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**Form ADV Part 2A  
Firm Brochure  
March 11, 2022**

This brochure provides information about the qualifications and business practices of Lumina Financial Consultants, LLC. If you have any questions about the content of this brochure, please contact Jean S. H. Schwarz, MBA, CFP® at (415) 944-5040 or [jschwarz@luminafi.com](mailto:jschwarz@luminafi.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any state securities administrator. Additional information about Lumina Financial Consultants, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD ("CRD") number, which is 163783.

While the firm and its associates may be registered and/or licensed within a particular jurisdiction, that registration and/or licensing in itself does not imply an endorsement by any regulatory authority, nor does it imply a certain level of skill or training on the part of the firm or its associated personnel.

## **Item 2 – Material Changes**

Lumina Financial Consultants, LLC is required to disclose any material changes to this ADV Part 2A here in Item 2. Since the last update on April 29, 2021, the following material changes were made to the brochure:

- The fee billing disclosure language, and fee schedule were updated in Item 5.
- The minimum fee and minimum account size were updated in Item 5 and Item 7.
- The Code of Ethics disclosure language was updated in Item 11.

The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (415) 944-5040 to request a copy at any time.

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### **Important Information**

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

## **Item 4 - Advisory Business**

### **Description of the Firm**

Lumina Financial Consultants, LLC is a Virginia Limited Liability Company formed on January 9, 2012. However, our current principle place of business is located in Mill Valley, California. Our firm is not a subsidiary of, nor does it control another financial services industry entity. In addition to our 2012 registration as an investment advisor in the Commonwealth of Virginia, our firm and its associates may register, become licensed or meet certain exemptions to registration and/or licensing in other jurisdictions in which investment advisory business is conducted, such as California and New York.

Jean S. H. Schwarz, MBA, CFP® is the firm's Chief Compliance Officer (supervisor)<sup>1</sup>. She and Laurie Fried, CDFA, CFP® are the firm's Principals and share controlling interest in the firm. Additional information about Ms. Schwarz and Ms. Fried may be found in Part 2B of this brochure.

### **Description of Advisory Services Offered**

The firm's financial planning services provide clients with advice on key topics such as cash flow and budgeting, funding a college education, retirement planning, and risk management, estate planning, among others. Ongoing and continuous supervision of clients' portfolios are provided through our own portfolio management services offering. We also provide educational workshops involving a broad range of financial planning and investing topics.

An initial interview is conducted by a representative of our firm to discuss your current situation, goals and the scope of services that may be provided to you. During or prior to this meeting you will be provided with our Form ADV Part 2 firm brochure that includes a statement involving our privacy policy, as well as a brochure supplement about the representative who will be assisting you. We will also ensure that any material conflicts of interest have been disclosed to you that could be reasonably expected to impair the rendering of unbiased and objective advice.

Should you wish to engage Lumina Financial Consultants, LLC for its services, you must first execute our client engagement agreement. Thereafter discussion and analysis will be conducted to determine your financial needs, goals, holdings, etc. Depending on the scope of the engagement, you may be asked to provide copies of the following documents early in the process:

- Wills, codicils and trusts
- Insurance policies
- Mortgage information
- Tax returns
- Divorce decree or separation agreement
- Current financial specifics including W-2s or 1099s
- Information on current retirement plans and benefits provided by your employer
- Statements reflecting current investments in retirement and non-retirement accounts
- Employment or other business agreements you may have in place
- Completed risk profile questionnaires or other forms provided by our firm

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<sup>1</sup> Refer to the end of this brochure for an explanation of designation prerequisites and continuing education requirements.

It is important that we are provided with an adequate level of information and supporting documentation throughout the term of the engagement including but not limited to source of funds, income levels, and an account holder or attorney-in-fact's authority to act on behalf of the account, among other information that may be necessary for our services. The information and/or financial statements provided to us need to be accurate. Our firm may, but is not obligated to, verify the information that you have provided to us which will then be used in the advisory process.

It is essential that you inform our firm of significant issues that may call for an update to your plan. Events such as changes in employment or marital status, an unplanned windfall, etc., can have an impact on your circumstances and plans. Our firm needs to be aware of such events so that adjustments may be made as necessary.

### ***Financial Planning Services***

Financial planning services may be as broad-based or narrowly focused as you desire. The incorporation of most or all of the listed components allows not only a thorough analysis but also a refined focus of your plans so that the firm is able to assist you in reaching your goals and objectives.

#### **Cash Flow Analysis and Debt Management**

A review of your income and expenses will be conducted to determine your current surplus or deficit. Based upon the results, we will provide advice on prioritizing how any surplus should be used, or how to reduce expenses if they exceed your income. In addition, advice on the prioritization of which debts to repay may be provided, based upon such factors as the debt's interest rate and any income tax ramifications.

Recommendations may also be made regarding the appropriate level of cash reserves for emergencies and other financial goals. These recommendations are based upon a review of cash accounts (such as money market funds) for such reserves and may include strategies to save desired reserve amounts.

#### **Risk Management**

A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance ("self-insuring").

#### **Employee Benefits**

A review is conducted, and analysis is made as to whether you, as an employee, are taking maximum advantage of your employee benefits. We will also offer advice on your employer-sponsored retirement plan and/or stock options, along with other benefits that may be available to you.

#### **Personal Retirement Planning**

Retirement planning services typically include projections of your likelihood of achieving your financial goals, with financial independence usually the primary objective. For situations where projections show less than the desired results, a recommendation may include showing you the impact on those projections by making changes in certain variables (i.e., working longer, saving more, spending less, taking more risk with investments). If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

### College Funding

Advice involving college funding may include projecting the amount that will be needed to achieve post-secondary education funding goals, along with savings strategies and the “pros-and-cons” of various college savings vehicles that are available. We are also available to review your financial picture as it relates to eligibility for financial aid or the best way to contribute to family members, such as grandchildren, if appropriate.

### Estate Planning

Our review typically includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. We may assess ways to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts. We generally recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

### Divorce Planning

Separation or divorce can have a major impact on your goals and plans. We will work with you to help you gain an understanding of your unique situation and provide you with a realistic financial picture so that you are in a better situation to communicate with legal counsel, a mediator or soon to be ex-spouse. We can assist in the completion of cash flow and net worth projections, budgetary analysis, division of property, as well as help you to understand what the consequences and/or benefits are involving a settlement.

### Investment Consultation

Investment consultation services often involve providing information on the types of investment vehicles available, employee retirement plans and/or stock options, investment analysis and strategies, asset selection and portfolio design, as well as limited assistance if your investment account is maintained at another broker/dealer or custodian. The strategies and types of investments that may be recommended are further discussed in Item 8 of this brochure.

### Business Consultation

Our firm is available to small businesses in a variety of ways, such as risk management, general financial advice, as well as various benefit programs that can be structured to meet both business and personal retirement goals of business owners or their key personnel.

### Broad-Based v. Modular Financial Planning

A broad-based plan is an endeavor that requires detail. Certain variables can affect the cost involved in the development of the plan, such as the quality of your own records, complexity and number of current investments, diversity of insurance products and employee benefits you currently hold, size of the potential estate, and special needs of the client or their dependents, among others. While certain broad-based plans may require 10 or more hours to complete, complex plans may require more than 20 hours. At your request we may concentrate on reviewing only a specific area (modular planning), such as an employer retirement plan allocation, funding an education or estate planning issues, or evaluating the sufficiency of your current retirement plan. Note that when these services focus only on certain areas of your interest or need, your overall situation or needs may not be fully addressed due to limitations you may have established.

Whether we have created a broad-based or modular plan, we will present you with a summary of our recommendations, guide you in the implementation of some or all of them per your decision, as well as offer you periodic reviews thereafter. In all instances involving our financial planning engagements, our clients retain full discretion over all implementation decisions and are free to accept or reject any recommendation we make.

### ***Educational Workshops***

Lumina Financial Consultants, LLC provides periodic complimentary educational seminar sessions for those desiring information on personal finance and investing. Topics may include issues related to general financial planning, educational funding, estate planning, retirement strategies, implications involving changes in marital status, and various other current economic or investment topics. Our workshops are educational in nature and do not involve the sale of insurance or investment products.

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

You may engage our firm to implement investment strategies that we have recommended to you. Depending on your risk profile, goals and needs, among other considerations, your portfolio will involve the employment of one of our investment strategies as well as either a broad range or more narrowly focused choice of investment vehicles which are further discussed in Item 8 of this brochure.

Where appropriate, we will prepare investment guidelines reflecting your objectives, time horizon, tolerance for risk, as well as any reasonable account constraints you may have for the portfolio. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. These investment guidelines will be designed to be specific enough to provide future guidance while allowing flexibility to work with changing market conditions. Since this effort is the product of information and data you have provided, you may be asked to review it and provide your final approval.

We will then develop a customized portfolio for you based on your unique situation, investment goals and tolerance for risk. We serve as your portfolio manager on a discretionary or nondiscretionary basis (defined in Item 16), and the engagement typically includes:

- Determination of risk tolerance
- Investment strategy
- Investment guideline development
- Asset allocation
- Asset selection
- Regular monitoring
- Periodic rebalancing

### ***LuminaFi Wealth Management System***

Our LuminaFi Wealth Management System is a web-based solution for organizing and understanding your personal financial information. This service provides data aggregation tools for your various financial accounts, allows you to create and reconcile your monthly budget, set reminders for important action items and dates, as well as online storage space to keep digital records of your documents. LuminaFi Wealth Management System allows you to model basic financial decisions impacting your plan, in addition to access to an online library of third-party articles and videos covering a range of general personal finance

topics. You are able to grant limited access to your professional advisor, such as your accountant, attorney, etc., as well as screen-sharing between you and our staff.

### Wrap Fee Programs

Our firm does not sponsor or serve as a portfolio manager in an investment program involving wrapped (bundled) fees.

### Client Assets Under Management

As of December 31, 2021, our firm had approximately \$132,171,980 of reportable client assets under our management;<sup>2</sup> approximately \$129,541,808 on a discretionary basis and \$2,630,172 on a non-discretionary basis.

### General Information

Lumina Financial Consultants, LLC does not provide legal, accounting or insurance services. With your consent, we may work with other professional advisors, such as an estate planning attorney, to assist with the coordination and implementation of accepted strategies. You should be aware that these other advisors will charge you separately for their services and these fees will be in addition to our own advisory fees.

Our firm will use its best judgment and good faith effort in rendering its services. We cannot warrant or guarantee the achievement of a planning goal or any particular level of account performance or that your account will be profitable over time. Past performance is not necessarily indicative of future results.

Except as may otherwise be provided by law, our firm will not be liable to the client, heirs, or assignees for any loss an account may suffer by reason of an investment decision made or other action taken or omitted in good faith by our firm with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; any loss arising from our adherence to your direction or that of your legal agent; any act or failure to act by a service provider maintaining an account. Federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing contained in this document, or our client engagement agreement shall constitute a waiver of any rights that a client may have under federal and state securities laws.

### Item 5 - Fees and Compensation

Forms of payment are based on the types of services being provided, term of service, etc., and will be stated in your engagement agreement with our firm. Fees are to be paid by check or draft from US-based financial institutions. With your prior authorization payment may also be made through a qualified, unaffiliated PCI compliant<sup>3</sup> third-party processor, or withdrawal from your investment account held at your custodian of record. Payment requests for our advisory fees will be preceded by our invoice, and fees paid to our firm will be noted in your account statement you will receive from your custodian. Our firm does not accept cash, money orders or similar forms of payment for its engagements.

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<sup>2</sup> The term "assets under management" and rounding per the SEC's *General Instructions for Part 2 of Form ADV*.

<sup>3</sup> For an explanation of the term "PCI," who the PCI Security Standards Council is, as well as its comprehensive standards to enhance payment card data security, please go to [https://www.pcisecuritystandards.org/security\\_standards/index.php](https://www.pcisecuritystandards.org/security_standards/index.php)



## Types of Fees and Payment Schedule

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

Financial planning engagements are offered two ways: hourly or project-based fixed fee. Prior to entering into an agreement with our firm we will provide you with a cost estimate. Our fee will take into consideration factors such as the complexity of your financial profile, the depth of services to be provided through the engagement, assets that comprise the portfolio, number of accounts comprising the portfolio, time involved in the engagement, among others.

#### Hourly Fee

Clients interested in a limited planning engagement, such as one or two planning components, are typically assessed an hourly fee ranging from \$150 to \$350 per hour. We bill in 15 minute increments and a partial increment will be treated as a whole increment. An initial deposit of \$500 is required upon executing our agreement and the remainder is due upon receipt of our invoice, which coincides with the delivery of the plan. An hourly engagement lasting more than one month may be billed at the end of each month for time incurred.

However, these fees are guidelines, subject to change according to the complexity of the client's needs, including the range of services, the number of accounts, and the need for additional oversight and planning services.

#### Project Fee

Our project-based financial planning services fee is typically used for broader-scope engagements. The fee is determined by estimating the amount of time involved for the project which is then multiplied by our hourly rate. An initial deposit of \$500 is required upon executing our agreement and the remainder is due upon receipt of our invoice, which coincides with the delivery of the plan.

### ***Educational Workshops Fees***

Workshops sessions are complimentary; no fee is assessed by our firm.

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

Portfolio management accounts are assessed an annualized asset-based fee. The annualized asset-based fee is determined by taking the average monthly account balance for the previous quarter multiplied by the number of days in the billing quarter, and then divided by the number of days in the year to get the fee amount multiplied by the fee percentage. Our fee is billed quarterly, in arrears, per the following table.

<b>Assets Under Management</b>	<b>Annualized Asset-Based Fee</b>
\$1,500,000 - \$3,000,000	1.00% (100 basis points)
\$3,000,001 - \$4,000,000	0.65% (65 basis points)
\$4,000,001-\$5,000,000	0.60% (60 basis points)
\$5,000,001-\$7,000,000	0.50% (50 basis points)
Above \$7,000,001	0.30% (30 basis points)

The asset-based fee is based on a blended tier; for example, a client's portfolio with \$4,000,000 in assets would be assessed an annualized fee of 1% for the first \$3,000,000 and .65% for the remaining \$1,000,000. There will be an annual minimum fee of \$15,000 for portfolio management services.

For the benefit of discounting your asset-based fee, we will attempt to aggregate accounts for the same individual or two or more accounts within the same family, or accounts where a family member has power of attorney over another family member's or incompetent person's account.

Accounts will be assessed in accordance with asset values disclosed on the statement the client will receive from the advisor for the purpose of verifying the computation of the advisory fee. In the rare absence of a reportable market value, our firm may seek a third-party opinion from a recognized industry source (e.g., unaffiliated public accounting firm), and the client may choose to separately seek such an opinion at their own expense as to the valuation of "hard-to-price" securities if necessary. In calculating the market value of a client's assets, assets allocated to cash or a cash proxy, such as a money market account, will be included in the calculation of assets under management.

Your first billing cycle will begin once your agreement is executed with our firm and assets have settled into your account held by the custodian of record. Fee payments will generally be assessed within the first 15 days of each billing cycle.

We will send you a written notice ("invoice") each billing period that describes the advisory fees we have requested to be deducted from your account. This notice will be delivered prior to the deduction of the fee. Your notice will include the total fee assessed, covered time period, and reference to the assets under management in which the fee had been based. It is important that you verify the accuracy of fee calculations; the custodian of your account will not verify the accuracy of advisory fee assessments for you.

By signing our firm's engagement agreement, as well as the selected custodian account opening documents, you will be authorizing the withdrawal of advisory fees from your account. The withdrawal will be accomplished by the custodian of record at the request of our firm, and the custodian will remit our fee directly to our firm. All fees deducted will be clearly noted on account statements that you will receive directly from the custodian of record on at least a quarterly basis.

### ***LuminaFi Wealth Management System***

Our LuminaFi Wealth Management System is available to our hourly financial planning clients at the subscription rate of \$300 per year. This service is not available as a standalone offering, e.g., to non-financial planning clients. At our determination, we may waive the fee for clients that have engaged our firm for a range of its advisory services.

### ***Negotiability of Advisory Fees***

The services to be provided to you and their specific fees will be detailed in your engagement agreement. The firm's published fees are negotiable with the final determination to be made by one of our Principals. We strive to offer fees that are fair and reasonable in light of the experience of our firm and the services to be provided to you. [California residents: We are obligated under statute to inform you that similar services may be made available from others and potentially at a lesser fee.]

### **Additional Client Fees**

Any transactional or service fees (sometimes termed *brokerage fees*), individual retirement account fees, qualified retirement plan fees, account termination fees, or wire transfer fees will be borne by the account holder and per the separate fee schedule of the custodian of record. Fees paid by our clients to our firm for our advisory services are separate from any of these fees or other similar charges. In addition, advisory fees paid to our firm for its services are separate from any internal charges a client may pay involving mutual funds, ETFs, exchange-traded notes (ETNs) or other similar investment vehicles.

Per annum interest at the current statutory rate in which the client resides may be assessed on fee balances due more than 30 days, and we may refer past due accounts to collections or legal counsel for processing. We reserve the right to suspend some or all services once an account is deemed past due.

Additional information about our fees in relationship to our brokerage and operational practices are noted in Items 12 and 14 of this document.

#### External Compensation for the Sale of Securities to Clients

Our firm does not charge or receive a commission or a mark-up on securities transactions, nor will the firm or an associate be paid a commission on the purchase of a securities holding that is recommended to a client. We do not receive "trailer" or SEC Rule 12b-1 fees from an investment company that may be recommended to a client. Fees charged by such issuers are detailed in prospectuses or product descriptions and interested investors are always encouraged to read these documents before investing. Our firm and its associates receive none of these described fees or assessments. You retain the option to purchase recommended or similar investments through your own selected service provider.

#### Termination of Services

Either party may terminate the agreement at any time by communicating the intent to terminate in writing. If you verbally notify our firm of the termination and, if in two business days following this notification, we have not received your notice in writing, we will make a written notice of the termination in our records and send you our own termination notice as a substitute. Our firm will not be responsible for investment allocation, advice or transactional services (except for limited closing transactions) upon receipt of a termination notice. It will also be necessary that we inform the custodian of record that the relationship between parties has been terminated. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable up to and including the effective date of termination.

If a client did not receive our Form ADV Part 2 firm brochure at least 48 hours prior to entering into the firm's agreement, then that client will have the right to terminate the engagement without fee or penalty within five business days after entering into the agreement. Should a client terminate a financial planning service after this five-day time period, the client may be assessed fees at the firm's current hourly rate for any time incurred in the preparation of the client's analysis or plan. LuminaFi Wealth Management System clients will be refunded on a prorated daily basis. When a portfolio management or investment management services client terminates their agreement after the five-day period, the client will be assessed fees on a prorated basis for services incurred from either (i) as a new client, the date of the engagement to the date of the firm's receipt of the written notice of termination, or (ii) all other accounts, the last billing period to the date of the firm's physical or constructive receipt of written termination notice.

If you were required to provide an initial deposit of \$500 or more for a financial planning service, you provided all requisite information, and such plans or services have not been delivered to you within six months' time from the date of the engagement, you will be entitled to a refund.

The firm will return any prepaid, unearned fees (if any) within 30 days of the firm's receipt of termination notice. Earned fees in excess of any prepaid deposit will be billed at the time of termination and will be due upon receipt of our invoice. Our return of payment to a client for our financial planning or subscription services fees will only be completed via check from our firm's US-based financial institution; no credits or "transaction reversals" will be issued. We will only coordinate remuneration of prepaid asset-based fees to an investment account via the account custodian. Return of prepaid fees will never involve a personal check, cash or money order from our firm or from an associate of our firm. We will cease to perform services, including processing trades and distributions, upon termination. Assets not transferred from terminated accounts within 30 (thirty) days of termination may be "de-linked", meaning they will no longer be visible to our firm and will become a retail account with the custodian.

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

Our firm's advisory fees will not be based on a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as performance-based fees. Our fees will also not be based on side-by-side management, which refers to a firm simultaneously managing accounts that do pay performance-based fees (such as a hedge fund) and those that do not.

#### **Item 7 - Types of Clients**

While our current client-base is predominantly individuals and high net worth individuals of all investment experience, we are available to assist trusts and estates, charitable organizations and foundations, and businesses of all sizes as well as their retirement plans. We require minimum income, minimum asset levels or other similar preconditions. We reserve the right to waive or reduce certain fees based on unique individual circumstances, special arrangements or preexisting relationships. The firm reserves the right to decline services to any prospective client for any nondiscriminatory reason.

Our minimum annual fee is \$15,000 and minimum account size is \$1,500,000. We retain the discretion to waive our minimum fee and/or minimum account size requirement on a client-by-client basis.

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

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

##### ***Method of Analysis***

Based on client goals, time horizon and risk tolerance (determined through interview and other analytical tools) our firm will determine an optimal asset allocation using Modern Portfolio Theory (described in the next section); however, fundamental valuation analysis (using capital market assumptions and security analysis) and technical indicators may also be used at times to determine asset allocation and for buy/sell decisions on a particular investment or asset class. Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Technical analysis involves the analysis of past market data; primarily price and volume.

The main sources of information our firm uses include research materials prepared by others, corporate rating services, annual report, prospectuses, filing with the SEC and company press releases, financial newspapers, web sites and magazines.

## ***Investment Strategy***

Modern Portfolio Theory states that by employing securities whose price movements have historically low correlations, it is possible to create an efficient portfolio that can offer the highest expected return for a given level of risk, or one with the lowest level of risk for a given expected return. The practice of Modern Portfolio Theory does not employ market timing or stock selection methods of investing but rather a long term, buy-and-hold strategy with periodic rebalancing of the account to maintain desired risk levels. Over the long term, an appropriate asset allocation (what to buy) is more important than when to buy. Generally, a decline in one asset class may be offset by an increase in another.

## ***Recommended Holdings***

We will strive to create portfolios that contain investment vehicles that are diversified, tax-efficient, and low-cost investments whenever practical. Although it is common to find a broad range of index mutual funds or ETFs within a portfolio, certain accounts may necessitate holding individual equity (stock) positions, real estate investment trusts (REITs) and commodities (or ETFs/ETNs containing commodities). In addition, an account may also contain fixed income holdings, such as bonds, certificates of deposit (CDs) and money markets<sup>4</sup> to create as broad a diversification as necessary to meet demands of the portfolio or to effectively employ pre-existing holdings within your account.

## ***Lumina Financial Strategies***

**The Conservative portfolio** has a limited exposure to securities that our firm believes are likely to be more volatile in the near term. The objective for this portfolio is predictability and consistency in comparison with our other strategies which are designed for longer term goals and objectives. This portfolio is not risk free.

**The Balanced portfolio** is one that allows for the introduction of some additional asset classes, because the time horizon is significantly longer. Clients whose assets are in this strategy are interested in appreciation, but either their risk tolerance or time horizon prevents a more aggressive approach.

**The Aggressive portfolio** is designed for objectives with significantly long time horizons, and for clients with a significantly high risk tolerance. As with all strategies, risk management, and diversification are considered in the portfolio construction process.

## **Investment Strategy and Method of Analysis Material Risks**

Our firm believes its strategies and investment recommendations are designed to produce the appropriate potential return for the given level of risk. There is no guarantee that a planning goal or investment objective will be achieved. Investing in securities involves risk of loss that clients should be prepared to bear. We have offered examples of such risk in the following paragraphs, and we believe it is important that our clients review and consider each of them risk prior to investing.

## **Third Party Managers**

We may utilize other managers to assist in the management of client assets. These managers are selected by us after a process whereby we evaluate each manager's investment performance, operations, and offerings to determine if the manager would be a fit for our clients. This process continues on an ongoing basis, throughout the time the client works with the third party manager. It is important to remember that any fees paid to these managers are separate from, and in addition to, fees paid to us.

<sup>4</sup> Lumina Financial Consultants, LLC may recommend but does not distribute certificates of deposits, money market accounts or similar savings vehicles for client accounts. The firm is not a financial institution, is not a member of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association (NCUA), nor is required to be an FDIC or NCUA member. You may learn more about the FDIC or NCUA and how they serve financial institution depositors/members by going to their website at [www.fdic.gov](http://www.fdic.gov) or [www.ncua.gov](http://www.ncua.gov). Securities recommended through our advisory firm are not FDIC or NCUA/NCUSIF-insured.

### ***Company Risk***

When investing in securities, such as stocks, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as *unsystematic risk* and can be reduced or mitigated through diversification.

### ***Failure to Implement***

As a financial planning client, you are free to accept or reject any or all of the recommendations made to you. While no advisory firm can guarantee future performance, no plan can succeed if it is not implemented. Clients who choose not to take the steps recommended in their financial plan may face an increased risk that their stated goals and objectives will not be achieved.

### ***Financial Risk***

Excessive borrowing to finance a business operation increases profitability risk because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### ***Fundamental Analysis***

The challenge involving fundamental analyses is that information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings, which may be the basis for a security's value. If a security's price adjusts rapidly to new information, a fundamental analysis may result in unfavorable performance.

### ***Inflation Risk***

When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

### ***Market Risk***

When the stock market as a whole or an industry as a whole falls, it can cause the prices of individual stocks to fall indiscriminately. This is also called *systemic* or *systematic* risk.

### ***Passive Markets Theory***

A portfolio that employs a passive, efficient markets approach has the risk of generating lower-than-expected returns due to its broad diversification when compared to a portfolio more narrowly focused.

### ***Political Risk***

The risk of financial and market loss because of political decisions or disruptions in a particular country or region and may also be known as "geopolitical risk."

### ***Research Data***

When research and analyses are based on commercially available software, rating services, general market

and financial information, or due diligence reviews, a firm is relying on the accuracy and validity of the information or capabilities provided by selected vendors, rating services, market data, and the issuers themselves. While our firm makes every effort to determine the accuracy of the information received, we cannot predict the outcome of events or actions taken or not taken, or the validity of all information researched or provided which may or may not affect the advice on or investment management of an account.

### ***Technical Analysis***

The risk of investing based on technical analyses is that it may not consistently predict a future price movement; the current price of a security may reflect all known information. This may occur due to analyst bias or misinterpretation, a sector analysis error, late recognition of a trend, etc.

### **Security-Specific Material Risks**

#### ***Equity (Stock) Risk***

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

#### ***ETF/ETN and Mutual Fund Risks***

The risk of owning ETFs/ETNs and mutual funds reflect their underlying securities (e.g., stocks, bonds, securities futures, etc.). These forms of securities typically carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. We do not recommend leveraged or inverse ETFs due to their inherent heightened risk.

#### ***Fixed Income Risks***

Various forms of fixed income instruments, such as bonds, money market or bond funds may be affected by various forms of risk, including:

##### ***Credit Risk***

The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes is referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.

##### ***Duration Risk***

Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow(interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

##### ***Interest Rate Risk***

The risk that the value of the fixed income holding will decrease because of an increase in interest rates.

##### ***Liquidity Risk***

The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income are generally liquid (i.e., bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.

### ***Reinvestment Risk***

With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

### ***Index Investing***

Certain ETFs and indexed funds have the potential to be affected by “active risk” (or “tracking error risk”), which might be defined as a deviation from a stated benchmark.

### ***QDI Ratios***

While various investment holdings may be known for their potential tax-efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these investment vehicles or holding periods within that may not benefit. Shorter holding periods, as well as commodities and currencies (that may be part of fund or portfolio), may be considered “non-qualified” under certain tax code provisions. A holding’s QDI will be considered when tax-efficiency is an important aspect of the client’s portfolio.

### ***Real Estate Investment Trusts (REITs)***

Risks involved in REIT investing may include (i) following the sale or distribution of assets an investor may receive less than their principal invested, (ii) a lack of a public market in certain issues, (iii) limited liquidity and transferability, (iv) fluctuations involving the value of the assets within the REIT, (v) a reliance on the investment manager to select and manage assets, (vi) changes in interest rates, laws, operating expenses, and insurance costs, (vii) tenant turnover, and (viii) the impact of current market conditions.

## **Item 9 - Disciplinary Information**

Neither the firm nor its management has been involved in a material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon our offering advisory business or its integrity.

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

### **A. Broker-dealer**

Neither Lumina nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

### **B. Futures Commission Merchant/Commodity Trading Advisor**

Neither Lumina nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Relationship with Related Persons**

Currently, one of Lumina’s Principals is the owner of New Leaf Financial Advisory, LLC, a financial planning business dedicated to assist individuals with the financial analysis and planning related to



divorce and settlement. These professionals therefore may have an incentive to recommend New Leaf planning services based on the compensation to be received, rather than on a client's needs.

Lumina attempts to mitigate this conflict of interest by disclosing the conflict to clients and informing the clients that they are always free to obtain planning services through other professionals that are not affiliated with Lumina, or to determine not to obtain planning services at all. Lumina also attempts to mitigate the conflicts of interest by requiring employees to acknowledge in the firm's Code of Ethics, their individual fiduciary duty to the clients of Lumina, which requires that employees put the interests of clients ahead of their own.

#### D. Recommendations of other Advisers

As discussed in Item 8, we may recommend the use of one or more third party managers. While some managers may forward a portion of the fees it collects to us, this fee is not a traditional "referral" fee in that it is not made in exchange for the referral of the client. Rather, it is an operational convenience so that the client's fee for advisory services is deducted from one account at the same time rather than the client compensating us separately. However, this arrangement may present a conflict of interest for us, in that we will have an economic incentive to recommend managers who will have fee rates favorable to our share of fees, as opposed to fee rates most beneficial to the client. We attempt to mitigate this risk through a thorough review of each manager, including the value for the fees to be paid, as well as requiring every associated person to acknowledge their fiduciary responsibility to clients.

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

Lumina Financial Consultants, LLC holds itself to a *fiduciary standard*, which means the firm and its associates will act in the utmost good faith, performing in a manner believed to be in the best interest of its clients. Our firm believes that business methodologies, ethics rules, and adopted policies are designed to eliminate or at least minimize material conflicts of interest and to appropriately manage any material conflicts of interest that may remain. You should be aware that no set of rules can possibly anticipate or relieve all material conflicts of interest. Our firm will disclose to its advisory clients any material conflict of interest relating to the firm, its representatives, or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

##### Code of Ethics Description

We have adopted a Code of Ethics that establishes policies for ethical conduct for our personnel. Our firm accepts the obligation not only to comply with applicable laws and regulations but also to act in an ethical and professionally responsible manner in all professional services and activities. Firm policies include prohibitions against insider trading, circulation of industry rumors, and certain political contributions, among others. Our firm periodically reviews and amends its Code of Ethics to ensure that it remains current and requires firm personnel to annually attest to their understanding of and adherence to the firm's Code of Ethics. A copy of the firm's Code of Ethics is made available to any client or prospective client upon request.

CERTIFIED FINANCIAL PLANNER™ Professionals, such as Ms. Schwarz, also adhere to the Certified Financial Planner Board of Standards, Inc. Code of Ethics.

##### Statement involving our Privacy Policy

We respect the privacy of all clients and prospective clients (collectively termed "customers"), both past and present. It is recognized that you have entrusted our firm with non-public personal information, and it

is important that both access persons and customers are aware of firm policy concerning what may be done with that information.

The firm collects personal information about customers from the following sources:

- Information customers provide to complete their financial plan or investment recommendations;
- Information customers provide in engagement agreements and other documents completed in connection with the opening and maintenance of an account;
- Information customers provide verbally; and
- Information received from service providers, such as custodians, about customer transactions.

The firm does not disclose non-public personal information about our customers to anyone, except in the following circumstances:

- When required to provide services our customers have requested;
- When our customers have specifically authorized us to do so;
- When required during the course of a firm assessment (i.e., independent audit); or
- When permitted or required by law (i.e., periodic regulatory examination).

Within the firm, access to customer information is restricted to personnel that need to know that information. All access persons and service providers understand that everything handled in firm offices are confidential and they are instructed not to discuss customer information with someone else that may request information about an account unless they are specifically authorized in writing by the customer to do so. This includes, for example, providing information about a spouse's IRA or to children about a parent's account.

To ensure security and confidentiality, the firm maintains physical, electronic, and procedural safeguards to protect the privacy of customer information.

The firm will provide you with its privacy policy on an annual basis per federal law and at any time, in advance, if firm privacy policies are expected to change.

#### Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

Neither the firm nor an associate is authorized to recommend to a client, or effect a transaction for a client, involving any security in which the firm or a "related person" (e.g., associate, an immediate family member, etc.) has a material financial interest, such as in the capacity as a board member, underwriter or advisor to an issuer of securities, etc.

An associate is prohibited from borrowing from or lending to a client unless the client is an approved financial institution.

Our firm is able to provide a broad range of advisory services to its clients, including financial planning and portfolio management. A fee may be earned by the firm for some or all of these services. We note that you are under no obligation to act on a recommendation from an associate. If you elect to do so, you are under no obligation to complete all of them through our firm or a service provider whom we may recommend to you. Whether an associate is serving a client in one or more capacities, they will disclose in advance how they are being compensated and if there is a conflict of interest involving any service being provided.

#### Firm/Personnel Purchases of Same Securities Recommended to Clients and Conflicts of Interest

Our firm does not trade for its own account (e.g., proprietary trading). The firm's related persons may buy

or sell securities that are the same as, similar to, or different from, those recommended to clients for their accounts, and this poses a conflict of interest. We mitigate this conflict by ensuring that we have policies and procedures in place to ensure that the firm or a related person will not receive preferential treatment over a client.

In an effort to reduce or eliminate certain conflicts of interest involving personal trading (i.e., trading ahead of client recommendation, etc.), firm policy may require that we periodically restrict or prohibit related parties' transactions. Any exceptions must be approved in writing by our Chief Compliance Officer, and personal trading accounts are reviewed on a quarterly or more frequent basis. Please refer to Item 6 of the accompanying Form ADV Part 2B for further details.

## **Item 12 - Brokerage Practices**

### **Factors Used to Select Broker/Dealers for Client Transactions**

Lumina Financial Consultants, LLC does not maintain physical custody of your assets (see Item 15). Your account must be maintained by a qualified custodian (generally a broker/dealer, bank or trust company) that is frequently reviewed for its capabilities to serve in that capacity by their respective industry regulatory authority. Our firm is not a custodian, nor is there an affiliate that is a custodian.

When we are engaged to provide an investment consultation via a planning service component, we may recommend the service provider/custodian with whom your assets are currently maintained. Should you prefer a new service provider, a recommendation made by our firm would be based on your needs, overall cost, and ease of use.

We have entered into an agreement with Charles Schwab & Co., Inc. ("Schwab") to serve as custodian for our clients. Schwab is a FINRA and SIPC member<sup>5</sup>, and an SEC-registered broker/dealer. Our firm is independently owned and operated and is not legally affiliated with Schwab. While we may recommend that you use Schwab as custodian, you must decide whether or not to do so. If you so choose, you will open the account by entering into an account agreement directly with the Schwab. While we can assist you in completing the account paperwork, we do not technically open the account for you.

If you do not wish to place your account assets with Schwab, we may be able to manage the account at your preferred custodian depending on that custodian's account trading policies, or we may be engaged via the investment consultation component of our financial planning service offering.

We seek to use a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- 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 an 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, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services

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<sup>5</sup> Lumina Financial Consultant, LLC is not, nor required to be, a Securities Investor Protection Corporation (SIPC) member. Clients

may learn more about the SIPC and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

- 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
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below.

When your account is maintained at Schwab you are typically not charged separately for custody services. Schwab is compensated by charging a commission or other fees on trades that Schwab executes or that settle into the Schwab account.

Schwab Advisor Services (formerly called "Schwab Institutional") is Schwab's business serving independent investment advisory firms similar to ours. They provide our firm and its clients with access to its institutional brokerage – trading, custody, reporting and related services. 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.

Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, they may charge us quarterly service fees that we pay for from our operating account.

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 previous paragraphs generally benefit our clients.

Schwab also makes available to our advisory firm other products and services that benefit us but may not directly benefit a client 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.

Schwab also offers other services intended to help us manage and further develop our business enterprise, such as:

- 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.

Some of the noted products and services made available by Schwab may benefit our advisory firm but may not directly benefit a client account, and certain research and other previously referenced services may qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934. The availability of these services from Schwab benefits our firm because we do not have to produce or purchase them as long as our clients maintain accounts at Schwab. There is a conflict of interest since our firm has an incentive to select or recommend the Schwab based on our interest in receiving these benefits rather than our clients' interest in receiving favorable trade execution. As a fiduciary, Lumina Financial Consultants, LLC endeavors at all times to put the interests of its clients first, and it is important to mention that the benefit received by the firm through participation in the Schwab's advisor support program does not depend on the amount of brokerage transactions effected through them. We believe the selection of the Schwab is in the best interests of our clients since the selection is primarily supported by the scope, quality, and cost of services provided as a whole -- not just those services that benefit only our advisory firm. Further, we will act in the best interest of its clients regardless of the custodian selected.

We periodically conduct an assessment of any recommended service provider (including Schwab) which generally involves a review of the range and quality of services, reasonableness of fees, among other items, and in comparison, to industry peers.

#### Best Execution

"Best execution" means the most favorable terms for a transaction based on all relevant factors, including those listed in the earlier paragraph titled *Factors Used to Select Broker/Dealers for Client Transactions*. We recognize our obligation in seeking best execution for our clients; however, it is our belief that the determinative factor is not always the lowest possible cost but whether a custodian's transactions represent the best "qualitative execution" while taking into consideration the full range of services provided. Our firm will seek services involving competitive rates, but it may not necessarily correlate into the lowest possible rate for each transaction. We have determined having client trades executed through Schwab is consistent with our obligation to seek best execution of client trades. A review is regularly conducted with regard to recommending a custodian to our clients in light of our duty to seek best execution.

#### Directed Brokerage

Our clients may direct their custodian of record to use a particular broker to execute some or all account transactions. In these circumstances, the client will be responsible for negotiating, in advance of each trade, the terms and/or arrangements involving their account with that executing broker; whether the selected broker is affiliated with the client's custodian of record or not. Our firm will not be obligated to seek better execution services or prices from these other brokers. As a result, the client may pay higher commissions or other transaction costs, potentially experience greater spreads, or receive less favorable net prices on transactions involving their account than would otherwise be the case.

For accounts held at Schwab, trades are executed per Schwab's order routing requirements. Our firm does not direct which executing broker should be selected for client account trades; whether that is an affiliate of Schwab or another executing broker of the Schwab's choice. As a result a client may pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices on transactions than might otherwise be the case. In addition, since we routinely recommend Schwab, and

Schwab may choose to use the execution services of its broker affiliate for some or all of our client account transactions, there is an inherent conflict of interest involving our recommendation of Schwab as custodian since our firm receives various products or services described in this section. Note that we are not compensated for trade routing/order flow, nor are we paid commissions on such trades; we do not receive interest on our client accounts' cash balances.

#### Aggregating Securities Transactions Involving Client Accounts

Trade aggregation involves the purchase or sale of the same security for several clients/accounts at approximately the same time. This may also be termed "blocked" or "batched" orders. Aggregated orders are effected in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through separately placed orders. Our firm may, but is not obligated, to aggregate orders, and our firm does not receive additional compensation or remuneration as a result of aggregated transactions.

Transaction charges and/or prices may vary due to account size and/or method of receipt. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which a related person may invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.*, or similar guidance if the jurisdiction in which the client resides provides such direction.

Please note that when trade aggregation is not allowed or infeasible and necessitates individual transactions (e.g., withdrawal or liquidation requests, odd-lot trades, non-discretionary accounts, etc.), an account may potentially be assessed higher costs or less favorable prices than those where aggregation has occurred.

We review firm trading processes on a periodic basis to ensure they remain within stated policies and regulation. Our clients will be informed, in advance, should trading practices change at any point in the future.

#### Trade Errors

Our firm corrects its trade errors via our custodian, and we may be responsible for certain trading error losses through our own actions that may occur within a client account. Should there be a gain following the correction of a trading error, we will typically credit the client's account.

### **Item 13 - Review of Accounts**

#### Schedule for Periodic Review of Client Accounts

##### ***Financial Planning Services***

Periodic financial check-ups or reviews are recommended if you are receiving our financial planning services. We believe they should occur on an annual basis whenever practical. Reviews will be conducted by your assigned investment advisor representative who is associated with our firm. The review will typically involve analysis and possible revision of your previous financial plan or investment allocation. A copy of revised plans or asset allocation reports will be provided to the client upon request.

Unless provided for in your engagement agreement, reviews are generally conducted under a new or amended agreement and will be assessed at our current fee rate.

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

Investment accounts are reviewed on a quarterly or more frequent basis by Ms. Schwarz or Ms. Fried. Client-level reviews are completed by your assigned investment advisor representative who is associated with our firm, and we recommend that they occur on at least an annual basis. A copy of a revised investment guideline or asset allocation reports will be provided to the client upon request.

#### **Review of Client Accounts on Non-Periodic Basis**

### ***Financial Planning Services***

You should contact our firm for additional reviews when you anticipate or have experienced changes in your financial situation (i.e., changes in marital status, employment, an inheritance, the birth of a new child, etc.), or should you prefer to change requirements involving your investment account. Non-periodic reviews are conducted by your assigned investment advisor representative who is associated with our firm, under a new or amended agreement when necessary, and fees may be assessed at our published rate. A copy of revised plans or asset allocation reports will be provided to the client upon request.

### ***Portfolio and Investment Management Services***

Additional reviews by Ms. Schwarz and your assigned investment advisor representative who is associated with our firm may be triggered by news or research related to a specific holding, a change in our view of the investment merits of a holding, or news related to the macroeconomic climate affecting a sector or holding within that sector. A portfolio may be reviewed for an additional holding or when an increase in a current position is under consideration. Account cash levels above or below what we deem appropriate for the investment environment, given the client's stated tolerance for risk and investment objectives, may also trigger a review.

#### **Content of Client Provided Reports and Frequency**

Whether you have opened and maintained an investment account on your own or with our assistance, you will receive account statements sent directly from mutual fund companies, transfer agents, custodians or brokerage companies where your investments are held. We urge you to carefully review these account statements for accuracy and clarity, and to ask questions when something is not clear.

Our firm may provide portfolio "snapshots" if we are engaged to provide periodic asset allocation or investment advice, but we do not provide ongoing performance reporting through our financial planning service.

Our firm produces its own written performance reports which are calculated using a time-weighted methodology. The reports are intended to inform clients about their investment performance over current and earlier periods. Clients are urged to carefully review and compare account statements that they have received directly from their custodian of record with any report they may receive from our firm or any other source that contains account performance information.

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

Beyond what had been previously disclosed in Item 12 of this brochure, our advisory firm does not receive economic benefit from an external source that we may recommend to you. If a client is introduced to us by either an unaffiliated or an affiliated solicitor, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Unaffiliated or affiliated solicitors will be licensed in accordance with applicable state laws. Any such referral fee shall be paid solely from our investment management fee, and

shall not result in any additional charge to the client. If the client is introduced to us by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of the solicitor relationship, and shall provide each prospective client with a copy of our ADV, and a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between us and the solicitor, including the compensation to be received by the solicitor from us.

An associate of the firm may hold individual membership or serve on boards or committees of professional industry associations. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements. A benefit these entities may provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for individual members within a selected state or region. These passive websites may provide means for interested persons to contact an association member via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public may also choose to telephone association staff to inquire about an individual within their area and would receive the same or similar information. A portion of the membership fee may be used so that their name will be listed in some or all of these entities' websites (or other listings).

Prospective clients locating our advisory firm or an associate via these methods are not actively marketed by the noted associations. Clients who find our firm in this way do not pay more for their services than clients referred in any other fashion. The firm does not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

#### **Item 15 – Custody**

Your assets will be maintained by an unaffiliated, qualified custodian, such as a bank, broker/dealer (e.g., Schwab), mutual fund companies or transfer agent. Your assets are not held by our firm or any associate or our firm. In keeping with this policy involving our client funds or securities, our firm:

- Restricts the firm or an associate from serving as trustee or having general power of attorney over a client account;
- Prohibits any associate from having authority to directly withdraw securities or cash assets from a client account. Although we may be deemed to have “constructive custody” of your assets since we may request the withdrawal of advisory fees from an account, we will only do so through the engagement of a qualified custodian maintaining your account assets, via your prior written approval, and following our delivery of our written notice (invoice);
- Does not accept or forward client securities (i.e., stock certificates) erroneously delivered to our firm;
- Will not collect advance fees of \$500 or more for services that are to be performed six months or more into the future; and
- Will not authorize an associate to have knowledge of a client's account access information (i.e., online 401(k), brokerage or bank accounts) if such access would allow physical control over account assets.

Your custodian of record will provide you with your investment account transaction confirmations and account statements, which will include all debits and credits as well as our firm's advisory fee for that period. Statements are provided on at least a quarterly basis or as transactions occur within their account. Our firm will not create an account statement for a client or serve as the sole recipient of an account statement.

Should you ever receive a report from any source that includes investment performance information, you are urged to carefully review and compare your account statements that you have received directly from your custodian of record with the performance-related report.



## **Item 16 - Investment Discretion**

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

We generally provide our portfolio management services on a *discretionary* basis. Similar to a limited power of attorney, discretionary authority allows our firm to implement investment decisions, such as the purchase or sale of a security on behalf of your account, without requiring your prior authorization for each transaction in order to meet your stated investment objectives. This authority will be granted through your execution of both our engagement agreement and the selected custodian's account opening documents.

Note that your custodian will specifically limit our firm's authority within your account to the placement of trade orders and the request for the deduction of our advisory fees.

Our firm prefers to not manage client accounts on a *nondiscretionary basis*, but we may accommodate such requests on a case-by-case basis. Such account authority requires your ongoing prior approval involving the investment and reinvestment of account assets, portfolio rebalancing, or for our firm to give instructions to the custodian maintaining your account (i.e., wire instructions, etc.). Should you find it necessary to require such restrictions, we may not offer a reduced fee due to the additional operational costs involved managing your account. You will be required to execute our firm's client services agreement that describes our limited account authority, as well as the custodian of record's account opening document that includes their limited power of attorney form or clause. Please note that in light of the requirement for your pre-approval you must make yourself available and keep our firm updated on your contact information so that instructions can be efficiently effected on your behalf.

You may amend our account authority by providing our firm revised written instructions. As noted in Item 4, we will allow for reasonable restrictions involving the management of your account. It remains your responsibility to notify us if there is any change in your situation and/or investment objective so that we may reevaluate previous investment recommendations or portfolio holdings.

### ***Financial Planning Services***

If you ask us to assist you in any trade execution (including account rebalancing) under an investment consultation component of our financial planning engagement, such as assisting you with your held-away assets, it will only be accomplished on a *nondiscretionary basis*.

## **Item 17 - Voting Client Securities**

You may periodically receive proxies or other similar solicitations sent directly from your selected custodian or transfer agent. Should we receive a duplicate copy, note that we do not forward these or any correspondence relating to the voting of your securities, class action litigation, or other corporate actions.

Our firm does not vote proxies on your behalf, including accounts that we have discretionary authority. We do not offer guidance on how to vote proxies, nor will we offer guidance involving any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets. We will answer limited questions with respect to what a proxy voting request or other corporate matter may be and how to reach the issuer or their legal representative.

You will maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities that are beneficially owned by you shall be voted, as well as making all other elections relative to mergers, acquisitions, tender offers or other legal matters or events pertaining to your holdings. You

should consider contacting the issuer or your legal counsel involving specific questions you may have with respect to a particular proxy solicitation or corporate action.

**Item 18 - Financial Information**

Our advisory firm will not take physical custody of your assets, nor do we have the type of account authority to have such control. Fee withdrawals must be done through a qualified intermediary (e.g., your custodian of record), per your prior written agreement, and following your receipt of our firm's written notice (termed "constructive custody").

Engagements with our firm do not require that we collect fees from you of \$500 or more for our advisory services that we have agreed to perform six months or more into the future.

Neither our firm nor its management serve as general partner for a partnership or trustee for a trust in which the firm's advisory clients are either partners of the partnership or beneficiaries of the trust.

The firm and its management do not have a financial condition likely to impair its ability to meet commitments to clients, nor has the firm and its management been the subject of a bankruptcy petition.

Due to the nature of our firm's advisory services and operational practices, an audited balance sheet is not required nor included in this brochure.