

# **Challenger Wealth Management**

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**October 29, 2024**

## **FORM ADV PART 2A BROCHURE**

**This brochure provides information about the qualifications and business practices of Challenger Wealth Management. If you have any questions about the contents of this brochure, please contact us at 949-754-0464 and/or [Nancy@challengerwealth.com](mailto:Nancy@challengerwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Challenger Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Challenger Wealth Management is 121498.**

**Any references to Challenger Wealth Management as a registered investment adviser or its related persons as registered Advisory Representatives does not imply a certain level of skill or training.**

## Item 2 Material Changes

When we amend our Challenger Wealth Management (CWM) brochure for the annual update and it contains material changes from our last annual update, we will provide you with a summary of such changes. We will discuss only specific material changes that are made to the brochure since the last annual update of the brochure and we will reference the date of the last annual update to this brochure.

Since our last annual updating amendment dated March 4, 2024, we have the following material changes:

2024 October

We have added disclosures regarding variable annuity charges including the charges that are assessed by insurance companies.

A copy of our updated brochure and brochure supplement is available to you free of charge and may be requested by contacting us at 949-754-0464 and/or [Nancy@challengerwealth.com](mailto:Nancy@challengerwealth.com).

Additional information about CWM is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The IARD number is 121498. The SEC's website also provides information about any persons affiliated with CWM who are registered, or are required to be registered, as Advisory Representatives of CWM.

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## Item 4 Advisory Business

Challenger Wealth Management (hereinafter referred to as "CWM") is an investment advisory firm offering asset management services customized to your individual needs as well as financial planning and asset management services through the selection and ongoing monitoring of a third party advisory service.

A. CWM was formed in May 2002 under the laws of the State of California and became registered as an investment adviser with the State of California in December 2002. Additionally, we are registered in other states when required by those state regulations. Nancy Challenger, CRD number 1377977, is the President, an Advisory Representative and Chief Compliance Officer (CCO). Nancy Challenger has been in the financial services industry since 1985. Additional business information about Nancy Challenger is disclosed on the Supplemental Brochure attached to this brochure.

B. CWM offers the following advisory services, with each service more fully described below:

- Asset Management Services
- Third-Party Management Services
- Financial Planning and Consulting Services.

### **Asset Management Services**

When CWM completes its analysis of your situation, our Advisory Representative will determine an asset allocation customized to your financial goals, objectives, and risk tolerance. We customize your portfolio allocation taking into consideration your limitations or restrictions, the market and economy at the time, and your financial situation, goals, and objectives.

We will schedule a meeting with you and present the recommended portfolio allocation. We will discuss the allocation strategy in detail and if necessary, the recommend portfolio will be adjusted to meet your comfort level as to risk and reward. Once you are comfortable with the allocation and upon your approval, we will implement the initial portfolio allocation. After we implement the initial portfolio allocation, with your written approval as indicated in the Advisory Agreement, we will provide continuous and ongoing management of your account.

CWM offers asset management services on a discretionary basis. We will use our own discretion to determine any changes to the account. We will manage the account and will make changes to the allocation as deemed appropriate by the firm and your Advisory Representative. We will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you.

Depending on your specific goals and objectives, we will generally hold positions in your account for a long term, even more than a year. Your portfolio may be similarly managed and contain similar holdings as compared to other clients' managed accounts.

Our Advisory Representative primarily uses mutual funds, stocks, bonds, certificates of deposits, government securities, exchange traded funds (ETFs), money markets and some fee-based annuities, as appropriate, based on your goals and objectives.

Transactions in the account, account reallocations, and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts, and other qualified retirement accounts.

As further described below, CWM has entered into a relationship to offer you asset management services through the Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC. CWM is independently owned and operated and is not affiliated with Schwab. If you select another brokerage firm for custodial and/or brokerage services, you will not be able to receive asset management services from CWM.

### **Third-Party Management Services**

We will gather information regarding your investment objectives, goals, time horizon and risk tolerance to assess your suitability for this service. Based on our analysis of your situation, and if appropriate, we may recommend working in conjunction with a third party management service.

We offer our clients the services of various third-party investment advisers ("Third-Party Management Services") for the provision of certain investment advisory programs including mutual fund wrap and separately managed account programs. Currently we have a relationship with City National Rochdale (CRD number 117198).

If you are interested in learning more about any of these services, please note that a complete description of the programs, services, fees and payment structure, and termination features is available via the applicable Third-Party Management Service's disclosure brochures, investment advisory contracts, and account opening documents which we make sure are provided to you.

In connection with these arrangements, we will provide assistance in the selection and ongoing monitoring of a particular Third-Party Management Service. Factors that we consider in the selection of a particular third-party advisor may include but may not be limited to: (1) our assessment of a particular Third-Party Management Service; (2) your risk tolerance, goals, objectives and restrictions, as well as investment experience; and, (3) the assets you have available for investment.

You should know that the services provided by us through the use of Third-Party Management Services are under certain conditions directly offered by them to you. The fees charged by Third-Party Management Services who offer their programs directly to you may be more or less than the combined fees charged by the Third-Party Management Service and us for our participation in the investment programs.

CWM will not directly conduct any securities transactions on your behalf or participate directly in the selection of the securities to be purchased or sold for your account. The Third Party Manager will make discretionary investment decisions according to the agreement between you and the Manager. The Third Party Manager will charge you advisory fees according to their fee schedule as disclosed in the Manager's disclosure brochure. Please refer to Item 5, Fees and Compensation, for further information regarding the Third Party Managers.

### **Sub-Adviser**

CWM has entered into an agreement with Capital Research and Management Company (CRD number 110885) ("Capital Research") to provide discretionary investment management services for certain client accounts designated by CWM. CWM will gather information regarding your investment objectives, goals, time horizon and risk tolerance. Based on your financial situation, CWM will make a determination regarding the appropriateness and suitability of using a Sub-Adviser's investment Strategy.

CWM will select one or more Strategies and provide the Sub-Adviser with the necessary Client Account Information and notify the Sub-Adviser of any changes thereafter. The Sub-Adviser will have investment discretion regarding the selection of the securities and trading discretion as to what will be purchased or sold for your account. There are account minimums of \$100,000 or \$250,000 depending

on the Strategy selected. The Sub-Adviser will charge their own advisory fee according to their fee schedule. Please refer to item 5, Fees and Compensation for further information regarding the Sub-Adviser.

### **Financial Planning and Consulting Services**

Our Advisory Representative will schedule a meeting with you to gather financial information and history from you about your retirement and financial goals, investment objectives, investment horizon, financial needs, cash flow analysis, cost-of-living needs, education needs, savings tendencies, and other applicable financial information to provide the planning services you request. CWM will prepare a written financial plan and present the analysis of your situation along with our recommendations for steps to be taken to assist you to work toward your financial goals.

Depending upon your needs, our advice may include topics such as:

#### Financial Planning:

We help individuals and families reach goals that require money to achieve, such as having adequate retirement income or resources to cover college expenses. We will prepare a written plan for you to help achieve your desired standard of living and meet financial goals in a timely and orderly fashion. Our analysis will be based upon the information provided to us by you and our independent research.

#### Retirement Income Planning:

We will prepare a detailed financial plan, including generic investment recommendations, dealing with your financial concerns relating to retirement. Our analysis will be based upon the information provided to us by you and our independent research.

#### Estate Planning:

Estate planning concerns the transfer of assets both during life and after death. In general, the primary emphasis in estate planning is on (1) minimizing the costs associated with those transfers, (2) determining the optimal disposition and subsequent management of the transferred assets, and (3) ensuring that the estate has sufficient sources of liquid assets to satisfy its obligations.

We will review your Wills, Trusts and other documents that have been drafted, analyzing liquidity, reviewing property ownership, reviewing Federal Estate Taxes and State Inheritance Taxes and planning strategies for their avoidance. Our analysis will be based upon the information provided to us by you and our independent research.

#### Executive Benefit Analysis:

We will prepare a detailed analysis, including generic investment recommendations, of the fringe benefits offered by the Client, if the Client acts as an employer, or received by the Client, if the Client acts as an employee. Our analysis will be based upon the information provided by you and our independent research.

#### Education Planning:

We will prepare a detailed financial plan, including generic investment recommendations, relating to the funding of educational expenses for you or your children or other dependents. Our analysis will be based upon the information provided to us by you and our independent research.

#### Portfolio Analysis:

We will review and assess the elements of your entire portfolio of securities. The review is done for careful analysis of risk and return. Portfolio Analysis conducted at regular intervals helps to make changes in the portfolio allocation and change the portfolio according to the changing market and

different circumstances. The analysis also helps in proper resource/asset allocation to different elements in the portfolio. Our analysis will be based upon the information provided to us by you and our independent research.

Investment Analysis:

We will evaluate the investments in your portfolio for profitability and risk with the purpose of measuring how the given investment is a good fit for your portfolio. Our analysis will be based upon the information provided to us by you and our independent research.

Budgeting and Cash Flow Analysis:

We will prepare a detailed budget and cash flow analysis for you. Our analysis will be based upon the information provided by you and our independent research.

Investment Tax Analysis:

We will evaluate the investments in your portfolio from a tax perspective. The purpose is to ensure tax efficiency. Our analysis will be based upon the information provided by you and our independent research.

Individual Qualified Plan Account Advice:

We will prepare a detailed analysis, including generic investment recommendations, of your employer sponsored retirement program. Our analysis will be based upon the information provided by you and our independent research.

**General Planning Information**

The Plan is based on your financial situation at the time and on the financial information you disclosed to our Advisory Representative. You need to be aware that certain assumptions may be made with respect to interest and inflation rates as well as the use of past trends and performance of the market and economy. However, past performance is no indication of future performance. CWM cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based on changes in your financial situation, goals, or objectives or changes in the economy. **If your financial situation or investment goals or objectives change, you must notify CWM promptly of the changes.** You are advised that the advice offered by CWM may be limited and is not meant to be comprehensive. Based on your specific needs or situation, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

You are under no obligation to act on the investment adviser's or associated person's recommendations. Moreover, if you elect to act on any of the recommendations, you are under no obligation to effect the transaction through the investment adviser or the associated person when such person is employed as an agent with a licensed broker dealer or is licensed as a broker dealer or through any associated or affiliate of such a person.

You always have the right to decide whether to implement planning advice through CWM or our Advisory Representative. If you do choose to implement the plan with us, and if we recommend you purchase insurance, we will receive insurance commissions or asset-based compensation in addition to the advisory fee you paid for the planning services. (Please see Item 10 below for more information.)

Excluding our direct American Funds accounts, for client assets that are held outside of Schwab ("outside accounts"), CWM may provide periodic investment advice. These outside assets may be held at mutual fund companies, variable annuity companies, other brokerage firms, and employer sponsored retirement plans such as 401(k) accounts. These outside assets are not held with our primary custodians, Schwab, and CWM will not implement any investment recommendations. CWM

will review the outside account(s) and provide asset allocation and portfolio monitoring services. After the initial asset allocation recommendations, we will monitor the account(s) on a periodic basis, typically once a year, and provide rebalancing and/or reallocation suggestions. The client is responsible for making (or not making) changes to the account(s). Be aware that partial implementation or delayed implementation may have an impact on the performance of the account. Because CWM may not have access to your outside assets, you will be responsible for providing CWM with copies or duplicate statements.

C. CWM tailors the advisory services we offer to your individual needs. You may impose restrictions and/or limitations on the investing in certain securities or types of securities. We will ask you to complete a data-gathering questionnaire to assist us with obtaining information about your financial situation and history. Additionally, our Advisory Representative will meet with you and conduct an interview and data-gathering session to continue the due-diligence process. The information gathered by CWM will assist the firm in providing you with the requested services and customize the services to your financial situation. Depending on the services you have requested, we will gather various financial information and history from you including, but not limited to:

- Retirement and financial goals
- Investment objectives
- Investment horizon
- Existing portfolio statements, including retirement account information
- Financial needs
- Tax bracket information
- Cash flow analysis
- Cost-of-living needs
- Savings tendencies
- Other applicable financial information required by our Advisory Representative to provide the investment advisory services you have requested.

D. CWM does not participate in any wrap fee programs by providing portfolio management services. However, when appropriate, we will recommend the services of AssetMark, Inc., City National Rochdale or other third party manager which may offer a wrap fee program. A wrap fee program generally involves an investment account where you are charged a single, bundled, or "wrap" fee for investment advice, brokerage services, administrative expenses, and other fees and expenses.

E. As of December 31, 2023, we have \$175,794,101 discretionary client assets under management and \$1,470,900 non-discretionary assets under management. Additionally, we provide investment advice on an additional \$83.1 million of assets under advisement that are directly managed by the third party money manager. These assets are not considered CWM's regulatory assets under management since they are managed by AssetMark, Inc. and City National Rochdale.

### **General Information**

The investment recommendations and advice offered by CWM are not legal, accounting, or tax advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Our primary goal is to help our clients identify and pursue their financial goals, thereby enhancing the overall quality of their lives.

While our firm endeavors at all times to offer clients specialized services at reasonable costs, the fees charged by other investments advisers for comparable services may be lower than the fees charged by our firm.



## **IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (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 interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

## **IRA Rollover Considerations**

As part of our financial planning and advisory services, we may provide you with recommendations and advice concerning your employer retirement plan or other qualified retirement account. We may recommend that you withdraw the assets from your employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA") to be managed by us or a Third-Party Manager that we recommend. If you elect to roll the assets to an IRA under our management or Third-Party Managed Program, we will charge you an asset-based fee as described in Item 5. This practice presents a conflict of interest because our investment advisory representatives have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if you do complete the rollover, you are under no obligation to have your IRA assets managed by us or under our Third-Party Managed Program.

Employers may 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 each.

An employee will typically have four options:

1. Leave the funds in your employer's (former employer's) plan.
2. Roll over the funds to a new employer's retirement plan.
3. Cash out and take a taxable distribution from the plan.
4. Roll the funds into an IRA rollover account.

Each of these options has advantages and disadvantages. Before making a change, we encourage you to speak with your financial advisor, CPA, and/or tax attorney.

Before rolling over your retirement funds to an IRA for us to manage or under our Third-Party Managed Program, carefully consider the following. NOTE: This list is not exhaustive.

1. Determine whether the investment options in your employer's retirement plan address your needs or whether other types of investments are needed.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public, such as employer securities or previously closed funds.
2. Your current plan may have lower fees than our fee and the Third-Party Manager's fee combined.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services available through an IRA provider and their potential costs.
  - c. It is likely you will not be charged a management fee and will not receive ongoing asset management services unless you elect to have such services. If your plan offers management services, there may be a fee associated with the service that is more or less than our fee and the Third-Party Manager's fee combined.
3. Our strategy and/or the Third-Party Manager's strategy may have higher risk than the options provided to you in your plan.
4. Your current plan may offer financial advice, guidance, management, and/or portfolio options at no additional cost.
5. If you keep your assets titled in a 401(k) or retirement account, and you are still working, you could potentially delay your required minimum distribution beyond age 73.
6. Your 401(k) may offer more liability protection than a rollover IRA; each state may vary. Generally, Federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies; however, there can be exceptions. Consult an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401(k), but not from an IRA.
8. IRA assets can be accessed any time; however, prior to age 59 ½ distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses, or a home purchase.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand your options, their features and their differences, and decide whether a rollover is best for you. If you have questions, contact us at our main number listed on the cover page of this brochure. As an investment adviser registered under applicable federal and state securities laws, CWM owes the client a fiduciary duty to put the Client's interest first which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith.

## **Item 5 Fees and Compensation**

### **Asset Management Services**

A. Our fees are negotiable and are not based on a share of capital gains or capital appreciation of the funds or any portion of the funds in your account. The Fee Schedule is as follows:

<b>Account Size</b>	<b>Maximum Annual Fee</b>
\$0 to \$5,000,000	1.25%
\$5,000,001 to \$10,000,000	1.20%
\$10,000,001 to \$15,000,000	.95%
\$15,000,000+	Negotiable

Your annual fee is based on an aggregate value of all managed accounts within your established household. For these multiple accounts, we may deduct an aggregated advisory fee from one selected account. However, American Fund fees will be debited from each fund within each account individually and cannot be deducted from one selected account. Aggregated accounts will be listed on Schedule D of your Investment Advisory Agreement with CWM.

Accounts maintained direct at American Funds will be charged a fee based on the average daily balance. The American Funds accounts are charged a fee of .5% of the account value, regardless of the agreed upon fee schedule for your other assets. American Funds directly debits these accounts and remits payment to CWM.

We sometimes make exceptions to our general fee schedule under certain circumstances (e.g., responsibilities involved, accounts or groups of accounts which are expected to have significant capital additions in the future, anticipated future earning capacity, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.). In such cases, lower fees or different payment arrangements can be negotiated with each client separately and will be described in the client's advisory agreement.

You may make additions to the account or withdrawals from the account. Additional assets received into the account during any billing period will be charged a pro-rata asset management fee based on the number of days remaining in the billing period if the amount of the deposit is \$25,000 or more. Withdrawals from the account will receive a pro-rata refund if the amount of the withdrawal is \$25,000 or more. No fee adjustments will be made for account appreciation or depreciation.

B. When necessary, CWM will send you a written invoice, including the fee, the formula used to calculate the fee, the fee calculation itself, the time period covered by the fee, and, if applicable, the amount of assets under management on which the fee was based. Also, we will include the name of the custodian(s) on your fee invoice. CWM will send these to you concurrent with the request for payment or payment of our advisory fees. We urge you to compare the quarterly invoice and report with the fees listed in the account statement and promptly notify CWM of any questions or concerns. \*Account values in the Orion reporting system will be used for CWM's quarterly fee calculations for advisory accounts custodied at Schwab. Although account holdings and asset valuations should generally match, month-end market values reflected in Orion reporting system sometimes differ from those provided by Schwab on their month-end statements. The three most common reasons why these values may differ are (i) differences in the manner in which accrued interest is calculated, (ii) differences in the date upon which "as of" dividends and capital gains are reported, and (iii) differences in whether settlement date valuations or trade date valuations are used.

New clients establishing a managed account will pay a prorated portion of the advisory fee based on the number of days the account was under CWM's management. If the account is established or closed during the quarter, you will pay a prorated portion of the advisory fee based on the number of days the account was under CWM's management. Advisory fees will be charged to and collected directly from the account for your Asset Management fees. You will need to grant CWM the

authorization to debit your fee. Schwab will provide you with a quarterly or monthly statement that lists the total fees deducted from the account as well as all transactions that were conducted in the account that quarter/month.

C. In addition to the advisory fees above, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. You may also pay fees for custodial services, account maintenance fees, and other fees associated with maintaining the account. These fees are not charged by CWM and are charged by the product, broker-dealer, insurance company or account custodian. CWM does not share in any portion of these fees. Additionally, you may pay your proportionate share of the fund's management and administrative fees and sales charges as well as the fund adviser's fee of any fund they purchase. These advisory fees are not shared with CWM and are compensation to the fund manager. While certain products may pay 12b-1 fees, CWM will not receive these fees. Schwab will retain the 12b-1 fees. You should read the fund prospectus for full details.

Some variable annuity contracts will also have yearly mortality and expense ("M&E") charges to compensate the insurance company for running and assuming the risk of the contract. Most annuity contracts will also have a surrender charge which is a fee assessed for withdrawing funds from an annuity during an initial pre-set number of years. Both the M&E and surrender charges are paid to the insurance company. CWM will not receive any portion of these charges. These charges are in addition to the advisory fee paid to CWM.

D. The Asset Management fee is generally billed in advance quarterly. However, if your managed account is held directly at American Funds, the management fee is billed quarterly in arrears. Fees will be based on the value of the account on the last day of the calendar quarter of each year. If your account does not contain sufficient funds to pay the advisory fees, we have the limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. Except for ERISA and IRA accounts, you may reimburse your account for advisory fees paid to CWM.

Fee calculation example for a \$9,500,000 dollar account:

- $\$9,500,000 \times 1.20\% = \$114,000$  divided by 4 = **Quarterly Fee of \$28,500**

CWM will obtain your written consent prior to making any changes to our fee schedule or revising any material terms of our advisory agreement with you.

#### *Termination Provisions*

You may terminate asset management services obtained from CWM, without penalty, upon verbal or written notice within five (5) business days after entering into the advisory agreement with CWM. Thereafter, you may terminate investment advisory services upon written notice to CWM. CWM will refund to you, for any reason, any prepaid unearned fees that we receive.

#### **Third-Party Management Services**

The total fee is composed of the CWM's fee, the Third-Party Money Manager's fee, and the custodial fee.

For more complete fee details, please see the applicable Third-Party Management Service's disclosure brochures, investment advisory contracts, and account opening documents.

CWM charges a separate advisory fee for its advisory services in accordance with the fee schedule below:

## City National Rochdale

Account Size	Maximum CWM Annual Fee	CNR Fee	Total Maximum Annual Fee
\$0 to \$5,000,000	1.00%	.695%	1.695%
\$5,000,000 to \$10,000,000	.95%	.695%	1.645%
\$10,000,001 to \$15,000,000	.70%	.695%	1.395%
\$15,000,000+	Negotiable	.695%	Negotiable

CWM fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds. However, fees charged by the Third-Party Management Service in connection with their services may not be negotiable.

The Third-Party Manager will collect the entire advisory fee and remit CWM's portion to us. We will, however, provide you with a fee invoice, as noted above, when necessary.

Currently we are offering the services of City National Rochdale to new clients. City National Rochdale charges .57% to manage your assets. Additionally you will pay .125% in Trading fees. As noted above, these fees are in addition to CWM's fee.

Differences in compensation paid by Third-Party Managers create a conflict of interest and an incentive for our Advisory Representative to recommend one Manager over another. The Manager must be appropriately licensed as an Investment Adviser with the SEC or states in which they conduct business. Prior to recommending a Third-Party Manager, we will conduct due diligence that will include ensuring the manager is appropriately registered or notice-filed in your state of residence. CWM will only recommend appropriate Third-Party Managers for clients, independent of any fees received.

Clients selecting a wrap fee program may pay fees in excess of the combined total of separate advisory fees and brokerage commissions paid on a transactional basis. If a "wrap fee" program is not selected, clients may incur fees in addition to those charged by the Third-Party Manager, such as transaction fees charged by broker-dealers. If a wrap fee program is selected, the client will also receive the Form ADV 2A Brochure Appendix 1 provided by the sponsor of the program.

### *Termination Provisions*

You may terminate Third-Party Manager services without fee or penalty, upon verbal or written notice within five (5) business days after entering into the advisory agreement with CWM. Thereafter, you may terminate investment advisory services upon written notice to CWM. Termination procedures will be in accordance with the policies of the Third-Party Manager as outlined in your agreement with the Manager. CWM will refund to you, for any reason, any prepaid unearned fees that we receive.

**Sub-Adviser-Capital Research and Management Company****Capital Group Strategies and Fee Schedule**

Strategy	Account Minimum (\$)	Annual Fee Rate (%)
Global Equity SMA	100,000	0.38%
Global Growth SMA	100,000	0.38
International Equity SMA	100,000	0.38
International Growth SMA	100,000	0.38
World Dividend Growers SMA	100,000	0.38
U.S. Equity SMA	100,000	0.32
U.S. Core SMA	100,000	0.32
U.S. Growth SMA	100,000	0.32
U.S. Income and Growth SMA	100,000	0.32
U.S. Flexible Growth SMA	100,000	0.32
U.S. Flexible Growth and Income SMA	100,000	0.32
U.S. Conservative Growth and Income SMA	100,000	0.32
U.S. Intermediate Bond SMA	250,000	0.22
Short Municipal Bond SMA	250,000	0.17
Intermediate Municipal Bond	250,000	0.17
Long Municipal Bond SMA	250,000	0.17

The Sub-Adviser will be responsible for the collection of the quarterly advisory fee, in arrears, in accordance with the Annual Fee Rate. The Fee is based on the average daily market value per Account. The Fee shall be collected through the Custodian within 30 days of the end of each calendar quarter during which the Sub-Adviser's services were provided. Fees for the initial billing period of each new Account will be pro-rated based on the average daily market value of the Account for the days remaining in the initial billing quarter. Fees for each closed Account will be pro-rated based on the average daily market value of the Account for the days the Account was opened during the quarter of closing.

**Financial Planning and Consulting Services**

Fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or products purchased such as insurance.

We offer advisory services on both a fixed fee and hourly fee basis. There is no charge for the first half-hour of consultation. If you continue with the consultation process, fees are negotiable and are charged according to the fee schedule below.

Fixed fees will vary depending upon the complexity of your financial situation and the anticipated time required to prepare your financial plan. Our fee will generally range from a minimum fee of \$1,500 up to \$5,000 and is payable at the end of each month as billed by CWM; at the time of presentation of the plan or upon completion of the task you hire us to perform.

For clients needing a financial plan but not needing our asset management services, the financial plan development flat fee starts at \$1,500. Financial plans generally take a minimum of 10 hours to prepare. For complex engagements, requiring in excess of 10 hours, the fee will increase \$150 per extra hour required. Clients will be contacted for approval at such time as additional hours are needed. The maximum planning fee, regardless of CWM's hourly commitment, is \$5,000.

Our hourly fees range from \$150 (for administrative/research services/financial planning services) to \$350 (for advisory consulting services) per consultation and project hour and are payable upon receipt of our invoice. CWM will quote you a fee once we obtain an understanding of your expectation for advisory services. Generally, we will invoice for time spent each month.

If you choose to implement the plan through the services of our Advisory Representatives in the capacity as an insurance agent, up to \$500 of your advisory fee may be offset.

Generally, CWM will waive financial planning fees for clients with \$1,000,000 or more of assets under our management or placed with a Third-Party Manager.

For consulting services to outside accounts i.e., client assets held outside of Schwab, CWM provides periodic investment advice. Our fee ranges from \$150 to \$350 per consultation and project hour and is payable upon completion of the service.

#### *Miscellaneous Financial Guidance and Advice*

CWM endeavors to provide guidance, advice and assistance to clients regarding all potential financial situations. Included may be the negotiation or purchase of automobiles, loans, mortgages, real estate property, etc. When possible, we will work with your other financial consultants and/or advisers to provide well-rounded financial guidance.

Our fee for miscellaneous financial guidance is based on our hourly fees noted above. This fee is negotiable.

All checks should be payable to CWM.

#### *Termination Provisions*

You may terminate planning services obtained from CWM, without fee or penalty, with verbal or written notice within five (5) business days after entering into the advisory agreement with CWM. Thereafter, you may terminate planning services with written notice to CWM. You will be responsible for any time we spent providing advisory services or analyzing your situation. Any unpaid fees earned by Adviser will be paid within 15 days of termination of the agreement. If a client terminates their relationship with us prior to the completion of the clients' written financial plan or analysis, we will deliver the completed portions of any documents to the client and invoice the client for the completed work.

You always have the right to decide whether to purchase products or services through your Advisory Representative. You are free to consult other professionals not affiliated with CWM regarding the implementation of your financial or retirement plan.

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

CWM does not charge performance-based fees and therefore does not engage in side-by-side management.

## Item 7 Types of Clients

CWM's services are generally geared toward individuals, both high-net-worth and non-high-net-worth individuals, pension and profit sharing plans and charitable organizations.

Our minimum fee to obtain financial planning services is \$1,500.

Each Third-Party Management Service that we offer has their own account minimum. The account minimums are disclosed in each respective manager's Form ADV and associated paperwork that will be presented to you. CWM does not have an account minimum for its asset management services.

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

A. We refer clients to third-party investment advisers, also referred to as third-party money managers. Our analysis of third-party managers involves examining the experience, expertise, investment philosophies, and past performance of the managers to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. A risk of investing with a third-party manager who has been successful in the past is that the success may not be able to be replicated in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

CWM conducts economic analysis and attempts to analyze and determine economic trends. Additionally, CWM conducts fundamental analysis. Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure. When using Technical analysis, we review statistics to determine trends in security prices and make our investment decisions based on those trends. Further information about these types of analysis and their risks are noted below:

**Economic Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

**Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of such analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

**Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.



**Technical Analysis** - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

**Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

**Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Our investment strategies and advice vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status. Investment strategies are tailored to each client's unique circumstances and are detailed in the Investment Policy Statement.**

B. Investing in securities involves risk of loss, including the potential loss of the principal money you are investing. Therefore, your participation in any of the advisory programs offered by CWM requires you to be prepared to bear the risk of loss as well as the fluctuating performance of your accounts. Market values of investments will always fluctuate based on market conditions. To help minimize some of the risk, CWM will generally rebalance your portfolio annually, or more frequently if required based on the investment strategy utilized.

We do not represent, warrant, or imply that the services or methods of analysis we use can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by CWM or our Advisory Representatives will provide a better return than other investment strategies.

The primary risk factors applicable to our investment program generally include:

- **Market risk**—The price of a security, bond, mutual fund and/or exchange-traded fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular circumstances. For example, economic, political and social conditions may trigger market-related events.
- **Interest rate risk**—The chance that investment prices will change based on a move in interest rates (bond prices decline as interest rates rise). Relative to fixed income securities with near-term maturities, longer maturity bonds will have a larger change in price with a move in interest rates.
- **Inflation risk**—The risk that investment returns will be below the general increase in prices due to inflation.
- **Category or style risk**—The chance that one investment category or style may underperform or outperform other categories and styles.
- **Credit risk**—The chance that a bond issuer will fail to pay interest and principal in a timely manner.
- **Reinvestment risk**—The potential exposure that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Early redemption risk**—Some bonds have features that allow the bond issuer to repurchase or redeem the bond before maturity at a specific price. This risk is the chance that the borrower will do so; thus, expose the investor to a lower than expected return on that bond investment.
- **Systematic risk**—Also known as "market risk," this is the chance of a severe drop of an entire financial market (e.g., political or social upheaval, natural disaster, etc.).
- **Unsystematic risk**—Also known as "specific risk," this is the chance of a decline in the value of a particular asset (i.e., an individual stock declines while the overall stock market is not impacted).
- **Currency risk**—Also known as "exchange rate risk," this is the chance that foreign investments will be subject to fluctuations in the value of the dollar against the currency
- **Tax risk**—This is the chance that the taxing authority changes its tax rates or policies (e.g., rescind tax-exempt status of particular bonds).
- **Financial risk**—Excessive borrowing to finance the ongoing operations of a business increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or declining market value.
- **Sector risk**—This is the chance that major problems may impact a specific sector, or that returns from that sector may trail the returns of the overall equity market. Daily fluctuations in individual sectors can often be more extreme than fluctuations in the overall market.
- **Price volatility**—The price of a security, mutual fund and/or exchange-traded fund may fluctuate, even significantly, in a short period of time.

- **Exchange-traded fund pricing risk**—Exchange-traded fund shares may trade in the market at a premium or discount to their net asset (NAV) because of market supply and demand. An ETF purchased at a premium may ultimately be sold at a discount. The premiums and discounts for specific exchange-traded funds can vary, depending on the type of exchange-traded fund and time period.
- **Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.
- **Cash Management:** In managing the cash maintained in your account, we utilize the sole exclusive cash vehicle (money market) made available by the custodian. There may be other cash management options away from the custodian available to you with higher yields or safer underlying investments.
- **Variable Annuities:** A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate and the remainder of the funds accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new

surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

C. As stated above, our advice may include the recommendation of mutual funds to meet a client's planning objectives for diversification. CWM also offers access to Third Party Advisory Services that provide model portfolios of mutual funds. The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers and/or the fund straying from its stated investment objective. Open-ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. Mutual fund fees are described in the fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's website. At the client's request, CWM will direct the client to the appropriate Web page to access the prospectus. Should the client request further assistance, CWM will help the client obtain a copy of the prospectus.

CWM may also use ETFs in our portfolios. The risks with ETFs include the fact that many foreign countries do not offer ETFs, therefore international exposure for your portfolio may be limited; actively traded ETFs can create increased trading expenses and fees and the intraday trading opportunities created by ETFs may not fit into a long-term investor's strategy. ETFs are usually easy to buy and sell.

In instances where we recommend that a third party manage your assets, please refer to the third party's ADV and associated disclosure documents for details on their investment strategies, methods of analysis and associated risks.

***Investing in securities involves risk of loss that you should be prepared to bear.***

## **Item 9 Disciplinary Information**

On May 29, 2020, due to a failure to properly register in the State of Texas as an Investment Adviser upon exceeding the de minimus number of clients, Nancy Challenger consented to a Civil and Administrative fine with the State of Texas. In turn, the State of Texas approved the registration to do business in their state.

Ms. Challenger is not subject to any legal or disciplinary events that are material to a client or prospective client's evaluation of her or the services offered by her.

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

A., B. CWM does not have a related person who is a: broker/dealer or other similar type of broker or dealer; investment company or other pooled investment vehicle, other investment adviser or financial planner; futures commission merchant or commodity pool operator; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of a limited partnership.

Advisory Representatives may be licensed with various insurance companies and commissions will be earned if you purchase insurance products through them. You always have the right to decide to purchase insurance products or services through your Advisory Representative. While insurance business is not a significant business to our Advisory Representative, and we do not concentrate resources toward the business, because of the conflict of interest in having you purchase insurance products through our Advisory Representative, this disclosure is provided to you.

CWM attempts to mitigate the conflicts of interest relating to the potential receipt of commissions by providing you with these disclosures. Further, you are free to consult other professionals regarding the implementation of your financial or retirement plan.

CWM and its Advisory Representatives are not actively engaged in any other financial industry entity.

D. As noted above, CWM recommends the services of Third-Party Managers. We may recommend that you use a third party money manager ("TPMM") based on your needs and suitability. We will not receive separate compensation, directly or indirectly, from the TPMM for recommending that you use their services. Moreover, we do not have any other business relationships with the recommended TPMM(s). Refer to the *Advisory Business* section above for additional disclosures on this topic.

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

### **Code of Ethics**

A. CWM has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. CWM takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as our policies and procedures. Further, we strive to handle your non-public information in such a way to protect information from falling into the hands of anyone who has no business reason to know such information. We provide you with our Privacy Policy which details our procedures for handling your personal information. CWM maintains a Code of Ethics for its Advisory Representatives, supervised persons, and office staff. The Code of Ethics contains provisions for standards of business conduct to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, our Code of Ethics establishes our firm's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.

B. Neither CWM nor its associated persons recommends to clients or buys or sells for client accounts any securities in which we have a material financial interest.

C. CWM and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, CWM and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to you. They will not put their interests before your interest. Neither CWM nor any associated person may trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.

D. CWM is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

With the exception of our discretionary portfolio management services, you have the right to decline any investment recommendation. CWM and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

## Item 12 Brokerage Practices

A. CWM participates in the Schwab Advisor Services and with the exception of American Funds, we require Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to clients for custody services. Schwab offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. CWM receives some benefits from Schwab through its participation in their various Programs.

### **Products and Services Available to CWM from Schwab**

Schwab Advisor Services™ (formerly Schwab Institutional®) is Schwab's business serving independent investment advisory firms like CWM. Schwab Advisor Services™ provides CWM and its clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help CWM manage or administer its clients' accounts while others help CWM manage and grow its business. Schwab's support services generally are available on an unsolicited basis (CWM does not have to request them) and at no charge to CWM. Following is a more detailed description of Schwab's support services:

### **Services that benefit the Client**

Schwab's 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 CWM 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 the client and their account.

### **Services that may not directly benefit the Client**

Schwab also makes available to CWM other products and services that benefit CWM but may not directly benefit the client or clients' account. These products and services assist CWM in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. CWM uses this research to service 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 (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 CWM's clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### **Services that generally benefit only CWM**

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

- Educational conferences and events
- Technology, compliance, legal, and business consulting & resources
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to CWM. Schwab may also discount or waive its fees for some of these services or pay all or part of a third party's fees.

CWM also receives from Schwab certain additional economic benefits that may or may not be offered to any other independent investment advisers participating in the program.

In connection with the provision of Third-Party Advisory Services, our choice of custodian will be limited to those choices offered by the Third-Party Advisory Service.

Prior to recommending any custodial relationship, CWM conducts due diligence on the firm. While you are free to choose any service provider as your custodian, we require that you establish an account with Schwab for managed assets as with which we have an existing relationship Schwab. The relationship includes benefits provided to our firm, including but not limited to market information and administrative services that help our firm manage your account(s). We believe that Schwab provides quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the services provided by Schwab, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services Schwab provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

B. Due to the individual management of client accounts, we do not generally aggregate the purchase or sale of securities for various client accounts. Transactions for each client generally will be effected independently unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment.

## **Item 13 Review of Accounts**

A. Although the underlying securities within asset management accounts are continuously monitored, these accounts are reviewed at least quarterly by Nancy Challenger, President. Client meetings will be offered at least annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political, or economic environment. You must notify Nancy Challenger promptly of any changes to your financial goals, objectives, or financial situation as such changes may require her to review the portfolio allocation and make recommendations for changes. For managed accounts, you will receive quarterly performance reports reflecting the holdings in your account, the value of the securities and the performance of the account. You should compare the report and invoices with statements received directly from the account custodian and promptly notify CWM of any questions or concerns.

Upon completion of your financial plan, Advisory Representatives will meet with you to review the plan and answer any questions you may have about the plan's content. After this consultation, there are no further reviews unless requested. Advisory Representatives review advisory accounts participating in a Third-Party Advisory Service program on a quarterly basis. Client meetings will be offered at least annually. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Together we will determine the frequency of reviews that is appropriate for our relationship and your comfort.

B. Your Advisory Representative will monitor for changes or shifts in the economy, changes to the management and structure of any company in which your assets are invested, and market shifts and corrections.

C. Asset management clients will be provided statements at least quarterly directly from Schwab, the account custodian. Additionally, you will receive confirmations of all transactions occurring directly from the account custodian. If you are participating in Financial Planning Services you will not receive regular reviews. We recommend you have at least an annual review and update to any plan. However, the time and frequency of any review is solely your decision. Other than the initial plan or analysis, there will be no other reports issued.

For third party manager services, the account custodian will provide you with quarterly statements and confirmations of all transactions in your account. In addition, the Third Party Manager will provide you with a quarterly performance report.

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

A. Product vendors recommended by CWM's Advisory Representative may provide monetary and non-monetary assistance with client events, provide educational tools and resources. We do not select products as a result of any monetary or non-monetary assistance. The selection of product that is most appropriate for the client is first and foremost. CWM's due diligence of a product does not take into consideration any assistance it may receive. Although the receipt of products or services is a benefit for you and us, it also presents a conflict of interest.

Certain Third-Party Advisory Service programs may provide our Advisory Representatives with the opportunity to attend training or education conferences. Such conferences include the payment or reimbursement of travel, meals and lodging expenses for attendees. Payment/reimbursement of expenses is not contingent upon sales targets or contests, but rather on total assets managed on their respective Third-Party Advisory Service platforms. We may have an incentive to recommend Third-Party Advisory Service programs that provide us with the above referenced opportunities over those that do not.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

CWM attempts to mitigate any conflicts of interests by notifying you of the conflicts and informing you that you are free to consult other financial professionals. We are bound by our Code of Ethics and fiduciary duty to act in an ethical manner and place your interests first and foremost. As an investment adviser registered under applicable federal and state securities laws, the Adviser owes the client a fiduciary duty to put the Client's interest first which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith. CWM believes its requirement that clients use Schwab as their custodian is in the client's best interest based on the services Schwab provides and the fees Schwab charges.

Other than the economic benefits disclose herein and in Item 12 above, CWM does not receive any compensation from any third parties for advisory services it provides to its clients.



B. CWM does not directly or indirectly compensate any person or entity that is not a supervised person of our firm for client referrals.

## **Item 15 Custody**

The 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 bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. You will receive invoices and reports from CWM. The account statements from the custodian will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. You are urged to compare the account statements you receive from the qualified custodian with invoices and reports you receive from CWM and, if applicable, the third party investment adviser and promptly notify CWM of any questions or concerns.

### **Wire Transfer and/or Standing Letter of Authorization**

Our firm, or Advisory Representatives, when directed, will effect wire transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit, as we otherwise would be required to by reason of having custody, as long as the following criteria are met:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

When we engage in third party standing letters of authorization, CWM will comply with the conditions of the safe harbor provisions and would, therefore, be exempt from the annual surprise exam requirement for Advisors that have custody.

## **Item 16 Investment Discretion**

Our advisory agreement requires you to grant CWM authorization to manage your account on a discretionary basis. We will have the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of the securities to be bought or sold. You may terminate the discretionary authorization at any time by giving us written notice.

Additionally, you are advised that:

1. You may set parameters with respect to when your account should be rebalanced and set

trading restrictions or limitations.

2. Your written consent is required to establish any investment management account.
3. If you elect to implement recommendations through your Advisory Representative, we require the use of Schwab.

If you decide not to grant CWM discretionary authority, your account will be managed on a non-discretionary basis. Your permission will need to be obtained prior to any trading being conducted in your account. You should be aware that obtaining your permission might delay the entry of the trade as we seek to reach you and document your approval.

## **Item 17 Voting Client Securities**

CWM does not vote your securities. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You may contact your Advisory Representative about questions you may have and opinions on how to vote the proxies. However, the voting and how you vote the proxies is solely your decision.

## **Item 18 Financial Information**

A. CWM will not require you to prepay more than \$1,200 and 6 or more months in advance of receiving the advisory service; therefore, a balance sheet is not required to be attached.

B. We are financially stable. There is no financial condition that is likely to impair our ability to meet our contract actual commitment to you or any other client.

C. Neither CWM nor its Advisory Representatives have ever been the subject of a bankruptcy petition.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.