

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**January 2024**



**6701 Democracy Blvd., Suite 300**  
**Bethesda, MD 20817**  
**[www.DivergentPlanning.com](http://www.DivergentPlanning.com)**

**Firm Contact:**  
**Matthew Brock**  
**Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Divergent Planning, LLC dba Divergent Planning. If clients have any questions about the contents of this brochure, please contact us at (240) 428-8911. 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 our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #285688.

Please note that the use of the term "registered investment adviser" and description of our firm and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Divergent Planning is required to make clients aware of information that has changed since the last annual update to the Firm Brochure ("Brochure") and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes.

Since our last annual amendment filed on January 24<sup>th</sup>, 2023, we have the following material change(s) to report:

- We have amended our Portfolio Management fee schedule as follows:

| <b>Assets Under Management</b> | <b>Annual Percentage of Assets Charge</b> |
|--------------------------------|---|
| \$0 to \$499,999.99            | 1.55%                                     |
| \$500,000 to \$999,999         | 1.30%                                     |
| \$1,000,000 to \$1,999,999     | 0.90%                                     |
| \$2,000,000 to \$2,999,999     | 0.75%                                     |
| \$3,000,000 & Over             | 0.65%                                     |

Current clients will remain subject to the fee arrangements and requirements detailed in their signed advisory agreements unless they sign a new advisory agreement with our firm. Please see Item 5 for additional information.

- We have also increased the minimum household average daily balance requirement from \$500,000 to \$750,000 for Portfolio Management clients to receive the combination of asset management and financial planning or consulting services bundled together for a single fee. Portfolio Management clients who do not meet the minimum household average daily balance of \$750,000 will be required to sign a separate Financial Planning & Consulting Agreement and pay a separate fee if they want to receive financial planning or consulting services. Current clients will remain subject to the fee arrangements and requirements detailed in their signed advisory agreements unless they sign a new advisory agreement with our firm. Please see Items 5 & 7 for additional information.
- Our firm has updated its fees for clients who sign a Financial Planning & Consulting Agreement. We charge a flat annual fee assessed quarterly for financial planning and consulting services, which is negotiable at our firm's discretion. The minimum annual fee is \$7,000 (\$1,750 per quarter). The total flat fee shall not exceed \$20,000 annually. Current clients will remain subject to the fee arrangements and requirements detailed in their signed Financial Planning & Consulting Agreement unless they sign a new Financial Planning & Consulting Agreement with our firm. Please see Items 5 & 7 for additional information.
- Charles Schwab & Co., Inc. ("Schwab") has completed its acquisition of our previously recommended custodian, TD Ameritrade, Inc. As a result of the acquisition, we have amended Items 5, 12, and 14 to disclose to remove references to TD Ameritrade, Inc.

- If agreed upon in the signed advisory agreement, our firm will manage client account(s) that are held at a custodian that is not directly accessible by our firm using the Pontera Solutions, Inc. ("Pontera") order management system. Pontera enables our firm to view and manage held away accounts. The Pontera fee and advisory fee payable for any held away accounts will be deducted directly from another client account, and if there are insufficient funds available in another client account or our firm believes that deducting the advisory fee from another client account would be prohibited by applicable law, we will invoice the client directly. Please see Item 5 for additional information.

### Item 3: Table of Contents

|   |    |
|---|----|
| Item 1: Cover Page .....  | 1  |
| Item 2: Material Changes.....   | 2  |
| Item 3: Table of Contents .....   | 4  |
| Item 4: Advisory Business.....  | 5  |
| Item 5: Fees & Compensation.....  | 6  |
| Item 6: Performance-Based Fees & Side-By-Side Management.....           | 8  |
| Item 7: Types of Clients & Account Requirements .....                   | 8  |
| Item 8: Methods of Analysis, Investment Strategies & Risk of Loss ..... | 8  |
| Item 9: Disciplinary Information.....                                   | 11 |
| Item 10: Other Financial Industry Activities & Affiliations.....        | 11 |
| Item 11: Code of Ethics, Participation or Interest in.....              | 11 |
| Client Transactions & Personal Trading .....                            | 11 |
| Item 12: Brokerage Practices .....                                      | 12 |
| Item 13: Review of Accounts or Financial Plans.....                     | 16 |
| Item 14: Client Referrals & Other Compensation.....                     | 16 |
| Item 15: Custody.....   | 17 |
| Item 16: Investment Discretion.....                                     | 18 |
| Item 17: Voting Client Securities.....                                  | 18 |
| Item 18: Financial Information .....                                    | 18 |

## Item 4: Advisory Business

Our firm is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed under the laws of the State of Maryland in 2010 and has been in business as an investment adviser since 2017. Our firm is owned by Matthew Brock and Ara Abrahamian.

Our firm provides asset management and investment consulting services for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary it is our duty to always act in the client's best interest. This is accomplished in part by knowing the client. Our firm has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

All material conflicts of interest are disclosed below regarding our firm, our representatives or our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice. We disclose that lower fees for comparable services may be available from other sources.

### **Types of Advisory Services Offered**

---

#### **Portfolio Management:**

As part of our Portfolio Management services, Clients may be provided with standalone asset management or a combination of asset management and financial planning or consulting services. This service is designed to assist clients in meeting their financial goals through the use of a financial plan or consultation. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what is learned, an investment approach is presented to the client, consisting of individual stocks, bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals, risk tolerance, time horizon and objectives. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

#### **Financial Planning & Consulting:**

Our firm provides a variety of standalone financial planning and consulting services to clients for the management of financial resources based upon an analysis of current situation, goals, and objectives. Financial planning and consulting services will typically involve rendering a financial consultation for clients based on the client's financial goals and objectives. Consultation topics include, but are not limited to, Investments, Retirement, Estate, Philanthropy, Education, Cost Segregation Study, Corporate Structure, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, or Business and Personal Finances. Consultations typically include general recommendations for a course of activity or specific actions to be taken by the client. Our firm provides clients with a summary of their financial situation and observations made as part of their consultation. Assuming that all the information and documents requested from the client are provided promptly, consultations are typically completed within 6 months of the client signing a contract with our firm.

## **Tailoring of Advisory Services**

---

Our firm offers individualized investment advice to our clients. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

## **Participation in Wrap Fee Programs**

---

Our firm does not offer or sponsor a wrap fee program.

## **Regulatory Assets Under Management**

---

As of December 31<sup>st</sup>, 2023, our firm managed \$257,361,283 on a discretionary basis.

# **Item 5: Fees & Compensation**

## **Compensation for Our Advisory Services**

---

### **Portfolio Management:**

| <b>Assets Under Management</b> | <b>Annual Percentage of Assets Charge</b> |
|--------------------------------|---|
| \$0 to \$499,999.99            | 1.55%                                     |
| \$500,000 to \$999,999         | 1.30%                                     |
| \$1,000,000 to \$1,999,999     | 0.90%                                     |
| \$2,000,000 to \$2,999,999     | 0.75%                                     |
| \$3,000,000 & Over             | 0.65%                                     |

Clients must maintain a minimum household average daily balance of \$750,000 for a billing quarter to receive the combination of asset management and financial planning or consulting services bundled together for a single fee. This requirement may be waived on a case-by-case basis. Portfolio Management clients who do not meet the minimum household average daily balance of \$750,000 will be required to sign a separate Financial Planning & Consulting Agreement and pay a separate fee if they want to receive financial planning or consulting services. Our firm will terminate the Financial Planning & Consulting Agreement and cease charging a separate fee for financial planning or consulting services when a Portfolio Management client exceeds the minimum household average daily balance of \$750,000 for a billing quarter.

Fees to be assessed for our Portfolio Management service will be outlined in the advisory agreement to be signed by the client. Annualized fees are billed on a pro-rata basis quarterly in advance based on the time-weighted daily average value of household account(s) during the previous quarter. Our firm bills on cash unless indicated otherwise in writing. In rare cases, our firm will agree to directly invoice. Should an invoice be sent, clients will be required to pay via check. Fees are negotiable and will be deducted from client account(s). As part of this process, Clients understand the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, it will include a disclosure urging the comparison of information provided in our statement with those from the qualified custodian.

If agreed upon in the signed advisory agreement, our firm will manage client account(s) that are held at a custodian that is not directly accessible by our firm using the Pontera Solutions, Inc. ("Pontera") order management system. Pontera enables our firm to view and manage held away accounts. The Pontera fee and advisory fee payable for any held away accounts will be deducted directly from another client account, and if there are insufficient funds available in another client account or our firm believes that deducting the advisory fee from another client account would be prohibited by applicable law, we will invoice the client directly.

### **Financial Planning & Consulting:**

Our firm charges a flat annual fee assessed quarterly for financial planning and consulting services. The total estimated fee, as well as the ultimate fee charged, is negotiable and based on the scope and complexity of our engagement with the client. The minimum annual fee is \$7,000 (\$1,750 per quarter). The total flat fee shall not exceed \$20,000 annually. Our firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 months.

### **Other Types of Fees & Expenses**

---

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses) initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees. Our firm does not receive a portion of these fees.

Our recommended custodian, Charles Schwab & Co., Inc. ("Schwab") does not charge transaction fees for U.S. listed equities and exchange traded funds.

### **Termination & Refunds**

---

Either party may terminate the advisory agreement signed with our firm for Portfolio Management services by providing written notice to the other party at any time. Upon notice of termination, our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance at the beginning of the quarter.

Either party may terminate the advisory agreement signed with our firm for Financial Planning & Consulting services by providing written notice to the other party at any time. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at \$350 per hour. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

## Commissionable Securities Sales

---

Our firm and representatives do not sell securities for a commission in advisory accounts.

### Item 6: Performance-Based Fees & Side-By-Side Management

Our firm does not charge performance-based fees.

### Item 7: Types of Clients & Account Requirements

Our firm has the following types of clients: Individuals, High Net Worth Individuals, Trusts, Estates and/or Charitable Organizations.

Clients must maintain a minimum household average daily balance of \$750,000 for a billing quarter to receive the combination of asset management and financial planning or consulting services bundled together for a single fee. This requirement may be waived on a case-by-case basis. Clients who do not meet the minimum household average daily balance of \$750,000 will be required to sign a Financial Planning & Consulting Agreement and pay a separate fee to receive financial planning or consulting services. Our firm will terminate the Financial Planning & Consulting Agreement and cease charging a separate fee for financial planning or consulting services when a client exceeds the minimum household average daily balance of \$750,000 for a billing quarter. For example, we may reduce the minimum to \$250,000 for individuals who are under 45 years of age and are active accumulators.

For standalone financial planning or consulting services, we charge a minimum annual fee of \$7,000 (\$1,750 per quarter). This requirement may be waived on a case-by-case basis.

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

Our firm focuses on managing client risk and preserving capital through the utilization of asset allocation strategies based on our clients' investment goals and time horizons. We manage several discretionary portfolios based on the client risk tolerance using mutual funds and exchange-traded funds. These portfolios serve as the foundation of the client investment strategy and typically utilize more passive holdings. Rather than focusing primarily on security selection, we attempt to identify an appropriate ratio of asset class weighting.

We also may manage a tactical model portfolio that can complement the foundation portfolio. This tactical model may use fundamental, technical cyclical analysis, quantitative and/or qualitative analysis. Other utilized strategies or analysis may include:

**Alternative Investments:** Hedge funds, commodity pools REITs, BDCs, and other alternative investments involve a high degree of risk and can be illiquid due to restrictions on transfer and lack of a secondary trading market. They can be highly leveraged, speculative and volatile, and an investor



could lose all or a substantial amount of an investment. Alternative investments may lack transparency as to share price, valuation and portfolio holdings. Complex tax structures often result in delayed tax reporting. Compared to mutual funds, hedge funds and commodity pools are subject to less regulation and often charge higher fees. Alternative investment managers typically exercise broad investment discretion and may apply similar strategies across multiple investment vehicles, resulting in less diversification.

**Asset Allocation:** We generally focus on identifying an appropriate allocation of securities, maturities, and market sectors suitable for the client's investment goals and risk tolerance. While asset allocation is recognized by professional investment advisers as a prudent approach, a risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the allocation will change over time due to market movements in the various sectors, which, if not corrected, may no longer be appropriate for the client's goals.

**Cyclical Analysis:** This involves statistical analysis of specific events occurring at a sufficient number of relatively predictable intervals that they can be forecasted into the future. Cyclical analysis asserts that cyclical forces drive price movements in the financial markets. Risks include that cycles may invert or disappear and there is no expectation that this type of analysis will pinpoint turning points, instead be used in conjunction with other methods of analysis.

**Dimensional Funds:** We will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. If suitable for the client we recommend portfolios consisting of passively managed asset class and index mutual funds. We recommend mutual funds offered by Dimensional Fund Advisors (DFA). DFA sponsored mutual funds follow a passive asset class investment philosophy with low holdings turnover. Consequently, the DFA fund fees are generally lower than fees and expenses charged by other types of funds.

The investment performance of a portfolio that is a fund-of-funds is affected by the investment performance of the underlying funds in which the portfolio invests. The ability of the portfolio to achieve its investment objective depends on the ability of the underlying funds to meet their investment objectives and on DFA's decisions regarding the allocation of the portfolio's assets among the underlying funds. The portfolio may allocate assets to an underlying fund or asset class that underperforms other funds or asset classes. There can be no assurance that the investment objective of the portfolio or any underlying fund will be achieved. When the portfolio invests in underlying funds, investors are exposed to a proportionate share of the expenses of those underlying funds in addition to the expenses of the portfolio. Through its investments in underlying funds, the portfolio is subject to the risks of the underlying funds' investments.

**Fundamental Analysis:** Fundamental analysis considers the economic, financial, and other qualitative/quantitative factors that may impact the price of a security. Fundamental analysis attempts to measure its intrinsic value as compared to its current price. Risks may include using incorrect assumptions, financial misreporting and/or failure by management to disclose key, material events, and unforeseen micro/macroeconomic factors that may cause the price of a security to diverge from its intrinsic value.

**Mutual Fund and/or ETF Analysis:** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the

underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Tactical Asset Allocation:** Tactical asset allocation is an active management portfolio strategy that shifts the percentage of assets held in various categories to take advantage of market pricing anomalies or strong market sectors. It is the process of taking an active stance on the strategic asset allocation itself and adjusting these long-term target weights for a short period of time to capitalize on market or economic opportunities. This strategy allows portfolio managers to create extra value by taking advantage of certain situations in the marketplace. It is as a moderately active strategy since managers return to the portfolio's original strategic asset mix when desired short-term profits are achieved. Tactical asset allocation is different from rebalancing a portfolio. During rebalancing, trades are made to bring a portfolio back to its desired strategic asset allocation. Tactical asset allocation simply adjusts the strategic asset allocation for a short time with the intention of reverting back to the strategic allocation once the short-term opportunities disappear. The most prominent risk associated with this strategy is market timing. Market timing can include high risk of loss since it looks at an aggregate market versus a specific security. Timing risk explains the potential for missing out on beneficial movements in price due to an error in timing. This could cause harm to the value of an investor's portfolio because of purchasing too high or selling too low.

**Technical Analysis:** Technical analysis attempts to predict future price movements of a security based on historical data, such as price and volume. Technical analysis may involve using charts to identify recurring patterns and trends, but there is no guarantee that those patterns and trends will recur.

**Quantitative Analysis:** Quantitative analysis uses statistical models to estimate the impact of user-defined "factors" on a security's price movement, and attempts to extrapolate future movements based on that analysis. Models are an imperfect representation of reality, and therefore, there is no guarantee they will lead to accurate results.

**Qualitative Analysis:** We use qualitative analysis to evaluate individual securities, focusing on non-quantifiable factors such as quality of management and others not readily subject to measurement, and incorporate that analysis into our security selection process. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

## **Risk of Loss**

---

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and the account(s) could enjoy a gain, it is also possible that the stock market may decrease and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market, are appropriately diversified in investments, and ask any questions.

## **Description of Material, Significant or Unusual Risks**

---

Our firm generally invests client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, our firm tries to achieve the highest return on client cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to our Portfolio Management service, as applicable.

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

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

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

Our firm has no other financial industry activities and affiliations to disclose.

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

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Likewise, related persons of our firm buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. This creates the potential for front running; when a related person places trades in their personal accounts based on advanced knowledge of pending transactions from firm clients, thus allowing the related person to profit from the advanced knowledge. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day unless included in a block trade.

## **Item 12: Brokerage Practices**

### **Selecting a Brokerage Firm**

---

Our firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our firm seeks to recommend 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. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Experience as it relates to specific securities
- Financial condition

---

<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

- Business reputation
- Quality of services

With this in consideration, our firm recommends Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, member SIPC, as a qualified custodian for client accounts. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14: “Client Referrals and Other Compensation”. You should consider these conflicts of interest when selecting your custodian. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, and we anticipate that most trades will be executed through Schwab, we can still use other brokers to execute trades for your account as described below.

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, mutual funds and ETFs) do not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab’s Cash Features Program. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us. 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. Following is a more detailed description of Schwab’s support services:

### **Services That Benefit You**

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

### **Services That Do Not Directly Benefit You**

Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts and operating our firm. They include investment research, both Schwab’s own and that of third parties. We use this research to service all or a 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
- Assist with back-office functions, recordkeeping, and client reporting

### **Services That Generally Benefit Only Us**

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

- Educational conferences and events
- Consulting on technology and business needs
- Consulting on legal and compliance related needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support
- Recruiting and custodial search consulting

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for those services from our own resources.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. Schwab has also agreed to pay for certain technology, research, marketing, and compliance consulting products and services on our behalf. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's and not Schwab's services that benefit only us.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of Schwab or TD Ameritrade as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend Schwab or TD Ameritrade and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Our clients may pay a transaction fee or commission to Schwab or TD Ameritrade that is higher than another qualified broker dealer might charge to effect the same transaction where our firm

determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided to the client as a whole.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

---

### **Soft Dollars**

Our firm received soft dollars in excess of what is considered safe harbor by Section 28(e) of the Securities Exchange Act of 1934. These soft dollar benefits are described below in Item 14. All safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

---

### **Client Brokerage Commissions**

Schwab does not make client brokerage commissions generated by client transactions available for our firm's use. Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits. Our firm does not receive brokerage for client referrals.

---

### **Directed Brokerage**

Neither our firm nor any of our firm's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Our firm routinely recommends that clients direct us to execute through a specified broker-dealer. Each client will be required to establish their account(s) with our recommended custodian if they have not already done so. Please note that not all advisers have this requirement.

---

### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, our firm will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

---

### **Client-Directed Brokerage**

Our firm allows clients to direct brokerage outside our recommendation. Our firm may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because our firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

## **Aggregation of Purchase or Sale**

---

Our firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **Item 13: Review of Accounts or Financial Plans**

Our financial advisors review accounts on at least an annual basis for our Portfolio Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when Portfolio Management clients are contacted. Our firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Financial Planning & Consulting engagements allow for one-time, annual and on-going services to be provided to the client. Our firm provides clients with a summary of their financial situation and observations made as part of their consultation. Clients may schedule additional consultations to review and/or update their information based on changes in their circumstances, etc.

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

#### **Schwab**

---

We receive an economic benefit from Schwab in the form of the support products and services that it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. In addition, Schwab has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab reaches a certain size. [In some cases, a recipient of such payments is an affiliate of ours or another party which has some pecuniary, financial or other interests in us (or in which we have such an interest).] You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above in Item 12.



## Referral Fees

---

In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, we do not provide cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals).

## Item 15: Custody

Our firm does not maintain physical custody of client funds or securities. Through the advisory agreement signed with our firm, Clients authorize our firm to calculate and deduct advisory fees from client accounts, either directly or indirectly. All clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. We urge our clients to compare and closely review the account statements provided by the qualified custodian.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian, Schwab or TD Ameritrade:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Clients are urged to compare and closely review the account statements provided by their custodian and those provided by our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

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

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Should clients grant our firm non-discretionary authority, our firm would be required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

### **Item 17: Voting Client Securities**

Our firm does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

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

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- Our firm has never been the subject of a bankruptcy proceeding.