



**Schwallier Wealth Management LLC, DBA  
Schwallier Wealth Management**

**Firm Brochure**

**ADV Part 2A**

**March 25, 2024**

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This brochure provides information about the qualifications and business practices of Schwallier Wealth Management, a DBA of Schwallier Wealth Management LLC. If you have any questions about the contents of this brochure, please contact us at (616) 855-2051. 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.

Schwallier Wealth Management is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about Schwallier Wealth Management is available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The Adviser's CRD number is 143329.

## **2. MATERIAL CHANGES**

Form ADV Part 2 requires registered investment advisors to amend their brochure when information becomes materially inaccurate. If there are any material changes to an advisor's disclosure brochure, the Adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated 03/30/2023, we have amended this brochure to disclose the following material changes:

- 1) The firm has added the Information related to Transition Assistance received from LPL (Item 12)
- 2) The firm implemented a wrap fee program through LPL. Please see the new Appendix 1 to this firm brochure.

If you have any questions about this disclosure, please contact Adam Schwallier, at the phone number on the cover page of this brochure.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Schwallier Wealth Management.

If you have any questions about this disclosure, please contact Adam Schwallier, at the phone number on the cover page of this brochure.

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#### **4. ADVISORY BUSINESS**

##### **A. OWNERSHIP/ADVISORY HISTORY**

Schwallier Wealth Management LLC (“the Adviser”) DBA Schwallier Wealth Management was established as a Michigan Limited Liability Company in April 2007. It was subsequently registered as an SEC-registered investment adviser. The Adviser’s current owner is Adam Schwallier (“Mr. Schwallier”).

##### **B. ADVISORY SERVICES OFFERED**

The Adviser’s services include portfolio management services, institutional retirement advisory service, and the creation of financial plans for clients. The Adviser will meet with a client to evaluate the individual client’s investment needs, goals and objectives. After the evaluation, the Adviser may recommend one or several of the services described below.

###### **iv. FINANCIAL PLANNING**

The Adviser offers clients financial planning services to evaluate their financial situation, goals and risk tolerance. Through a series of personal interviews and the use of questionnaires, the Adviser will collect pertinent data, identify goals, objectives, financial problems, potential solutions, prepare specific recommendations and implement recommendations. As a result of these actions, the Adviser’s advice may be provided on financial and cash management, risk management, financial issues relating to divorce or marital issues, estate planning, tax issues, IRA distribution planning, Investment Planning/Asset Allocation, retirement planning, educational funding, goal setting, or other needs as identified by the client and Advisor. The Adviser may offer broad-based planning services, or the client may desire advice on certain planning components; the Adviser can tailor services as desired by the client. At the conclusion of the Financial Planning Service, the Adviser will present the client with the financial plan.

###### **ii. FIXED FEE FINANCIAL PLANNING**

The Adviser may provide financial planning services on a fixed fee basis. This service involves working one-on-one with an Advisor over an extended period of time by paying the annual fee on either a monthly, quarterly, or yearly, or hourly basis, as elected by the client. The client will have access to a planner who will work with them to design their plan. The planner will monitor the plan, recommend any changes, and ensure the plan is up to date for the duration of the engagement. Upon desiring a comprehensive plan, a client will be taken through establishing their goals and values around money. The Adviser may charge for the creation of the plan and the requisite implementation.

Financial planning engagements begin with the creation of a personalized plan that includes the establishment of goals and objectives. Financial planning services charged via a fixed fee may be broad-based or narrowly focused, depending on the client’s needs. For clients engaged in ongoing planning services (non-hourly Clients) the Adviser will proactively schedule and complete a periodic review of each personalized plan to make updates and adjust for life changes.

Each client engaged in ongoing planning services receives scheduled communication to conduct periodic reviews of each client’s financial life. These reviews proactively seek to address the Client’s financial life and may cover a wide range of topics including but not limited to:

###### **Cash Flow and Debt Management**

Advisor will regularly review your income and expenses to determine your current surplus or deficit and advise on options for using surplus, or how to reduce expenses if they exceed your income. Advice may also be given on which debts to pay off in which order. Recommendations may be made regarding how to appropriate cash reserves for emergencies and other financial goals, plus strategies to save desired amounts.

*Risk Management*

A risk management review analyzes your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the potential cost of not.

*Employee Benefits*

We will provide feedback and analysis as to whether you are taking the full advantage of your employee benefit programs. If you are a business owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal retirement goals.

*Retirement Planning*

Retirement planning services typically include projections depicting the likelihood of achieving your financial goals, with financial independence usually the primary objective. For situations where projections show less than the desired results, a recommendation may include showing you the impact on those projections by making changes in certain variables (i.e., working longer, saving more, spending less, taking more risk with investments). If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

*Tax Planning Strategies*

Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make recommendations on which type of account(s) or specific investments should be owned based in part on their “tax efficiency,” with consideration that there is always a possibility of future changes to federal, state, or local tax laws and rates that may impact your situation.

*Education Planning*

College funding advice may include analyzing how much will be needed to achieve successful education funding goals, along with savings strategies and the “pros-and-cons” of various college savings vehicles that are available.

*Investment Consultation*

Our investment consultation services may provide information on the types of investment vehicles available, employee retirement plans and/or stock options, investment analysis and strategies, asset selection and portfolio design, as well as assisting you with your investment account if it is maintained at another broker/dealer or custodian.

*Other than Scheduled Review*

We strongly urge our clients to notify us of any change in their circumstances, and to schedule a review any time there is such a change. An annual review will be conducted even in the event of no substantial change, because tax laws, estate laws, and investment vehicles are always changing.

**iii. PORTFOLIO MANAGEMENT**

The Adviser’s portfolio management engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client’s current investment portfolio against the client’s personal and financial circumstances as disclosed to the firm in response to a questionnaire and/or in discussions with the client and reviewed in meetings.
- Analyzing the client’s financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending an appropriate investment portfolio.

- Implementing changes in the client’s investment portfolio in consideration of changes in the client’s personal circumstances, investment objectives, and tolerance for risk, the performance record of any of the client’s investments, and/or the performance of any fund retained by the client, as well as based on changing economic and market outlooks.

With non-discretionary portfolio management services, prior to the execution of any trades, the Adviser will telephone the client to receive his/her authorization. Upon receiving the client’s authorization, the Adviser will execute the trade per his/her instructions.

#### **iv. INSTITUTIONAL RETIREMENT INVESTMENT ADVISORY SERVICES**

The Adviser also provides investment consulting and investment advisory services to institutional ERISA and non-ERISA retirement plans. Institutional investment management services typically include portfolio design, preparation of investment policy statements, screening of investment selections, and performance monitoring. Employees in qualified retirement plans are protected by the Employee Retirement Income Security Act of 1974 (ERISA), which requires employers, investment advisors, and plan administrators to put employees’ interests first when managing retirement savings plans. Public retirement systems are governed by similar state laws and often incorporate the protections of ERISA.

In order to demonstrate that a plan fiduciary has operated in a prudent manner, there are certain steps that the fiduciary must take. The Adviser is committed to helping fiduciaries understand their roles and to assist them in implementing a process that allows them to fulfill their duties and responsibilities.

The Adviser will assist plan fiduciaries in the following:

##### ***Investment Selection and Monitoring***

- Creating an investment policy statement
- Screening investment selections
- Monitoring the investment options against well-defined risk and return criteria

##### ***Plan Evaluation/Benchmarking***

The Adviser also “benchmarks” retirement plans against those of organizations in the same industry and against national “industry” data. Factors that are used to evaluate retirement plans include the following:

- Participation, deferral percentage, and asset allocation
- Investment performance
- Plan design
- Total plan costs
- Recordkeeping and administration
- Participant education and communication
- Technology
- Service provider capabilities and profiles

##### ***Vendor Search and Plan Implementation***

The Adviser will also assist its retirement plan clients in selecting trustees, custodians, actuaries, and other service providers. This process involves:

- Generating criteria to identify appropriate service providers
- Developing requests for proposals
- Objectively rating service providers
- Evaluating highly rated service provider candidates

Once a service provider is selected, the Adviser will assist a client in implementing the client’s retirement plan program. In implementing the program, the Adviser will, among other things, review the plan design, develop performance standards, and review the service provider’s contract.

**v. Participant Account Management (Discretionary)**

We use a third-party platform to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once Client account(s) is connected to the platform, Adviser will review the current account allocations. When deemed necessary, Adviser will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary.

***Employee Education***

The Adviser works with corporations to provide financial educational services to the company's employees. The Adviser will provide on-site visits to companies to help their employees with their individual financial situations. The Adviser provides group seminars and individual meetings. The topics covered include but are not limited to budgeting, financial planning, risk tolerance, asset allocation, and retirement projections.

***Written Acknowledgement of Fiduciary Status***

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interests;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

**vi. Professional Trustee Services**

Certain Individual Advisor Representatives of the firm are qualified to act as Professional Trustees at an Individual Trustee level. Neither the firm nor any IAR's shall act in the capacity of a Corporate Trustee. The IARs authorized to act as Individual Professional Trustees may offer comprehensive services related to the duties of a Trustee that may include the following:

- Determination of eligible withdrawals in accordance with the written Trust document
- Collaboration with the Estate Planning Attorney regarding income withdrawal needs for the sake of Trust document creation, or modification
- Payment of bills and cashflow management
- Reconciliation of assets, liabilities, insurance policies, or annuities
- Execution of estate upon death
- Distribution of estate upon beneficiary attained age
- Oversight of tax return completion (third party CPA firm will actually execute the tax return)

### **C. TAILORED SERVICES**

As described above, the Adviser's services are individualized to each client. Portfolio management clients may impose restrictions on investment in certain securities or types of securities. All restrictions must be presented to the Adviser in writing.

### **D. WRAP PROGRAM**

The Adviser has a wrap fee program through LPL. Please see Appendix 1 for more information.

### **E. CLIENT ASSETS MANAGED**

As of March 25, 2024, SCHWALLIER WEALTH MANAGEMENT manages \$143,657,128 in client assets of which \$141,556,537 was managed on a discretionary basis and \$2,100,591 was managed on a non-discretionary basis.

## **5. FEES AND COMPENSATION**

All clients will be required to execute a written agreement that will describe the type of services to be provided and the fees, among other items.

### **FINANCIAL PLANNING**

The Adviser may provide financial planning services on a fixed fee basis. The fixed fee for ongoing planning engagements may be paid either monthly, quarterly, or annually. Financial planning engagements begin with the creation of a personalized plan that includes the establishment of goals and objectives.

Immediately upon delivery of the personalized plan, the Adviser will begin ongoing monitoring and adhere to a series of tasks and ongoing work that is outlined accordingly in this agreement. Within the same calendar month of the creation of the personalized plan, the Adviser will assess an ongoing monthly fee ranging from \$20 to \$2,500, which is paid in advance each month going forward. For non-recurring engagements, the Adviser may charge either a one-time planning fee of up to \$5,000 or provide nonrecurring planning services for an hourly fee for which the maximum hourly fee is up to \$350/hour. Hourly work will be accrued in 15-minute intervals. For one-time engagements, the amount will be determined on a case-by-case basis with the fee based on the complexity of the situation and the needs of the client. The fixed fee will be agreed upon before the start of any work. In the case of either one-time or hourly planning engagements, fees are due within 30 days of invoice. Payment is to be made via either a third-party processor such as QuickBooks or the client may be invoiced and remit payment via check or PayPal.

Financial planning fees are negotiable and arrangements with any Client may differ from those described above. Fixed fee financial planning fees do not include any compensation that might be generated upon implementation of any investment advice. Fees will not be based upon a share of capital gains or capital appreciation of the funds or of any portion of the funds under advisory contract.

This Agreement shall remain in effect until terminated by either party. A Client may terminate this service for any reason by giving seven (7) days written notice to the Adviser at Schwallier Wealth Management, 607 Cascade West Parkway SE, Grand Rapids, MI 49546. In the event that a refund is required, a check will be sent back for the pro-rata portion due back to the client.

### **PORTFOLIO MANAGEMENT SERVICES**

#### **Assets Under Management ("AUM") based:**

Fees for portfolio management services may be billed as a percentage of the assets under management. Depending on the custodial platform used and the date that a relationship with the Adviser began, fees will be calculated, accrued and due quarterly in arrears or quarterly in advance. This will be spelled out in the Investment Management Agreement.



Our standard fee schedule is as follows:

**SWM Fee Structure**

<u>Assets Under Management</u>	<u>Percent Annual Fee</u>
Under \$2,500,000	1.00%
\$2,500,000 to \$5,000,000	0.90%
\$5,000,000 to \$10,000,000	0.80%
\$10,000,000 and above	Negotiable

The annual fee is determined based on a percentage of the total value of all accounts the client has with us and will be applied to all accounts regardless of the value of each individual account. Unlike many companies who use tiered rates, which means you only receive the lower rates on a portion of your account, the above rates are flat. You will be charged the applicable rates shown on the entire total account balance. We require a minimum fee of \$3,000 per client.

However, the firm reserves the right to charge a fee that may be different from the percentages based on client circumstances it deems pertinent. The fee on accounts with a value lower than \$300,000 is negotiated and generally does not exceed 1.2%. Please note that we generally do not accept accounts lower than \$250,000.

In non-wrap fee accounts, the Adviser's fees are separate and distinct from other fees or expenses that may include brokerage charges, transaction fees, and other related costs and expenses. Additionally, clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by mutual fund managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, as disclosed in a fund's prospectus, which are separate and distinct from the firm's fee.

A client may terminate the Investment Management Agreement for any reason at any time and, within the first five (5) business days after signing the contract, and receive a 100% refund of any fees paid without any cost or penalty. Thereafter, the Agreement may be terminated at any time by giving seven (7) days written notice. The written notice of termination must be sent to Schwallier Wealth Management, 607 Cascade West Parkway SE, Grand Rapids, MI 49546. In the event of a refund, a check will be sent back for the pro-rata portion due back to the client.

**Net Worth based:**

Fees for portfolio management services may be billed as an annual fixed dollar fee based on the Client's household net worth in accordance with the below fee schedule:

<u>Household Net Worth as determined by Client's balance sheet</u>	<u>Annual Fee Rate</u>
Under \$1,000,000	\$7,500
\$1,000,000 to \$2,000,000	\$12,000
\$2,000,000 to \$4,000,000	\$18,000
\$4,000,000 to \$6,000,000	\$28,000
\$6,000,000 to \$8,000,000	\$35,000
\$8,000,000 to \$12,000,000	\$40,000
\$12,000,000 to \$20,000,000	\$45,000
Net worth above \$20,000,000	Determine with Advisor

The fee is negotiable and may be higher or lower based on the complexity of the client and a variety of other factors. Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian. Near the start of each year, clients will receive an invoice breaking down the fee for the upcoming year along with the formula used to calculate the fee. At the end of each year, the net worth will be re-evaluated to determine if a change in fee is necessary for the following

year. In the event the fee level is scheduled to increase for any reason, the client will be notified via e-mail and provided the new fee amount. In the event the client does not respond or acknowledge within 30 days of notice, the Adviser will increase the fee as scheduled accordingly.

Fees charged by Adviser may be negotiated and vary among clients for similar services.

Fees will not be based upon a share of capital gains or capital appreciation of the funds or of any portion of the funds under advisory contract. The Adviser's fees are separate and distinct from other fees or expenses that may include brokerage charges, transaction fees, and other related costs and expenses. Additionally, clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by mutual fund managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, as disclosed in a fund's prospectus, which are separate and distinct from the firm's fee.

A client may terminate the Investment Management Agreement for any reason at any time and, within the first five (5) business days after signing the contract and receive a 100% refund of any fees paid without any cost or penalty. Thereafter, the Agreement may be terminated at any time by giving seven (7) days written notice. The written notice of termination must be sent to: Schwallier Wealth Management, 607 Cascade West Parkway SE, Grand Rapids, MI 49546. In the event of a refund, a check will be sent back for the pro-rata portion due back to the client.

#### INSTITUTIONAL RETIREMENT ADVISORY SERVICES

The firm's fees for its institutional retirement advisory services to retirement plan sponsors may be paid by the plan or trust or by the plan sponsor and may be a flat fee or a fee that is a percentage of the assets in the plan.

##### *Non-Discretionary Asset-Based Fee Alternative*

Fees for institutional asset management are generally calculated based on a percentage of client assets under advisement and are calculated quarterly in arrears according to the following schedule:

<u>Assets Under Advisement</u>	<u>Annual Fee Rate</u>
Under \$2,000,000	Up to 1.00%
\$2,000,000 to \$5,000,000	Up to 0.70%
\$5,000,000 to \$10,000,000	Up to 0.35%
\$10,000,000 to \$50,000,000	Up to 0.25%
Over \$50,000,000	Up to 0.15%

Fees may be paid monthly or quarterly in advance or arrears, as negotiated by the Adviser and the client. Fees that are a percentage of the plan's assets are based on the value of the aggregate assets as of the end of the preceding period for which the fee is being calculated. The plan will select either direct fee withdrawal from the plan assets or to have the fee invoiced.

##### *Fixed-Fee Alternative*

The amount of the fee is negotiable and is generally determined by the size of the account, the diversification desired in the portfolio, the scope of services agreed to by the client, and the number of meetings and consultations expected. A flat fee is generally between \$2,500 and \$100,000.

Typical services include:

- Creating an investment policy statement
- Monitoring the investment options against well-defined risk and return criteria
- Selecting investment managers

An agreement for institutional retirement advisory services may be terminated upon 30 days' notice to the firm. If the client has not received the firm's disclosure documents (Brochure and Brochure Supplements)

at least 48 hours prior to signing the investment advisory agreement, the client has the right to terminate an agreement without penalty within five business days after entering into the agreement. Any earned, unpaid fees will be immediately due and payable. Any unearned, prepaid fees for the month or quarter will be promptly refunded based upon the termination date in the month or quarter. For example, if a client terminates 15 days into a 30-day month, the client will receive a 50% refund of prepaid fees ( $15/30 = 50\%$ ). For clients paying on a quarterly basis in advance, should the client terminate 30 days into a 90-day quarter, the client will receive a 67% refund of fees. ( $30/90 = 33\%$ ;  $100\% - 33\% = 67\%$ ).

#### EMPLOYEE EDUCATION SERVICES

The Adviser may charge a separate annual fixed fee for employee education services. The fixed fee ranges from \$2,500 to \$50,000. The fee is negotiable, and it is based upon the scope of work. The fee is billed quarterly in arrears. An invoice will be sent to the company that is due within 15 days of receipt.

A client may terminate the corporate employee retirement education services for any reason at any time and, within the first five (5) business days after signing the contract and receive a 100% refund of any fees paid without any cost or penalty. Thereafter, the Agreement may be terminated at any time by giving seven (7) days written notice.

#### PROFESSIONAL TRUSTEE SERVICES

Trustee Services have an applicable annualized billing rate for the periodic fees which can be found on the Trustee Services agreement. The fee will be calculated and accrued in arrears. In an account that is billed monthly with a period ending account value of \$3,000,000 at an annual rate of 0.65%, the account will be charged the pro-rated portion of the annual, thus a \$3,000,000 account would have a deduction for the month of \$1,625.00 which is calculated as  $\$3,000,000 \times 0.65\% = \$19,500/12 \text{ months} = \$1,625.00$ . Similarly, in an account with quarterly billing, the calculation is done in arrears and pro-rated for fund flows. Thus, if the same \$3,000,000 value account is billed quarterly, the fee would result in a \$4,875.00 fee which is calculated as follows:  $\$3,000,000 \times 0.65\% = \$19,500/4 \text{ quarters} = \$4,875.00$ .

When an individual advisor or an individual at the Adviser is retained as an Individual Professional Trustee, the following fee schedule applies:

<u>Marketable Securities</u>	<u>Maximum Annual Rate</u> <u>Trustee with Investment</u> <u>Authority</u>	<u>Maximum Annual Rate</u> <u>Trustee without Investment</u> <u>Authority</u>
Minimum annual fee	\$10,000	\$10,000
\$0 to \$1,000,000	1.30%	0.85%
\$1,000,001 to \$3,000,000	1.10%	0.65%
\$3,000,001 to \$5,000,000	0.80%	0.45%
\$5,000,001 to \$10,000,000	0.65%	0.40%
Over \$10,000,000	0.45%	0.25%

The fee for this service is based on the amount of the marketable securities held by the Trust and must comply with the maximum fee schedule laid out in the Trustee Services fee schedule above. The fee will be charged in arrears on a pro-rated basis in accordance with the fee listed in each Client's signed Trustee Services agreement. Hourly rates and other fees may be charged as listed in the Trustee Services Agreement.

A client may terminate the Trustee service for any reason at any time and, within the first five (5) business days after signing the agreement, receive a 100% refund of any fees paid without any cost or penalty. Thereafter, the Agreement may be terminated at any time by giving seven (7) days written notice. The written notice of termination must be sent to: Schwallier Wealth Management, 607 Cascade West Parkway SE, Grand Rapids, MI 49546. In the event of a refund, a check will be sent back for the pro-rata portion due back to the client.

## 6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT

The Adviser does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## 7. TYPES OF CLIENTS

The Adviser's services are offered to individuals, high net worth individuals, and corporations or other business entities. The firm does not have a stated minimum asset size.

## 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

With respect to the Adviser's financial planning services, it uses an individualized asset allocation method for each client. When deciding on the asset allocation for a client, the Adviser takes into account the client's risk tolerance, goals, investment objectives and other data gathered during the client meetings. Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon among various asset classes. The risk associated with asset allocation is that each class has different levels of risk and return, so each will behave differently over time. Also, despite being diversified there is no guarantee that an account will grow.

When the Adviser manages client accounts it uses a combination of the following types of analysis:

Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's *actual* business and its future prospects. The analysis is performed on historical and present data. On a broader scope, one can perform fundamental analysis on industries or the economy as a whole. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. The risk associated with fundamental analysis is that despite that appearance that a security is undervalued, it may not rise in value as predicted.

Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. The risk associated with technical analysis is that there is no broad consensus among technical traders on the best method of identifying future price movements.

Tactical Asset Allocation is an active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. This strategy is designed to allow portfolio managers to create extra value by taking advantage of certain situations in the marketplace. It is as a moderately active strategy because portfolio managers return to the portfolio's original strategic asset mix when desired short-term profits are achieved.

The Adviser's analysis of securities and advice relating thereto may be based upon information obtained from financial newspapers and magazines, research materials prepared by others, corporate ratings services, and annual reports, prospectuses and filings made with the Securities and Exchange Commission. The Adviser may also utilize computer models for performance analysis, asset allocation and risk management.

### B. RECOMMENDED SECURITIES AND INVESTMENT RISKS

The Adviser primarily uses exchange traded funds. On occasion it may also use other securities such as, but not limited to: Equity Securities; Bonds and other corporate debt instruments; Mutual Fund Securities; Government Debt instruments including Treasury Bills and Municipal securities; Certificates of Deposit; Money Market Funds and Cash.

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear.** While the Adviser uses investment strategies that are designed

to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk.

Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. A client needs to ask questions about risks he/she does not understand. The Adviser would be pleased to discuss them.

An investment could lose money over short or even long periods. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. The client's account performance could be hurt by:

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates. Interest rate risk will vary for the Firm, depending on the amount of Client assets invested in bonds.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the Client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **International Investing Risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.
- **Credit risk:** This is the risk that an issuer of a bond could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.
- **Inflation Risk:** This is the risk that inflation will undermine the performance of your investment and/or the future purchasing power of your assets.
- **Liquidity Risk:** Liquidity risk exist when particular investments are difficult to purchase or sell, possibly preventing the ability to sell such illiquid securities at an advantageous time or price, or possibly requiring the client to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.
- **Option Risk:** Investment in option contracts are not guaranteed. Options should be considered riskier than stocks, bonds or cash. You should familiarize yourself with the type of option (i.e., put or call) and strategy your Advisor is contemplating. Transactions in options carry a high degree of risk.

Buying an option is subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at the time. If the purchased options expire worthless, you will suffer a total loss of you investment, which will consist of the option premium plus transaction costs.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest.

If the option is “covered” by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered the risk of loss can be unlimited.

## **9. DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to your evaluation of the Adviser or the integrity of its management.

Neither the firm nor its investment advisor representatives have any information applicable to this item as they have not been the subject of any administrative, civil, criminal, regulatory (SEC or State) or self regulatory proceedings.

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

We and our investment adviser representatives do not have a relationship, affiliations or arrangement with any issuer of securities, broker-dealer, other investment advisers or any other securities industry company.

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

### **A. DESCRIPTION**

The Adviser’s Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. The Adviser will provide a copy of its Code of Ethics to any client or prospective client upon request.

The Adviser’s Code of Ethics covers all supervised persons, and it describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

### **B. MATERIAL INTEREST IN SECURITIES**

The Adviser and the owners do not have a material interest in any securities.

### **C. INVESTING IN OR RECOMMENDING THE SAME SECURITIES**

The Adviser’s staff is permitted to engage in personal securities transactions. These transactions create potential conflicts of interest if they were to trade in advance in a security that is owned by a client or considered for purchase or sale on behalf of a client. The Adviser has adopted policies and procedures that are reasonably designed to effect transactions for the client in a manner consistent with the fiduciary duty owed to each client. The Adviser’s staff who buys or sells the same securities bought or sold for a client may do so only if they comply with the firm’s written policies and procedures.

## **12. BROKERAGE PRACTICES**

### **A. RECOMMENDATION CRITERIA**

When the Adviser recommends custodians, it will seek broker-dealers who offer competitive commission costs together with reliable services. A client’s choice of another broker-dealer is acceptable if proven feasible. The Adviser recognizes its fiduciary responsibility in negotiating brokerage commissions, assuring best execution practices and assuring adequate investment availability/inventory on behalf of our clients. The Adviser does not receive compensation with respect to execution of trades. In some instances, a client will incur a ticket charge for the sale and purchase of securities. The Adviser currently recommends LPL, Altruist and Shareholder Services Group as its recommended custodians.

NOTE: Clients may be able to obtain lower commissions and fees from other brokers, and the value of products, research and services given to the applicant is not a factor in determining the selection of broker/dealers or the reasonableness of their commissions.

**i. RESEARCH AND SOFT DOLLARS**

“Soft dollars” are defined as a form of non-cash payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services.

LPL provides various benefits and payments to advisory firms that are new to the LPL platform to assist them with the costs (including forgone revenues during account transition) associated with transitioning their business to the LPL platform (collectively referred to as “Transition Assistance”). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the advisor’s business, offsetting account transfer fee (ACATs) payable to LPL as a result of the advisor’s clients transitioning to LPL’s custodian platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, staffing support and termination associated with moving accounts.

The receipt of Transition Assistance creates a conflict of interest relating to SWM’s advisory business because it creates a financial incentive for our representatives to recommend that their clients open accounts with LPL.

We attempt to mitigate these conflicts of interest by evaluating and recommending that clients use LPL’s services based on the benefits that such services provide to our clients, rather than the Transition Assistance received. However, clients should be aware of this conflict and take it into consideration in making a decision whether to custody their assets in a brokerage account at LPL.

**ii. BROKERAGE FOR CLIENT REFERRALS**

The Adviser does not receive client referrals or any other incentive from any broker-dealer or custodian.

**iii. DIRECTED BROKERAGE**

Some clients may direct the Adviser to use a specific broker-dealer to execute securities transactions for their accounts. When so directed, the Adviser may not be able to effectively achieve best execution on clients’ transactions.

**C. TRADE AGGREGATION**

The Adviser may aggregate orders with respect to the same security purchased for different clients. When orders are aggregated, each participating account receives the average share price for the transaction and bears a proportionate share of all transaction costs, based upon each account’s participation in the transaction, subject to our discretion depending on factual or market conditions. Clients participating in block trading may include proprietary or related accounts. Such accounts are treated as client accounts and are neither given preferential nor inferior treatment versus other client accounts. Allocations of orders among client accounts must be made in a fair and equitable manner.

**13. REVIEW OF ACCOUNTS**

**A. PERIODIC REVIEWS**

All accounts will be reviewed by one of the firm’s licensed professionals on at least an annual basis.

**B. OTHER REVIEWS**

Reviews may also be triggered by events within client’s lives, as well as pertinent news events, changes in federal and state regulatory or tax regimes, and overall economic events.

### **C. REPORTS**

Clients with accounts under management by the firm will receive at least a quarterly report from the qualified custodian which will include valuations as of the end of each quarter along with current asset allocations. Other reports may from time to time be provided to clients from financial planning tools that we utilize in the financial planning process.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. OTHER COMPENSATION**

The firm endeavors at all times to put the interests of its clients first. Any economic benefits that the firm receives have been outlined fully in item 12.i.

### **B. CLIENT REFERRALS**

The Adviser may pay referral fees (non-commission based) to independent solicitors (non-registered SWM representatives) for the referral of their contacts to the Adviser in accordance with the Investment Advisers Act of 1940's Marketing Rule. Such referral fees represent a share of the investment advisory fee charged to clients. This arrangement will not result in higher costs to clients. In this regard, the Adviser maintains Promoter Agreements in compliance with the Rule and applicable state and federal laws.

## **15. CUSTODY**

All client funds, securities and accounts are held at third-party custodians. Portfolio management clients will be asked to authorize the Adviser with the ability to deduct its fees directly from the client's account. This authorization will apply to the Adviser's management fees only. A client may cancel the Adviser's ability to deduct the fees from the Account by notifying the Adviser at any time. The Account's custodian will send a quarterly account statement, indicating the amount of fees withdrawn from the client's Account. The Adviser urges clients to carefully review their statements and notify the firm of any discrepancies as soon as possible.

The only circumstance in which the Firm may have custody of client funds are for particular clients who have specifically retained an investment advisor representative of the firm in a Professional Trustee capacity. Clients engaging an IAR as a Professional Trustee in their estate affairs will sign a Trustee agreement and acknowledge the full nature of the custody and outline the duties involved.

## **16. INVESTMENT DISCRETION**

The Adviser offers both discretionary and nondiscretionary investment management services. Discretionary investment management is granted when a client signs an investment management agreement. The investment management agreement contains a limited power of attorney that allows the firm to select the securities to be bought and sold and the amount of securities to be bought and sold in the client's account. It also allows the firm to place each such trade without the client's prior approval. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account, and any other investment policies, limitation or restrictions.

When a client selects nondiscretionary investment management services, the client retains full discretion to supervise, manage, and direct the assets of the account. The client will be free to manage the account with or without the Adviser's recommendation and all with or without the Adviser's prior consultation.

## **17. VOTING CLIENT SECURITIES**

The Adviser does not vote proxy. Clients will receive proxy materials directly from their account's custodian unless the client elects to have proxy materials sent to their Advisor. In the event a client has a question about a proxy solicitation, the client should contact his/her investment advisor representative.



## **18. FINANCIAL INFORMATION**

### **A. BALANCE SHEET**

The Adviser does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.

### **B. FINANCIAL CONDITION**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. The Adviser has no financial commitment that impairs its ability to service its clients.

### **C. BANKRUPTCY**

The Adviser, its owner, and its investment advisor representatives have not been the subject of a bankruptcy proceeding.