

Item 1 – Cover Page

**Part 2A of Form ADV “Brochure”**

**Legacy Wealth Management, Inc.**

**1715 Aaron Brenner Drive, Suite 301**

**Memphis, TN 38120**

**901-758-9006**

**[www.legacywealth.com](http://www.legacywealth.com)**

**March 7, 2024**

This Brochure provides information about the qualifications and business practices of Legacy Wealth Management, Inc. (“Legacy”). If you have any questions about the contents of this Brochure, please contact us at 901-758-9006. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Legacy is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information which you can use to hire or retain an Adviser.

Additional information about Legacy also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Legacy's most recent annual update to Part 2 of Form ADV was made on March 22, 2023. Legacy's business activities have not changed materially since the time of that update except for the item (s) below.

Legacy had no material changes since the last update of March 22, 2023.

Currently, our Brochures (Form CRS and ADV Part 2A) may be requested by contacting Cathy A. Simmons, Chief Compliance Officer at 901-758-9006 or [cathys@legacywealth.com](mailto:cathys@legacywealth.com). Our Brochures are also available on our website [www.legacywealth.com](http://www.legacywealth.com), and free of charge. You may also request Brochures for Breckinridge Capital Advisors (BCA) or for Parametric Portfolio Associates via the same means as above.

Additional information about Legacy is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Legacy who are registered, or are required to be registered, as investment adviser representatives of Legacy.

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## **Item 4 – Advisory Business**

Legacy Wealth Management, Inc. is an independent employee-owned firm that was founded in 1982. Legacy's team of financial professionals has extensive financial planning and portfolio management experience. Staff members work together in client service teams to develop and manage a client's overall long-term financial and investment strategy.

Legacy's Chairman, Jim Isaacs, owns 12% of the outstanding shares. Other significant shareholders who own between 8% and 13% are: Duncan Miller, Charles Jalenak, Hallie Peyton, Lindsey Mazzola, and Rob Sievers.

Legacy coordinates financial planning with customized portfolio management and ongoing wealth management when appropriate. Our firm provides service on a "fee-only" basis. We do not sell products or earn commissions. Fee-only compensation allows Legacy to provide services that are objective and unbiased so that clients receive financial planning and portfolio management advice based on their specific long-term financial goals.

Legacy manages investment assets on a discretionary basis for individuals, trusts, institutions, and other investors. Legacy consults with its clients to determine their needs, risk tolerance, and investment objectives. When Legacy and the client have reached an agreement concerning investment objectives, Legacy implements day-to-day investment decisions based on those objectives. Legacy rebalances client accounts as needed. Legacy customarily rebalances portfolios and makes changes without additional consultation with clients. Client portfolios consist primarily of no-load mutual funds, exchange traded funds or individual bonds. In addition to the customary asset classes available through investment in mutual funds and Exchange Traded Funds (ETFs) (equity, fixed income, real estate, commodities), Legacy makes available other types of investment strategies and vehicles to clients for whom such investments are appropriate. Legacy will at times recommend sub-advisers for a portion of a client's assets under management. Some portfolios consisting of individual bonds (as opposed to bond mutual funds and ETFs) are managed by a sub-adviser. Sub-advisers are compensated on an agreed upon fee schedule that is charged to the client in addition to fees charged by Legacy.

Legacy also offers financial planning services in addition to portfolio management services. Services range from simple consultations on specific problems to comprehensive financial plans covering all aspects of a client's needs, including, but not limited to, cash flow, debt management, budgeting, risk management, education planning, tax planning, retirement planning, early retirement-offer evaluations, deferred compensation planning, estate planning and any other related issues. In each case, client objectives are carefully

identified at the beginning, and the planning process is structured so that these objectives are addressed. Except for brief consultations on one-time matters, most clients receive a written or electronic report on their objectives that addresses the facts, key assumptions, an analysis of the situation and recommendations on alternatives to help them reach their goals.

Legacy does not participate in wrap fee programs.

As of March 1, 2024, Legacy managed approximately \$2,165,162,094 in assets for approximately 1,363 clients. Approximately \$2,042,731,852 is managed on a discretionary basis and approximately \$122,430,242 is managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

Fees for Wealth Management services are based on the amount of assets under management. Our Wealth Management services include Portfolio Management and include comprehensive Financial Planning. The recommended minimum account size for a new client relationship is \$500,000.

Fees for Wealth Management are:

### **Annual Fee Schedule**

1.0% on the first \$2 million

0.5% on the next \$3 million

0.4% on the amount over \$5 million

Fees for all services, on an exception basis, are negotiable depending upon specific services required and type and size of investments under management.

The specific way fees are charged by Legacy is established in a client's signed written agreement with Legacy. Generally, Legacy bills its fees in arrears, with one-fourth of the annual fee being billed quarterly. The amount billed is determined by the market value of account assets at the end of each calendar quarter. Legacy's fees are not payable in advance; however, a client may pay in advance if he or she prefers to do so. Clients may also elect to authorize Legacy to debit fees directly from a bank account or to authorize Legacy to debit fees directly from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based upon the amount of assets under

advisement as of the date of initiation or termination. Upon termination of an account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Legacy's standard advisory agreement provides that either party can terminate the agreement upon written notice to Legacy. Termination will be effective 30 calendar days after notice is delivered unless the parties agree to an earlier effective date for termination.

Legacy's fees do not include brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients will incur certain charges imposed by custodians, brokers or other third parties, including fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are in addition to Legacy's fee. Legacy does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Legacy considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions or transaction fees).

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

Legacy does not charge any performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the assets of a client) or engage in side-by-side management.

### **Item 7 – Types of Clients**

Legacy provides portfolio management services primarily to individuals, high-net-worth individuals, a limited number of corporate pensions, 401(k) and profit-sharing plans, foundations, endowments and both state and municipal government entities.

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

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

Legacy's basic approach to portfolio management is to use a globally diversified portfolio. Historically, equities have offered the potential for higher investment returns

(and greater volatility) than cash or fixed income investments. To generate a higher long-term rate of return, investors must increase the proportion of equities in their portfolio and accept greater variation of results (including declines in value).

Legacy invests client funds in stocks and bonds issued by companies and governments in the U.S. and abroad. The primary vehicles Legacy uses to invest in these asset classes are mutual funds and exchange traded funds (ETFs). For certain clients, Legacy sometimes recommends separate portfolios of individual bonds managed by a sub-adviser or portfolios with limited liquidity that are following alternative strategies.

When choosing share classes, Legacy will usually select the lower cost alternative for our clients, unless we believe there is a benefit to the client to invest in a different class. For example, at times transaction fees may negate the benefit of lower cost share classes, especially for small positions in the portfolio. In those cases, Legacy may utilize non-transactional fee ("NTF") share classes. Often there is a 12b-1 fee in the fund's expense ratio but given that small positions can become out of balance more often than larger allocations, often the tradeoff is a wash, and sometimes even beneficial for clients who pull money from their accounts on a more frequent basis.

Legacy is not benefitting financially from using share classes that have 12b-1 fees, and Legacy may use different share classes at different custodians if all the share classes trade NTF and at one custodian the cheaper institutional share class has the option of trading NTF as well.

Lastly, Legacy monitors changes in the markets and could upgrade or utilize lower cost share classes or ETFs that trade commission-free if the vehicles accomplish the investment goal at a lower cost. Legacy does not receive any compensation from funds no matter what share class is purchased.

There are risks associated with investing in equities and fixed income securities. Among those risks are the following:

Market Risk: The prices of the securities in which we invest could decline for several reasons. The price decline of all securities, equities in particular, may very well be steep, sudden, and/or prolonged.

Interest Rate Risk: In general, the value of bonds and other debt securities falls when interest rates rise. Longer term obligations are usually more sensitive to interest rate changes than shorter term obligations. While bonds and other debt securities normally fluctuate less in price than common stocks, there have been extended periods of increases in interest rates which have caused significant declines in bond prices.

Credit Risk: The issuers of bonds and other debt securities might not be able to make interest or principal payments. Even if these issuers can make interest or principal payments, they could suffer adverse changes in financial condition that would lower the credit quality of the security, leading to greater volatility in the price of the security.

Foreign Securities Risk: The securities of foreign issuers could be less liquid and more volatile than securities of comparable U.S. issuers. The U.S. dollar value of foreign securities traded in foreign currencies (and any dividends and interest earned) held by mutual funds in which we invest could be affected favorably or unfavorably by changes in foreign currency exchange rates. An increase in the U.S. dollar relative to these other currencies will adversely affect our client's investments. Additionally, investments in foreign securities, even those publicly traded in the United States, at times involve risks which are in addition to those inherent in domestic investments. Foreign companies are not subject to the same regulatory requirements of U.S. companies, and therefore, there may be less publicly available information about such companies. Also, foreign companies are not subject to uniform accounting, auditing, and financial reporting standards and requirements comparable to those applicable to U.S. companies. Foreign governments and foreign economies could be less stable than the U.S. Government and the U.S. economy.

Non-traditional Investment Risk: Non-traditional investments occasionally include investments that are direct, indirect, or inverse and sometimes include leverage. Indirect investment is sometimes obtained through various derivative instruments including but not limited to (i) options, (ii) futures, (iii) forwards or (iv) spot contracts, each of which could be tied to but not limited to (i) commodities, (ii) financial indices and instruments, (iii) foreign currencies, or (iv) equity indices. An inverse investment is designed to move in the opposite direction of the index or benchmark it is tracking. Non-traditional investments involve substantial risks that differ from those of more traditional investments, such as stocks and bonds. These risks include, among others, liquidity risk, sector risk, and foreign currency risk, as well as risks associated with fixed income securities, equities, commodities, and derivatives. In addition, the use of leverage can increase gains and losses. Non-traditional investments could be implemented through a "fund of funds" structure. In a "fund of funds" arrangement, the manager attempts to build a portfolio of funds with low correlation to the markets and each other in order to produce returns that are less volatile and steadier than individual fund strategies. Many different techniques, including leverage and short selling (inverse), are used to implement fund strategies. Each underlying fund operates independently. There are risks unique to investment in "fund of funds", including lack of transparency, liquidity, leverage, and the high-level reliance on the "fund of funds" manager's due diligence. The cost of investing in a "fund of funds" will be higher than the cost of investing directly in underlying funds and



will be higher than other mutual funds that invest directly in stocks and bonds. Investors indirectly bear fees and expenses charged by the underlying funds in addition to the “fund of funds” direct fees and expenses.

Other general risks that investors should consider include the following:

Asset Allocation Risk: A client’s investment performance will be affected by our ability to anticipate correctly the potential returns and risks of and correlation between the asset classes in which we invest. For example, a client’s investment performance would suffer if only a small portion of its assets were allocated to equities during a significant stock market advance, and its investment performance would suffer if a major portion of its assets were allocated to equities during a market decline. Finally, since we intend to assume only prudent investment risk, there will be periods in which our clients’ portfolios underperform other portfolios that are willing to assume greater risk.

Mutual Fund Risk: Costs Despite Negative Returns — Investors must pay annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors are subject to paying taxes on any capital gains distribution they receive — even if the fund went on to perform poorly after they bought shares.

Lack of Control: Investors typically cannot ascertain the exact make-up of a mutual fund's portfolio at any given time, nor can they directly influence which securities the mutual fund manager buys and sells or the timing of those trades.

Price Uncertainty: With an individual stock, you can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling your custodian. You can also monitor how a stock's price changes from hour to hour — or even second to second. By contrast, with a mutual fund, the price at which you purchase or redeem shares will typically depend on the fund's Net Asset Value (NAV), which the fund might not calculate until many hours after you have placed your order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close. ETF shares are priced continuously, and investors can buy and sell their ETF shares throughout the day at the current offering price. As a result, it is possible two investors selling ETF shares at different times on the same day could receive different prices for their shares. Additionally, ETFs can trade at both premium and discount to NAV, creating overbought and oversold prices relative to the value of the ETFs underlying holdings.

Exchange Traded Fund Risk: Costs despite negative returns — Investors must pay annual fees, and other expenses regardless of how the ETF performs. And, depending on the

timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive (although less likely than a mutual fund) — even if the fund went on to perform poorly after they bought shares.

### **Additional Information Concerning Methods of Analysis and Investment Practices**

Legacy seeks to identify the objectives of each of its clients and to offer investment strategies as set forth below:

- **Individually designed asset-allocation strategies** – Legacy’s portfolio managers will review a client’s specific investment objectives based on a risk tolerance questionnaire that the client completes. Based on the guidance of the Investment Committee and using their own knowledge and experience, Portfolio Managers will choose an asset allocation model based on five to seven models so that the client’s investment portfolio will reflect their unique financial goals.
- **Institutional quality investments** – At Legacy, we focus on providing our clients with an investment portfolio at a reasonable cost. Through relationships with our primary custodians, National Financial Services, LLC and Fidelity Brokerage Services, LLC (together, with all affiliates, “Fidelity”) and Charles Schwab & Company (“Schwab”), Legacy can include many institutional-quality investments as part of an investment portfolio at no additional cost. Not all of Legacy’s investment solutions are available to or cost effective for the public or retail investor.
- **Diversified mix of actively and passively managed funds** – Managing risk can be just as important as managing return. Diversification is the process of placing a percentage of an investment portfolio in different market sectors with different correlation to each other to help minimize risk. Within each asset class, Legacy recommends funds that it has researched and believes are well suited to meet a client’s financial and life goals. The firm believes a suitable mix of both active and passive funds is appropriate for most clients. Actively managed funds allow the possibility of outperforming a benchmark but at higher operating and tax costs. Passively managed funds reduce the likelihood of under-performing a benchmark and reduce operating and tax costs.
- **Methodical money-manager selection to maximize risk-adjusted returns and minimize fees** – Legacy’s Investment Committee uses a team approach to decisions affecting portfolio changes. The committee directs the investigation of products ranging from mutual funds, exchange traded funds, separate account managers and other investments. Strict criteria are developed to screen investments based on the asset class being researched. For example, if an equity asset class was being screened, criteria would include the composition of equities, sector weighting, risk measures, the manager’s process involved around buying and selling decisions, fund staffing tenure,

expenses/fees, and performance in various market conditions. After the selection process is completed, the position is then monitored to ensure consistency of investment style, philosophy, staff continuity and performance.

- **Bond portfolios structured for individual tax and cash-flow requirements** – To meet the income needs of certain clients, the firm has retained an experienced sub-adviser that specializes in managing bond portfolios and who has several billion dollars in assets under management. Legacy has ongoing communication with this separate account management firm regarding both municipal and taxable bonds. Legacy's longstanding use of this firm has allowed Legacy to provide a preferential sub-advisory fee. This program provides Legacy's clients with the benefits of owning individual bonds combined with control and flexibility. The bond manager will execute cross trades for tax loss harvesting when it is in the best interest of the client.
- **Monitoring accounts and reporting portfolio performance** – After Legacy selects investments believed to be best suited for client personal objectives, Legacy's team of investment professionals monitor client investment portfolios to ensure consistency of investment style, philosophy and performance. Legacy will review client investment portfolios regarding performance, risk tolerance and personal goals. A quarterly report is issued to each managed client (in addition to monthly or quarterly statements directly from custodians) to show:
  - all investments consolidated and organized by asset class;
  - performance of the investment portfolio over relevant time periods;
  - purchase and sale transactions which have taken place in the portfolio during the quarter just ended; and
  - calculation of the portfolio management fee.

The Portfolio Manager will focus on the following items when reviewing each client's managed accounts:

- Objectives, constraints, and allocation targets are still appropriate
- Compare asset allocation of the portfolio versus the target allocation to determine if rebalancing is necessary; if so, perform the rebalancing
- Review portfolio to ensure cash is available for scheduled income needs and stated liquidity requirements
- Maintain allocations according to latest fund screening and Investment Committee actions
- Review unrealized gains and losses in taxable accounts and take losses as appropriate in order to minimize tax burden
- When relevant, utilize realized capital loss carryforwards to offset gains as appropriate

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Legacy or the integrity of Legacy's management. Legacy has no legal or disciplinary information applicable to this Item.

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

As a financial advisory firm, Legacy is involved in financial planning and advising clients on financial matters that do not directly involve advice on securities. These financial planning services comprise approximately 50% of planning staff time. In most cases, Legacy provides both financial planning and portfolio management advice to clients.

In most cases, Legacy recommends that its clients establish accounts with one of two financial institutions that provide access to hundreds of no-load mutual funds and the normal range of stocks, exchange traded funds and bonds at discounted brokerage costs. These institutions include Fidelity and Schwab. By agreement with Legacy, these institutions also provide Legacy with electronic access to the client's account, access to the trading desk, and other services in connection with Legacy's management of the account assets. Fidelity and Schwab also offer Legacy's clients access to many institutional funds and share classes that would be otherwise unavailable to individual investors, owing to the minimum investment required. When the client has selected a custodian broker, that institution's fee and commission structure will apply to trading in the client's account.

Clients who wish to utilize the services of another custodian/broker are free to do so and are not required to retain Fidelity or Schwab. However, when a client selects another custodian broker, Legacy cannot assure the client that they will receive comparable services or pay comparable fees and commissions in connection with its account management or have their accounts rebalanced the same as clients using Fidelity or Schwab.

Fidelity and Schwab also offer products, research, and services that benefit Legacy. These are more fully described below. From time to time, Legacy will use some or all the products, research and services offered. Therefore, Legacy's recommendation of Fidelity or Schwab can create conflicts or potential conflicts of interest because the services could influence Legacy's judgment in making such recommendations. Please refer to Legacy's disclosures in Item 12.

## **Item 11 – Code of Ethics**

Legacy invests client assets primarily in mutual funds, ETFs and individual bonds. From time to time, however, Legacy may also recommend individual securities or other investment vehicles deemed attractive.

Legacy believes that its employees should be willing to commit their own funds to the investments they recommend to clients and that it is better for employees to invest with their clients rather than separately from them. Therefore, when Legacy employees invest client assets, they frequently commit their own funds to the same investments.

Legacy also recognizes that potential conflicts of interest can arise from the personal investment activities of its principals and employees. In addition to its commitment to always place the interest of its clients above the personal interests of its principals and employees, Legacy has addressed potential conflict of interest issues decisively in its Personal Investment Policy and Code of Ethics (The “Legacy Code of Ethics”). The Legacy Code of Ethics governs the personal investment activities of Legacy’s principals and employees and includes ethical policies and procedures that have been recommended by investment industry organizations and their advisors.

For example, the Legacy Code of Ethics requires that all principals and employees obtain approval from Legacy’s Compliance Committee before buying or selling securities that require pre-clearance. It restricts and, in most cases, prohibits short-term trading and requires all principals and employees to disclose their personal portfolio positions to Legacy’s Compliance Committee on a regular basis. The Code of Ethics also addresses other aspects of business conduct, legal compliance, and the responsibilities of investment fiduciaries. Legacy will furnish its Code of Ethics to any client or prospective client upon request. The Legacy Code of Ethics reflects Legacy’s commitment to always put the interests of its clients first.

Legacy also maintains and enforces written policies designed to prevent the misuse of material non-public information by Legacy or any person associated with Legacy.

## Item 12 – Brokerage Practices

In most cases, Legacy recommends that its clients establish a custodial and brokerage account with one of two financial institutions that provide access to hundreds of no-load mutual funds and the normal range of stocks, exchange traded funds and bonds at discounted brokerage costs. These institutions include Fidelity and Schwab. By agreement with Legacy, these institutions also provide Legacy with electronic access to the client's account, access to the trading desk, and other services in connection with Legacy's management of the account assets. Fidelity and Schwab also offer Legacy's clients access to many institutional funds and share classes that would be otherwise unavailable to individual investors. When the client has selected a custodian broker, that institution's fee and commission structure will apply to trading in the client's account.

Clients who wish to utilize the services of another custodian/broker are free to do so and are not required to retain Fidelity or Schwab. However, when a client selects another custodian broker, Legacy cannot assure the client that they will receive comparable services or pay comparable fees and commissions in connection with its account management or have their accounts rebalanced the same as clients using Fidelity or Schwab.

Fidelity and Schwab also offer products, research, and services that benefit Legacy. These are more fully described below. From time to time, Legacy uses some or all the products, research and services offered. Therefore, Legacy's recommendation of Fidelity or Schwab can create conflicts or potential conflicts of interest because the services could influence Legacy's judgment in making such recommendations.

Legacy has established a Best Execution/Best Custody Committee which periodically reviews and evaluates the range and quality of services provided by Fidelity and Schwab, the cost of such services, and its clients' needs for such services. The Committee considers at least the following factors: execution capabilities and efficiency, clearance, settlement, reputation, financial strength and stability, error resolution, fees, and other factors of that nature. In certain cases, a broker could be paid a commission more than that which another broker might have charged for effecting the same transaction.

Schwab provides Legacy with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them if a total of at least \$10 million of the advisor's clients' assets are maintained in an account at Schwab Institutional. These services are not contingent upon Legacy committing to

Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Legacy client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to Legacy other products and services that will benefit Legacy but might not directly benefit its clients' accounts. Many of these products and services will be used to service all or some substantial number of Legacy's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist Legacy in managing and administering client accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of Legacy's fees from client accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.

Schwab Institutional also offers other services intended to help Legacy manage and further develop its business enterprise. These services could include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business association; and (iii) access to employee benefits providers, human capital consultants, and insurance providers. Schwab makes available, arranges and/or pays third party vendors for the types of services rendered to Legacy. Schwab Institutional discounts or waives fees for some of these services it would otherwise charge for or pay all or a part of the fees of a third-party providing these services to Legacy. Schwab Institutional also provides other benefits such as educational events or occasional business entertainment of Legacy personnel. In evaluating whether to recommend or require that clients maintain custody of their assets at Schwab, Legacy considers the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

For accounts of Legacy's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Legacy's clients in the



form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Legacy would have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Legacy, nevertheless, seeks best execution of trades for client accounts. Trades for client accounts held in custody at Schwab are executed through a different broker-dealer than trades for Legacy's other clients. Thus, trades for accounts held in custody by Schwab are executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Legacy has an arrangement with Fidelity through which Fidelity provides Legacy with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, recordkeeping and related services that are intended to assist Legacy in providing advisory services to its clients and therefore, also benefit Legacy.

Fidelity charges brokerage commissions for effecting individual equity and debt securities transactions and transaction fees for effecting certain no-load mutual fund transactions. Legacy's arrangement with Fidelity permits Legacy to obtain many no-load mutual funds without transaction charges and other no-load mutual funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity are sometimes higher or lower than those charged by other custodians and broker dealers.

As part of the arrangement, Fidelity also makes available to Legacy, at no additional charge, certain research services. These services presently include access to a Fidelity website that includes numerous investment research publications, databases and/or conferences. Without its arrangement with Fidelity, Legacy might be compelled to purchase the same or similar services at its own expense.

Historically, Legacy has not relied significantly on the research services offered by the custodian brokers it currently recommends to clients. From time to time, however, Legacy does take advantage of research material, investment seminars, discounts on research subscriptions, and other similar services they offer, and such research services would be beneficial to Legacy and its clients. In such cases, clients who have retained the custodian broker that provides the research service can possibly benefit from the service, as can clients who have not retained the custodian broker.



Legacy believes that many of the products, research and services offered by these custodian brokers are beneficial to its clients. However, because they also assist Legacy in the management of its clients' accounts, they are also beneficial to Legacy. Therefore, Legacy's recommendation of Fidelity or Schwab can create conflicts or potential conflicts of interest because the services could influence Legacy's judgment in selecting custodians to recommend to its clients. Legacy has addressed these conflict issues by establishing certain guidelines. Each recommended custodian must satisfy certain conditions: execution capabilities, clearance, settlement, reputation, financial strength and stability, access to a wide range of no-load mutual funds, well organized and efficient administrative and "back office" operations, responsiveness, and competitive rates. Legacy's Best Execution and Best Custody Committee periodically reviews and evaluates each recommended custodian broker for its satisfaction of these conditions. The custodian brokers must be institutions that Legacy considers qualified and would recommend regardless of any additional services they provide to assist Legacy. The fees and commissions charged must be, in Legacy's judgment, reasonable considering the value of services provided.

Legacy could aggregate trades in client accounts when implementing a new strategy or exiting an existing strategy. Legacy does not normally aggregate trades during rebalancing individual portfolios. Aggregation will not necessarily reduce transaction fees.

### **Item 13 – Review of Accounts**

Legacy assigns each client account to a client service team.

The team has primary responsibility for the client relationship and reviews its client accounts periodically. Teams are made up of at least four financial advisors. The titles of the team members responsible for client relationships and the review of client accounts are typically: Director of Client Service, Director of Financial Planning, Director of Portfolio Management, Director of Research & Trading or a Senior Financial Planner.

Reviews of client accounts are conducted to:

- 1) ascertain adequate cash for client cash needs or for fee billing;
- 2) invest available funds or liquidate as instructed by client, rebalancing as necessary to keep the account within the parameters of the risk tolerance; and
- 3) change asset allocation if deemed necessary by the Investment Committee.

Rebalancing occurs as needed on client accounts. Relationship Managers attempt to contact clients on a regular basis to see if the client's needs have changed and review other items.

Investment advisory clients receive paper or electronic quarterly reports detailing their holdings and valuation, performance, transactions, and fees. Clients also receive paper or electronic statements prepared by custodians either monthly or quarterly.

Financial Planning Reviews: For financial planning client services, review discussions are conducted on an as-needed basis. The reviews could include tax planning, retirement updates, or other financial issues. The teams conduct reviews in the manner described above for investment accounts.

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

Some time ago, Legacy received client referrals and other benefits through programs maintained by Schwab and Fidelity. Legacy is currently not participating in any referral program through the custodians. However, Legacy does still have Schwab clients from the referral program from years ago and pays Schwab a percentage of the management fee received from the client. The client does not pay a higher management fee because of the previous arrangement with Schwab.

Legacy does not accept referral fees or any form of remuneration from other professionals when a Legacy client or prospect is referred to them.

In the event a client is introduced to Legacy by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state and federal securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Legacy's investment management fee and does not result in any additional charge to the client. If the client is introduced to Legacy by an unaffiliated solicitor, the solicitor is required to certify that the solicitor is not an ineligible person under the federal securities laws and to provide the client with a written statement that clearly and prominently identifies the solicitor, the compensation the solicitor will receive from Legacy, any other material terms of the referral arrangement, and a brief summary of the solicitor's conflict of interest in making the referral. Any solicitor affiliated with Legacy is required to disclose the nature of his or her relationship with Legacy to prospective clients at the time of the solicitation.

## **Item 15 – Custody**

As a rule, Legacy does not accept custody of client funds or securities.

However, some clients provide Legacy with their usernames and passwords for purposes of managing the investment of account assets or other purposes. Under these circumstances, Legacy is deemed to have custody of the account assets and will therefore follow additional procedures to safeguard client assets.

The funds and securities held in username and password Accounts shall be verified by actual examination at least once during each calendar year by an independent public accountant retained by Legacy for that purpose. The examination is commonly known as a “surprise audit” because it will be performed at a time chosen by the accountant without prior notice or announcement to Legacy. The time varies from year to year.

Legacy is also deemed to have custody based solely on the ability to obtain payment of its advisory fees upon presentation of a bill to the client’s custodian.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. Legacy urges its clients to carefully review such statements and compare such official custodial records to the account reports that Legacy provides. Our reports could possibly vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

At the outset of an advisory relationship, the client gives Legacy discretionary authority to select the identity and value of securities and other assets to be bought or sold. The client provides this authority in our investment advisory agreement and in the various custodian account applications. In all cases, however, our discretion must be exercised in a manner consistent with the stated investment objectives for the client account.

Clients have the option to place written limitations on Legacy’s discretionary authority, but do not customarily do so. Investment guidelines and restrictions imposed by the client must be provided to Legacy in writing. Clients also have the option of retaining discretion and making the ultimate decisions regarding the investments we purchase or sell in their account(s).

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

Legacy's advisory agreement does not authorize Legacy to vote client proxies. Clients will receive their proxies and other solicitations directly from custodians (or the investment company itself) and will retain responsibility for voting proxies for securities held in their portfolios. Upon request, Legacy will provide clients with certain recommended guidelines for voting their proxies.

Clients can obtain a copy of Legacy's proxy voting guidelines by contacting Legacy's Chief Compliance Officer, Cathy A. Simmons, at 901.758.9006.

## **Item 18 – Financial Information**

Legacy Wealth Management (Legacy) has a significant, material financing arrangement with Emigrant Partners, LLC (EP) to provide financing for term shareholder loans and interest-only company loans used for the repurchase of retiring and terminated shareholder equity. This financing arrangement has allowed us to stay independent and to disperse ownership to most of our staff. EP's company loans have a non-voting equity conversion option that may be exercised upon the earlier of an event of default under the credit agreement or December 31, 2030. We explicitly believe this financing arrangement has allowed and will continue to allow Legacy to provide our clients with independent wealth management.