

# Stonewater Wealth Management Inc. Firm Brochure

*This brochure provides information about the qualifications and business practices of Stonewater Wealth Management Inc.. If you have any questions about the contents of this brochure, please contact us at (361) 482-6899 or by email at: [info@stonewaterwealth.com](mailto:info@stonewaterwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Stonewater Wealth Management Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Stonewater Wealth Management Inc.'s CRD number is: 164953*

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

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## **Item 2: Material Changes**

Material changes relate to Stonewater Wealth Management Inc's policies, practices or conflicts of interests. The following material changes have taken place:

- Stonewater Wealth Management revised its Policies and Procedures to formally disclaim responsibility for voting client proxies to conform to Item 17 of this Brochure.
- Stonewater Wealth Management has changed from SEC registration to Texas state registration.

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## Item 4: Advisory Business

Stonewater Wealth Management Inc. (hereinafter "SWM") is a Corporation organized in the state of Texas. The firm was formed in July of 2012, and the principal owner is Michael R. Sharp.

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

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

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

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

SWM generally limits its money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, REITs, insurance products including annuities, private placements, and government securities. SWM may use other securities as well to help diversify a portfolio when applicable.

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

Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

SWM had \$22,263,823.00 of discretionary assets under management and \$11,118,089.00 of non-discretionary assets under management as of December 2021.

## Item 5: Fees and Compensation

Total Assets Under Management	Annual Fee
\$1 - \$249,999	2.25%*
\$250,000 - \$499,999	2.00%
\$500,000 - \$999,999	1.75%
\$1,000,000 and above	1.50%

The fee schedule above is for investment supervisory services. The fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in arrears by being withdrawn directly from the client's accounts with client written authorization. Because fees are charged in arrears, no refund policy is necessary. Advisory fees may also be invoiced and billed directly to the client quarterly in advance arrears. Clients may select the method in which they are billed. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. Fees for all services provided will be due upon termination if the client wishes to discontinue the relationship with SWM.

If fees are deducted directly by the Custodian, SWM would have constructive custody over that account and must have written authorization from the client to do so, must send an invoice directly to the client explaining each fee debit, and must have a custodian who sends at least a quarterly statement showing all debits. \*Comparable services may be found elsewhere for lower fees.

SWM will also offer financial planning services to clients for an hourly fee. Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is \$250. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Hourly Financial Planning fees are paid via check or credit card in arrears upon completion. Because fees are charged in arrears, no refund is necessary. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. Should the client wish to terminate the agreement, the client is still responsible for compensating SWM for the work completed.

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

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

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

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

SWM generally provides investment advice and/or management supervisory services to Individuals, High-Net-Worth Individuals, Banks and Pension and Profit Sharing Plans. There is no account minimum.

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

SWM's methods of analysis include charting analysis, fundamental analysis, and technical analysis.

A charting analysis involves the use of patterns in performance charts. SWM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security. This strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

A fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. This strategy concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

A technical analysis involves the analysis of past market data; primarily price and volume. This strategy attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

SWM uses long term trading, short term trading, and options writing (including covered options, uncovered options, or spreading strategies). Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies. SWM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize options writing which generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. Past performance is not a guarantee of future returns.**

### **Item 9: Disciplinary Information**

SWM has no criminal or civil actions to report. Further, SWM has no administrative proceedings or self-regulatory organization proceedings to report.

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

Michael R. Sharp is a licensed insurance agent and an accountant. From time to time, he will offer clients advice or products from those activities. Clients should be aware these services pay a commission and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. SWM always acts in the best interest of the client, including with respect to the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of SWM in such individual's outside capacities.

Kelly Ann Wright is a pension consultant. From time to time, she will offer clients advice or products from this activity. Stonewater Wealth Management Inc. always acts in the best interest of the client. Clients are in no way required to utilize the services of any representative of Stonewater Wealth Management Inc. in their capacity as a pension consultant.

Neither Stonewater or any of its personnel have a registration or application pending for registration as a broker/dealer, a registered representative of a broker/dealer, a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of these foregoing entities.

Stonewater does not select other investment advisers for its clients.

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

### **CODE OF ETHICS**

SWM has a written Code of Ethics that covers the following areas:

- Prohibited Purchases and Sales
- Insider Trading
- Personal Securities Transactions
- Exempted Transactions Prohibited
- Activities
- Conflicts of Interest Gifts and Entertainment
- Confidentiality
- Service on a Board of Directors
- Compliance Procedures
- Compliance with Laws and Regulations
- Procedures and Reporting
- Certification of Compliance
- Reporting Violations
- Compliance Officer Duties
- Training and Education
- Recordkeeping
- Annual Review
- Sanctions

SWM will always act in the best interest of the client. All conflicts of interest have been disclosed in this brochure document.

ALL PROSPECTIVE AND CURRENT CLIENTS HAVE A RIGHT TO SEE OUR CODE OF ETHICS. OUR CODE OF ETHICS IS AVAILABLE FREE UPON REQUEST TO ANY CLIENT OR PROSPECTIVE CLIENT. FOR A COPY OF THE CODE OF ETHICS, PLEASE ASK YOUR FINANCIAL ADVISOR AT ANYTIME.

SWM does not recommend that clients buy or sell any security in which a related person to SWM or SWM has a material financial interest. From time to time, representatives of SWM may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of SWM to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions create a conflict of interest. SWM will always document any transactions that could be construed as conflicts of interest. In general, SWM will transact client business before its own when similar securities are being bought or sold, but SWM will always act in the best interest of the clients.



## **Item 12: Brokerage Practices**

The Custodian, Trade-PMR Inc, Member FINRA SIPC and TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC; was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. SWM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

SWM receives research, products, or other services from its broker-dealer in connection with client securities transactions ("soft dollar benefits"). There is no minimum client number or dollar number that SWM must meet in order to receive free research from the custodian or broker/dealer. There is no incentive for SWM to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution. When using client brokerage commissions (or markups or markdowns) to obtain research or other products or services, SWM receives a benefit because it does not have to produce or pay for the research, products or services.

SWM allows clients to direct brokerage. SWM may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage SWM may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

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

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

Client accounts that are managed by SWM are reviewed at least monthly by Michael R. Sharp, President. Michael R. Sharp is the chief advisor and will review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at SWM are assigned to this reviewer.

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance). Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Michael R. Sharp, President. For clients who only utilize financial planning services, there is only one level of review and that is the total review conducted to create the financial plan. Clients are provided a one-time financial plan concerning their financial situation. After the

presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

Besides the compensation outlined in Item 10 and Item 12, SWM does not receive any additional economic benefit, directly or indirectly from any third party for advice rendered to SWM clients. SWM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

SWM participates in the institutional advisor program (the "Program") offered by TD Ameritrade. TD Ameritrade offers to independent investment advisor services which include custody of securities, trade execution, clearance, and settlement of transactions. SWM receives some benefits from TD Ameritrade through its participation in the Program.

As part of the Program, SWM may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between SWM's participation in the Program and the investment advice it gives to its clients, although SWM receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. Some of the products and services made available by TD Ameritrade through the Program benefit SWM but may not benefit its client accounts. These products or services assist SWM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help SWM manage and further develop its business enterprise. As part of its fiduciary duties to clients, SWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SWM or its related persons in and of itself creates a conflict of interest and may indirectly influence the SWM's choice of TD Ameritrade for custody and brokerage services.

### **Item 15: Custody**

SWM, with client written authority, has limited custody of client's assets through direct fee deduction of SWM's Fees only. If fees are deducted directly by the Custodian, SWM would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive all required account statements and billing invoices that are required in each jurisdiction quarterly, and they should carefully review those statements for accuracy.

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

For those client accounts where SWM provides ongoing supervision, the client has given SWM written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides SWM discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

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

SWM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

### **Item 18: Financial Information**

SWM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure. Neither SWM nor its management has any financial condition that is likely to reasonably impair our ability to meet contractual commitments to clients. SWM has not been the subject of a bankruptcy petition in the last ten years.