

# Sterling Wealth Advisors®, Inc.

ADV Part 2A, Brochure

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This Brochure provides information about the qualifications and business practices of Sterling Wealth Advisors®, Inc. If you have any questions about the contents of this Brochure, please contact us at (954) 771-1313 or [Elizabeth@Sterlingwealthadvisors.com](mailto:Elizabeth@Sterlingwealthadvisors.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 Sterling Wealth Advisors®, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References to Sterling Wealth Advisors®, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes to this Form ADV Part 2A, Brochure since the March 14, 2023 annual updating amendment filing.

Sterling Wealth Advisors®, Inc.'s, Chief Compliance Officer, Elizabeth A. Barrett is available to address any questions about this Brochure or any conflicts of interest presented.

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#### **Item 4            Advisory Business**

- A. Sterling Wealth Advisors®, Inc. (the “Adviser”) is a Florida corporation formed on August 31, 2001 (before which it operated as a sole proprietorship), and which first became registered as an investment adviser in September 1998. Elizabeth A. Barrett, who is Adviser’s President, Chief Executive Officer, and Chief Compliance Officer is Adviser’s sole principal owner.
- B. Adviser offers combined investment advisory services with financial planning, stand-alone investment advisory services, and stand-alone financial planning and related consulting services to its clients that currently include individuals, high net worth individuals, trusts, and estates. Adviser does not sell insurance or investment products and does not accept commissions as a result of any product recommendations. Adviser does not pay referral or finder’s fees, nor does it accept such fees from other firms.

#### **Investment Advisory Services**

##### **Financial Planning and Investment Advisory Services**

This service provides ongoing, financial planning combined with discretionary investment advisory services on a *fee-only* basis. During the initial year, clients will receive a financial plan, which generally addresses the services listed below. Clients will have two to four scheduled meetings during the initial year, depending on their individual situation, and generally one to four scheduled meetings during renewal years. In addition to scheduled meetings, additional face-to-face, email and/or phone consultations are generally included at no additional charge.

The financial planning services provided depend on each client’s unique situation and may include, but are not necessarily limited to cash flow analysis, investment planning, tax planning, insurance review, inventory of assets, analysis of financial goals, portfolio analysis, development of an asset allocation strategy, retirement planning and estate plan reviews. Under this service offering, clients will also receive the investment advisory services on an ongoing basis as described immediately below.

##### **Investment Advisory Services Only**

Alternatively, the client can choose to engage the Adviser to provide discretionary investment advisory services without financial planning services on a *fee-only* basis. The Adviser’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Adviser’s management. When providing investment advisory services, Adviser will coordinate with clients to develop investment objectives and then allocate or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, Adviser provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives and may execute or recommend execution of account transactions based upon those reviews or upon other triggering events.

##### **Financial Planning and Consulting Services (Stand-Alone)**

In addition to the combined investment advisory and financial planning services set forth above, the Adviser offers the following financial planning and consulting

services on a stand-alone basis (typically these plans are short term engagements for those clients who do not wish to engage in an open retainer and are completed within two to six months):

### **Financial Overview**

This is an objective overview of a client's financial situation. A financial overview provides the client with a net worth summary and recommendations on up to three financial planning topics selected, in advance, by the client. The written recommendations will be presented in one meeting that takes approximately one to two hours with Adviser's Principal, Elizabeth A. Barrett. No follow-up services are provided with the financial overview. This level of service is tailored to client's specific financial situation. The plan does not include help with implementation of any recommendations (i.e., investments, estate plans, tax preparation, etc.). This engagement is completed upon Adviser's presentation of the financial plan and its associated recommendations. However, if the client later seeks additional consultations with Adviser in that respect, the client is welcome to initiate contact and Adviser will explore a subsequent engagement with the client for this service.

### **Consulting Project/Retainer**

If an ongoing, comprehensive financial planning and investment advisory services relationship is not desired or practical, Adviser may choose to offer a project retainer service. The project retainer service is narrower in scope and usually focuses on one or more of the following areas: goal setting, asset/liability analysis, tax planning, cash flow management, investment review, retirement planning, risk management, estate planning, and record keeping. The service may include client consultations as necessary, in addition to oral recommendations resulting from such consultations. This engagement is completed upon Adviser's delivery of its final findings or recommendations.

### **Miscellaneous**

Limitations of Non-Investment Consulting/Implementation Services. Unless specifically agreed in writing, neither Adviser nor its representatives are responsible to implement any financial plans or financial planning advice; provide ongoing financial planning services; or provide ongoing monitoring of financial plans or financial planning advice. Adviser's financial planning and consulting services are completed upon communicating its recommendations to the client, upon written delivery of a financial plan or confirming document, or upon termination of the applicable agreement for ongoing services. Adviser does not serve as a law firm, accounting firm, or insurance agency, and no portion of Adviser's services should be construed as legal, accounting, or insurance implementation services. Accordingly, Adviser does not prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by a client, Adviser may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance agents, etc.). Clients are under no obligation to engage the services of any recommended professional who is responsible for the quality and competency of the services they provide.

Retirement Plan Rollovers – No Obligation / Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Adviser recommends that a client roll over their retirement plan assets into an account to be managed by Adviser, such a recommendation creates a conflict of interest if Adviser will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Adviser.

ERISA / IRC Fiduciary Acknowledgment. When Adviser provides investment advice to a client about the client's retirement plan account or individual retirement account, it does so as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts. Because the way Adviser makes money creates some conflicts with client interests, Adviser operates under a special rule that requires it to act in the client's best interest and not put its interests ahead of the client's. Under this special rule's provisions, Adviser must: meet a professional standard of care when making investment recommendations (give prudent advice); never put its financial interests ahead of the client's when making recommendations (give loyal advice); avoid misleading statements about conflicts of interest, fees, and investments; follow policies and procedures designed to ensure that Adviser gives advice that is in the client's best interest; charge no more than is reasonable for Adviser's services; and give the client basic information about conflicts of interest.

Order Management System. As part of its investment advisory services, Adviser may manage clients' retirement plan accounts (generally 401(k), 403(b) or profit-sharing plans) on a discretionary basis using an "Order Management System." Adviser regularly reviews the available investment options in these accounts, monitors them, and rebalances or reallocates investments in the accounts in the same way we do other accounts, though using different tools, as necessary. The Order Management System allows Adviser to access and manage the client's designated retirement plan account maintained on platforms where Adviser would otherwise need to collect the client's personal login credentials to manage the account and therefore potentially trigger additional custody obligations. However, when clients engage Adviser in this capacity, they are responsible to keep the Order Management System link / Adviser's login credentials active, so that Adviser will be able to access and manage the respective account without delay. If Adviser determines that an Order Management System link has become inactive, Adviser will use its best efforts to notify the client to resolve the issue. However, clients will remain subject to Adviser's fees described in Item 5 even when Adviser is not capable of executing trades because of the inactive link.

Portfolio Trading Activity / Inactivity. As part of its investment advisory services, Adviser will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the

client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods when Adviser determines that upon review, trades within a client's portfolio are not prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Client Obligations. When performing its services, Adviser is not required to verify any information received from the client or from the client's designated professionals and is expressly authorized to rely on that information. Clients are responsible to promptly notify Adviser if there is ever any change in their financial situation or investment objectives for the purpose of reviewing or amending Adviser's services or previous recommendations.

- C. The Adviser tailors investment advisory services specifically to the needs of each client. Before providing investment advisory services, an investment adviser representative will coordinate with each client to develop their investment objectives. The Adviser then executes its customized investment strategy by allocating investment assets consistent with the designated investment objectives. The client may, at any time, impose reasonable restrictions, in writing, on the Adviser's services.
- D. The Adviser does not participate in a wrap fee program.
- E. As of December 31, 2023, the Adviser had \$164,376,313 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

- A. Clients can engage the Adviser to provide combined discretionary investment advisory services and comprehensive financial planning and/or consulting services or discretionary investment advisory services on a *fee-only* basis under the following terms and conditions.

### **Investment Advisory Services**

#### **Financial Planning and Investment Advisory Services**

If a client engages the Adviser to provide ongoing financial planning and discretionary investment advisory services, the Adviser generally requires a minimum annual financial planning fee of \$6,000 (but that varies depending upon the complexity and scope of the services required) plus a fee for investment advisory services based on a percentage of the market value of the assets placed under the Adviser's management on a tiered basis as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$0 to \$1,000,000	1.25%
Additional Assets between \$1,000,001-\$2,000,000	1.00%
Additional Assets between \$2,000,001-\$4,000,000	0.75%
Additional Assets between \$4,000,001-\$10,000,000	0.50%
Additional Assets exceeding \$10,000,000	0.25%

The annual financial planning portion of the fee is prorated and charged on a quarterly basis as described below. The investment advisory service portion of the fee is paid quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter.

#### **Investment Advisory Services Only**

Clients can engage the Adviser to provide discretionary investment advisory services on a *fee-only* basis. Adviser's negotiable annual investment advisory fee for this service is equal to 1.5% of the value of assets under management. The investment advisory services fee is paid quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter.

#### **Minimum Fees and Investment Advisory Fees in General**

Adviser generally requires an annual minimum fee of \$15,000 for combined financial planning and investment advisory services. Therefore, clients subjected to that minimum fee who maintain less than \$720,000 in assets under management will pay more than as referenced in the above fee schedule. Likewise, Adviser generally requires an annual minimum fee of \$3,000 for investment advisory services only. Therefore, clients subjected to that minimum fee who maintain less than \$200,000 in assets under management will pay more than the 1.50% fee referenced above.

Unless Adviser expressly agrees otherwise in writing, account assets consisting of cash and cash equivalent positions are included in the value of an account's assets for purposes of calculating Adviser's advisory fee. Clients can instruct Adviser not to maintain (or to limit the amount of) cash or cash equivalent positions in their account.

Adviser, in its sole discretion and in limited circumstances, may waive or reduce this annual minimum fee requirement or negotiate the above fee schedules based upon certain criteria that include but are not limited to anticipated future earning capacity, anticipated future additional assets, dollar amount of existing assets to be managed, related accounts, complexity of the engagement, relationship between the client and Adviser or its representatives, negotiations, and account composition. Certain legacy clients may have accepted different pre-existing service offerings from Adviser and may therefore receive services under different fee schedules than as set forth above. As a result of these factors, similarly situated clients could pay different fees which correspondingly impacts a client's net account performance. The services to be provided by Adviser to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

#### **Financial Planning and Consulting Services (Stand-Alone)**

In addition to the combined investment advisory and financial planning services set forth above, the Adviser offers the following financial planning and consulting services on a negotiable stand-alone basis:

#### **Financial Overview**

The fee for a Financial Overview ranges between \$3,000 and \$25,000 depending upon complexity, which is payable upon engagement. In the event that the client engages the Adviser to provide combined investment advisory and financial

planning services set forth above, a credit equal to the amount of the amount paid for the Financial Overview will be provided to the client on the next quarterly statement.

### **Consulting Project/Retainer**

Services under the project retainer are typically provided on a flat-fee basis ranging between \$5,000 and \$40,000, or on an hourly-rate basis at \$350 per hour. These fees vary depending upon the complexity and scope of the services required. Flat fee project retainers are typically due in full at the beginning of the engagement. However, in Adviser's sole discretion, fees may be paid with one-half due at the beginning of the engagement and the remainder upon completion. These services may include Complete Financial Review, Investment Plan, Retirement Plan, Estate and Tax Planning, etc.

The following services are not included in any of the above service offerings, which will be billed separately at a rate of \$350 per hour for a minimum fee of \$1,500: estate settlement assistance, separation of marital or partnership asset calculation and implementation assistance, and terminal illness planning.

- B. Clients may elect to have the Adviser's advisory fees deducted from their custodial account. The applicable form of agreement between the client and Adviser, and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Adviser's investment advisory fee and to directly remit that advisory fee to the Adviser in compliance with regulatory procedures. If the Adviser bills the client directly, payment is due upon receipt of the Adviser's invoice. The Adviser deducts fees or bills clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. Unless a client's circumstances dictate otherwise, Adviser generally recommends that Charles Schwab and Co., Inc., and its affiliates ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers charge transaction fees for executing certain securities transactions according to their fee schedule, and they or their affiliated custodians also impose charges for custodial services / fees associated with maintaining the client's account. Without limiting the foregoing, clients may be required to pay certain charges and administrative fees related to their investment advisory accounts, transfer taxes, transfer or wiring fees, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state, or other applicable law or otherwise agreed to with regard to client accounts. For mutual fund and ETF purchases, clients will incur charges imposed by the respective fund, which represent the client's pro rata share of the fund's management fee and other fund expenses. These fees and expenses are described in each fund's prospectus or other offering documents. The fees charged by the applicable broker-dealer/custodian, and the charges imposed by mutual funds and ETFs, are separate from and in addition to Adviser's advisory fee referenced in this Item 5. Adviser does not share in any portion of those fees or expenses.
- D. Payment of Fees. For the Financial Overview and Consulting Project/Retainer services, payment is due upon engagement. For all other services, the Adviser's fee is prorated and paid quarterly in advance, with the investment advisory fee



portion being based upon the market value of the assets under management as of the last day of the previous quarter. The applicable form of agreement between the Adviser and the client will continue in effect until terminated by either party by written notice in accordance with such agreement. Upon termination, the Adviser will refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing cycle.

- E. Neither the Adviser nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Adviser nor any supervised person of the Adviser accepts performance-based fees.

#### **Item 7 Types of Clients**

The Adviser offers advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts and estates, etc. Adviser generally requires an annual minimum fee of \$15,000 for combined financial planning and investment advisory services. Therefore, clients subjected to that minimum fee who maintain less than \$720,000 in assets under management will pay more than as referenced in the above fee schedule. Likewise, Adviser generally requires an annual minimum fee of \$3,000 for investment advisory services only. Therefore, clients subjected to that minimum fee who maintain less than \$200,000 in assets under management will pay more than the 1.50% fee referenced in the above fee schedule. The Adviser, in its sole discretion, may waive or reduce its annual minimum fee requirement based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, existing dollar amount of assets to be managed, related accounts, complexity of the engagement, relationship between the client and Adviser or its representatives, account composition, negotiations with client, etc.).

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

- A. The Adviser may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Adviser may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Investment Risk in General. Investing in securities involves risk of loss that clients should be prepared to bear, including the complete loss of principal investment. Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future

performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Adviser) will be profitable or equal any specific performance levels. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease, and client account values could suffer a loss.

- B. The Adviser's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Adviser must have access to current/new market information. The Adviser has no control over the dissemination rate of market information; therefore, unbeknownst to the Adviser, certain analyses may be compiled with outdated market information, severely limiting the value of the Adviser's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Adviser's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

Margin / Securities Based Loans. Adviser does not recommend the use of margin for investment purposes. However, if a client determines to take a margin loan that collateralizes a portion of the assets that Adviser is managing, Adviser's investment advisory fee will be computed based upon the full value of the assets, without deducting the amount of the margin loan. Without limiting the above, Adviser may recommend that a client establish a securities-based loan ("SBL") with the client's broker-dealer/custodian or their affiliated banks (each, an "SBL Lender") to access cash flow. Unlike real estate-backed loans, SBLs potentially enable borrowers to access funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of SBLs should consult with an accountant or tax advisor. The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. SBLs are not suitable for all clients and are subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the SBL; the risk that the SBL Lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the SBL Lender may terminate the SBL at

any time. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing “margin calls” and liquidating securities and other assets in the client’s accounts.

If Adviser recommends that a client apply for SBLs instead of selling securities that Adviser manages for a fee to meet liquidity needs, the recommendation presents an ongoing conflict of interest because selling those securities (instead of leveraging those securities to access SBLs) would reduce the amount of assets to which Adviser’s investment advisory fee percentage is applied, and thereby reduce the amount of investment advisory fees collected by Adviser. Likewise, the same ongoing conflict of interest is present if a client determines to apply for SBLs on their own initiative. These ongoing conflicts of interest would persist as long as Adviser has an economic disincentive to recommend that the client terminate the use of SBLs. If the client were to invest any portion of the SBL proceeds in an account that Adviser manages, Adviser will receive an advisory fee on the invested amount, which could compound this conflict of interest. If a client accesses SBLs through its relationship with Adviser and the client’s relationship with Adviser is terminated, clients may incur higher (retail) interest rates on the outstanding loan balance. Clients are not under any obligation to employ the use of SBLs, and are solely responsible for determining when to use, reduce, and terminate the use of SBLs. Although Adviser seeks to disclose all conflicts of interest related to its recommended use of SBLs and related business practices, there may be other conflicts of interest that are not identified above. Clients are therefore reminded to carefully review the applicable SBL agreement, and all risk disclosures provided by the SBL Lender as applicable and contact Adviser’s Chief Compliance Officer with any questions about the use of SBLs.

Cybersecurity Risk. The information technology systems and networks that Adviser and its third-party service providers use to provide services to Adviser’s clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Adviser’s operations and result in the unauthorized acquisition or use of clients’ confidential or non-public personal information. Clients and Adviser are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost, and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Adviser has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Adviser does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

- C. Currently, the Adviser primarily allocates client investment assets among various no-load mutual funds (i.e., mutual funds that have no sales fee), exchange traded funds, bond funds, U.S. government securities, money market accounts, certificates of deposit, and individual treasury bonds, on a discretionary basis in accordance with the client's designated investment objectives. Each type of security has its own unique set of associated risks associated with it. The following provides a non-exhaustive description of some of the underlying risks associated with investing in these types of securities:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors) but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic, and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds, or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price

changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

Cash and Cash Equivalent Risk. Adviser may hold a portion of client's assets in cash or cash equivalent positions (such as but not limited to money market funds) typically for defensive and liquidity purposes. Investments in these assets may cause a client to miss upswings in the markets. Adviser's advisory fee could exceed the interest income from holding cash or cash equivalents. Clients can advise Adviser not to maintain (or to limit the amount of) cash or cash equivalent positions in their account.

DFA Restrictions. Adviser may allocate client investment assets to funds issued by Dimensional Fund Advisors ("DFA"), which are generally only available through selected registered investment advisers. Upon the termination of Adviser's services to a client, they may experience restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds.

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

The Adviser has not been the subject of any disciplinary actions.

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

- A. Neither the Adviser nor its representatives are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Adviser, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Adviser does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person. However, Adviser has entered into a succession agreement with another registered investment adviser, which is intended to mitigate a potential service disruption to clients in the event of an unforeseen loss of key personnel due to disability or death.
- D. The Adviser does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Adviser maintains an investment policy related to personal securities transactions. This investment policy is part of Adviser's overall Code of Ethics, which serves to establish a standard of business conduct for all of Adviser's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940 and similar state laws, the Adviser also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Adviser or any person associated with the Adviser.

- B. Neither the Adviser nor any related person of Adviser recommends, buys, or sells for client accounts, securities in which the Adviser or any related person of Adviser has a material financial interest.
- C. The Adviser and its representatives may buy or sell securities that are also recommended to clients. This practice may create a situation where the Adviser and its representatives are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Adviser did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed before those of the Adviser's clients) and other potentially abusive practices.

The Adviser has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Adviser's "Access Persons." The Adviser's securities transaction policy requires that an Access Person of the Adviser must provide the Chief Compliance Officer or their designee with a written report of their current securities holdings within ten (10) days of becoming an Access Person. Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detailing all trades in the Access Person's account during the previous quarter; and on an annual basis, each Access Person must provide the Chief Compliance Officer with a written report of the Access Person's current securities holdings. However, at any time that the Adviser has only one Access Person, they are not required to submit any securities report described above.

- D. The Adviser and its representatives may buy or sell securities at or around the same time as those securities are recommended to, purchased, or sold for clients. This practice creates a situation where the Adviser and its representatives could be in a position to materially benefit from the sale or purchase of those securities and therefore, this situation presents a potential conflict of interest. However, the types of securities and the size of the transactions that the Adviser and its representatives would typically execute for themselves at or around the same time as those securities are recommended to, purchased, or sold for clients have not

been and not are expected to be the types of transactions that could materially affect the market in general or the execution price that clients ultimately realize. Further, as indicated above in Item 11 C, the Adviser has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Adviser's Access Persons.

## **Item 12 Brokerage Practices**

- A. If a client requests that Adviser recommend a broker-dealer/custodian for execution or custodial services, Adviser generally recommends that investment management accounts be maintained at Schwab. Before engaging Adviser to provide investment management services, the client will be required to enter into a formal Financial Planning and Investment Advisory Agreement or Investment Advisory Agreement with Adviser setting forth the terms and conditions under which Adviser will manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Depending on which broker-dealer/custodian clients select to maintain their account, they may experience differences in customer service, transaction timing, the availability of sweep account vehicles and money market funds, and other aspects of investing that could cause differences in account performance.

When seeking "best execution," from a broker-dealer, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution when considering the full range of a broker-dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. Although Adviser cannot guarantee that clients will always experience the best possible execution available, Adviser seeks to recommend a broker-dealer/custodian that will hold client assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. Adviser considers a wide range of factors when recommending a broker-dealer/custodian, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear and settle trades (buy and sell securities for client accounts);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.);
- Quality of services (including research);
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength, and stability; and
- Prior service to Adviser and its other clients.

Schwab is compensated for its services according to its fee schedule, which may vary, generally by charging clients commissions or other fees on trades that it executes or that settle into their Schwab account. Although Adviser will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for all client account transactions. The fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Adviser's investment advisory fees. In an attempt to minimize client trading costs, Adviser directs



Schwab to execute most if not all trades for client accounts. When doing so, Adviser has determined that having Schwab execute most trades is consistent with the duty to seek “best execution” of client trades.

1. Research and Other Benefits. While Adviser does not receive traditional “soft dollar benefits,” Adviser and by extension, its clients receive access to certain institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to retail customers. Schwab also makes various support services available to Adviser. Some of those services help Adviser manage or administer its clients’ accounts; while others help it manage and grow its business. Schwab’s support services generally are available on an unsolicited basis (Adviser does not have to request them) and at no charge to Adviser.

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Adviser might not otherwise have access or that would require a significantly higher minimum initial investment by its clients. These services benefit Adviser’s clients and their accounts. Schwab also makes other products and services available to Adviser that benefits Adviser but may only indirectly benefit its clients or their accounts, such as investment research developed by Schwab or third parties that Adviser may use to service clients’ accounts. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from other clients’ accounts; and
- Assist with back-office functions, recordkeeping, and client reporting.

Schwab may offer other services intended to help Adviser manage and further develop its business. These services include:

- Educational conferences and events;
- Consulting on technology, compliance, legal and business needs;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Adviser. Schwab may discount or waive its fees for some of these services or pay all or a part of a third party’s fees. Schwab can also provide occasional business meals and entertainment for Adviser’s personnel.

Adviser’s Interest in Schwab’s Services and Benefits and Related Conflict of Interest. The availability of the services and products described above that Adviser receives from Schwab (the “Services and Products”) provides Adviser with an advantage, because Adviser does not have to produce or purchase

them. However, Adviser does not have to pay Schwab or any other entity for Services and Products that Schwab provides. Adviser's clients do not pay more for investment transactions executed or assets maintained at Schwab as a result of this arrangement. The receipt of Services and Products are not contingent upon Adviser committing any specific amount of business to Schwab in trading commissions or assets in custody. There is no corresponding commitment made by Adviser to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific securities or investment products as a result of the above. However, this arrangement nonetheless incentivizes Adviser to recommend that clients maintain their account with Schwab, based on its interest in receiving Schwab's services that benefit its business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of their transactions. This presents a conflict of interest. When making such a recommendation, however, Adviser does so when it reasonably believes that recommending Schwab to serve as broker-dealer/custodian is in the best interests of its clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only Adviser.

2. Brokerage for Client Referrals. The Adviser does not receive referrals from broker-dealers.
3. Directed Brokerage. The Adviser does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Adviser will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Adviser. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

If the client directs Adviser to execute securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to execute account transactions through alternative clearing arrangements that may be available through Adviser. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

- B. Adviser will generally execute account transactions for each client independently unless Adviser decides to purchase or sell the same securities for several clients at approximately the same time. Adviser may (but is not obligated to) combine or "batch" such orders to seek best execution, to negotiate more favorable commission rates, or to equitably allocate differences in prices and commissions or other transaction costs among Adviser's clients, which might have been obtained if the orders were placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any

given day. Adviser will not receive any additional compensation or remuneration as a result of such aggregation.

**Item 13            Review of Accounts**

- A. For those clients to whom Adviser provides investment advisory services, account reviews are conducted on an ongoing basis by the Adviser's Principal. All investment supervisory clients are advised that it remains their responsibility to advise the Adviser of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Adviser on an annual basis.
- B. Adviser may conduct account reviews on a non-periodic basis upon a triggering event, such as a change in client investment objectives and/or financial situation, market events, or specific client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Adviser may also provide a written periodic report summarizing account activity and performance or addressing financial planning issues. Adviser's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**Item 14            Client Referrals and Other Compensation**

- A. The Adviser receives economic benefits from Schwab including support services and/or products without cost (and/or at a discount). Adviser's clients do not pay more for investment transactions executed and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Adviser to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement.
- B. The Adviser does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

**Item 15            Custody**

The Adviser has the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Adviser may also provide a written periodic report summarizing account activity and performance. Adviser encourages clients to notify Adviser if they do not have access to or receive at least quarterly statements from the applicable custodian and/or program sponsor.

Adviser engages in other practices as requested by clients that require disclosure on Form ADV Part 1, Item 9 (Custody). In particular, certain clients have signed

asset transfer authorizations that permit their qualified custodian to rely upon instructions from Adviser to transfer those clients' funds to pre-identified "third parties." In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

To the extent that the Adviser provides clients with periodic account statements or reports, Adviser urges clients to carefully review those statements and compare them to custodial account statements. The account custodian does not verify the accuracy of the Adviser's advisory fee calculations.

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

Clients can engage the Adviser to provide investment advisory services on a discretionary basis. Before the Adviser assumes discretionary authority over a client's account, the client is required to execute a Financial Planning and Investment Advisory Agreement or Investment Advisory Agreement granting the Adviser full authority to buy, sell, or otherwise execute investment transactions involving the assets in the client's name in the discretionary account.

Clients who engage the Adviser on a discretionary basis may, at any time, impose restrictions, in writing, on the Adviser's discretionary authority (e.g., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Adviser's use of margin, etc.).

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

- A. The Adviser does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client are voted, and (2) making all elections related to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Adviser to discuss any questions they may have with a particular solicitation.

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

- A. The Adviser does not require fees of more than \$1,200, per client, six months or more in advance.
- B. The Adviser is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Adviser has not been the subject of a bankruptcy petition.