

## Firm Brochure

Part 2A of Form ADV



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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Wealth Architects, LLC. If you have any questions about the contents of this Brochure, please contact us at 650.325.9044. 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. Wealth Architects, LLC is registered as an investment adviser with the SEC; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

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

**ITEM 1: COVER PAGE**

Please refer to previous page.

**ITEM 2: MATERIAL CHANGES**

Wealth Architects, LLC (“Wealth Architects” or the “Firm”) is amending this Brochure to reflect the following material changes:

Since our last filing dated March 31, 2023, we have added Cantor Fitzgerald as a custodian of client assets. Further discussion of this change may be found in Items 10 & 12.

We have also added disclosures about our “Your Board of Advisors” program available through our Advisory Services, Wealth Planning, and Wealth Consulting services programs. Further discussion of this change may be found in Items 4 & 5.

Pursuant to SEC Rules, Wealth Architects will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of Wealth Architects’ fiscal year-end. Additionally, as Wealth Architects experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please visit [www.wealtharchitects.com](http://www.wealtharchitects.com).

Additional information about Wealth Architects and its investment adviser representatives is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**ITEM 4: ADVISORY BUSINESS****Description of Firm**

Wealth Architects is a California limited liability company and independent registered investment advisor, registered with the Securities and Exchange Commission. Our Firm provides comprehensive wealth management, wealth planning and wealth consulting services. Our broad range of wealth planning and consulting services can include non-investment related matters.

**Principal Owners**

The firm was founded in 2005 by Mark T. Johnsen and Lois Cole. Lois retired in 2012. The Firm is currently majority-owned by the Johnsen Family Living Trust. Wealth Architects is proud to be employee owned, with several employees holding minority stakes in the Firm.

**ADVISORY SERVICES****Wealth Management**

The wealth management services we provide are tailored to each individual client's financial circumstances and investment objectives. It is the Firm's policy, when engaged by a new client, to gather sufficient information about the client to determine the investment advice that the Firm should provide to that client. The Firm's Chief Operating Officer is responsible for ensuring that a client questionnaire is completed which provides sufficient information obtained from and about the client to allow portfolio managers to determine the investment strategy most suitable for the client. The Firm's portfolio managers consult with each client to design an individualized investment plan based on a number of factors including the client's financial condition, investment goals and objectives, risk tolerances, asset class preferences, time horizons, liquidity needs, and other factors as gathered through the completion of a Confidential Family and Background Goals Form and Investment Policy Statement. Our portfolio managers help each of the Firm's clients identify a strategic asset allocation that is consistent with the client's investment objectives and other criteria. Clients can identify any investment restrictions to be placed on their account.

Wealth management clients enter into a management relationship with the Firm by executing a wealth management agreement and by establishing a custodial investment account with a qualified custodian. A client can make additions to, and withdrawals from, the client's custodial account at any time. Clients can withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution our clients that unplanned asset withdrawals can impair the achievement of the client's investment objectives.

Additions to an account can be in cash or securities however, on an infrequent basis, our portfolio managers can or will decline to accept particular securities into a client's account or can recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they can be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

## **WEALTH PLANNING AND WEALTH CONSULTING SERVICES**

Wealth Architects provides wealth planning services on either an hourly fee or fixed fee basis. Wealth Architects' wealth planning services can include a financial review and analysis of some or all of the following areas:

- Determining Financial Goals and Objectives
- Asset Allocation Review
- Retirement Plan Analysis
- Employee Stock Option Analysis
- Current Portfolio Review
- Education Funding Analysis
- Cost Audit of Current Investments
- Cash Flow Management Review
- Review of Insurance Needs
- Mortgage and Refinance Evaluation
- Estate Plan Review or Development
- Charitable (or social capital) Planning
- Opinion on Current Investment Strategy/Advisors
- Other Financial or Investment Analysis

The Firm's professionals also accept wealth consulting engagements that are more limited in scope than our wealth planning services to conduct any of the listed reviews or analyses on an hourly fee basis.

The Firm relies upon the Investment Policy Statement and Confidential Family and Goals Form, as mentioned above, and financial planning software to analyze client financial condition and retirement needs. In cases where a financial plan is requested by a client, the financial planning software program produces a comprehensive financial plan tailored to the client's condition and projected retirement needs.

The Firm can recommend its own wealth management or wealth planning services or those of other professionals to implement investment recommendations. Clients are advised that a conflict of interest exists if the Firm recommends its own services. The client is under no obligation to act upon any of the recommendations made by Wealth Architects under a wealth planning / consulting engagement and/or to engage the services of any recommended professional, including Wealth Architects itself.

The client retains absolute discretion over all such planning implementation decisions and is free to accept or reject any of the Firm's recommendations.

## **NON-ADVISORY SERVICES**

"Your Board of Advisors"—Wealth Architects collaborates with third-party services providers to create solutions suited to a client's needs. If Wealth Architects recommends the service provider(s), and the client engages the provider(s), then the client will pay the provider(s) directly for the provider(s)' services. This is in addition to any fees the client pays to Wealth Architects. While Wealth Architects may have pre-existing business relationship with the selected provider(s), Wealth Architects does not receive any referral fees, percentages of payments by clients to the service provider(s), or any other form of compensation associated with selection of a particular service provider. This service is available to be included as part of Wealth Architects' Advisory Services, Wealth Planning, and Wealth Consulting services (discussed above) and typically includes Estate Attorneys, Banks/Lenders, Tax Advisors, Insurance Specialists, and Real Estate Professionals. A client of Wealth Architects' Advisory Services, Wealth Planning, and Wealth Consulting services programs will not pay additional fees to Wealth Architects for using the Board of Advisors. Note, however, that you will pay separate fees to these service providers should you choose to engage with them.

## **FIDUCIARY STATUS UNDER ERISA**

To the extent any client is a retirement or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and depending upon the investment management services provided by Wealth Architects, the Firm can be considered a "fiduciary" under ERISA. As an ERISA fiduciary, the Firm is obligated to provide investment advice that is in each client's best interests.

## **Compliance with Prohibited Transaction Exemption PTE 2020-02**

On occasion, Wealth Architects will make a recommendation to a client with regards to assets held in retirement accounts. Recommendations include, but are not limited to, rolling assets out of an employer sponsored plan (e.g., 401k), or to rollover an individual retirement account ("IRA") for the Firm to manage for a fee. This is deemed a conflict of interest.

In December 2020, the DOL adopted an exemption under ERISA ("PTE 2020-02"), which specifically covers three activities prohibited under Section 406(a). These activities are self-dealing, receiving compensation from third parties in connection with any transactions involving an ERISA plan, and principal transaction activity.

PTE 2020-02 can be relied upon by, among others, SEC registered investment advisers and their investment professionals that are deemed investment advice fiduciaries, so long as all the exemption's requirements are met, as applicable. There are five main

components to PTE 2020-02, which are designed to safeguard against conflicts of interest that apply to the prohibited activities covered by the exemption. These include:

- Adhering to specific Impartial Conduct Standards
- Providing specific disclosure to each ERISA Plan client
- Maintaining applicable written policies and procedures
- Performing and documenting a retrospective review
- Having a senior officer make certain written certifications.

Wealth Architects is deemed to be an investment advice fiduciary. At all times, the Firm will act in the client's best interest in making any recommendations related to assets covered by ERISA. Wealth Architects will comply with all applicable rules in order to maintain this exemption.

## **GENERAL NOTICE**

In performing its services, Wealth Architects relies upon the information received from its client or from their other professional legal, accounting and insurance advisors, and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or wealth plan.

### Advisory Agreements

Unless provided in connection with the wealth management services described above, clients engaging Wealth Architects to provide wealth planning or consulting services will generally be required to enter into a separate written agreement with Wealth Architects setting forth the terms and conditions of the engagement and describing the scope of the services to be provided. Wealth planning and consultation clients are not required to be wealth management clients of the Firm.

Clients can terminate their relationship with the Firm by written notice to the Firm. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Any prepaid fees owed to the client will be refunded on a pro rata basis determined on the amount of time expired in the calendar quarter. In the event the client terminates the Firm's wealth planning and/or consulting services, the balance of the Firm's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services, the client shall be entitled to a full refund.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client prior to or simultaneous with a client entering into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.



Amount of Client Assets Managed

As of December 31, 2023, the following represents the amount of client assets under management by Wealth Architects on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$1,647,094,813
Non-Discretionary	\$131,197,899
Total:	\$1,778,292,712

**ITEM 5: FEES AND COMPENSATION****ADVISORY FEES**Wealth Management Fees

Wealth Architects charges an annual fee, prorated and charged quarterly, in advance, based on the market value of the assets in the account(s) on the last day of the previous quarter. The Firm's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, the Firm shall not receive any portion of these commissions, fees, and costs. The annual fee shall vary (between 0.30% and 0.85%) depending upon the market value of the assets under management and the type of wealth management services to be rendered, as follows:

Value of Account Assets	Annual Fee Rate
Up to 5 million dollars	0.85% plus
Between 5 and 10 million dollars	0.50% plus
Above 10 million dollars	0.30%

Wealth Architects imposes a minimum annual wealth management fee of \$10,000. This minimum fee can have the effect of making the Firm's service impractical for clients, particularly those with portfolios less than \$1,000,000 under management. We can or will, in our discretion, waive the minimum annual fee or charge a different minimum fee for friends and family (including firm personnel), or for clients based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. We aggregate all accounts within a "household" for purposes of assessing the fee. A "household" includes your spouse, custodial accounts for minor children who reside with you, and certain trust assets.



As stated previously, clients are free to make additions to, and withdrawals from, their custodial account at any time, subject to the Firm's right to terminate an account if the withdrawal renders continued management by the Firm unwarranted given its investment strategy and other considerations. If assets are deposited into an account after the inception of a quarter that exceed 10% of the total value of household accounts at the time of the addition, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter. Clients can withdraw account assets on notice to the Firm, subject to the usual and customary securities settlement procedures. For partial withdrawals that exceed 10% of the value of the total value of household accounts on the date of the withdrawal, the Firm shall credit its unearned fee towards the next quarter's fee. However, the Firm designs its portfolios as long-term investments and asset withdrawals can impair the achievement of a client's investment objectives.

For the initial quarter of wealth management services, the first quarter's fees are calculated on a pro rata basis.

As soon as possible after the end of each calendar quarter, the Firm sends out client account reports that reflect portfolio holdings, asset allocations and portfolio performance as of the last business day of the prior quarter. Client portfolios are valued according to the assets held in the portfolio, the values of which are determined as follows:

- Valuations of liquid securities are provided to the Firm by third party custodians (e.g., Schwab or Fidelity) or from third-party pricing services such as Interactive Data Corporation, Yahoo Finance or other acceptable service.
- To the extent non-liquid investments such as limited partnerships, limited liability companies or non-traded real estate investment trusts (REITs) are held in client accounts, they are valued at asset values reported by the relevant investment issuer or sponsor. If a sponsor does not report a current price, (which typically occurs during the initial investment stages of capital investment) then the units or shares may be valued at the amount of the original investment.

To the extent the Chief Investment Officer determines that any readily available market value quotation is not accurate, the Firm will not assess a management fee on that particular client holding.

At times, and at the discretion of the firm, arrangements can be made for clients to be billed, and remit their fees directly to the Firm. However, we typically require clients, via their Investment Advisory Agreement, to authorize the custodian of their account(s) to debit the client's account for the amount of Wealth Architects' wealth management fee and to directly remit that management fee to the Firm. The client's custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Wealth Architects. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated. Clients must discuss any discrepancy in fees with Wealth Architects within 30 days of the billing date.

**WEALTH PLANNING AND WEALTH CONSULTATION FEES**

The Firm offers its wealth planning and wealth consulting services on either an hourly and/or fixed fee basis. Our wealth planning and consulting fees are negotiable, but generally, range from \$2,500 to \$20,000 on a fixed fee basis and from \$150 to \$500 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the wealth planning and/or the consulting services. If the client also engages the Firm for additional wealth management services, the Firm can offset all or a portion of its fees for those services based upon the amount paid for the wealth planning and/or consulting services. Generally, the Firm requires an initial wealth planning / consulting deposit of a minimum of \$1,000 (estimated hourly or fixed) payable upon entering the written wealth planning or consultation agreement.

The balance is generally due upon delivery of the wealth plan or completion of the agreed upon services.

**GENERAL FEE DISCLOSURE**

Neither the Firm nor its employees and affiliates receive commissions, sales loads, 12b-1 fees, or revenue sharing payments on investment products purchased or sold for client accounts. Neither the Firm nor any employee or affiliate pays or accepts referral fees for placing client assets into any investment. Wealth Architects employees and affiliates are not paid "sales awards" or prizes for referring clients to the Firm, but they can receive compensation or bonuses tied to client asset values. Please note that compensation and bonuses tied to client asset values create a conflict of interest as an incentive exists to take actions to increase the amount of assets under management. Such actions include encouraging you to invest more or to seek greater risk in your account. The Firm neither sponsors nor advises any proprietary investment funds, pooled investment vehicles, private equity, or limited partnership investment products.

We believe our wealth management fees are reasonable in light of the fees charged by other investment advisors for comparable services. However, comparable services can be available from other sources for lower fees than those charged by Wealth Architects. The client's fee is determined in accordance with the above fee structure, with exceptions negotiated on a case-by-case basis at Wealth Architects' discretion. Any deviations from the fee structure are based upon a number of factors including the amount of work involved, the amount of assets placed under management and the attention needed to manage the account.

**CUSTODIAN AND BROKERAGE FEES**

Clients incur certain charges imposed by their custodians and other third parties such as 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. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). Clients and prospective clients are directed to Item 12,

Brokerage Practices, below for further information regarding custodian and execution charges. These charges, fees and commissions are in addition to the Firm's wealth management fee.

## **FUND DISCLOSURES**

Mutual funds, closed-end funds, exchange traded funds and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by Wealth Architects, clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

While Wealth Architects primarily deploys No-Load type Mutual Funds in its clients' portfolios (i.e., a mutual fund in which shares are sold without a commission or sales charge), all such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees.

The management fees charged vary from fund to fund. In addition, funds can charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other fund) in which they are invested. Important additional information related to fees, the management team and performance of the fund is available in the fund's prospectus, which you are encouraged to review.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Wealth Architects does not charge performance-related fees. No part of the investment management fee is calculated as a percentage of the capital gain or capital appreciation of assets.

## **ITEM 7: TYPES OF CLIENTS**

### Description

Our clients include individuals and their trusts, estates and retirement plans, pension and profit-sharing plans and charitable organizations.

### Conditions for Managing Accounts

As noted above, Wealth Architects imposes a minimum annual wealth management fee of \$10,000. This minimum fee can have the effect of making the Firm's service impractical for clients, particularly those with portfolios less than \$1,000,000 under management. We can, in our discretion, waive the minimum annual fee or charge a different minimum fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

As noted above, clients can impose reasonable restrictions on investing in certain securities or other investments. However, there can be times when certain restrictions are placed by a client, which can prevent Wealth Architects from accepting or continuing to manage the account. Wealth Architects reserves the right to not accept and/or terminate management of a client's account if it feels that the client-imposed restrictions would limit or prevent the Firm from meeting and/or maintaining its investment strategies.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### Methods of Analysis

Our portfolio managers base their investment analysis on modern portfolio theory. This entails examining the investment goals of each client, determining the amount of investment risk suitable to those goals and building a diversified portfolio of assets to provide appropriate risk-adjusted returns. The Firm relies on leading academic and industry research to inform its investment strategy and utilizes a variety of financial and economic sources to study various asset classes including third party academic research materials, financial newspapers and magazines, corporate rating services, and corporate annual reports, press releases, prospectuses and regulatory filings.

### Investment Strategies

Wealth Architects offers advice on several types of investments including, but not limited to, stocks, bonds, options, mutual funds, municipal securities, and real estate investments. However, the Firm primarily allocates its client's wealth management assets among mutual funds, exchange traded funds, and individual debt securities in accordance with the investment objectives of the client.

In certain circumstances, and at the specific request of a client, the Firm will research and provide feedback regarding alternative investments to qualified clients for whom such investments are deemed suitable. These alternative investments can include, but are not limited to, venture capital limited partnerships, private equity, managed future funds, hedge funds and third-party funds of funds.

### Risk of Loss

All securities investments carry risk, including the risk that an investor can lose a part or all of his or her initial investment. Here are some of the general risks associated with parts of our investment strategy:

Short-term purchases – On occasion, generally only for tax management or cash flow purposes, we can determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

Option Trading – Certain Wealth Architects clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

Alternative Asset Classes – Depending upon the type of alternative investment vehicle, clients can or will not be able to sell their interests readily or in a timely manner.

Restrictions on sale or redemption of interests therefore can or will lead to inconvenience in connection with personal liquidity needs or losses due to the inability to sell interests in volatile financial market conditions. To the extent non-liquid investments such as limited partnerships, limited liability companies or non-traded real estate investment trusts (REITs) are held in client accounts, they are valued at asset values reported by the relevant investment issuer or sponsor.

Private Equities – Wealth Architects can purchase or recommend the inclusion of shares in non-publicly traded equities in the accounts of accredited clients. These companies will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these securities can be highly illiquid or can experience losses of liquidity – resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. As discussed above, to the extent non-liquid investments are held in client accounts, they are valued at asset values reported by the relevant investment issuer or sponsor. If a sponsor does not report a current price (which typically occurs during the initial investment stages of capital investment) then the units or shares may be valued at the amount of the original investment. However, Wealth Architects will make efforts to obtain a good faith reasonable valuation from the Private Equity Firm.

Regardless, this methodology which can or perhaps will not reflect losses that would be realized if the position was sold. Wealth Architects can have clients who are executives of said firms or have other financial relationships that can create conflicts of interest. Where such conflicts exist, Wealth Architects will disclose these conflicts in written format to the clients who hold such securities or whom we intend to purchase such securities under our discretion prior to any transactions.

## **ITEM 9: DISCIPLINARY INFORMATION**

### Legal or Disciplinary Events

Wealth Architects has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Wealth Architects is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. Although we recommend that our clients custody their investment accounts at Charles Schwab & Co., Inc. ("Schwab"), Fidelity Investments ("Fidelity"), or Cantor Fitzgerald ("Cantor"), we have no affiliation with any of these custodians, do not supervise their brokerage activities, and are not subject to their

supervision.

Although we can refer our clients to other professionals such as attorneys, accountants or insurance specialists for estate planning, tax, insurance or other matters, neither the Firm nor its principal or employees are affiliated with any law, accountancy, or insurance firm.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### Description of Code of Ethics

The Firm and persons associated with the Firm are permitted to buy or sell securities that it also recommends to clients consistent with the Firm's policies and procedures.

The Firm has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). Our Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Firm or any of its associated persons. The Code of Ethics also requires that Firm personnel report their personal securities holdings and transactions and obtain pre-approval of non-mutual fund security transactions. Clients and prospective clients can contact the Firm to request a copy of its Code of Ethics at any time.

### Participation or Interest in Client Transactions

When the Firm is purchasing or considering for purchase any security on behalf of a client, no employee can effect a transaction in that security prior to the completion of the purchase on behalf of Firm clients or until a decision has been made not to purchase such security for clients. Similarly, when the Firm is selling or considering the sale of any security on behalf of a client, no employee can effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

### Personal Trading

Employees can buy or sell different investments, based on personal investment considerations, which the Firm may or may not deem appropriate to buy or sell for clients. It is also possible that employees can take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees can also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. This can occur when securities that are not suitable for clients at the time of purchase (e.g., speculative stocks, micro-cap stocks, penny stocks), are purchased by employees. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

At times, employees can also liquidate a security position that is held for their own account (which is also held in clients' accounts), in advance of clients. Typically, this occurs when



personal circumstances dictate this (e.g., based on liquidity needs, tax-planning, industry/sector weightings, etc.) To mitigate conflicts of interest, Wealth Architects has adopted a Code of Ethics that must be followed by all employees and the Firm's access persons. Among other things, the Code requires the Firm's access persons to pre-clear certain transactions and report all personal trading transactions on a quarterly basis. To that end, some Wealth Architects employees have their personal accounts managed by Wealth Architects and trade alongside the Firm's clients. In these circumstances, or whenever possible, client liquidations will either go first or be side-by-side with employee liquidations to avoid this conflict of interest.

## **ITEM 12: BROKERAGE PRACTICES**

### Selection Criteria

Wealth Architects does not maintain custody of your assets that we manage, although we can be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank.

We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), Fidelity, and/or Cantor Fitzgerald, registered broker-dealers, and members of SIPC, as the qualified custodians. We are independently owned and operated and are not affiliated with Schwab, Fidelity, or Cantor. These qualified custodians will hold your assets in a brokerage account and buy and sell securities when we instruct them. While we recommend that you use Schwab, Fidelity, or Cantor as custodian/broker, you will decide whether to do so and will open your account with one of these qualified custodians by entering into an account agreement directly with them.

We do not open the account for you, although we can assist you in doing so. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at one of these custodians, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

#### **A. How We Select Custodians/Brokers**

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, ETFs,



- etc.);
- availability of investment research and tools that assist us in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- the custodian/broker's prior service to us and our other clients; and
- availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from our Qualified Custodians").

## B. Custody and Brokerage Costs

For our clients' accounts that these Qualified Custodians maintain, the custodians generally, do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that it executes or that settle into your custodial account. Certain trades (for example, many mutual funds and ETFs) can or will not incur commissions or transaction fees. The Qualified Custodian is also compensated by earning interest on the uninvested cash in your account. For some accounts, the Qualified Custodian can charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Each Qualified Custodian's commission rates and asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain Wealth Architects client assets in accounts at the Qualified Custodian. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be otherwise. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have the Qualified Custodian execute most trades for your account. We have determined that having the Qualified Custodian execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How we select brokers/custodians").

## C. Best Execution

It is the policy and practice of Wealth Architects to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, Wealth Architects will use Schwab, Fidelity, or Cantor. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of their services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, it can or will not necessarily obtain the lowest possible commission rates for client transactions.

Wealth Architects is not required to negotiate "execution only" commission rates, thus clients can be deemed to be paying for research and related services (i.e., "soft dollars") provided by Schwab, Fidelity, or Cantor which are included in the commission rate.

To ensure that the Qualified Custodian is conducting overall best qualitative execution, the Firm will periodically (and no less often than annually) evaluate the trading process of Schwab, Fidelity, or Cantor. The Firm's evaluation will consider the full range of brokerage services offered by the Qualified Custodians, which can include, but is not limited to price, commission, timing, research, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers, and administrative ability.

#### D. Directed Brokerage

Directed brokerage is an arrangement whereby a client directs trades for its account to be executed through a specific broker. Wealth Architects will, in its sole discretion, allow for clients to direct which broker-dealer/custodian through which they can transact for their account or certain transactions. With directed brokerage, however, Wealth Architects cannot effectively seek better execution services or aggregate client transactions with orders for other accounts advised or managed by Wealth Architects, as a result, directed brokerage will likely result in a client paying higher brokerage commissions and a different price than what other Wealth Architects clients will pay based on the terms set forth by the directed broker-dealer.

Wealth Architects generally recommends that clients use Schwab, Fidelity, and/or Cantor for brokerage and custodial services because it believes these Qualified Custodians can provide best overall qualitative execution and services. To help ensure that clients are receiving best execution and to address the conflict of interest surrounding this recommendation, Wealth Architects performs periodic reviews of the quality of execution and services provided by these Custodians. While Wealth Architects permits clients to direct brokerage, when a client directs us to place trades other than with Schwab, Fidelity, or Cantor, there is no guarantee that best execution will be achieved.

#### E. Trade Aggregation and Allocation

Transactions for each client will be effected independently, unless Wealth Architects decides to purchase or sell the same securities for several clients at approximately the same time. Wealth Architects performs investment management services for various clients, some of which can have similar investment objectives. The Firm can (but is not obligated to) aggregate or "batch" sale and purchase orders with other client accounts that have similar orders being made contemporaneously, if in Wealth Architect's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts.

Such benefits can include better transaction prices and lower trade execution costs. Wealth Architects can combine such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

Because of prevailing market conditions, it can or will not be possible to execute all shares of an aggregated trade, in which case the Firm will allocate the trade among participating accounts in an equitable manner determined prior to execution of the trade. Ordinarily, the executing broker-dealer will provide an average price, and where possible, average transaction costs that will be allocated to all accounts participating in the aggregated trade. In certain cases, Wealth Architects can or will not be able to purchase or sell the same security for all clients that could transact in the security, which is generally based on various factors such as the type of security, size of the account, cash availability and account restrictions. If such orders cannot be fully executed under prevailing market conditions, Wealth Architects can allocate the securities traded among clients and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

## F. Custody and Brokerage Costs

Schwab, Fidelity, and Cantor generally do not charge Wealth Architects client accounts separately for custody services but are compensated by charging you commissions or other fees on trades that it executes or that settle into your custodial account. For some accounts, Qualified Custodians can charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Custodial commission rates and asset-based fees applicable to Wealth Architects client accounts were negotiated based on our commitment to maintain Wealth Architects client assets in accounts at the custodial firm. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be if Wealth Architects had not made the commitment. In addition to commissions, or asset-based fees, Schwab, Fidelity, and Cantor charge a flat dollar amount as a “trade away” fee for each trade that Wealth Architects executes by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a custodial account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer.

### *Products and Services Available to Us from the Qualified Custodians we use:*

The Qualified Custodians we utilize provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to retail customers. These Qualified Custodians also make available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business.

These support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us.

Following is a more detailed description of these custodial support services:

### *Custodial Services that Benefit You.*

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 our Qualified Custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Custodial services described in this paragraph generally benefit you and your account.

## *Custodial Services that Can or Will Not Directly Benefit You.*

Our Qualified Custodians also make available to us other products and services that benefit us but can or will not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both the custodian's own and that of third parties. We can use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the Qualified Custodian that provided the service. In addition to investment research, Schwab, Fidelity, and Cantor also make available software and other technology that:

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

## *Custodial Services that Generally Benefit Only Us.*

Schwab, Fidelity, and Cantor also offer other services intended to help us manage and further develop our business enterprise. These services include:

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

Schwab, Fidelity, and Cantor can provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab, Fidelity, and Cantor can also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab, Fidelity, and Cantor can also provide us with other benefits, such as occasional business entertainment of our personnel.

## *Our interest in the Services provided by Schwab, Fidelity, and Cantor.*

The availability of these services from our Qualified Custodians benefit us because we do not have to produce or purchase them. We don't have to pay for Custodial services.

These services are not contingent upon us committing any specific amount of business to a particular Qualified Custodian in trading commissions or assets in custody. This creates an incentive to recommend that you maintain your account with one of these Qualified Custodians, based on our interest in receiving their services that benefit our business and the Qualified Custodian's payment for services for which we would otherwise have to pay rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab, Fidelity, and Cantor as custodians and brokers is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of these Qualified Custodian's services (see "How we select brokers/ custodians") and not "Custodial Services that Generally Benefit Only Us."

## **ITEM 13: REVIEW OF ACCOUNTS**

For those clients to whom the Firm provides wealth management services, the Firm monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Chief Investment Officer or another portfolio manager under the Chief Investment Officer's supervision. All wealth management clients are encouraged to discuss their needs, goals, and objectives with the Firm and to keep the Firm informed of any changes thereto. The Firm contacts ongoing wealth management clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives. Wealth management clients receive a report from the Firm at least quarterly that includes account values and account performance. Clients are advised to regularly compare the assets and values listed on their Wealth Architects account report with those listed on the custodian's account statements. Those clients to whom the Firm provides wealth planning and/or consulting services receive reports from the Firm summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by the Firm.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Wealth Architects does not pay referral fees to any third-party firms or individuals for recommending the Firm to prospective clients, nor is the Firm or its employees paid referral fees by any third party for referring clients to their businesses. We do not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals.

**ITEM 15: CUSTODY**

All clients of Wealth Architects must place their assets with a qualified custodian.

Schwab, Fidelity, or Cantor maintain actual custody of your assets. You will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address you provide or through direct access via the custodian's portal.

You should carefully review those statements promptly when you receive them. We also urge you to compare the custodian's account statements with the periodic portfolio reports you will receive from us.

As Wealth Architects provides certain services and other types of services whereby it has direct access to client funds (e.g., such as monitoring and transacting in an employer sponsored retirement or stock plan), it is deemed by regulation to have custody of client assets. For these assets, Wealth Architects obtains an annual surprise exam from an independent accounting firm in accordance with Rule 206(4)-2 of the Advisers Act, pursuant to a written agreement between the firm and the accountant, at a time to be determined by the accountant without prior notice or announcement and that is irregular from year to year. The independent public accountant must be registered with and subject to regular inspection, with the Public Company Accounting Oversight Board ("PCAOB"). Clients will receive account statements monthly from the custodian. Clients are urged to compare custodial account statements against statements prepared by Wealth Architects for accuracy. For more information about custodians and brokerage practices, see Item 12 - Brokerage Practices.

Additionally, pursuant to the Investment Advisers Act of 1940, Wealth Architects is deemed to have "constructive custody" of client funds because the Firm has the authority and ability to debit its fees directly from the accounts of those clients receiving Investment Advisory Services.

Further, certain clients have, and can in the future, sign a Standing Letter of Authorization (SLOA) that gives Wealth Architects the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give the Firm custody. Custody is defined as any legal or actual ability by the Firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly.
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.



However, the rules governing the direct debit of client fees and SLOAs exempts Wealth Architects from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from client accounts, Wealth Architects must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
2. In the case of SLOAs, Wealth Architects must: (i) confirm that the name, address, and account number of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (iii) ensure that certain requirements are being performed by the qualified custodian.

The qualified custodian that is selected by a client maintains actual physical custody of client assets. Client account statements from custodians will be sent directly to each client to the email or postal mailing address that is provided to the qualified custodian selected by the client. Clients are encouraged to compare information provided in reports or statements received by Wealth Architects with the account statements received from their custodian for accuracy. In addition, clients should understand that it is their responsibility, not the custodian's, to ensure that the fee calculation is correct. If client funds or securities are inadvertently received by our firm, they are returned to the sender immediately, or as soon as practical.

#### **ITEM 16: INVESTMENT DISCRETION**

At the time they establish their custodial investment management accounts at Schwab, Fidelity, and/or Cantor, clients execute a limited power of attorney that appoints us as their wealth advisor and grants full trading and investment authority over their assets. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

- Which securities to buy;
- Which securities to sell;
- The amount of securities to buy or sell; and
- Which broker to use to execute each transaction.

This discretion can be limited by client investment guidelines and by any investment restrictions set by the client.

Except in the case of directed brokerage instructions, client securities transactions generally are executed through Schwab, Fidelity, and Cantor to avoid "trade away" fees for trades that are executed at other broker-dealers. In some cases, a particular security can or will not be available through Schwab, Fidelity, and Cantor or available only under execution parameters or at an overall cost that makes the use of an alternative executing broker more advantageous for that transaction. In such cases, the portfolio managers have the discretion to select the broker to execute the trade.



The Firm can render non-discretionary wealth management services to clients relative to: (1) variable life/annuity products that they can own, (2) other accounts not custodied at Schwab, Fidelity, and Cantor, and/or (3) their individual employer sponsored retirement plans. In so doing, the Firm either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan.

The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product, which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

#### **ITEM 17: VOTING CLIENT SECURITIES**

Unless you direct otherwise, we are authorized to vote proxies for client accounts, which means that the Firm will, among other things: make all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to the securities in the Account. You will notify the Custodian of this authorization and instruct it to forward copies of all proxies and shareholder communications relating to the Assets to us for review and voting.

Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, the Firm shall devote an appropriate amount of time and resources to monitor these changes.

In situations where there can be a conflict of interest in the voting of proxies due to business or personal relationships that the Firm itself or another Firm client maintains with persons having an interest in the outcome of certain votes, the Firm will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

#### **ITEM 18: FINANCIAL INFORMATION**

Wealth Architects does not require or solicit prepayment of its management fees from clients in an amount of \$1,200 or more per client, for six or more months in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.