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dba



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This Brochure provides information about the qualifications and business practices of Wellspring Advisors, Inc. ("WSA"). If you have any questions about the contents of this Brochure, please contact us at (503) 594-1210 or via email at [gallen@wellstonewealth.com](mailto:gallen@wellstonewealth.com) to obtain answers and additional information. The information contained in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Wellspring Advisors, Inc. (CRD No. 147861), including a copy of its Form ADV Part 1, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Wellspring Advisors, Inc. is a registered investment advisor with the SEC. Registration of an investment advisor does not imply any level of skill or training.

## Item 2 – Material Changes

Wellspring Advisors, Inc.'s last annual update to its Brochure was filed with the IARD system on March 22, 2023. Since that filing, we have made the following material changes:

- Contact information within in the brochure for additional information was updated to Greg Allen, Chief Compliance Office of Wellspring Advisors, Inc. (formerly Oswego Wealth Advisors, Inc.)
- The firm updated its name to Wellspring Advisors, Inc.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Greg Allen at (503) 594-1210, or by email to [gallen@wellstonewealth.com](mailto:gallen@wellstonewealth.com).

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## Item 4 – Advisory Business

**Our Firm.** Wellspring Advisors, Inc. (“WSA,” “the firm,” “we,” or “us”) is a corporation headquartered in Lake Oswego, OR. The firm is owned by Craig Childress, CFP®, ChFC, CLU. He has been providing retirement, financial and tax planning since 1986. The firm was registered as an independent investment advisory firm with the State of Oregon in 2008 and transitioned to SEC registration in 2021.

The information contained in this Brochure describes our investment advisory services, practices, and fees. Please refer to the description of our investment advisory services listed below for information on how we tailor our services to the needs of our clients. As used throughout this firm brochure, the words “we,” “our,” “firm,” “WSA” and “us” refer to Wellspring Advisors, Inc., and the words “you,” “your,” and “Client” refer to you as either a client or prospective client of our firm.

### **Our Services.**

WSA primarily offers three types of services to clients: Investment Management and Consulting Services; Fee-based Financial Planning Services; and risk management services in the areas of life insurance, disability income insurance, annuities and long-term care insurance on a fee-based basis. This brochure describes WSA’s fee-based planning and investment advisory services.

#### *Investment Management*

WSA offers Investment Management and Consulting Services by providing discretionary and non-discretionary managed accounts.

**Portfolio Design:** The most important step in the investment process is deciding how to allocate assets among broad asset classes such as stocks, bonds and cash alternatives. Research has shown that, over time, more than 90% of the differences between Portfolios’ returns will come from the asset allocation. Careful asset allocation ensures that you’re invested in a diversified portfolio designed to help you progress toward your goals in various market environments.

The success of your investment plan begins by making sure your portfolio is right for your goals. As your advisor, we work with you closely to: Understand your goals and objectives, identify relevant risks, select the appropriate portfolios or allocations. Allocations are actively managed over time as market conditions and asset-class characteristics change. Allocations are constructed using carefully selected components consistent with your strategy objectives. Ongoing research results in addition of new investment sub-classes to enhance opportunity.

The typical client portfolio will include a diversified mix of stocks, bonds and cash investments. The percentage devoted to each asset class will depend on your time horizon, risk tolerance and personal situation. We start by diversifying by asset classes—including equity, fixed-income and alternative-investment portfolios, and also consider what types of investment strategies work best across various phases of the economic cycle (expansion, stress, distress, recovery). Projections regarding how the portfolio may react to each phase, along with an identification of return sources, complete the analysis.

Taking taxes into consideration can help to improve your chances of meeting your objectives. It's not just the money you earn that counts—it's what you keep. If left unchecked, taxes can substantially reduce your after-tax return. Our investment process includes techniques designed to help you keep more of what you earn. With a special focus on tax management to help manage tax implications within your portfolio, together we seek to help you enhance after-tax returns.

**Investment Management Selection:** They have found that identifying, hiring and managing specialist money managers helps to deliver more consistent performance. This process is called "managing the managers." Money managers who specialize in a particular area of a market have the experience necessary to perfect a specific investment style. They not only know where to seek opportunity, but how to anticipate favorable and unfavorable changes. This focus may produce more consistent results than using generalist managers who tend to "roam" the markets or drift from one style to another, often outside of their firm's core competencies. To implement the asset allocation strategies, a global network of specialist money managers is utilized whose management styles complement each other. Forward-looking expectations are developed regarding how a manager will execute a given investment assignment, and environments in which the related investment strategy should outperform or underperform. We often use multiple managers within each investment style. For example, in the small cap growth sector, using multiple managers with a highly differentiated investment process and expertise in different specialties, called styles can ensure diversification within the sector. While diversification is not a guaranteed protection against market risk it may help to manage risk and enhance returns. Research is utilized from many analysts, many of whom hold the Chartered Financial Analyst ("CFA") and other advanced designations. This helps to oversee the selection of managers, tracking and managing consistency regarding manager performance, risk management and daily manager monitoring.

If you choose to participate in this investment program, you will enter into a portfolio management agreement with WSA and the TPIA. Every client, prior to entering into a portfolio management agreement with WSA and the TPIA will receive WSA and the TPIA's disclosure brochures, privacy notices, and a disclosure of the referral arrangement, including the compensation WSA is paid. You should review all disclosure brochures, investor profiles, and management agreements before deciding to participate in the program. WSA is compensated based on a percentage of the assets clients place with a TPIA, in exchange for monitoring the services provided by the TPIA, and recommending any changes in the client's account.

#### *Limitations on Investments*

For clients participating in a third party or discretionary account, in some circumstances, WSA's advice may be limited to certain types of securities. For example, when WSA provides services to participants in a self-directed 401(k) plan, the participant may be limited to investing in securities included in the plan's investment options. In that case, WSA can only make recommendations to the client from among the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere. There may also be limitations on the securities in which WSA may invest clients' accounts. In addition, clients may hold or purchase other non-managed securities. Non-managed securities are held strictly as an accommodation and at the request of the client. Generally, all non-managed securities within your portfolio are traded and/or held solely at your request when possible.

### *Financial Planning Services*

We create comprehensive financial plans for our clients. These services can range from broad, comprehensive, financial planning to consultative or single subject planning. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. We will also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we clarify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. After we review and analyze the information you provide to our firm and the data derived from our financial planning software, we will deliver a written plan to you, designed to help you achieve your stated financial life goals and objectives.

Examples of financial planning services we provide include:

- Income Tax Planning (strategies for investment vehicles and sales to account for tax liability)
- Asset Allocation (planning for risk and when withdrawals are needed)
- Investment Planning (planning for outcomes, without ongoing oversight)
- Retirement Planning (planning for outcomes specifically related to retirement, without ongoing oversight)
- Estate and Legacy Planning (planning for family, as well as charitable giving options)
- Insurance Planning (risk management services in the areas of life insurance, disability income insurance, and long term care insurance)
- Cash Flow Management (planning for investments to ensure positive and stable cash flow)
- Educational Planning (planning for private school tuition, as well as college financial planning)
- Executive Compensation and Benefit Analysis (strategies for understanding executive compensation and benefits)
- Business Succession Planning (strategies for ensuring continuity of business, and peace of mind with family ownership and operation)
- Other Projects (as mutually agreed)

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. However, please note that we may choose to terminate client relationships where we believe our recommendations and services are not being fully utilized and that the client may be better served by other financial professionals.

### *Analysis and Consulting Services*

In addition to a comprehensive fee-based financial planning WSA offers, Analysis and Consulting Services which may include advice on individual issues such as review of investment portfolios, tax planning services, evaluation of real estate portfolio and mortgages, retirement planning, estate

planning, cash flow management, college planning, and discussions about behaviors, philosophy, personality and your relationship with money. Fees charged for Analysis and Consulting Services are described below under Fees and Compensation.

#### *Tailored Services*

We may make recommendations to purchase or roll over current real estate-related private placements such as Tenant-In-Common (TIC) interests and Real Estate Investment Trust and Limited Liability Company shares of professionally managed assets. WSA may recommend these investments based on factors that include but are not limited to accreditation status, the level of interest clients express during meetings with WSA, and whether the program would offer diversification to the client. These investments may not have a ready market for their purchase or sale, are less liquid than market-based securities, and are therefore considered risky investments. Consequently, these securities are only available to accredited investors. WSA will recommend these securities only to clients who meet the necessary income and/or net worth requirements and where WSA believes the investment is appropriate for the client based on the client's ability to accept the risk.

#### *Non-Advisory Services*

Depending on client needs and/or desire for estate planning document review, preparation, or updates, some Investment Advisor Representatives of WSA engage the services of unaffiliated, third-party scrivener service comprised of estate planning attorneys. The third-party scrivener assists with the creation and updating of estate planning related documents for clients who wish to utilize third-party scrivener's services. (Please see Item 5 for additional information regarding additional costs associated with this service.) WSA will administratively assist the process by gathering and forwarding the necessary client related information that the third-party scrivener requires to create any client requested estate planning documents. Clients are not required to utilize the services of the third-party scrivener when working with WSA. Please note that both WSA and the third-party scrivener DO NOT provide legal advice, legal opinions, or legal recommendations and clients are advised to seek and separately retain outside legal counsel.

WSA does not participate in or sponsor any wrap-fee programs.

See also disclosures under **Fees and Compensation (Item 5)**, **Risks (Item 8)**, **Registrations with Broker-Dealer (Item 10)**, and **Other Compensation (Item 14)** below.

#### **Assets Under Management**

We currently manage \$0 of Client assets on a non-discretionary basis and \$213,834,376 of Client assets on a discretionary basis. These amounts were calculated as of December of 2022.

#### **Legal and Accounting Services**

It is expressly understood that WSA will not provide accounting or legal advice nor prepare any accounting or legal documents for Clients.

### **Item 5 – Fees and Compensation**

*Investment Management Services*

WSA's management fee is a percentage of the market value of the assets held within your account under management in accordance with the following fee schedule:

*Advisor Fee Schedule*

The fee schedule below indicates the maximum fee charged based on the portfolio value. Notwithstanding, advisory fees are negotiable based on the scope of work for each client.

<b>Portfolio Value</b>	<b>Fee as a Percent of Portfolio Value</b>
First \$1,000,000	1.60 %
Next \$500,000	1.40 %
Next \$500,000	1.20 %
Next \$500,000	1.00 %
All dollars above \$2,500,000	0.80 %

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above. If WSA agrees to combine household accounts, we will notify you in writing by the end of the quarter.

Advisory fees charged by third party investment advisors (TPIA) are separate and apart from our advisory fees. Our advisory fee on assets managed by TPIAs is based on the fee schedule set forth above. Advisory fees that you pay to the TPIAs are established and payable in accordance with the brochure provided by each TPIA to whom you are referred. The TPIA fees generally range between .35% to 1.00% on the assets being managed. These TPIA fees may or may not be negotiable. You should review the recommended TPIA's brochure and take into consideration the TPIA's fees along with our fees to determine the total amount of fees associated with this program. The TPIA's fees may be higher or lower than those charged in the industry and similar services may be offered by another advisor at a lower fee.

WSA may negotiate its Investment Management Fee based on a number of factors including, but not limited to, the amount of work involved and the assets placed under management. Lower fees for comparable services may be available from other sources. WSA may manage its own accounts and our employees' and/or family accounts for a reduced fee or free of charge. Additionally, non-managed assets (described above in Item 4) are excluded from the calculation of the management fee. See also **Client Referrals and Other Compensation (Item 14)** below. Clients receive and sign a disclosure statement, which specifies the fee schedule and the compensation to WSA or its owner. You should review third party money managers' disclosure brochures, investor profile, and investment management agreement before deciding to participate in the program.



*Financial Planning Services/Analysis and Consulting Services*

Comprehensive Financial Planning

Financial planning services are offered on an annual fixed fee basis and charged in advance monthly or quarterly depending on client preference.

Our fixed fee charges range between \$3,000 - \$10,000. The actual fixed fee charged to the Client will be stated at the outset and will be based on the type and complexity of financial planning needs and the amount of time involved. Fixed fee charges may also be based on the experience level of the financial planner.

Hourly Consulting

For clients on the hourly consulting fee structure, Client shall pay to Advisor an hourly fee of up to \$400 for work on a specific consulting project. WSA's minimum fee for hourly consulting services is \$1,000. Our hourly rate for administrative services is \$110. Hourly rates are non-negotiable. For the hourly consulting projects only, we require that you pay 50% of the fee in advance and the remaining portion upon the completion of the services rendered. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

Existing clients may be grandfathered into different planning or consulting fees and terms.

We will prepare an estimate for you before beginning any planning work, and help assist you in making an informed decision. The total costs depends on the complexity of the project, the scope of work to be performed, and the differential expertise of the Investment Advisor Representative providing the services. Factors contributing to determination of the rate for financial planning services include how many areas will be addressed in the financial planning services, which may include statements of financial position (includes net worth and cash flow statements), risk assessment, long term care and disability evaluation, core tax planning, core estate planning, asset allocation, real estate analysis, retirement planning, and business transition planning. Pricing will be developed on a project-by-project basis for each Client, also depending on the complexity, scope of work to be performed, expertise of the Investment Advisor Representative providing the services, and the estimated time required to complete the project. Subject to these variables, the fee structure may be negotiable.

In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you in advance and request that you approve the additional fee.

Should the cost/time associated with a fixed fee project not reach the amount of initial estimate, WSA will promptly refund the difference, above the \$1,000 minimum, after calculating the total according to the hourly fee.

At our discretion, we may offset our financial planning fees to the extent you implement the financial plan through our Portfolio Management Service.

*Non-Advisory Services*

Clients opting to utilize the services of the third-party scrivener for the review, creation, or update of estate planning documents will be charged based on the specific needs and documents for their situation. As a result, this cost will vary. Typically, the cost can be approximately \$2,000, but can be higher or lower when adjusted for the complexity of the client's individual situation and needs. Prior to implementing this service, WSA will provide clients with an exact cost for their situation which will be indicated in the WSA Financial Planning Agreement.

Fees for this service are negotiable and payable to WSA. WSA will compensate the third-party scrivener for the delivery of their services. Clients will not incur a separate charge from the third-party scrivener. As mentioned previously, clients are not required to utilize the services of the third-party scrivener when working with WSA. As stated previously, both WSA and the third-party scrivener DO NOT provide legal advice, legal opinions, or legal recommendations and clients are advised to seek and separately retain outside legal counsel.

## **Billing Method**

### *Investment Management*

Your management fee shall be paid periodically (monthly or quarterly), in arrears, and you will authorize your account's custodian to pay the management fee by debiting your account periodically (monthly or quarterly). The WSA fees will be included in your quarterly statements from the custodians and will include the total advisory fee.

The management fee is based on the market value of your account's assets on the last day of the previous period as valued by your account's custodian. The management fee for the initial month or quarter is calculated based on the contributions made into each account and prorated based on the date of the initial trade into the Portfolio(s). You may add cash to and withdraw funds from your account(s) at any time. If assets are deposited into or withdrawn from your account(s) after the beginning of the month or quarter, that billing period's management fee will not be adjusted or prorated. You should review the TPIA's disclosure brochure, investor profile, and management agreement before deciding to participate in that program.

Quarterly fee adjustments for one-time additions of assets received into the account or for one-time withdrawals during a quarter will also be provided based on the number of days in the calendar quarter that the assets were in the account. These adjustments do not apply when periodic distribution instructions are established.

## **Other Fees and Expenses**

WSA's fees and fees for the TPIA program do not include custodian fees. In certain accounts, transaction charges, stock transfer fees, and other similar charges that are incurred in connection with transactions for your account may be paid out of the assets in the account and can be in addition to the fees you pay to WSA or the TPIA. This is dependent on the structure of the account agreement. In addition, any mutual fund shares held in your account may be subject to deferred sales charges, 12b-1 fees, short-term redemption fees, and other mutual fund annual expenses. The fees and expenses are fully described in the fund's prospectus. All fees paid to WSA for our services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers and such fees are therefore indirectly

charged to all holders of the mutual fund shares. If you have mutual funds in your portfolio, you are effectively paying both the TPIA and the mutual fund manager for the management of your assets. You should review the TPIA's disclosure brochure, investor profile, and investment management agreement before deciding to participate in the program.

## **Termination**

### *Investment Management*

The investment management agreement will continue in effect until terminated by you or WSA by written notice to the other. Either Client or Advisor may terminate the agreement within five business days of signature without penalty and fees to the Client, by providing written notice to the other party. Thereafter, either party is required to provide a 30-day written notice to the other party to terminate this management agreement. The management fee will be prorated. Upon the termination of the agreement, Advisor will have no obligation to recommend or take any action with regard to the securities, cash or other investments in the Account.

### *Financial Planning/Analysis and Consulting Services*

Either Client or Advisor may terminate the financial planning agreement within five business days of signature without penalty and fees to the Client, by providing written notice to the other party. After five business days, the Client or Advisor may terminate the agreement in writing and a refund of the unearned fees will be made based on the time and effort expended by the Advisor prior to termination. If our hourly agreement is terminated before we have completed the agreed upon services, we will invoice you for work completed through the termination date. If our fixed-fee agreement is terminated before we have completed the agreed upon project we will determine the percentage of the project we have completed based on the number of hours we have expended for the project. If we have completed less than one-half of the project, we will refund to you any unearned fees. If we have completed more than one-half of the project, we will invoice you for the additional time we have expended in excess of the fees you have paid. Any partially completed project will be delivered to the Client in its partially completed form.

## **Rollover Recommendations**

When WSA and our IA Reps provide any rollover recommendations (e.g. from your employer's retirement plan, such as a 401(k), 457, or ERISA 403(b) account to individual retirement accounts), we are acting as fiduciaries within the meaning of Title I of the ERISA and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts. If you elect to roll the assets to an IRA we will manage for you, we will charge you an advisory fee. This financial incentive creates a conflict of interest. You are under no obligation to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Due to the conflict of interest when we make rollover recommendations, we operate under rules that require us to act in your best interests and not put our interests ahead of yours. These rule's provisions require us to:

- meet a professional standard of care when making investment recommendations (i.e. give prudent advice);

- never put our financial interests ahead of yours when making recommendations (i.e. give loyal advice);
- avoid misleading statements about conflicts of interest, fees, and investments;
- follow policies and procedures designed to ensure that we give advice that is in your best interests;
- charge no more than a reasonable fee for our services; and
- give you basic information about conflicts of interest.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of a rollover. Note that an employee will typically have four options in this situation:

1. leaving the funds in your employer's (former employer's) plan;
2. moving the funds to a new employer's retirement plan;
3. cashing out and taking a taxable distribution from the plan; or
4. rolling the funds into an IRA rollover account.

Each of these options has positives and negatives. Because of that, along with the importance of understanding the differences between these types of accounts, we will provide you with a written explanation of the advantages and disadvantages of both account types and the basis for our belief that the rollover transaction we recommend is in your best interests.

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

We do not charge any performance-based fees for our services or perform side-by-side management. Accordingly, this Item is not applicable to our Firm.

## **Item 7 – Types of Clients**

WSA offers its services to individuals, high net worth individuals, trusts and estates, charitable organizations, and for retirement plans.

## **Account Requirements**

As described under **Advisory Services Offered** above, WSA offers Investment Management Services. In general, we require a minimum of \$500,000 to establish an advisory client relationship. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

As described under *Financial Planning/Analysis and Consulting Services* above, we require a minimum of \$3,000 for financial plan and \$1,000 for Analysis and Consulting Services.

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

### Methods of Analysis and Investment Strategies

#### *Investment Management*

As described under **Advisory Services Offered** above, WSA offers Investment Management Services by either direct asset management or by referring clients to a TPIA program. We will assist you in selecting an appropriate allocation model, understanding the TPIA's investment management agreement, and completing the TPIA's investor profile. The investor profile will help the TPIA determine your allocation strategy. They will then offer you a variety of structured, long-term, globally diversified portfolios that are primarily constructed using mutual funds and/or individually managed accounts. Some of those portfolios use alternative assets classes, by using a managed mutual fund, within the portfolio in an effort to mitigate the potential downside volatility of the stock and bond markets. There is no requirement that you use alternative assets classes within your portfolio. We will discuss the potential benefits and risks of including the alternative mutual fund in your portfolio. See also **Risks** below. You should review the TPIA's disclosure brochure, investor profile, and investment management agreement before deciding to participate in the program.

### General Risk of Loss Statement

Prior to entering into an agreement with WSA or a TPIA, you should carefully consider:

1. That investing in securities involves risk of loss which you should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time your assets may fluctuate and at any time be worth more or less than the amount you invested; and
4. That many of SEI's portfolios are for those assets that you believe you will not need for current purposes and that can be invested on a long-term basis, usually a minimum of five year or more.

### Risks

#### *Mutual Funds (Open end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the mutual fund owns are known as its portfolio. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Some of the risks of mutual funds include having to pay taxes on any capital gains distribution the investor receives even if the fund goes on to perform poorly after the investor buys shares or lack of real-time prices, as mutual funds typically only calculate their NAV once every business day, typically after the major U.S. exchanges close.

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories—money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

#### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high-quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV)—which represents the value of one share in a fund—at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund’s investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk”—the risk that inflation will outpace and erode investment returns over time—can be a potential concern for investors in money market funds.

#### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC’s rules do not restrict bond funds to high-quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards. Some of the risks associated with bond funds include credit risk, interest rate risk, and prepayment risk.

#### *Stock Funds*

Although a stock fund’s value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments—including corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services.

#### *Exchange Traded Funds (ETF)*

An exchange traded fund (ETF) is a type of security that involves a collection of securities—such as stocks—that often tracks an underlying index, although they can invest in any number of industry sectors or use various strategies. ETFs are in many ways similar to mutual funds; however, they are listed on exchanges and ETF shares trade throughout the day just like ordinary stock. Like Stock and Bond Funds they can fluctuate in value. They also have the advantage of lower internal cost due to the absence of active management.

#### *Equities*

Equity investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

### *Fixed Income*

Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This includes corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile, and fixed income securities carry significant interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting, but these bonds still carry a risk of losing share price value. Risks of investing in foreign fixed income securities also include the general risks inherent in non-U.S. investing.

### *Real Estate Investment Trust*

The real estate investment trust ("REIT") is a mechanism that allows individual investors to pool their resources to purchase real estate. A product sponsor, who is usually a trust subsidiary or real estate investment company, arranges the structure. The sponsor will identify the property, perform the due diligence, enter into the purchase and sale agreement, arrange financing and offer interests to investors through registered persons of a broker-dealer. The responsibilities of the various investors are outlined in the REIT agreement. In addition, the individual investors sign additional documents giving the sponsor the right to handle or sub-contract for the day-to-day operations of the property. A primary advantage of a REIT is that the real estate investment properties are, in effect, pre-packaged by the sponsor. This includes the required due diligence paperwork such as title insurance, environmental, tax opinion and study lease documents. This due diligence work greatly reduces the up-front costs that the individual investor would incur if they sought out the investment independently and eliminates any of the conventional landlord's headaches. REITs may be either securitized or non-securitized. If they are securitized, they are subject to regulation by the Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA), and may only be sold by registered securities dealers. The management of the product is typically by the product's sponsor, and may include multiple properties.

The risks of investing in a REIT include: Similar to all real estate investment, there is risk in REIT investments. Investors should carefully review offering materials related to the investment, as those materials will contain significant risk disclosures and specific information about what the trust can buy. Interests in real estate may be speculative and may involve a high degree of risk; investors should be able to bear the loss of part or all of their investment. There may be some restrictions on transferring ownership interests; these are not liquid investments. The indirect purchase of real property involves significant risks, including market risk and property specific risk. These investments are often leveraged; leverage may increase volatility and may increase the risk of investment loss. The manager has broad authority and supervision over the property and the terms of financing. The various fees paid to the manager and its affiliates in the investment are significant and may offset profits related to the ownership and operation of the REIT. In addition, there is no guarantee that cash distributions will continue, that a REIT's

business plan will be successfully executed, that the property's value will be enhanced or the property will be sold within the planned time period. The potential for property value to decrease: All real estate investments have the potential to lose value during the life of the investment. This is true of any investment, especially real estate. The change of tax status: The income stream and depreciation schedule for any investment property may affect the income bracket and/or tax status of the owner of the property. An unfavorable tax ruling may potential cancel the deferral of the capital gains. Potential for foreclosure: Any and all financed real estate investments have the possibility of foreclosure. Potential for having an illiquid investment: Most real estate can be an illiquid asset. There is practically no secondary market for these investments. All REITs usually have business plans, ranging from three to ten years in length. The reduction or elimination of monthly cash flow distributions: Just like any other investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for a suspension of current, cash flow distributions or rent. The business plan, professional property management, and asset management, are attempted safeguards against possible cash flow disruption. The impact of fees and/or expenses: Just Like any investment in real estate, additional costs associated with the transaction may impact returns for the investor, and it may even outweigh the tax benefits of any exchange procedure. The loss of management control: Product sponsors typically employ professional asset and property management.

## **Item 9 – Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our Firm, or the integrity of our management. WSA has no information to disclose applicable to this Item.

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

### **Recommendation of Other Advisers**

Our fiduciary role as your investment adviser is to present solutions that are expected to help you meet your financial goals and objectives. One way that we do this is by evaluating your specific situation and suitability criteria to identify a third party investment advisor ("TPIA") with the expertise and strategies that are the best potential fit with the financial planning strategies we are providing. When we make TPIA recommendations, we will provide you with the additional information and disclosure documents created by the TPIA which will generally include background information about the TPIA as well as descriptions about the TPIA's services and fees. The TPIAs selected will implement the investment strategies we recommended on a discretionary basis. Our ongoing responsibility will be to monitor the TPIA strategies and performance within the context of your financial planning goals and objectives. You are not obligated, contractually or otherwise, to use the services of any TPIA we recommend.

### **Insurance**

Some of our Investment Advisor Representatives are also licensed insurance agents. However, these insurance licenses are being maintained solely to comply with state insurance regulations. Our Investment Advisor Representatives do not effect insurance transactions and therefore do not



receive any insurance compensation. Clients are directed to implement all insurance recommendations with unaffiliated insurance agents.

## **Item 11 – Participation or Interest in Client Accounts and Personal Trading**

### **Code of Ethics**

We believe that we owe clients the highest level of trust and fair dealing. Further, as part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. WSA's personnel are required to conduct themselves with integrity at all times. A copy of the code of ethics is available to any Client or prospective Client upon request by contacting Greg Allen at (503) 594-1210 or [gallen@wellstonewealth.com](mailto:gallen@wellstonewealth.com).

### **Participation or Interest in Client Transactions and Personal Trading**

WSA's personal accounts of certain employees of WSA may be invested with the TPIA, the same program that WSA recommends to clients. Any conflicts of interest that may arise because of this are mitigated by the fact that the TPIAs actually conduct the day to day management and trading, not WSA.

WSA does not recommend that Clients buy or sell any security in which a related person to WSA or WSA has a material financial interest. WSA is and will continue to be in total compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988 and the applicable rules of state and federal securities laws, including the prohibition of insider trading. WSA maintains the required personal securities transaction records for employees.

## **Item 12 – Brokerage Practices**

### **Factors Considered in Selecting Qualified Custodians for Client Transactions**

We recommend the brokerage and custodial services of qualified custodians. We believe that qualified custodians provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by qualified custodians, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services qualified custodians provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Research and Other Soft Dollar Benefits**

The research products and services that WSA may receive from qualified custodians, among others may include financial publications, information about particular companies and industries, and other products or services that provide lawful and appropriate assistance to WSA in the performance of its investment decision-making responsibilities. Such research products and services are provided to all investment advisors who utilize qualified custodians. Therefore, they are not considered to be paid for with soft dollars.

SEI Private Trust Company (“SEI”) will occasionally assist with the expenses related to client appreciation events held by WSA and its IARs. The receipt of additional compensation through expense reimbursements creates a conflict of interest that can have an impact on the judgement of the firm and its representatives when recommending SEI to clients. Nonetheless, WSA and its IARs are committed to their fiduciary duty and adhere to its Code of Ethics to put its clients’ best interests ahead of their own.

### **Trade Aggregation**

WSA does not aggregate or combine purchases and sales of securities amongst client accounts. WSA’s practices in this regard align with the high level of customization of each client’s investment portfolio and its client relationships. The Firm’s practice of not combining multiple clients’ buy and sell orders (i.e., block trading) may result in WSA being unable to achieve for its clients the most favorable execution at the best price available, and accordingly, potentially can cost clients more money than other arrangements. However, WSA utilizes Independent Managers that generally do aggregate trades when implementing their respective strategies. Clients are encouraged to review the Independent Manager’s disclosure documents for additional information regarding this practice.

## **Item 13 – Review of Accounts**

### **Managed Account Reviews**

In third party money management programs, the third party manager and not WSA is responsible for the ongoing management of your account(s). However, with all accounts, WSA reviews the assets and allocations at least once per quarter. We contact clients and generally expect to meet with you at least once per year to discuss changes in your personal or financial situation, suitability of the program for you, and any new or revised restrictions you would like to impose on your account(s) in the program. Additionally, you must promptly notify us of any changes at any time in your financial circumstances and investment objectives and should not wait until your next annual review.

### **Account Reporting**

Each client participating in a third party program receives statements from them monthly or quarterly according to your choice. Statements can also be viewed online and additionally be delivered by electronic means. Most of them will post these reports to a password protected website. As an additional service, WSA utilizes an account aggregation service and provides clients a separate report showing all of their holdings, including those holdings held-away from WSA.

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

WSA does not directly or indirectly compensate any third parties for client referrals.

## **Item 15 – Custody**

We do not have physical custody of any Client accounts or assets. However, under the SEC's definition of "custody," our firm is deemed to have custody of your accounts where you have authorized us to deduct our advisory fees directly from your account held at the qualified custodian.

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a trust, bank, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. Concurrent with instructing the Custodian to deduct fees, you will be provided statements itemizing the amount of advisory fee deducted from your account.

If you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

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

Pursuant to the authorization in the portfolio management agreement, you grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the Advisory Business (Item 4) section in this brochure for more information on our discretionary management services.

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

WSA does not vote client securities. We make recommendations to clients and refer client to third-party asset allocation or management account programs. Clients participating in one of these programs may grant an investment advisor in the program the authority to vote proxies for securities held in their account. If the third-party advisor does not vote proxies, then clients will receive proxies directly from their custodian or transfer agent. WSA does not manage clients' investment accounts; therefore, WSA may only be able to assist clients with general questions at it relates to the programs of the third-party advisors. However, WSA is not able to provide advice regarding any particular solicitation.

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

WSA does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance.

WSA has not been the subject of a bankruptcy petition at any time, and the firm does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.