuse of material, non-public information. We can, at times, have an interest or position in certain securities, which can also be recommended to you.

### **D. Personal Trading at Same Time as Client**

While AJ Wealth allows our employees to purchase or sell the same securities recommended to and purchased on behalf of Clients, these trades do not occur at the same time. AJ Wealth will place trades only after Client orders have been placed and filled.

**At no time, will AJ Wealth or any associated person of AJ Wealth, transact in any security to the detriment of any Client.**

## Item 12 – Brokerage Practices

### **A. Recommendation of Custodian[s]**

Client assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. AJ Wealth maintains discretion over which custodian is used to maintain client assets but typically recommends Charles Schwab & Co., Inc. (“Schwab”). We may also use Fidelity or Vanguard.

#### **Schwab**

AJ Wealth (“we/our”) does not maintain custody of your assets (although we may be deemed to have custody of your assets if you give us authority to withdraw assets 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. We recommend that our clients use Schwab, a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with

them. We do not open the account for you. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described in the next paragraph.

### **How We Select Custodians/Brokers**

AJ Wealth seeks to select and recommend a custodian/broker who will hold clients' assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. During the selection process, AJ Wealth considers a wide range of factors, which include, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.);
- availability of investment research and tools that assist us in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- the custodian/broker's prior service to us and our other clients; and
- availability of other products and services that benefit us

### **Your Custody and Brokerage Costs**

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account.

### **Products and Services Available to Us**

#### From Schwab

Schwab Advisor Services™ (formerly Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide our clients and us with access to its institutional brokerage— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Here is a more detailed description of Schwab's support services:

#### Services That Benefit You

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

#### Services That May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);

- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

#### Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

#### **Fidelity**

The Firm has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Adviser with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like the Firm in conducting business and in serving the best interests of their clients but that benefit the Firm. Adviser is not affiliated with Fidelity. Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Adviser to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to Adviser, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Adviser (within specified parameters). These research and brokerage services are used by Adviser to manage accounts for which the Firm has investment discretion. Adviser also receives additional services, which include services that do not directly benefit clients.

Following are additional details regarding the brokerage practices of the Advisor:

1. ***Soft Dollars*** - Soft dollars are revenue programs offered by broker-dealers whereby an advisor enters into an agreement to place security trades with the broker in exchange for research and other services. **AJ Wealth does not participate in soft dollar programs sponsored or offered by any broker-dealer.**
2. ***Brokerage Referrals*** - AJ Wealth does not receive any compensation from any third party in connection with the recommendation for establishing a brokerage account.
3. ***Directed Brokerage*** - All Clients are serviced on a "directed brokerage basis", where AJ Wealth will place trades within the established account[s] at the custodian. Further, all Client accounts are traded within their respective brokerage account[s]. The Advisor will not engage in any principal transactions (i.e., trade of any security from or to the Advisor's own account) or cross transactions with other Client accounts (i.e., purchase of a security into one Client account from another Client's account[s]). In selecting the custodian, AJ Wealth will not be obligated to select competitive bids on securities transactions and does not

have an obligation to seek the lowest available transaction costs. These costs are determined by the designated custodian.

#### **B. Aggregating and Allocating Trades**

The primary objective in placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. AJ Wealth will execute its transactions through an unaffiliated broker-dealer selected by the Client. AJ Wealth aggregates orders in a block trade or trades when securities are purchased or sold through the same broker-dealer for multiple (discretionary) accounts. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage particular Client accounts.

### **Item 13 – Review of Accounts**

#### **A. Frequency of Reviews**

Accounts are monitored on a regular and continuous basis by Mr. Volesko and Mr. Cooper. Formal reviews are generally conducted quarterly. Near the end of the year, we will review the portfolio to determine if any appropriate tax strategies such as realizing losses within the portfolio.

#### **B. Causes for Reviews**

In addition to the investment monitoring noted in Item 13.A. each Client account shall be reviewed at least annually. Reviews will be conducted more or less frequently at the Client's request. Accounts will be reviewed as a result of major changes in economic conditions, known changes in the Client's financial situation, and/or large deposits or withdrawals in the Client's account. The Client is encouraged to notify AJ Wealth if changes occur in his/her personal financial situation that might adversely affect his/her investment plan. Additional reviews are triggered by material market, economic or political events.

#### **C. Review Reports**

The Client will receive brokerage statements no less than quarterly from the trustee or custodian. These brokerage statements are sent directly from the custodian to the Client. The Client can also establish electronic access to the custodian's website so that the Client can view these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the Client's account[s]. While the performance of your investments is most important; a close second is reporting this performance to you in a meaningful and clear way. AJ Wealth takes great care in understanding your various investment vehicles and the economics behind them. The Advisor takes greater care designing a summary report that clearly highlights what is important. This allows Clients to make educated financial decisions and always be aware of their portfolio's performance.

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

#### **A. Compensation Received by AJ Wealth**

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

### Insurance Agency Affiliations

Mr. Volesko and Mr. Cooper serve as sales agent for various insurance companies. This activity is done separate and apart from their roles with AJ Wealth. As an insurance agent, Mr. Volesko and Mr. Cooper receive customary commissions and other related revenues from the various insurance companies whose products are sold. Commissions generated by insurance sales do not offset regular advisory fees.

### **B. Client Referrals from Solicitors**

AJ Wealth does not engage paid solicitors for Client referrals.

### Item 15 – Custody

All clients of AJ Wealth must place their assets with a qualified custodian.

Schwab, Fidelity, Vanguard or FRB maintains actual custody of your assets. You will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab, Fidelity, Vanguard or FRB or through direct access via the custodian's portal. You should carefully review those statements promptly when you receive them. We also urge you to compare the custodian's account statements with the periodic portfolio reports you will receive from us.

As AJ Wealth provides Trustee/LLC Manager and Bill Paying services to its clients, it is deemed by regulation to have custody of client assets. For these assets, AJ Wealth obtains an annual surprise exam from an independent accounting firm in accordance with Rule 206(4)-2 of the Advisers Act, pursuant to a written agreement between the firm and the accountant, at a time to be determined by the accountant without prior notice or announcement and that is irregular from year to year. The independent public accountant must be registered with and subject to regular inspection, with the Public Company Accounting Oversight Board ("PCAOB"). Clients will receive account statements monthly from the custodian. Clients are urged to compare custodial account statements against statements prepared by AJ Wealth for accuracy. For more information about custodians and brokerage practices, see Item 12 - Brokerage Practices.

Additionally, pursuant to the Investment Advisers Act of 1940, AJ Wealth is deemed to have "constructive custody" of client funds because the Firm has the authority and ability to debit its fees directly from the accounts of those clients receiving Investment Advisory Services.

Further, certain clients have, and can in the future, sign a Standing Letter of Authorization (SLOA) that gives AJ Wealth the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give the Firm custody. Custody is defined as any legal or actual ability by the Firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly.
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempts AJ Wealth from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from client accounts, AJ Wealth must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
2. In the case of SLOAs, AJ Wealth must: (i) confirm that the name, address, and account number of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (iii) ensure that certain requirements are being performed by the qualified custodian.

The qualified custodian that is selected by a client maintains actual physical custody of client assets. Client account statements from custodians will be sent directly to each client to the email or postal mailing address that is provided to the qualified custodian selected by the client. Clients are encouraged to compare information provided in reports or statements received by AJ Wealth with the account statements received from their custodian for accuracy. In addition, clients should understand that it is their responsibility, not the custodian's, to ensure that the fee calculation is correct. If client funds or securities are inadvertently received by our firm, they are returned to the sender immediately, or as soon as practical.

### **Item 16 – Investment Discretion**

AJ Wealth generally has discretion over the selection and amount of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client. However, these purchases or sales are subject to specified investment objectives, guidelines, or limitations previously set forth by the Client and agreed to by AJ Wealth. Discretionary authority will only be authorized upon full disclosure to the Client. The granting of such authority will be evidenced by the Client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by AJ Wealth will be in accordance with each Client's investment objectives and goals.

### **Item 17 – Voting Client Securities**

AJ Wealth does not accept proxy-voting responsibility for any Client. Clients will receive proxy statements directly from the Custodian. The Advisor will assist in answering questions relating to proxies, however, the Client retains the sole responsibility for proxy decisions and voting.

### **Item 18 – Financial Information**

AJ Wealth does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. We do not have any financial commitments that impair our ability to meet contractual and fiduciary obligations to clients and have not been the subject of a bankruptcy proceeding.