



**Heritage Wealth Management, Inc.**  
***Wrap Fee Program Brochure***

4400 Post Oak Parkway, Suite 2510  
Houston, TX 77027

Brett Carleton: 713-871-9800  
Brett@heritageplanners.com  
www.heritageplanners.com  
www.heritagewealthmgmt.com

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This wrap fee program brochure provides information about the qualifications and business practices of Heritage Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at 713-871-9800 and/or at Brett@heritageplanners.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 Heritage Wealth Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

Our Firm is required to advise you of any material changes to our Wrap Fee Program Brochure ("Wrap Brochure") since our last annual update in March 2023. No material changes have occurred since that update.

## TABLE OF CONTENTS

Services, Fees and Compensation .....	1
Services .....	1
Advisory Firm Description .....	1
Wrap Fee Program Description .....	1
Fees and Compensation .....	2
Program Fees .....	2
Financial Planning Fees .....	2
Fee Comparison .....	3
Additional Costs .....	3
Other Compensation for Participation in Wrap Fee Program .....	3
Portfolio Requirements and Types of Clients .....	4
Portfolio Requirements .....	4
Types of Clients .....	4
Portfolio Manager Selection and Evaluation .....	5
Additional Firm Information .....	5
Performance-Based Fees and Side-by-Side Management .....	5
Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Voting Client Securities .....	6
Client Information Provided to Heritage Wealth Management .....	6
Client Contact with Heritage Wealth Management .....	6
Additional Information .....	6
Disciplinary Information .....	6
Other Financial Industry Activities and Affiliations .....	6
Code of Ethics, Participation in Client Transactions and Personal Trading .....	6
Misuse of Nonpublic Information .....	7
Personal Securities Trading .....	7
Outside Business Activities .....	8
Review of Accounts .....	8
Client Referrals and Other Compensation .....	8
Financial Information .....	8
Client Assets Under Management .....	8
Termination .....	8

## SERVICES, FEES AND COMPENSATION

### SERVICES

#### Advisory Firm Description

Heritage Wealth Management, Inc. ("HWM" or the "Firm") has been in business since July 1, 2002. The principal owner is Brett Stephen Carleton. HWM provides its clients with investment advisory services, which includes comprehensive wealth management services, and financial planning services.

#### Wrap Fee Program Description

The HWM Wrap Fee Program (the "Program") is a fee-only investment management program sponsored by HWM. The Program provides individuals, pension and profit sharing plans, trusts, estates, charitable organizations and business entities the ability to trade in individual debt and equity securities, mutual funds, index funds, exchange-traded funds, options and other eligible securities without incurring separate brokerage commissions or transaction charges.

#### Comprehensive Wealth Management

HWM's comprehensive wealth management service includes:

- Determining clients' investment goals
- Evaluating current assets
- Determining projected cash flow needs
- Determining any investment constraints
- Determining client risk tolerance
- Developing an asset allocation, including specific investment recommendations
- Placing trades in the client's account as appropriate
- Ongoing support:
  - Support to the client for the investment account establishment and/or transfer assistance
  - Portfolio monitoring
- Quarterly reports
- Financial planning
- Interviewing, selecting and overseeing:
  - Accountants
  - Mortgages
  - Banking relationships
  - Tax planning and filing
  - Estate planning

HWM also offers financial planning services separate from the Program. Please refer to our Form ADV Part 2A for more information on those services.

## FEES AND COMPENSATION

### Program Fees

Clients in the Program pay a single annualized fee for participation in the Program (the “Program Fee”) as shown in the table below. The Program Fee is negotiable and can be adjusted based on the complexity of each client’s individual situation. Program assets are aggregated by family and can be deducted from the client’s account or payable by check to the Firm.

Assets Under Management	Annual Wrap Program Fee
Less than \$500,000	1.50%
\$500,000 to \$1,000,000	1.25%
\$1,000,001 to \$3,000,000	1.00%
\$3,000,001 to \$5,000,000	0.90%
Greater than \$5,000,000	0.75%

Fees are billed quarterly in advance at the rate of one fourth of the annual fee shown above. Fees for the next quarter are calculated based on the portfolio valuation, including interest, and are based on the number of days in the billing period. Additional deposits and withdrawals of funds and/or securities to the Program can be made to the account at any time. Prepaid advisory fees are adjusted the following quarter for one-time deposits made intra-quarter. Program Fees are calculated pro rata for partial billing periods based upon the value of the assets in the account and the number of days in the calendar quarter. The fee calculation is computed by Orion, a portfolio management software, which receives a daily valuation of securities from Fidelity Investments or an independent pricing service.

The Program Fee can either be deducted from the client’s account by authorization through HWM’s Investment Advisory Agreement and the client’s agreement with the custodian or the Program Fee can be payable by check to the Firm. In arrangements where the Program Fee is deducted directly from the client’s account, the custodian will send the client a statement, at least quarterly, indicating all amounts disbursed from the client’s Account, including the amount of the Program Fee paid directly to HWM. This fee deduction is deemed a form of custody by the Securities and Exchange Commission, although all client securities, investments and funds are held by an outside custodian. The Firm can direct the movement of funds from one account in the client’s name to another account in the client’s name but has no access to funds or securities except for this deduction of fees.

### Financial Planning Fees

Financial planning fees (and associated services) are included in the client’s Annual Program Fee. HWM also offers financial planning services separate from the Program. Please refer to our Form ADV Part 2A for more information on the fees for those services.

## **Fee Comparison**

Under the Program, clients receive both investment advisory services and the execution of transactions in eligible securities for a single, combined annualized fee, the Program Fee. Participation in the Program can cost the client more or less than purchasing such services separately elsewhere. For example, the number of transactions made in the client's account, as well as the commissions charged for each transaction, will determine the relative cost of the Program versus paying for execution on a per-transaction basis and paying a separate fee for advisory services. The Program Fee can be higher or lower than fees charged by other sponsors of comparable investment advisory programs. HWM receives the entire Program Fee, and then reimburses the broker/dealer for the transaction fees a client's account incurred (if any) during the prior quarter. Because HWM receives and retains the majority of the quarterly Program Fee, the Firm has a financial incentive to recommend the Program over other programs and services. This fee can be higher or lower than fees available elsewhere should the client opt to pay for investment advice and transaction fees separately. HWM offers the Program Fee to its clients in order to eliminate client concerns regarding variable transaction costs.

## **Additional Costs**

The Program Fee includes transaction fees but is separate from all other account fees which will be paid by the client, including exchange, wire transfer or margin interest fees charged by the custodian.

When HWM recommends a mutual fund for a client's account, two separate fees are charged to the client, either directly or indirectly. The first fee is HWM's investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to each client by the custodian. (This set of fees also applies to any ETF or money market fund purchased in the client's account.)

When purchasing a mutual fund, HWM primarily uses institutional and employee-class shares and ensures that the least expensive share class is purchased. Some mutual funds charge clients 12b-1 fees which are paid out to advisors as commissions. HWM does not charge or receive a commission or a mark-up on securities transactions, nor will the Firm or an associate be paid a commission on the purchase of a securities holding that is recommended to a client. Therefore, it is HWM's policy to not select mutual funds that charge 12b-1 fees.

## **Other Compensation for Participation in Wrap Fee Program**

HWM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides HWM with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist HWM in managing and administering clients' 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 fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help HWM manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third-party service providers who provide a wide array of business-related services and technology with whom HWM can contract directly. HWM receives these benefits as a result of its clients' relationships with Fidelity, but has no formal soft dollar arrangements and receives no compensation from Fidelity. These benefits provided by Fidelity might assist HWM with its administration of client accounts, and thus slightly help its profitability, creating a potential conflict of interest with clients. HWM believes this is not a material conflict.

HWM is independently operated and owned and is not affiliated with Fidelity.

HWM requires Fidelity as a "qualified custodian" for clients' accounts, with each client signing a separate agreement with Fidelity, unless the funds are unable to be moved, or it is not in the best interest of the client to move the funds, e.g., active 401k plans. In requiring a custodian, HWM considers the range and quality of the products the custodian offers, the technical support provided, execution quality, commission rates, the financial responsibility and responsiveness of the custodian to both HWM and its clients. HWM recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships can affect its ability to provide best execution on a trade-by-trade basis. However, HWM evaluates its entire custodial relationship in assessing best execution on a client-by-client basis.

## **PORTFOLIO REQUIREMENTS AND TYPES OF CLIENTS**

### **PORTFOLIO REQUIREMENTS**

HWM prefers a minimum investment amount to start of \$1,000,000, aggregated by family. HWM reserves the right to waive or lower this minimum.

### **TYPES OF CLIENTS**

HWM provides investment supervisory services and manages investment advisory accounts for:

- individuals
- high net worth individuals
- trusts

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

HWM is the only portfolio manager for the Program described in this wrap fee program brochure. HWM does not offer access to additional portfolio managers but offers one fee to its clients in order to eliminate concerns regarding variable transaction costs. HWM has a financial incentive to recommend the Program since the Firm retains most of the Program Fee. The Firm is moving towards non-transaction funds and ETFs in all client accounts. HWM's arrangement with Fidelity allows the Firm to avoid transaction fees on client trades in most mutual funds, therefore creating an incentive to trade less often in funds that do have a transaction fee. This conflict of interest is mitigated by HWM's fiduciary duty to place the client's interests ahead of the Firm's interests and doing what is best for the client.

## **ADDITIONAL FIRM INFORMATION**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

HWM does not receive performance-based fees on any accounts. Side-by-side management would apply if the Firm managed both accounts paying such fees and accounts not paying performance fees.

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

HWM manages its clients' assets largely in open-ended mutual funds and ETFs and manages to six different portfolios, placing each client's account in a portfolio as appropriate. Accounts in each portfolio are traded collectively, with exceptions due to timing of receipt of the account, tax implications or specific client needs. Investment portfolios for client accounts are structured to meet each client's objective. Asset allocation is the major differentiation between portfolios. Diversification is accomplished within asset categories by varying sectors, time horizons and income production.

HWM's approach to equities employs a core and satellite approach, with the core "tilting" the portfolio towards size, valuation and profitability factors that have a higher expected return over time. The satellite funds are run by active managers with a track record of making good investment decisions.

The investment strategies for client accounts are structured to meet each client's objective and risk tolerance. HWM uses the following investment strategies:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)

HWM does not use margin as part of its investment strategy, although clients are permitted to use margin for interim financial needs outside of securities purchases.

HWM does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm uses, or the success of the Firm's overall management of the account. The client understands that investment decisions made for the client's account by the Firm are subject to



various market, economic, political and business risks, and that those investment decisions will not always be profitable. Clients are reminded that investing in any security entails risk of loss which they should be willing to bear.

## **VOTING CLIENT SECURITIES**

HWM does not vote client proxies for securities held in client accounts. Clients receive proxy information directly from the custodians by email or US mail and can contact HWM for assistance in voting on any particular issue.

## **CLIENT INFORMATION PROVIDED TO HERITAGE WEALTH MANAGEMENT**

After an analysis of the information provided by the client, HWM assists the client in developing an appropriate investment strategy for the assets in his/her account (the "Investment Strategy"). Thereafter, clients are contacted periodically and are requested to provide HWM with information regarding changes to their financial situation or investment objectives. HWM periodically reassesses the current Investment Strategy based on any other information provided by the client regarding his/her client profile.

The agreement that clients enter with HWM provides that the client grants HWM limited discretion (through a limited power of attorney) to determine both the securities purchased and sold and the amounts of those purchases and sales. Clients can place restrictions on HWM's discretion in writing.

## **CLIENT CONTACT WITH HERITAGE WEALTH MANAGEMENT**

All clients are encouraged to contact or meet on a semi-annual basis with HWM to review their account reports, update their client information and determine whether changes should be made to their Investment Strategy. There are no restrictions on clients to contact or consult with HWM regarding the Program or their account.

## **ADDITIONAL INFORMATION**

### **DISCIPLINARY INFORMATION**

There have been no disciplinary actions against HWM, Mr. Carleton nor any individuals associated with the Firm.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

HWM has no other financial industry activities or affiliations.

### **CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

HWM has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect the client: misuse of confidential information; personal securities trading and

outside business activities. Failure to uphold the Code of Ethics could result in disciplinary sanctions, including termination with the Firm. Any client or prospective client can request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees' interests on the one hand and clients' on the other.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

### **Misuse of Nonpublic Information**

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees cannot convey nonpublic information nor depend upon it in placing personal or client securities trades.

### **Personal Securities Trading**

Mr. Carleton and individuals associated with the Firm are permitted to buy, sell or hold in their personal accounts the same securities the Firm recommends to its clients. When such trades occur on the same day as client trades, this presents a conflict of interest, which is mitigated by the personal trading policy requiring personal trades to be placed after client trades.

To further avoid conflicts of interest, the Firm has established the following policies:

- An officer, director or employee of HWM shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with the Firm, unless the information is also available to the investing public on reasonable inquiry. No person associated with HWM shall prefer his or her own interest to that of any client.
- Employee accounts are encouraged to be held at Fidelity, so the Firm is able to monitor any trades that employees have placed in their personal accounts.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

The Firm's Code of Ethics allows the purchase of IPOs or private placements only with prior permission from Mr. Carleton, the Firm's Chief Compliance Officer. Clients can request to review a copy of the Firm's Code of Ethics, which contains the employee trading policy.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

### **Outside Business Activities**

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed.

## **REVIEW OF ACCOUNTS**

Mr. Carleton, President, conducts all account reviews. Reviews are conducted as a matter of course at least quarterly and consist of looking at portfolio holdings, cash flows, and market activity in light of client objectives. Additional reviews can be triggered by events such as a client meeting, change in a client's risk tolerance, financial position or investment objective, change in a company or fund's management, unusual market or economic circumstances or other unforeseen events.

The Firm provides clients with quarterly written/electronic statements of portfolio holdings and annual written/electronic summaries of income and investment management fees paid. The custodian provides detailed written statements of realized gains/losses on 1099. All clients are encouraged to contact or meet on at least a semi-annual basis with HWM to review their account reports, update their client information and determine whether changes should be made to their Investment Strategy.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

HWM receives referrals from SmartAsset but does not share any revenue for the referrals. HWM pays a monthly fee for the leads SmartAsset provides to the Firm.

## **FINANCIAL INFORMATION**

There is no financial condition that is reasonably likely to impair HWM's ability to meet its contractual commitments to its clients.

### **Client Assets Under Management**

As of December 31, 2023, HWM's Program had \$253,699,008 of discretionary assets under management and \$10,575,768 of nondiscretionary assets under management.

### **Termination**

The typical Program agreement HWM enters into with clients allows for either party to terminate the agreement immediately upon receipt of written notice. The client can terminate the agreement without penalty within five (5) business days after entering the agreement. Otherwise, at the date of termination, the client agrees to pay fees due the

Firm on a pro rata basis. The Firm will provide clients of the Program services with summary statements on a year-to-date basis upon termination.

Either a client or the Firm can terminate the typical Investment Management or Comprehensive Wealth Management agreement HWM enters into with clients at any time upon written receipt of notice from the other party, and any fees due to the Firm or to outside parties will be paid promptly by the client. To the extent that prepaid fees have not yet been earned, those fees will be promptly refunded to the client. The Firm refunds any unused portion of the fee based on the number of days remaining in the quarter.