

## ITEM 1: COVER PAGE

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# The Personal Wealth Coach®

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<http://www.tpwc.com>

March 5, 2024

**This brochure provides information about the qualifications and business practices of The Personal Wealth Coach® (TPWC). If you have any questions about the content of this brochure, please contact us at (254)947-1111. The information within this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), or by any state securities authority.**

TPWC is a registered investment adviser operating under The Investment Advisers Act of 1940 (the Act) as amended. Registration under *the Act* does not imply any specific level of skill or training. All TPWC advising members have one or more professional certifications awarded by widely recognized national certifying organizations. For specific professional designations representing skill levels or training, please refer to the Professional Certifications section at the end of this document.

Additional information about TPWC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), and can be found using the following SEC number: 801-68174.

## ITEM 2: MATERIAL CHANGES

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### A. ANNUAL UPDATE

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We update the *Material Changes* section of this brochure annually or more frequently when material changes occur since the previous release of this Firm Brochure.

### B. MATERIAL CHANGES SINCE THE LAST UPDATE

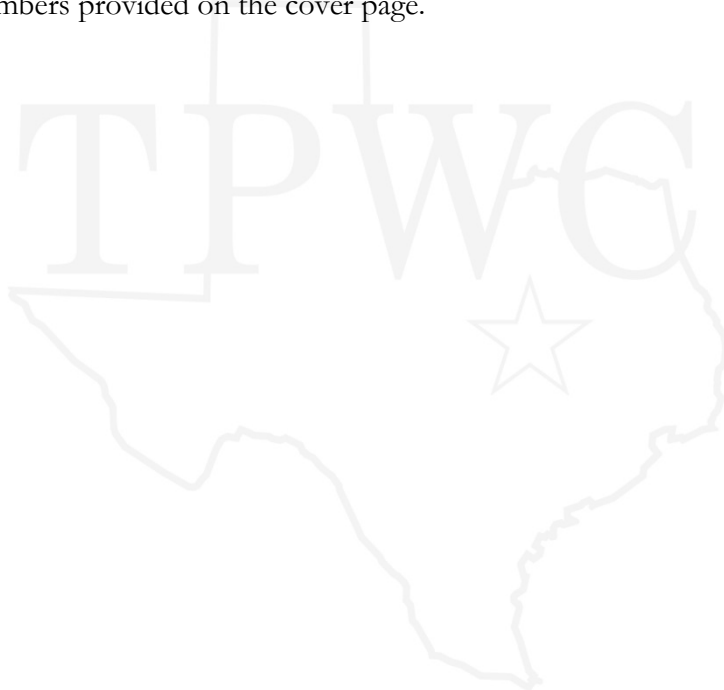
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Since the last publication of our Firm Brochure, published February 16, 2023, there have been no material changes.

### C. FULL BROCHURE AVAILABLE

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If you would like to receive a complete copy of this document, our Firm Brochure, please contact us at the address or telephone numbers provided on the cover page.



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## ITEM 4: ADVISORY BUSINESS

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### A. OUR FIRM

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We are a fiduciary investment advisory firm, solely compensated by fully disclosed fees paid by our clients. In plain terms, that means our primary objective is to operate in your best interests. It also means that we will avoid conflicts of interest whenever possible. If a conflict of interest exists, we will clearly reveal it to you as well as why we believe that we could not avoid that conflict. Our recommendations and management are driven solely by our duty to act on behalf of you, our clients, as objective fiduciary managers, and advisers.

We are organized as The Wealth Coach, LLC, a limited liability company domiciled in the State of Texas, doing business nationally. We have been operating as an investment adviser since July of 2007. Before, that name and others were used going back to 1983 describing operations of our primary members as an independently contracting branch office of a series of investment advisers and securities broker-dealers.

The majority owner of TPWC is Jeffrey W. McClure, CFP®. Minority ownership of the firm is held by individual advising member, Jacob A. McClure, CIMA®, as well as the longer serving staff members at our Salado, Texas headquarters.

### B. INVESTMENT ADVISORY SERVICES OFFERED

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We primarily design and manage investment portfolios for individuals, families, trusts, pensions, and foundations. When requested, we will provide general personal financial planning, investment and/or business advice if we believe we have the appropriate expertise in the specific area for which you have made the request.

Before we assess any fees or provide formal advice, we will provide you with an Investment Advice and Account Management Agreement (“The Agreement”) for your review and approval. *The Agreement* will include schedules of the investment accounts on which you wish advice and management, the specific fees we propose to charge, and the specifics of how we propose to bill and collect those fees. We will also include a form as a part of *The Agreement* allowing you to list any specific requirements, restrictions, or objectives you may have. We will ask you to sign and return *The Agreement* before we proceed.

We do not offer generalized tax advice, but we will provide limited advice on investment tax and estate tax planning issues. We strongly advise you to consult with a qualified tax adviser such as a Certified Public Accountant or a board-certified tax attorney prior to authorizing or executing any tax-related transaction and specific tax withholding amounts. In our opinion, the advice and assistance of a qualified tax professional increases in importance as the size of your portfolio grows. If you believe that your estate is potentially at risk because of estate tax issues, we strongly recommend you consult with a qualified estate attorney. We will be glad to work with your attorney to structure your portfolio to minimize estate taxes.

If you have a regular tax-deferred retirement account, qualified under the Employee Retirement Income Security Act of 1974 (ERISA), such as an Individual Retirement Account (IRA), or employer-sponsored retirement plan managed by us, we will attempt, in concert with your tax professional, to schedule your requested withdrawals from that account to provide you with the best tax position for any given year.

When we are managing a fully taxable investment account for you, we will attempt to take into consideration the tax implications of investment liquidations; however, when we are faced with a potential risk to your investment, we will prioritize investment decisions over tax management.

We also do not offer legal advice. If we believe that a legal document you may be using is questionable, we will outline our questions and suggestions, and advise you to consult with a qualified attorney. We strongly encourage you to consult with a qualified attorney before taking any action with regard to your estate or any transfer of property to or from a different status or entity.

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## INVESTMENT PORTFOLIO DESIGN AND MANAGEMENT

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In our investment portfolio design and management, we will start with an asset allocation analysis from the current value of your portfolio, the amount and frequency of your planned future additions and/or withdrawals, and your perception and attitude regarding market value variance or market risk. Through our conversations with you and the answers you provide in our Risk Tolerance Questionnaire, we will estimate the level of market risk that we believe you may be able to tolerate and would be prudent.

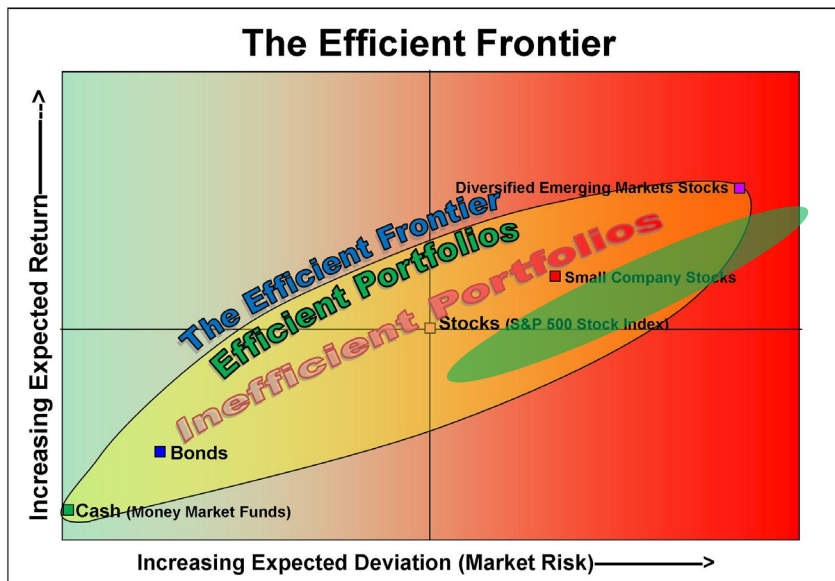
As a primary philosophy, we attempt to eliminate non-systemic risk from your portfolio. That means that any investment custodian we use or recommend will hold your investments in positions that are exempt from creditor claims incurred by any affiliated or associated company or firm and audited regularly by a major auditing firm.

We will base your portfolio design analysis on the tenets of *Portfolio Selection*, by Harry Markowitz as published in the March 1952 edition of *The Journal of Finance* and for which Dr. Markowitz was awarded the Nobel Prize in Economics in 1990. That publication outlines a theory of portfolio construction based on the concept of using *asset classes* rather than individual security selection or industry emphasis as the primary foundation for portfolio selection. This is often referred to as Modern Portfolio Theory.

Since the publishing of Dr. Markowitz's work, numerous peer-reviewed professional journals have published studies indicating that between 65% and 95% of the market risk and total volatility of return produced by a broadly diversified portfolio of investments is attributable to *asset allocation*. In those studies, market timing, security selection, and even minimizing cost accounted for only between 5% and 35% of the total performance. As a result, *we believe the most critical decision we will make in designing and managing your portfolio is determining the appropriate asset allocation to meet your specified needs and objectives.*

Modern Portfolio Theory states that a portfolio's market risk will rise as the expected return rises. There is a line of possible portfolios at given expected returns that have the least risk for their return. Dr. Markowitz identified that line as The Efficient Frontier. Our objective will be to position your long-term investment portfolio as close to that efficient frontier as is possible.

In the chart below, the area just below the upper-left boundary of the oval is where portfolios that carry the least market risk for any given level of expected return sit. Inefficient portfolios will be located down and to the right of that area. Inefficient portfolios can reasonably be expected to drop further in declining markets and take longer to recover than would efficient portfolios. They can also be reasonably expected to rise further during so called bubbles.



An *asset class* is a set of investment securities with similar characteristics and which over time demonstrates a distinct behavior pattern measurably different from other classes. We typically will consider twenty or more asset classes when designing a portfolio.

For example, domestic equity (stock) asset classes may be *value stocks*, those that trade at a relative discount to the underlying value of the company, or *growth stocks*, those which have a total market value higher than the break-up value of the company, but which are believed to be destined for higher earnings in the future. Some companies are not clearly definable as either value or growth but have a blend of those characteristics and are *blend stocks*. A further division of domestic equity asset classes depends on size according to the companies' *capitalization* or total market value. We use the three size divisions of small-capitalization, mid-capitalization, and large-capitalization. Thus, within general domestic equities (stocks) traded in the United States, there are nine general equity asset classes. Further subdivisions we use include Real-Estate Stocks and Natural Resources Stocks.

	Examples of Domestic Equity (stock) Asset Classes		
	Value	Blend	Growth
Large-Capitalization Companies	Large-Cap Value	Large-Cap Blend	Large-Cap Growth
Mid-Capitalization Companies	Mid-Cap Value	Mid-Cap Blend	Mid-Cap Growth
Small-Capitalization Companies	Small-Cap Value	Small-Cap Blend	Small-Cap Growth

Studies, and more particularly the *Fama-French Three-Factor Model*, published by Eugene Fama and Kenneth French, have indicated that over the long term, value stocks tend to perform better than growth stocks and



smaller-capitalization stocks tend to perform better than larger-capitalization stocks. Markowitz optimized portfolios will rarely contain growth or blend stock asset classes except in cases where the asset class choice is extremely limited. For those reasons it would be unusual for us to include growth or blend asset classes in your portfolio. Because we are seeking not only a better rate of return, but also a lower overall volatility, we will normally include mid-cap stock funds rather than large-cap or small-cap funds as a general domestic equity asset class. Additionally, we utilize multiple asset classes in non-U.S. stocks, including Diversified Emerging Market stocks, and Foreign Value stocks.

When dealing with debt securities, the credit quality of the issuer and the average length of time to maturity of the underlying set of securities (among other criteria), define fixed-income asset classes. For example, we use short, intermediate, and long-term U.S. Treasury securities, and short and intermediate-term corporate bonds (among others) as fixed-income asset classes.

A critical point in understanding asset classes and general market behavior is that the higher the long-term return of an asset class, the greater will be its *risk* over the shorter term.

The objective of Markowitz's theory in *Portfolio Selection* (as we use it in your portfolio) is to create a combination of asset classes that historically have provided the least *variance* or *market risk* needed to achieve the expected return necessary to achieve your goals and objectives. If an asset class is currently and significantly above its historic average long-term return, then we will reduce the maximum allocation that the Markowitz model can assign to that class. We will additionally adjust the allocation in fixed-income assets to reflect the average net yield to maturity of the funds we use.

We choose the individual funds to represent the asset classes selected in your portfolio allocation according to:

- Historical management performance regarding both risk and return relative to Morningstar Category,
- Morningstar Medalist rating (if available),
- Length of management tenure,
- Consistency of return, and
- Internal cost structure.

Our primary source of information for these elements is Morningstar, Inc. We also will use other sources including fund prospectuses, Standard and Poor's, *The Wall Street Journal*, *Barron's*, and other financial publications. As a proxy for asset classes as defined by Markowitz (*Portfolio Selection*, 1952), we utilize Morningstar Categories.

We use only no-load or load-waived funds unless you have a pre-existing investment or investments which would impose penalties for liquidation prior to a maturity date or provide some benefit other than investment value which we believe, and you agree would be in your best interest to retain.

If active management in a mutual fund or funds has not demonstrated a significant benefit in total long-term return for an asset class then, when possible, we will use low-cost index funds to represent that asset class. If active managers are available that have consistently demonstrated a significantly better return over time relative to their Morningstar category, then we will select one or more actively managed funds to represent the asset class in your portfolio. Typically, we look for that consistently superior return to have been demonstrated over at least the last five to ten years.



If we are managing or advising on a portfolio for you in a retirement plan, variable annuity, or some other set of limited investment choices, we will adjust the asset allocation model to fit those asset classes and funds available in your plan or investment product.

We will regularly and frequently review the individual funds used in your portfolio to detect changes in management or other indications that the investment may no longer be appropriate. When we discover information that causes us to no longer believe that the fund is likely to have a superior return into the future, we will move your investment to what we consider to be a better selection or selections.

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## BUSINESS PLANNING AND ADVICE

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We offer business planning and general advice to businesses and to individuals who have responsibility for the running of a business or are considering starting a business. Fees for business planning and advice will be negotiated in advance and agreed to in writing prior to beginning the process. Our services in this area are limited to the following:

- Creating a business plan,
- Measuring demand for products,
- Setting prices for products,
- Business valuation, and
- Efficiency evaluation of a given product to sales ratio (Equilibrium Price).

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## INVESTMENT TYPES ON WHICH WE OFFER ADVICE AND MANAGEMENT

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Our advice and management of securities will generally be limited to investments registered under The Investment Company Act of 1940, recommend savings positions such as Certificates of Deposit insured by the Federal Deposit Insurance Company (FDIC), or other federally chartered agency or individual securities backed by the full faith and credit of the United States government like US Government bills, notes and bonds. We have found no evidence that utilization of individual general securities (individual stocks), options, futures contracts, or so-called “alternative” investments creates a better likelihood of increased return or reduced risk in an investment portfolio when compared with carefully selected funds registered under that act.

At your request, if we do not consider it significantly detrimental to the performance of your portfolio, and as a relatively small percentage of your total portfolio, we can offer specific advice concerning individual securities; however, that advice will generally be limited to providing you with published reports and purchase or sale advice from services to which we subscribe. In the event that you choose to hold a significant portion of your portfolio in individual securities, we will advise you of that risk and ask you to agree in writing that you understand the increased risk involved.

We will consider providing advice on other types of investments if we believe that we have the appropriate expertise to do so. Those types of investments include individual bonds and other debt securities, common stocks, partnerships, real estate, oil and gas interests, employee stock options, and the purchase or sale of a business or a portion of a business.

We may rarely recommend variable universal life insurance, variable annuities, and/or term life insurance contracts. We are willing to manage or advise on existing variable investment contracts you may hold. If we determine that it is not in your best interests to continue to hold a specific insurance contract, we may recommend a transfer to an alternative.

We will provide our management or advice on active, employer-sponsored retirement accounts on the same basis as we use on retirement and other accounts held at custodians we recommend, but you will be responsible for making the changes we recommend.

If you hold a defined-contribution employer-sponsored retirement account, such as a 401(k), 403(b), SIMPLE IRA or similar account, and you are no longer employed by that employer, we will analyze the pros and cons of keeping it there or transferring it to an IRA at a custodian we recommend. We believe that an IRA as we structure it normally offers less risk, greater ease of control, and in some cases, lower costs than an employer-sponsored plan, but some employer-sponsored plans offer outstanding benefits, and we would recommend that you retain them.

## C. SERVICES TAILORED TO THE INDIVIDUAL NEEDS OF CLIENTS

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We focus on designing each investment portfolio to meet your specific needs. We do not have a proprietary set of investment portfolios or funds into which we will invest your money. In our ongoing research, we will have a set of mutual funds in each asset class that we have determined to be preferable; however, we may utilize funds you already hold in order to minimize taxes or other expenses that we believe may more than offset the investment advantage of moving to a new investment.

The investments we use in your accounts may vary from those we use in other accounts. That variance may be the result of the size of your account, the length of time you intend to hold the account, your intended use and timing for the proceeds from the account, the continued “open” availability of the fund, and/or your individual stated preferences.

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## INVESTMENT POLICY STATEMENT

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We will not routinely prepare a comprehensive financial plan as defined by the Certified Financial Planner Board of Standards. Instead, we will address the specific areas that you request, as well as other investment-related areas that we believe might have a significant effect on your long-term standard of living or the viability of your investment portfolio. If you wish us to prepare a formal, comprehensive financial plan for you, we may agree to do so; however, we may charge you an additional fee for that service. If it's anticipated that we may charge you an additional fee, we will come to a consensus and include any changes in *The Agreement* for your approval in advance.

We will prepare an Investment Policy Statement (IPS) for you and use it as the primary guide for our management or advice on your portfolio. At a minimum your IPS will include:

- Basic information about your age and time horizon as we understand it,
- Your specific goals and objectives regarding your portfolio and your uses for it,
- An assessment of your tolerance for market risk,
- The specific accounts and their type with regard to tax treatment and restriction which you wish for us to manage or provide advice, and
- A set of statistical information describing the hypothetical historical and expected performance of your prior and optimized asset allocations as well as the S&P 500 Stock Index for reference.

It is critical that you carefully review this information, as we believe the historical market declines we illustrate in your IPS are a good guide to the level of market declines you may see in the future. If you are uncomfortable

with the degree of decline seen in the IPS illustrations, a less aggressive allocation with a lower expected return may be more appropriate for you.

Supplemental information delivered with your IPS will include the specific investments we intend to initially use in your portfolio. You are encouraged to review the investments using one or more of the online information systems, e.g., Yahoo Finance, Google Finance, or Morningstar. Both the specific investments and the asset allocation model for your portfolio will almost certainly be changed as time passes, but your initial positioning is a good example of the way we design and manage a portfolio.

## D. WRAP FEE PROGRAM

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We are not the sponsors of a wrap fee program, nor do we utilize wrap fee programs. Wrap fee programs include an arrangement whereby we would delegate the management of some of or all of your portfolio to another investment adviser or include transaction costs and commissions charged by a custodial broker-dealer as part of our fees. Instead, we select the securities used for your portfolio ourselves and attempt to minimize your total expenses, including internal fund fees and transaction fees.

## E. AMOUNT OF CLIENT ASSETS UNDER MANAGEMENT

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As of December 31, 2023, we managed accounts on which we have discretionary trading authority for assets totaling \$187,134,683, and an approximate number on which we did not have discretionary trading authority totaling \$21,694,606 for a total combined approximate value of assets under management of \$208,829,289. We provide continuous and regular supervisory or management services on those accounts for approximately 231 clients (households or corporate/trust entities).

# ITEM 5: FEES AND COMPENSATION

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## A. HOW WE ARE COMPENSATED FOR OUR ADVISORY SERVICES

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Fees charged directly to the investment accounts that we manage are our primary form of compensation. Our annual portfolio management fees range from 0.25% to 1.5% of assets under management depending on the size of the portfolio and the complexity of the analysis, advice, and management required to address special situations. We additionally will commonly, but not always, charge a minimum annual retainer charge to compensate us for meetings, special requests, complexity in tax-deferred and ERISA qualified accounts, and general financial and investment advice. The annual management and retainer fees are negotiable, and we will propose an agreement with you in advance on the level of those fees as part of *The Agreement*.

We are a Fiduciary firm by choice. That means we must work in your best interests; however, any method of compensation represents a conflict of interest on the advice that we give. By getting our fees based on a percentage of the value of your assets, we are by nature conflicted in advising you to remove assets from our management as there would be less assets on which to charge. We are also conflicted when advising you to add more assets to our management, as we would be paid more. We believe this conflict to be unavoidable, and internally we compensate the advice-givers of the firm in a way that does not change based on the value of your assets. It remains a conflict, but one that we believe is easy to comprehend.

If you wish to have a comprehensive financial plan prepared or desire other specialized advice not directly related to the management of your investment portfolio, we might charge you an additional fee. We will propose in *The Agreement* any special fees we may charge you for individualized advice in advance.

The following chart provides our normal maximum portfolio management fees based on assets under management in your total portfolio.

Assets under management	Percentage
On the first \$250,000 of assets under management	1.50%
On the next \$250,000 (\$250,000 to \$500,000)	1.30%
On the next \$500,000 (\$500,000 to \$1,000,000)	1.25%
On the next \$4,000,000 (\$1,000,000 to \$5,000,000)	1.10%
On the next \$5,000,000 (\$5,000,000 to \$10,000,000)	1.00%
On amounts over \$10,000,000	0.50%

Note that the fees listed above are the *maximum* normal fees for asset management. The advising member of our firm who is responsible for managing your portfolio may offer you lower fees, and you are welcome to negotiate your fee level. The actual fees we propose to charge will be disclosed in detail in Schedule B of *The Agreement*.

We offer individual portfolio design, custom portfolio management for accounts held away from the primary custodians we recommend (such as employer-sponsored retirement plans), as well as a high level of personal, individualized service to our customers. We are unaware of any investment advisory and management firm that offers that level of service at lower fees than us; however, it is possible that another adviser may offer lower fees for the same level of service.

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## SPECIAL FEE ARRANGEMENTS

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If you wish to have a special fee arrangement, and your advising member agrees to that arrangement, we will normally describe the arrangement on Schedule B of *The Agreement*. If there is insufficient space on Schedule B for a complete description, we will complete or amend the description on Schedule C of *The Agreement*. For example, you may have an employer-sponsored retirement account or contract in which there is a limited number of investment choices, but you wish us to manage those choices. You and your advising member may agree to a lower fee or no fee for the assets in that account if you have one or more other accounts on which we charge a fee. In other cases, you may wish us to manage an account which requires extra research and attention and for which you are willing to be charged a higher fee than in other accounts on which we give advice.

Special fee arrangements will be reviewed by at least one other advising member of our firm and approved by that member and your advising member prior to implementation. Such arrangements will only be approved and implemented if it is clear that the arrangement has been fully disclosed to you and is in your best interest.

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## ERISA-QUALIFIED RETIREMENT ACCOUNTS

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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 of 1974 (ERISA) 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 interests ahead of yours.

- Meet a professional standard of care when making investment recommendations (prudent advice).
- Never put our financial interests ahead of yours when making recommendations (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 interest.
- Charge no more than is reasonable for our services.
- Give you basic information about conflicts of interest.

We advise on and manage retirement accounts that are qualified for treatment under ERISA, such as one or more IRA, 401(k), 403(b), or other ERISA qualified plan. If you have a defined contribution plan, such as those listed above, and provide us with your information, we can provide you with our recommended allocation and fund choices, and the responsibility to allocate and invest within the account will be yours.

We may distribute the charges billed to your retirement accounts so that in cases where it is not possible for you to pay for our management, advice, or services from, for example, your 401(k), we, with your authorization, may bill another account or invoice you for the fee. The specific accounts we will and will not bill to achieve the total overall fee on which we have agreed will be outlined in Schedule B of *The Agreement*. Non-retirement-qualified accounts can be billed for ERISA and retirement-qualified accounts.

In addition to providing advice and management on defined contribution plans, such as those mentioned above, we may also manage employer-sponsored defined benefit plans in a participant co-mingled portfolio held at a qualified custodian.

## B. FEES MAY BE DEDUCTED FROM ACCOUNTS OR BILLED

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You may elect to have our total monthly or quarterly fees charged to one, some, or all of your accounts, or you may elect to pay us by check. We prefer to charge your accounts directly as it administratively easier both for us and for you. We list the account or accounts we charge for our fees on Schedule B of *The Agreement* for your review and approval. The selection of which of your accounts we will charge will be based on the size of the account, the purpose of the account, and the estimated tax treatment of the fees within limits set by the IRS and the Labor Department.

We will normally bill fees monthly in advance based on the annual rate we have listed in *The Agreement*. We calculate the fees by breaking down your annual fee based on the billing period (month or quarter) as a percentage of the year, times the value of your portfolio on the last day of the preceding month.

If we agree to manage or advise you on retail investment accounts which charge ongoing securities commissions or because of ongoing investments you are charged sales commissions, neither we, nor any of our members will at any time receive securities commissions.

## C. CUSTODIAL, TRANSACTION AND OTHER FEES

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Although investments we use through our primary custodians are no-load or load-waved, the custodians we use may charge you a transaction or “ticket” charge per transaction. Those charges range from \$10 to as much as \$50. We receive no compensation from those charges. Many funds we use through our regular non-retail custodians have no transaction charges associated with them but may charge you as much as 1% of the



transaction if liquidation occurs within some minimum period of time after the investment date. Those funds that do not have transaction charges commonly have higher internal charges, often in the form of a 12b-1 fee and have a compensation agreement to pay a small annual percentage of the invested value of your account to the custodian. We have no control over those fees and receive no compensation from them.

We will provide you with a schedule of charges from Pershing, LLC (Pershing), one of the primary custodians we utilize. Additionally, we will provide a schedule of charges to you from any other company that we recommend as a custodian for your account or accounts as you open your first account at that custodian.

We will make every reasonable effort to minimize or avoid transaction charges; however, as with taxes, our primary concern is the appropriateness of the underlying investment portfolio. In most cases, the funds with the higher transaction charges may more than make up the difference expense through lower internal costs in in over the next few years.

Mutual funds and other securities held in your portfolio generally have their own internal fees. Although we will avoid using funds with front-loads unless it is clearly in your best interest to do so, no-load funds have internal fees, which vary greatly from fund to fund. Each fund describes the fees it charges in detail in its prospectus, which will be provided to you by your account custodian(s). The prospectus description is the only official disclosure document for fund fees; however, we will be happy to review fund fee schedules with you as reported by Morningstar, Inc. or as disclosed in the fund prospectus.

When we select funds for your portfolio, whenever we are aware of the ability to utilize a lower cost share class, we will do so unless a taxable event would be generated in moving to the new share class that we believe would be more costly than the likely savings generated from the internal fund fee savings. Our primary focus will be the overall performance of the fund management. That is to say that if we have a choice between a historically higher performing manager with higher internal costs and a historically lower performing manager with lower internal costs, we will generally choose the higher net historical performance over the lower cost.

## D. PAYMENT IN ADVANCE FOR CERTAIN SERVICES

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If you request that a formal financial plan or a written business plan or analysis be prepared in addition to your IPS, we may charge you a separate fee. Depending on the size of your total portfolio invested under our management or advice, we may charge you up to \$500 in advance. If we do so, we will deliver the written document to you within six months, or we will refund the deposit.

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## TERMINATION OF ADVISORY AGREEMENT AND REFUND OF FEES

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In the event you wish to terminate *The Agreement* with us, you must inform us in writing at our address listed on the cover page of this document. Please advise us of the date you wish *The Agreement* to terminate and what you want us to do with the investments under our management at that time. Specifically, you should inform us if you want the account liquidated to cash positions, or to transfer to another institution. If we are informed by a custodian that you have initiated a transfer or liquidation of a substantial portion of your investment portfolio managed by us, we will contact you to verify that the transfer or liquidation was approved or initiated by you, and we will formally advise you in writing that we are terminating *The Agreement*.

In the event we are unable to communicate with you, or you fail to respond to our attempts at communication for an extended period of time, or we determine in our opinion that it is no longer in your best interest for us

to continue to manage your portfolio, we will terminate *The Agreement* by a written notice to your last known address of record and move your account(s) to an appropriate age-based fund with a low-cost fund company.

If we have collected fees for the billing period during which termination occurred or you have made a substantial withdrawal reducing your managed balance by more than 10% during the billing period, any unearned fees we have charged will be refunded. We will calculate the refund by using the same formula we use for calculating the monthly billing using the number of days in the month following the termination.

## E. COMPENSATION FROM OTHER SOURCES

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Neither we, nor any of our members accept payment for the sale of securities or investment products.

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

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Neither we nor any member of our firm charge or receive performance-based fees, – that is, fees based on a share of capital gains on or capital appreciation of your assets, –or conduct side-by-side management where a combination of asset-based and performance-based fees are collected.

## ITEM 7: TYPES OF CLIENTS

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We provide investment advice and portfolio management for individuals, families, trusts, foundations, and companies. Our normal minimum initial portfolio size per new client relationship is \$1,000,000; however, we authorize our managing members to waive that minimum. We routinely waive the minimum size for family members of existing clients. We may provide a more personalized and detailed level of communication about portfolio management for clients with larger portfolios while providing a more standardized communication on our portfolio management regime for smaller portfolios.

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

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### A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

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We use the method described in *Portfolio Selection* by Harry Markowitz as published in the March 1952 edition of *The Journal of Finance* and for which he received a Nobel Prize in Economics in 1990 as the basis for all portfolio design and management. We also modify the asset allocation selection created by Dr. Markowitz's formulas by limiting the use of asset classes that are currently significantly above their long-term mean trend line. We manage and allocate assets to fixed-income asset classes based on the calculated average yield to maturity or *duration* in the bond portfolios we have selected to represent the asset classes. We also may limit or adjust the bond holdings of an investment portfolio based on our assessment of probable significant long-term changes in interest rates. We explain this process in detail earlier in this brochure, beginning on page 6.

### B. MATERIAL RISKS

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All investments involve risk. It is important that you understand the spectrum of risks, which ones can affect you, and seriously consider the degree of market valuation loss you will be able to tolerate in the shorter term. We provide a Risk Tolerance Questionnaire to you to assist in determining your tolerance for market declines.

### **Types of Risks that that pertain to the types of recommendations that we typically give:**

**Inflation Risk** - Inflation as it is generally defined is the average rate of price increase for a group of selected goods and services over time. As prices rise, so does the cost of living for most people.

**Deflation Risk** - Deflation is like inflation in reverse, where the prices decline and is in many ways more dangerous. It means that there is less money in the system which makes loans difficult and employment hard to find.

**Mutual Fund and other Investment Company Act of 1940 Investments' Risk** - While many of these risks still exist in mutual funds, the Investment Company Act of 1940 was written to address the corporate insolvency or bankruptcy of companies that pool investors' assets for more diversification. Market risks are still borne by the investor, but if the management company (that is registered under the act) goes bankrupt, their creditors may not seize your assets to pay their obligations. The investment management companies are only allowed to be paid as much as is written in their prospectus.

**Market Risk or Systemic Risk** - The price of any security or investment can drop based on specific events or without cause. When the cause is based not on the quality of the individual investment, but rather on larger events, this is called Market Risk or Systemic Risk.

**Non-Systemic Risk** - An example of non-systemic risk loss would be if you had invested in a privately managed fund, one not registered under the Investment Company Act of 1940, and the company or person managing the fund became insolvent, resulting in creditors seizing the fund assets. Recent examples of non-systemic risk losses include the failure of Enron, hedge fund insolvencies, and Ponzi schemes such as those perpetrated by Bernard Madoff and Allen Stanford.

**Equity Risk** - Historically, markets move in cycles. Those cycles involve fluctuations that can be significant. Equity is ownership, and ownership can have risks associated with dropping earnings, poor planning, and over-concentration in an asset class.

**Interest Rate Risk** - Interest bearing instruments have risks all their own. The changing general level of interest rates in the market can and generally does have a direct impact on the value of those instruments. A rising interest rate environment generally causes existing instruments with lower promised rates to be worth less. Higher interest rates than the general rate also implies a higher level of risk that the issuing company will default rather than pay the interest.

**Foreign Risk** - There are a series of risks associated with investing outside of the United States for anyone living here.

- **Government Instability:** As history has shown, governments have not been permanent. At times this has caused the complete loss of the values associated with an investment. Many oil companies lost a great deal of value when Venezuela nationalized their assets. Casinos and other gambling enterprises have been completely shut down by changes in regulations and governments in many instances.
- **Corporate Governance:** Just as the laws and government have an impact that is different than what we see here, how corporations are managed and run can change in different ways in other countries.

Understanding corporate structures and laws of each location is an important factor to consider when investing in foreign companies.

- Exchange Rates: Currencies fluctuate in value against each other. If the dollar becomes “stronger,” it can make an investment that is denominated in another currency go down in value.

In your Investment Policy Statement, we illustrate the percentage loss and length of decline that historically occurred in the asset allocation mix we recommend. If, after considering the historic degree and length of market declines associated with your asset allocation, you believe that you would not be able to tolerate such an event, you should inform us immediately so that we may reallocate your portfolio to a lower expected return with the resultant reduced potential for short-term decline.

### C. HOW OUR RECOMMENDATIONS IMPACT RISK

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Although we believe we have largely eliminated the risk of loss due to financial failure and/or fraud, history demonstrates that market downturns can sometimes be severe and lengthy in nature. If you are taking a systematic withdrawal from your portfolio, the distinct possibility exists that in any investment portfolio that includes securities, there may be periods when reducing the withdrawal is the most prudent way to reduce your risk of failure. If such an event occurs and we believe that it would be in your best interest to reduce your withdrawal rate, we will recommend you do so.

Perhaps the greatest risk to your portfolio if it is invested in a prudent manner is that of unscheduled lump-sum liquidations or excessive, frequent withdrawals. If you elect to take either a lump-sum withdrawal or a greater systematic withdrawal from your portfolio than we have agreed to in your investment policy statement, the probabilities of your portfolio failing to provide a long-term positive return will increase. If you make the withdrawal or withdrawals at a low point in a market cycle, the results could be catastrophic. In short, unscheduled, and unplanned withdrawals could result in a collapse in your portfolio value and its inability to support your goals.

Another extraordinary risk factor in any investment portfolio is liquidation or a move to cash or guaranteed positions because of fear. Historically, the times of maximum fear that market-based investments will collapse or lose a large portion of their value coincide with the low points in market valuation. Liquidation at one of those points can create a loss in a portfolio that may be difficult or impossible to repair.

## ITEM 9: DISCIPLINARY INFORMATION

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Neither our firm, nor any person affiliated with our firm has had a disciplinary action taken against them by any regulatory agency.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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### A. NO REGISTRATION WITH A BROKER-DEALER

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No member of our firm is registered as a representative of a broker-dealer.

## B. NO REGISTRATION WITH A COMMODITY OR FUTURES MERCHANT

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No member of our firm is registered or has an application pending to register as a futures commission merchant, commodity pool operator, a commodity-trading advisor, or an associated person of the foregoing entities.

## C. RELATIONSHIPS THAT ARE MATERIAL TO OUR INVESTMENT ADVISORY BUSINESS OR TO YOU

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We have a contractual relationship with Pershing Advisor Solutions (PAS), an introducing broker-dealer which is wholly owned by, and enables access to the services offered by *Pershing*, a member of the New York Stock Exchange and a wholly owned subsidiary of The Bank of New York Mellon. The contract is purely to allow our clients to use *Pershing* as a custodian for their advisory accounts and to facilitate our management of those accounts. We are not representatives of PAS, nor do we receive compensation from PAS other than the advisory fees we charge to our clients' accounts.

We also have a contractual relationship with Nationwide Advisory Services (NAS) (formerly Jefferson National Life) authorizing TPWC to directly manage sub-account allocation of our clients' variable contracts at NAS. Neither TPWC nor its members receive any compensation from NAS other than the advisory fees we charge client contracts held there.

Additionally, members may have third-party management agreements with other custodians enabling the member to manage the account or accounts described in *The Agreement* on behalf of our clients.

On an individual account basis, TPWC has third-party management agreements with other insurance and fund companies. Other than fully disclosed fees authorized by our clients and billed to their accounts, TPWC receives no compensation from those companies.

Our business manager, Dea Prall, also has a Texas General Lines insurance license from which she earned less than \$550.08 in 2023.

TPWC is not affiliated with and will not recommend other investment advisers.

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

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### A. TPWC CODE OF ETHICS SUMMARY

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The TPWC Code of Ethics (the Code) establishes rules of conduct for all of our members. We have designed it to, among other things, govern personal securities trading activities in the accounts of our members as well as our employees. To protect our clients, and prevent even the appearance of a violation, we require that any securities accounts that are owned by a member, employee, or control person *or their spouse* to be reviewed initially and then with each transaction. An initial holdings report, and a written request for duplicate statements must be signed and on file no later than 10 days after hiring or establishment of a securities account.

We have based *the Code* upon the principle that we owe a fiduciary duty to at all times act in good faith and in the best interest of our clients. We have the following responsibilities:

- The duty to have a reasonable, independent basis for the investment advice we provide;

- The duty to obtain best execution for our clients' transactions where we are in a position to direct that brokerage;
- The duty to ensure that investment advice is correctly molded to our clients' individual objectives, needs, and circumstances; and
- The duty to be loyal to our clients.

We have designed *the Code* to ensure that we continue to apply high ethical standards long maintained by our firm. The continued well-being of each of us is, to a large degree, dependent on our maintaining and improving the high level of esteem in which we are held in the community. We recognize that any ethical or moral violation of ethical or legal standards would be highly destructive and emphasize that to each other frequently.

We will provide a complete copy of *the Code* to you or anyone else who requests it.

## B. MATERIAL FINANCIAL INTEREST IN INVESTMENTS

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We will not recommend or purchase for you any investment in which we have a material financial interest.

## C. TPWC RELATED PERSONS INVESTING IN SAME SECURITIES AS CLIENTS

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We and our members will routinely be invested in some or all of the same mutual funds we recommend to our clients. We do not believe that a conflict of interest will arise from this practice. We also believe that no conflicts arise from the timing of such investments.

You may choose to hold or purchase investments in specific individual securities such as publicly traded stocks or bonds. The possibility exists that a conflict could arise if a member of our firm holds or invests in the same issue (of stocks or bonds). Our Chief Compliance Officer will monitor and approve all individual equity investments by members and related persons to prevent such a conflict.

## D. PURCHASING SECURITIES AT OR ABOUT THE SAME TIME AS A CLIENT

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Again, because of the restrictions we have placed on the investments we recommend or purchase on behalf of our clients, no conflict should arise from the timing of a member of our firm's investment purchase or sale. Our Chief Compliance Officer will monitor the investment purchases and sales of securities by our members and employees to ensure that no conflict arises.

# ITEM 12: BROKERAGE PRACTICES

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## A. FACTORS CONSIDERED IN SELECTING OR RECOMMENDING A BROKER-DEALER

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When we recommend a broker-dealer or custodian for our clients, we follow a set of principles and guidelines by asking the following questions.

What discount can be offered on individual client transaction charges based on the overall agreement between us and the potential custodian?

What level of access will our clients have to institutional share classes and load-waived classes of funds? Such funds have a significantly reduced expense to our clients' accounts.

What account insurance against financial insolvency of the custodian itself is offered?

Are appropriate data feeds of account and investment balances available for third party reporting?

What software is available to access the trading platform?

Does the custodian or broker-dealer offer proprietary management accounts or conduct trading activities for its own profit? We believe that either of those activities constitutes a serious conflict of interest and provides an incentive for self-dealing and placing the interests of the financial firm ahead of its clients. Obviously, we would want to avoid that.

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## 1. RESEARCH AND OTHER SOFT-DOLLAR BENEFITS

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We receive no soft-dollar or other benefits from any custodian. No member or employee of our firm will accept entertainment or guest accommodations from any firm that we may recommend to a client.

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## 2. BROKERAGE FOR CLIENT REFERRAL

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Neither we nor any of our members direct client accounts to any broker-dealer in return for client referrals.

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## 3. DIRECTED BROKERAGE

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- a) While we will recommend custodians and broker-dealers for our clients' accounts, we do not require you to use those recommendations. If you choose to use another custodian, we may impose an extra administrative charge to cover our additional time and expense to access, monitor, and conduct billing for a custodian you elect to use.
- b) If you elect to use another custodian, we may not be able to determine if you will achieve the most favorable execution or lowest costs on securities transactions.

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## B. AGGREGATED PURCHASES OR SALES

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We do not aggregate our trades based on the standard definition of it. The discounts we receive for transactions at custodians are based on our assets under management and could be considered an aggregation of purchases or sales to achieve a lower client account expense. This is not the standard definition of aggregation, but we see it as a method to maintain lower transaction costs for our clients. We may aggregate a share class exchange across a series of clients' accounts for efficiency.

## ITEM 13: REVIEW OF ACCOUNTS

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A review of your accounts may be done internally by a member of our firm or may be done in coordination with an appointment, either by phone or in person. Additionally, if it is more convenient for you, we can prepare a summary and consolidated report on your portfolio available to you through mail or electronically.

### A. PERIODIC REVIEWS

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We perform an allocation review of your accounts at least once per billing cycle, which is normally monthly, but at least quarterly. In the allocation review we compare your existing asset allocation to that outlined in your IPS and subsequent letters. If your asset allocation has drifted so that an imbalance of 10% or more of the total portfolio value in any asset class has occurred, we may conduct a non-periodic optimization review and reallocate your portfolio accordingly. This review is conducted in concert between our Operations Manager and associated Advising Member.

### B. OTHER THAN PERIODIC REVIEWS

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There are two types of reviews that take place outside of our billing cycle: The Client Review and The Optimization Review.

A client review may be conducted by mail, email, phone, or in person. The purpose of a client review is to determine if your situation has changed and to give you the opportunity to ask questions or make comments about our management or service. Additionally, in the client review, we validate that you are receiving the appropriate documents and notices from your custodian(s). In the event of any significant changes in your outlook, goals, or situation, your portfolio will be given an optimization review.

An optimization review may be triggered by your client review or by a change in either market conditions, an asset allocation drift, or by a change in your goals or situation. In an optimization review, we will go over the major elements of your IPS, which will be validated or changed. From that analysis, we will determine and implement an updated allocation and fund choices for your portfolio.

If we determine that a significant market shift has occurred or is occurring, which either changes our allocation model, or has created a significant imbalance in a large number of portfolios, we will review and potentially reallocate any portfolio that is, in our opinion, at risk.

When we determine that a fund or fund manager is no longer the most appropriate to be used in an asset class in your portfolio, we will normally liquidate that fund and substitute one or more funds in its place. This may be done on a generalized basis in all client portfolios where it is appropriate, or in cases where the fund is marginally less appropriate than another fund, it may be done on a case-by-case basis in conjunction with a client review. In some circumstances we may elect to retain an asset class or fund in your portfolio that we have or are removing from others if we determine that the transaction would be more disadvantageous to you than the retention of the asset class or fund. An example of this would be, if the taxable event created by the sale of the fund or asset class would create a greater loss than would probably be incurred by holding the position.

Any time we become aware of a change in your risk tolerance, goals, or objectives for your portfolio, we will schedule a review and conduct a new analysis of your portfolio. Such changes may also generate an amendment to your IPS for your review. If there has been a significant change in your circumstances or objectives, it is your responsibility to contact us as soon as you can to advise us of any change that will affect your goals, objectives,



risk tolerance, or significantly impact your current financial situation, so that we can properly adjust your portfolio to accommodate your new situation or objectives.

## C. REPORTS

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At your request, we will provide quarterly reports on the value and performance of your portfolio generated by Albridge Solutions, Inc., a third-party data gathering and reporting firm. At any time, you may request that we provide a special report either electronically or by mail.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

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### A. ECONOMIC BENEFIT FROM OTHERS

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Neither we nor any related person ever provide compensation for clients referred to us.

### B. ECONOMIC BENEFIT TO OTHERS

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Neither we nor any related person is compensated for making referrals to any other person or institution.

## ITEM 15: CUSTODY

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A qualified independent custodial institution such as a broker-dealer, mutual fund company, insurance company, or bank will hold all of TPWC's client investments and funds. We are considered to have custody of your funds in that we may bill your accounts for our agreed-upon fees; however, we will not at any time take physical possession of your investments nor your money, nor will we direct either your investments or the proceeds from your investment to any account, location, or person, other than those which you have authorized in writing. All custodians we use will send you a statement showing all transactions in your accounts at least quarterly. You should review that statement carefully to detect any unauthorized transactions.

If you do not receive a statement within a reasonable period after the end of any calendar quarter from any custodian holding securities or funds on your behalf, please notify us immediately so that we may request the custodian to provide you with a statement. Your custodial statements are the only official notification of your holdings and the dated value of those holdings. Reports you receive from us are compiled from sources that we consider reliable but are not official statements.

## ITEM 16: INVESTMENT DISCRETION

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We normally have *discretionary authority* in your accounts if you hold them at PAS, NAS, or one of the other custodians with which we have a third-party management agreement. With your specific permission, we may directly manage other accounts where you give us access and authority to do so. Your authorizations to use our discretion to manage your investments in each account will be listed on Schedule B of *The Agreement*. Your signature on that Schedule will constitute your delegation of discretionary management authority to us for the accounts so marked.



In *The Agreement*, you have the right to decline our direct management and elect to instead receive written recommendations from us and act upon those recommendations yourself. You may restrict our portfolio design. For example, you may have an investment or investments in your portfolio that you wish to retain without regard to our opinion of the appropriateness of that security. We will provide you with an opportunity to indicate your restrictions and special requests on Schedule C of *The Agreement*.

For our primary custodians, your account application and agreement that you sign in order to open your account(s) has a limited power of attorney authorizing us to have discretionary authority to buy, sell, and transfer funds internally within your accounts. For other custodians, we will typically utilize a third-party management agreement which, when signed by you authorizes us to execute transactions and transfers internally for the account. We do not have the authority to transfer funds out of your accounts other than the fees you have authorized us in writing to charge your accounts. If you wish us to facilitate the transfer of funds from your accounts to you or to another account which you own, you will need to do so in writing in a form acceptable to the custodian.

## ITEM 17: VOTING CLIENT SECURITIES

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We will not vote on your behalf regarding shareholder actions in your securities. You will receive proxies directly from your custodian and commonly we will not have seen them before you receive them. At your request, we will conduct reasonable research into the action or actions on which you have been asked to vote and respond to your questions on issues of fact; however, we will not provide advice on how you should vote.

## ITEM 18: FINANCIAL INFORMATION

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### A. PREPAYMENT

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We will not require or solicit prepayment of more than \$500 in fees from you six months or more in advance.

### B. CONTRACTUAL COMMITMENTS

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There are no financial conditions that we are aware of which are likely to impair our ability to meet our contractual commitments to our clients.

### C. BANKRUPTCY

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Neither we nor any of our advising members have ever been the subject of a bankruptcy petition.