

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

Part 2A of Form ADV: Firm Brochure



AT THE CENTER OF YOUR LIFE'S PLAN.

Firm IARD/CRD #: 162870  
SEC File #: 801-113827

Core Wealth Management, Inc.  
REGISTERED INVESTMENT ADVISOR

This Disclosure Brochure provides information about the qualifications and business practices of Core Wealth Management, Inc. which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Core Wealth Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Core Wealth Management, Inc. has attained a certain level of skill or training.

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BROCHURE  
DATED

1  
JANUARY  
2022

## MATERIAL CHANGES

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ITEM 2

There are no material changes to report. This Disclosure Brochure has been reviewed and is current as of the date indicated on the cover.

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## BROCHURE SUPPLEMENTS

## ADVISORY BUSINESS

### Who We Are

Core Wealth Management, Inc. (hereinafter referred to as “CWM”, “the Company”, “we”, “us” and “our”) is a fee-only, SEC registered investment advisor<sup>1</sup> firm offering a wide range of financial management services<sup>2</sup> to assist you, our client<sup>3</sup>, achieve the financial security and independence you desire.

#### Owners

The following person controls the Company:

| Name                   | Title                                | CRD#    |
|------------------------|--------------------------------------|---------|
| Todd M. Schanel        | President & Chief Compliance Officer | 4731679 |
| Jacquelyn A. Goldstick | Vice President                       | 2934836 |

#### Assets Under Management

As of January 1, 2022, our assets under management totaled:

Client Discretionary Managed Accounts ..... \$271,306,891

We do not offer non-discretionary investment management services.

### Our Mission

Our mission is to **hold in trust** your financial future as if it was our own; **to be the central resource** that you and your family turns to for clear, objective and sound financial advice; and **to guide you** in developing and executing a financial plan that will bring you peace of mind and set you on a course to fulfilling your life’s plan.

### What We Do

The solutions and services that we offer apply time-tested financial principles and academic research to your specific circumstances and needs. Therefore, the most important aspect of what we do is to begin the planning process by seeking to understand your unique values, life goals and plans. In other words, the solutions we develop for you, whether in the realm of investment management and/or financial planning, are designed to reflect how *you* define true wealth, not us. Our services include:

<sup>1</sup> The term “registered investment advisor” is not intended to imply that Core Wealth Management, Inc. has attained a certain level of skill or training. It is used strictly to reference the fact that we are “registered” as a licensed “investment advisor” with the United States Securities & Exchange Commission - and “Notice Filed” with State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.

<sup>2</sup> Core Wealth Management, Inc. is a **fiduciary**, as defined within the meaning of Title I of the Employer Retirement Income Security Act of 1974 (“ERISA”) and/or as defined under the Internal Revenue Code of 1986 (the “Code”) for **any financial management services provided to a client who is:** (i) a plan participant or beneficiary of a retirement plan subject to ERISA or as described under the Code; or (ii) the beneficial owner of an Individual Retirement Account (“IRA”).

<sup>3</sup> A client could be an individual and their family members, a family office, a foundation or endowment, a corporation and/or small business, a trust, a guardianship, an estate, a retirement plan, or any other type of entity to which we choose to give investment advice.

## Portfolio Management

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Our Portfolio management services include portfolio design and implementation, as well as ongoing portfolio maintenance such as rebalancing, tax management, and performance monitoring. Investment plans are regularly evaluated relative to the client's financial goals, objectives and changes in life circumstances. Our portfolios generally include the use of investment company ("mutual funds") products and exchange traded funds ("ETFs") with the occasional, ladder fixed-income ("ladder bond") portfolios.

You will find more information about our management services under "Portfolio Management Fee" in Item 5, "Fees & Compensation" below and further description of our investment strategies under Item 8, "Methods of Analysis, Investment Strategies & Risk of Loss."

## Financial Planning

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CWM begins all client relationships with clear financial planning as we believe that is the cornerstone of financial success. The planning process compels thought before action - it brings the "why" and the "how" of financial management together.

### FINANCIAL PLANNING COMPOSITION

The professionals at CWM seek to understand every facet of your financial picture. Doing so enables us to provide comprehensive, integrated advice to help you most effectively meet your goals. Specific financial planning areas include, but are not limited to, the following specialties:

#### *Retirement Planning and Cash Flow Analysis*

The emphasis one puts on retirement planning changes throughout different life stages. Retirement planning initially is about setting aside enough money for retirement and progresses to include setting specific income or asset targets, and taking the steps to achieve them. Eventually, the emphasis often changes to non-financial, lifestyle aspects, and tax-efficient retirement plan distribution strategies.

We develop cash flow projections that utilize Monte Carlo analysis (randomness of investment returns) to determine if adequate resources are available to retire, in terms of both income and assets, and sensitivity analyses are performed.

#### *Saving Strategies*

We quantify savings requirements to meet objectives, as well as recommend the most efficient vehicles to utilize from a tax and asset-transfer standpoint. Traditional IRAs, Roth IRAs, employer retirement plans, and taxable savings and brokerage accounts are all considered and an optimal combination is recommended. Special consideration is given to what types of investments should be held in different types of accounts so as to maximize tax-efficient investing.

#### *Investment Policy Development*

A custom-built Investment Policy Statement provides the foundation for sound investment decision-making, particularly during volatile markets when investors are otherwise tempted to react irrationally or emotionally to the immediate events. The Investment Policy Statement will define the purpose, objectives and measures of success for the portfolio, as well as define the asset allocation targets, outline management procedures and establish a clear protocol for communications between you and your investment manager.

*Mortgage Analysis*

The difference between using cash and obtaining a mortgage to make a real estate purchase is analyzed and quantified. Consideration is given to both the benefits of refinancing as well as the associated costs.

*Social Security Optimization*

There are many factors to consider when determining how to collect social security benefits. There are several strategies available, especially for married couples and divorced individual, which could significantly increase lifetime Social Security benefits. We educate you on your options and help you quantify how best to employ these strategies.

*Life Insurance Needs Analysis*

Giving consideration to family dynamics (including number of dependents, how long dependence will last, and how income needs might change over time), as well as one-time needs such as debt pay-offs, college funding and funeral expenses, we determine if there is a life insurance need and, if so, what kind and how much? We also evaluate existing policies to determine whether they remain appropriate, and discuss any alternative solutions that may be worth considering.

*Risk Management*

In addition to life insurance, other types of insurance may be suggested such as long-term care, health, disability and property insurance. We evaluate and quantify the risks that these products could protect against and assist in determining whether they are risk management tools that should be considered as part of an overall financial plan.

*Pension Maximization Strategies*

For those who are eligible to collect a pension at retirement, we assist in determining how that pension should be collected, giving consideration to all of available resources. There may be a lump-sum option as well as several annuity options from which to choose. We incorporate available options into cash flow projections, and recommend the most prudent course of action. If an annuity option proves to be the best alternative and dependents or heirs are a consideration, we evaluate whether or not it would be more economical to take the annuity based on a single-life (and purchase a supplemental life insurance policy to provide for loved ones in the event of a premature death), or select an annuity option that offers a survivor benefit.

*Estate Plan Review*

Whether your assets are many or few, estate planning is a critical piece of any financial plan. If your estate planning documents are already in place, we review them to ensure that they seem complete and are consistent with your wishes, as well as your current financial and life circumstances. If documents are not in place, we will outline what documents are necessary, and why. If warranted, strategies for tax-efficient wealth transfers and asset distributions to heirs and/or charities during life and at death will be proposed.

*Education Funding*

In addition to quantifying a total funding need, cost-effective and tax-efficient alternatives to help parents meet their education funding goals will be recommended. Children's ages, risk tolerance levels and tax situations will be considered. Potential vehicles include 529 plans, Education IRAs, Uniform Transfers to Minor Act accounts and trust accounts. The feasibility of student loans, parent loans and child's ability to obtain financial aid will be examined.

### THE FINANCIAL PLANNING PROCESS

Only after articulating short and long-term goals, can the multiple ways available to accomplish your objectives be effectively evaluated. Oftentimes, there are consequences to various courses of action - it is imperative that trade-offs be understood prior to making any decisions and the planning process encourages this understanding. Once a comprehensive plan is developed, it can then be implemented, monitored and adapted as life changes occur.

#### *Introductory Session*

During the Introductory Session, you and the planner meet. The scope of the planning need is defined, your overall objectives are discussed and the planner determines how he or she can be of service and in what capacity.

#### *Data Gathering*

All of your pertinent financial information is collected and reviewed. Your goals and objectives, both short and long-term, are articulated, clarified and quantified. Risk tolerance is assessed and your financial and non-financial concerns are identified.

#### *Report Preparation and Presentation*

Your current position is assessed in light of overall objectives. Complex modeling and quantitative analyses are performed to evaluate potential alternatives. Recommendations are presented, initial decisions are made, an implementation schedule is coordinated and responsibilities are assigned.

#### *Implementation*

Ongoing communication through meetings, email and phone calls to ensure the identified tasks are accomplished and the plan is implemented.

#### *Ongoing Review, Monitoring, and Updates*

Periodic meetings are held to review plan progress and investment performance in light of overall goals. As life changes occur and goals and objectives evolve, including changes in family, career and economic circumstances, plans and strategies are adapted as necessary.

You will find more information about our financial planning fees under “Financial Planning Fee” below in Item 5, “Fees & Compensation.”

### Retirement Planning

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We assist ERISA-qualified retirement and savings plans in the design of the fiduciary governance structure and with the development of an investment management program. Our services under ERISA are to act as a **Limited-Scope 3(21) Fiduciary**. As such, we acknowledge we have a co-fiduciary role but **do not** take discretion or act as a 3(38) Fiduciary to construct an investment menu, select and monitor money managers, mutual funds, or ETFs or to replace the investment options within the plan.

Our responsibility will be to provide the plan sponsors and/or Named Fiduciary of the retirement plan with access to extensive investment tools offered by various retirement planning providers, Third Party Administrators (“TPAs”), to guide them in their duty to implement, maintain, administer and provide fiduciary oversight of their corporate defined benefit and/or defined contribution retirement plan. Generally, these services will include, but are not limited to:

- ❖ Identifying asset classes and various asset class combinations;
- ❖ Diversification and optimization approaches for the plan to effectively control asset allocation decisions and risk management; and,
- ❖ Educating plan participants on investment options and use of the investment platform menu.

You can find more information about our Retirement Planning fees below under “Retirement Planning Fee” in Item 5, “Fees & Compensation.”

## FEES & COMPENSATION

ITEM 5

### Portfolio Management Fee

Portfolio management is provided on an asset-based fee arrangement. Management fees are calculated based on the aggregate market value of your account on the last business day of the previous calendar quarter multiplied by the corresponding annual percentage rate **for each portion of your portfolio assets that fall within each tier** (see “Billing” below under “Protocols for Portfolio Management” for more information on how the fee is calculated). To determine the quarterly percentage rate, **the corresponding annual rate is divided by 365 calendar days then multiplied by the number of days in the calendar quarter** (i.e.,  $1.25\% \div 365 \text{ calendar days} = 0.00343 \times 90 \text{ days} = .3087\% \text{ quarterly fee rate}$ ).

We retain discretion to negotiate the management fee within each tier on a client-by-client basis depending on the size and complexity of the portfolio managed. In addition, a fee break will occur as assets in your portfolio increase past the following tier:

| Account Value          | Annual Fee Rate<br>Not to Exceed |
|------------------------|----------------------------------|
| First \$500,000 .....  | 1.25%                            |
| Next \$2,000,000 ..... | 1.00%                            |
| Next \$2,500,000 ..... | 0.75%                            |
| Over \$5,000,000 ..... | 0.50%                            |

We have a **\$3,000 minimum annual fee** requirement (\$750 billed quarterly), which **may be waived or reduced** if we feel circumstances are warranted. Accounts will be subject to the minimum quarterly fee if the quarterly fee calculated based on the agreed upon annual fee rate is lower than the minimum fee. For accounts with a value less than \$240,000, this can cause our fee to exceed our highest published 1.25% Annual Fee Rate (e.g., a managed account of \$150,000 with a minimum annual fee charge of \$3,000, will translate into an annual fee rate of 2.00%). Keep in mind, the further your portfolio value drops below \$240,000 the higher the annual fee rate.

### Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals; and, (iv) other fees charged to your account(s).



**DISCRETION**

We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice.

At anytime however, you may impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.)

**BILLING**

Your account will be billed a blended fee quarterly **in advance** based on the fair market value for the portion of your portfolio that fall within each tier of our fee schedule. For example:

| Account Value:<br>\$2,600,000 | Annual Fee %<br>(Per Tier) | Tier Fee Contribution<br>(Based on the Account Value Within Each Tier) |
|-------------------------------|----------------------------|--|
| First \$500,000               | 1.25%                      | 0.24%  |
| Next \$2,000,000              | 1.00%                      | 0.77%  |
| Next \$100,000                | 0.75%                      | 0.029%   |
| Blended Annual Fee %          |                            | 1.039%   |

For **new managed** accounts opened in mid-quarter, our fee will be based upon a pro-rated calculation of your assets to be managed for the current quarterly period. Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

**DEPOSITS AND WITHDRAWALS**

Assets deposited by you into your portfolio management account between billing cycles will not result in additional management fees being billed to your account **unless such deposits exceed \$25,000**. We do not want to discourage you from investing additional capital for your future but deposits of this amount or greater, in most cases, will require modifications and adjustments to your investment allocation. Therefore, we reserve the right to bill your account a pro-rated fee based upon the number of days remaining in the current quarterly period for deposits exceeding the above amount.

For assets you may withdraw during the quarter, we **do not make partial refunds** of our quarterly portfolio management fee. Just as with deposits, withdrawals from your account will require modifications and adjustments to be made to correct the allocation of assets in your portfolio.

**FEE EXCLUSIONS**

The above fees for all of our management services are exclusive of any charges imposed by the custodial firm including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, including, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include

management fees and various fund expense, such as: redemption fees, account fees, and purchase fees may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

### Termination of Investment Services

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To terminate our investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received **at least 30 days prior** to the date of termination (i.e.; To terminate services on October 1<sup>st</sup>, a request for termination should be received in our office by September 1<sup>st</sup>). Such notification should include the date the termination will go into affect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

**We do not refund management fees.** To not lose any of your prepaid quarterly management fee, the termination of your account should fall on the first/last day of a calendar quarter. Once the termination of investment advisory services has been implemented, **neither party has any obligation to the other** - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

### Financial Planning Fee

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How we charge to develop a financial plan depends on the size, complexity, and nature of your personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services you desire.

#### Planning Fees

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##### COMPREHENSIVE PLANNING

Comprehensive financial planning services are offered on an **hourly rate not to exceed \$350 with a maximum fixed fee not to exceed \$10,000** for the initial engagement. Comprehensive planning fees may be significantly **reduced if we are providing you additional services**, such as Portfolio Management.

The comprehensive planning fee will be fully disclosed up-front in a Financial Planning Agreement, which will include the cost<sup>4</sup> to review your financial information and prepare the comprehensive financial plan. We generally require one-half the fee at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan<sup>5</sup>.

##### TARGETED

If you desire only targeted planning - review, analysis and evaluation of a core area of financial need - the fee will be billed at **our hourly rate not to exceed \$350<sup>6</sup>**. All fees

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<sup>4</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

<sup>5</sup> The recommendations made in a financial plan are generally completed within 30 to 45 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc...) may require additional time that is out of our control. Therefore when we refer to the completion of the financial plan, we are referring to us (you and us) finalizing your financial benchmarks/objectives before approaching any outside professional.

<sup>6</sup> For a Targeted Financial Plan, we require a minimum of two hours consultation to address any personal and financial needs you may have.

will be completely itemized in a billing statement to you, or as otherwise predetermined in a proposal, engagement letter and/or by retainer.

## Annual Review

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It is important to note that a financial plan is constantly changing due to changes in life's circumstance, changes in asset values or expected returns, and/or changes in goals and objectives. An annual financial plan review is designed to systematically address these changes and help you stay on course toward the achievement of your objectives and goals.

### ANNUAL REVIEW

Once the initial financial planning services have been completed, we will establish future "Annual Review" dates. The Annual Review dates generally begin after the first anniversary will be to review and make adjustments, if necessary, to the financial plan. Together we will set the calendar dates for your future reviews; inasmuch, an Annual Review may consist of two or three visits during the calendar year.

### ANNUAL REVIEW FEE

**We reserve the option to waive our annual review fee if we are currently managing your investments.** If we are not managing your investment portfolio and you want us to review your financial plan, we will notify you of the cost to perform the desired work before commencing. Such retainer fee **will generally range from 25% to 40% of the first year planning fee depending on the length of time since our last review and on the services you request** (i.e., If the first year planning fee was \$2,500, the annual review fee would be from \$625 to \$1,000.). However, if you have experienced significant change in your life circumstances since the date of your previously prepared plan, the fee could be exceedingly higher.

## Termination

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### COMPREHENSIVE OR TARGETED PLANNING TERMINATION

You can terminate the Financial Planning Agreement at any time prior to the presentation of any final planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the Agreement. If you have prepaid any fees, such un-earned fees will be returned on a pro-rata basis. **After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.**

### ANNUAL REVIEW TERMINATION

Annual Review services **can be terminated at any time.** The Company will bill you for any services rendered from the date of the last bill up to the date of termination at the fee rate that was agreed to in the proposal, engagement letter and/or retainer agreement.

## Retirement Planning Fee

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As a **Limited-Scope 3(21) Fiduciary** our responsibility to the plan sponsors and/or Named Fiduciary will be to assist with the development of an investment program menu based on the investment disciplines that most closely resemble the retirement plan's investment objectives and risk tolerance as outlined in the plan's Investment Policy Statement. The investment platform menu, administered by a Third Party Administrator ("TPA") offers:

- ❖ Customized mutual fund allocation models with each model consisting of varying target asset allocations.

- ❖ Customized open architecture platform of leading third-party portfolio managers (“Portfolio Manager”).
- ❖ Construction tools to implement effective investment portfolios.
- ❖ Online reporting and account access.

Once the platform menu is in place, we will advise the plan Investment Committee on the performance of each allocation model and/or Portfolio Manager and make recommendations, if any, on rebalancing and/or replacement of investment options to the platform menu.

### Retirement Planning Fees

Retirement planning services are provided on an asset-based fee arrangement and such fees will be administered by the retirement plan TPA platform. **The TPA will disclose all fees to the plan sponsors and/or Named Fiduciary in a retirement planning agreement** and provide copies of any disclosure documents such as a Portfolio Manager’s Disclosure Brochures (i.e.: Form ADV Part 2A: Firm Brochure or Part 2A Appendix 1: Wrap Fee Program Brochure). The retirement planning fees that will be charged to retirement plan will include:

1. The Third Party Administrator platform fee;
2. The Portfolio Manager’s management fee, if any; and,
3. Our retirement planning fee (not to exceed 1.00%) that the TPA will pay us from the total fee collected.

### Protocols for Retirement Planning Services

The TPA’s retirement planning agreement contains all pertinent disclosures relating to the management services being offered: such as, the fee structure for such services, billing, fee exclusions, termination provisions, and any other unique advisory costs associated with servicing the retirement plan. We will discuss all these arrangements with the plan sponsors and/or Named Fiduciary when we go to select the retirement plan TPA platform; however, the plan sponsors and/or Named Fiduciary is encouraged to read about these retirement planning services on their own - don’t take our word for it!

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

## TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “Advisory Business” section. Our minimum account size and/or minimum fee for portfolio management is disclosed above under “Portfolio Management Fee” in Item 5 above in the, “Fees & Compensation” section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

Our portfolio management services are designed to balance risk and expected return in the context of investment objectives. We take into account factors such as time horizon, liquidity requirements, tax considerations, and personal tolerance for risk. These factors are then used to formulate an investment policy and strategic asset allocation that is appropriate for your specific situation. Your portfolio is then tailored to these unique investment parameters and implemented using primarily investment company (“mutual funds”) products and exchange traded funds (“ETFs”) with the occasional, laddered fixed-income (“laddered bond”) instruments.

In addition, in order to address specific needs of a particular client, we may also recommend using the following investment vehicles to achieve your desired investment objective: leveraged index funds, closed-end funds, hedge funds, derivatives (i.e., options, commodities, etc.), and other publicly/privately traded securities. However, these investment vehicles bring on a different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

### Methods of Analysis

In order to evaluate investment company (“mutual fund”) products and exchange traded funds (“ETF’s”) for use in our model portfolios, we generally analyze a fund in terms of its exposure to various fixed income and equity risk factors. For fixed income, we evaluate a fund in terms of credit risk, as measured by average credit quality, and term risk, as measured by duration and/or weighted average maturity. In general, the lower the average credit quality and the longer the average maturity, the higher the risk. For equity funds, we evaluate a fund in terms of its exposure to the overall equity markets, as well as the portfolio’s exposure to small market capitalization (“small cap”) stocks relative to the overall market, and exposure to stocks with high book value-to-market value measures (“value stocks”) relative to the overall market. Portfolios with a greater exposure to small cap stocks and value stocks relative to the overall market are generally considered to be of higher risk.

We also consider the degree to which a fund is invested in domestic vs. international stocks (both developing and emerging market countries), as well as a stock fund’s expense ratio, the number of securities (breadth of diversification), potential for and history of tracking error and style drift, liquidity, and portfolio turnover. We also consider tax efficiency in our fund selection and build our model portfolios accordingly. Less tax efficient funds are generally reserved for qualified accounts such as IRA’s, while non-qualified (“taxable”) accounts generally utilize funds that are more tax efficient. Our investment strategies are primarily based on academic research and generally incorporate these methodologies:

### Investment Strategies

#### Modern Portfolio Theory

Modern Portfolio Theory (“MPT”)<sup>7</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk then construct a portfolio that seeks to maximize your

<sup>7</sup> Modern Portfolio Theory was developed and introduced by Harry M. Markowitz in his paper “Portfolio Selection” published in 1952 by the *Journal of Finance*.

expected return for that given level of risk. Our investment methodology follows five (5) basic premises, each of which is derived from MPT.

1. You, as with all clients, are inherently risk-averse.
2. The markets are basically efficient.
3. The focus of attention is shifted away from individual securities analysis to consideration of portfolios as a whole, predicated on explicit risk-reward parameters.
4. For any level of risk that you are willing to accept, there is a rate of return that should be targeted.
5. Portfolio diversification is not so much a function of how many issues are involved, but more a function of the relationships and proportions of each asset to other correlating assets.

### Asset Allocation

Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive Asset Allocation derivatives that we may use.

We have developed a series of model portfolios that are used as asset allocation guideline models in designing investment portfolios. Each model consists of a different “target” asset allocation comprised of different asset classes<sup>8</sup> - spreading money among a variety of investments as opposed to investing in just one - creating a more prudent approach to managing risk. The investment mix is uniquely designed to achieve the desired investment return. The selected stocks, bonds, and other investment vehicles in your investment portfolio are diversified to reflect their risk profile. Typical composition mix classifications:

| Asset Allocation Model | Percentage of |           |          |
|------------------------|---------------|-----------|----------|
|                        | Stocks        | Bonds     | Cash     |
| Aggressive             | 90% - 100%    | 0%        | 0% - 10% |
| Growth                 | 70% - 80%     | 10% - 20% | 0% - 10% |
| Balanced               | 40% - 60%     | 40% - 60% | 0% - 10% |
| Moderate               | 20% - 30%     | 70% - 80% | 0% - 10% |
| Conservative           | 10% - 20%     | 80% - 90% | 0% - 10% |

Such allocation guidelines are a representation of a typical account composition but should not be construed as absolute. Ultimately, the exact composition makeup and allocation of securities are determined by your investment parameters, which can compose a more detailed and/or complex structure.

### Passive Investing

Passive investing, sometimes referred to as index fund investing, is a particular strategy characterized by investing in mutual funds or ETF's that provide broad exposure to various asset classes at a very low cost. The advantages include broad diversification, lower costs, lower turnover, and little to no style drift.

<sup>8</sup> The different asset classes are: Large-Cap U.S. Value Stocks; Large-Cap U.S. Growth Stocks; Mid-Cap U.S. Value Stocks; Mid-Cap U.S. Growth Stocks; Small-Cap U.S. Value Stocks; Small-Cap U.S. Growth Stocks; International Stocks; Commodity Funds; Fixed Income, Partnerships, REITS, and Cash.

### Dollar-Cost Averaging

Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

### Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in internationally securities can be affected by changes in exchange rates.
- ❖ **Credit Risk** - Credit risk is the risk of loss arising from a borrower who does not make payments as promised, also known as default risk.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list, but are the most common risks your portfolio will encounter. Other risks that we haven't defined could be political, over-concentration, and liquidity to name a few. However notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.**

## DISCIPLINARY INFORMATION

ITEM 9

We have no legal or disciplinary events to report.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

### Accounting Activities & Affiliations

Todd M. Schanel is a certified public accountant with Schanel & Associates, PA, a full service CPA firm providing a wide range of services to individuals and business clients. The accounting service Mr. Schanel provides, as a certified public accountant, includes certain advising and consulting activities that are separate and distinct from our advisory services. In addition, Mr.



Schanel serves as the Secretary and Director of the accounting firm and the President and Chief Compliance Officer of Core Wealth Management, Inc. As an officer of both entities, Mr. Schanel will provide operational oversight, perform managerial duties, and additional services as an accountant and advisor depending the entity.

The time Mr. Schanel devotes to these activities may range from 25 to 50 percent depending on his responsibilities to the entity and its clients. Even though his duties to the accounting practice can consume his time, the ability to offer accounting related services compliments our advisory practices.

### **Potential Conflicts Working with Affiliated Entities**

Referrals to, from, and between the investment services and accounting practices of our firm can create a potential conflict of interest to our fiduciary duty to be impartial with our advice and to keep your interests ahead of our own. As a control person able to recommend both services, Mr. Schanel is able to influence you to keep your accounting needs and investment activities in house. If you accept his recommendation, this can lead to increased personal revenues in the form of advisory/consulting fees, salary, and income/dividend returns. Therefore, before accepting recommendations to engage either of these affiliated companies, **you may want to consider other options to ensure that the service we are offering is comparable or equivalent to the service you might receive from another independent firm.**

For further information on the potential conflicts and economic benefits from these and other activities, see Item 14, “**Client Referrals & Other Compensation**” of this Brochure. In addition, more information about our management persons who offer investment advice and their accounting and insurance activities can be found in their individual “**Brochure Supplements.**”

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

ITEM 11

### **Code of Ethics**

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.



## Client Transactions

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We have a fiduciary duty to ensure that your welfare is not subordinate to our interests or to any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

### Participation or Interest

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It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Todd M. Schanel and such investment is not in violation of any SEC and/or State rules and regulations.

### Class Action Policy

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The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

## Personal Trading

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Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations, we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative (RA), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Mr. Schanel reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Trading Allocation" above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Mr. Schanel to ensure that such activities do not impact upon your security or create conflicts of interest.

## BROKERAGE PRACTICES

### Custodial Services

The Company has established custodial relationships with the following financial institutions:

- ❖ **Charles Schwab & Company, Inc. (“Schwab”)** - Schwab is a registered broker-dealer (member FINRA/SIPC), offering custodial services through their division Schwab Advisor Services for financial advisors.
- ❖ **TD AMERITRADE, Inc. (“TDA”)** - TDA is a licensed broker-dealer (member FINRA/SIPC), offering custodial services through their division TD AMERITRADE Institutional for investment advisors.

Both Schwab and TDA offers us services, which include custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with one, or both, of these financial institutions has no direct correlation to the services we receive and the investment advice we offer you, although **we do receive economic benefits for which we do not have to pay** through our relationship with these institutions that are typically not available to retail clients. This creates an incentive for us to recommend Schwab and/or TDA based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These economic 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 and consulting services;
- ❖ Access to a dedicated trading desk;
- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts);
- ❖ The ability to have advisory fees deducted directly from accounts;
- ❖ Access to an electronic communications network for order entry and account information; and,
- ❖ Access to mutual funds with no transaction fees and to certain institutional money managers.

We are not a subsidiary of, or an affiliated entity of, Schwab or TDA. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from these financial institutions.

### Direction of Transactions and Commission Rates (Best Execution)

**We have a fiduciary duty to put your interests before our own.** The advisory support services we receive from Schwab and TDA creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with one, or both, of these financial institutions may have been influenced by these arrangements/services. **This is not the case;** we have selected these institutions as our custodian of choice based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.

2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience in working with the staff for each financial institution.

Since we do not recommend, suggest, or make available a selection of custodians other than Schwab or TDA, **best execution may not always be achieved**. Therefore, **you do not have to accept our recommendation to use either of these financial institutions as your custodian**. However, if you direct us to use another custodian, **we may not be able to provide you complete institutional services and such service may cost you more in transaction fees**.

## Aggregating Trade Orders

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for you, as well as with all our clients. Therefore if we are considering bunching orders, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

If you would like additional information on our trading allocation policies, a copy is available for review upon request.

## REVIEW OF ACCOUNTS

ITEM 13

### Portfolio Management Reviews

Each client account is reviewed on an ongoing basis by Mr. Todd M. Schanel or the supervised person over your account. The general economy, market conditions, and/or changes in tax law can trigger more frequent reviews. Cash needs will be adjusted as necessary. Material changes in your personal/financial situation and/or investment objectives will require additional review and evaluation for us to properly advise you on revisions to previous recommendations and/or services. However, it is **your responsibility to communicate these changes** for us to make the appropriate corrections to your management account(s).

You will receive statements, at least quarterly, from Schwab and/or TDA where your account(s) are held in custody that identifies your current investment holdings, the cost of each of those investments, and their current market values.

You are encouraged to review the trading activities disclosed on your account statements which summarizes your portfolio account value, current holdings, and all account transactions made during the quarter. **It is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.**

### Financial Planning Reviews

The financial planner who has designed your financial plan will work closely with you to be sure the action points identified in the financial plan have been or are being properly executed. Once the action points have been completed, the financial plan should be reviewed at least annually. Material changes in your lifestyle choices, personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes to us** so that the appropriate adjustments can be made.

## CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

### Referral Compensation

We do not receive any economic benefit from an independent party for managing your account(s). In addition, we do not compensate persons/firms for client referrals.

### Other Compensation (Indirect Benefit)

The Company receives an indirect economic benefit from Schwab and TDA (See “Custodial Services” above under Item 12, “**Brokerage Practices**” for more detailed information on what these services and products could be.)

### Financial Planning Compensation

There are potential conflicts of interest when an RA preparing a financial plan suggests the need for outside consultations and professional services (i.e., attorneys, accountants, registered representatives, insurance agents, etc.) to implement certain aspects of an estate or financial plan. Even though we do not share in any fees earned by the outside professionals when implementing a financial plan, it does create an incentive on our part to refer your business to only those professionals that in turn refer potential clients to us (See “Accounting Activities & Affiliations” above under Item 10, “**Other Financial Industry Activities & Affiliations**” for other disclosures relating to affiliated services.). This can eliminate the possibility for you to be referred to someone who may provide equivalent professional services, and possibly at a lower cost.

Therefore, to ensure you understand the full relationship of our RAs to any related persons and outside parties that they may refer your business, as well as the choices and risks you have in receiving investment and financial planning services, the following disclosures are provided:

- ❖ Certain aspects of a financial plan require the assistance of a registered representative of a broker-dealer to execute securities transaction and licensed agents to purchase insurance products. In this situation regardless of who performs the transaction(s), **such person will be entitled to earn a commission.**
- ❖ You are under no obligation to have any related parties that we recommend prepare planning documents (i.e.; financial, estate, tax, etc...). **You are free to choose**

those outside professionals to implement the recommendations made in the financial plan.

- ❖ The Company does not receive any economic benefit from referring you to another professional without first notifying you of such possibilities.

Notwithstanding such potential conflicts of interest, we strive to serve your best interest and ensure such disclosure is being properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.

## Retirement Rollover Compensation

Earning a management fee from recommending the rollover of retirement plan assets to an IRA we manage is considered “self-dealing” and prohibited unless we comply with the Prohibited Transaction Exemption (“PTE”) 2020-02, “Improving Investment Advice for Workers & Retirees” exemption issued by the Department of Labor. The DOL considers earning a management fee “self-dealing” because it increases our compensation and profits while potentially disregarding the underlying costs paid by, and the services provided under, the retirement plan that might be more beneficial to you should your retirement assets remain with the plan. Therefore, when it comes to your retirement assets, there are typically four options you should consider when leaving an employer:

- ❖ Leave the account assets in the former employer’s plan, if permitted.
- ❖ Rollover the assets to the new employer’s plan if one is available and rollovers are permitted.
- ❖ Rollover the account assets to an Individual Retirement Account (an “IRA”); or,
- ❖ Cash out the retirement account assets (There may be tax consequences and/or IRS penalties depending on your age.).

Should you approach us to advise you on which option would be the best for your situation, we have an economic incentive to recommend you rollover your retirement account to a managed IRA account with us where we would earn a management fee on the assets. This can create a conflict of interest and the objectivity of the advice we render subjective and a disadvantage to you. Therefore, if we recommend you rollover your retirement account to an individually managed IRA account, you are under no obligation to engage us to manage your assets. You are free to take your account anywhere.

## CUSTODY

ITEM 15

### Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities shall be maintained with Charles Schwab & Company, Inc. and/or TD AMERITRADE, Inc. as indicated above in Item 12, “**Brokerage Practices.**”

We are however defined as having custody since you have authorized us to deduct our advisory fees directly from your account. Therefore, to comply with the United States Securities and Exchange Commission’s Custody Rule (1940 Act Rule 206(4)-2) requirements, and to protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ Your funds and securities are maintained with a qualified custodian (Schwab and/or TDA) in a separate account in your name.
- ❖ Authorization to withdrawal our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.

Schwab and TDA are required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in our report and/or itemized fee notice with the financial information disclosed in your account statement from Schwab and/or TDA to verify the accuracy and correctness of our reporting.**

## INVESTMENT DISCRETION

ITEM 16

### Securities & Amount Bought or Sold

We have you complete our Investment Advisory Agreement which sets forth our authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

## VOTING CLIENT SECURITIES

ITEM 17

**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

However, if you have specific questions regarding an action being solicited by the proxy that you do not understand, or you want clarification, you may contact us and we will explain the particulars. Keep in mind we will not advise you in a direction to vote, that ultimate decision will be left to you.

## FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you.

## END OF DISCLOSURE BROCHURE