

ITEM 1- COVER PAGE



This brochure provides information about the qualifications and business practices of Clarity Wealth Development, LLC. If you have any questions about the contents of this brochure, please contact us at (541) 753-1898 or [info@claritywd.com](mailto:info@claritywd.com). Information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State securities authority.

Additional Information about Clarity Wealth Development, LLC, also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Clarity Wealth Development, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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March 20, 2024

## **ITEM 2- MATERIAL CHANGES**

No material changes have occurred since our last annual amendment filed on March 8, 2023.

### **Future Changes**

We may sometimes amend this Disclosure Brochure to reflect changes in our business practices, 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 by April 30<sup>th</sup> and if a material change occurs in the business practices of Clarity Wealth Development, LLC.

You may request a copy of this Disclosure Brochure at any time, by contacting us at (541) 753-1898.

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## ITEM 4- ADVISORY BUSINESS

### A. Description of business

Clarity Wealth Development, LLC ("Clarity") is a Registered Investment Advisory Firm based in Oregon since 2010. Kay Dee Cole is the managing principal and owns 75% of the firm. Kay Dee is an Investment Advisor Representative and Compliance Officer of the firm. Kim Hall is the Vice President and owns 25% of the firm. Kim is an Investment Advisor Representative and Director of Financial Planning.

### B. Description of advisory services

Clarity is an independent firm specializing in financial planning and managing client portfolios. We take a comprehensive approach to financial planning in that we want to set up a complete plan for clients in the most holistic path possible. We find this to be the best and most effective approach.

#### **Comprehensive Financial Planning**

Financial planning includes tax planning, insurance planning, retirement planning and estate planning. Financial planning services may include consultations and/or written financial plans. Each plan analyzes clients' financial situation and then makes appropriate recommendations for strategies and methods to implement those strategies. Financial planning may be offered as a standalone, one-time engagement or on an ongoing basis provided the client engages Clarity for investment management services. Plans are more effective if reviewed each year and adjusted accordingly.

Upon requesting a comprehensive plan, clients will work with a planner to establish their goals and values around money. Clients will need to provide the information required for the following areas of analysis: net worth, cash flow, insurance, credit scores/reports, employee benefit, retirement planning, insurance, investments, college planning and estate planning.

Our most common client engagement involves working one-on-one with a planner over an extended period. After a comprehensive financial plan is created, clients may choose to work with a planner on an ongoing basis to implement, monitor and update (as needed) the plan provided they engage Clarity for investment management services.

If the client engages Clarity for investment management services, the plan will be monitored throughout the year, and the planner will follow up with the client to confirm that agreed upon action steps have been carried out. The annual review of this plan will be fully reviewed to ensure its accuracy. Any updates needed will be implemented at that time. Meetings may be virtual and in person, and we will meet at the client's convenience.

NOTE: Planning only clients are under no obligation to act upon the advisor's investment recommendations. If the client elects to act upon any of the recommendations, the client is under no obligation to affect the transaction through the investment advisor. The advisor is also not obligated to monitor investment accounts held outside the firm; this responsibility is entirely up to the client. Neither the advisor, nor any of its planners, agents, or employees, are authorized or permitted to provide legal

or accounting documents or services in connection with any services they provide, including financial planning services. Client should consult with their own personal attorneys, accountants, or tax preparers for this advice independently or in conjunction with implementing the plan. Since the client's financial plan is written based on data provided by the client under an advisory agreement, the accuracy of any information provided by the client is critical to the accuracy, appropriateness, and recommendations provided in the financial plan. The advisor's planners rely on the completeness and accuracy of this information and will not verify it independently. Neither the advisor nor the client's planner has a duty to update a financial plan or make additional recommendations once the financial plan has been delivered to the client. Unless the client engages the advisor for ongoing services, once the plan has been provided, advisor's planners have no obligation to suggest future revisions to the plan, monitor implementation of the plan or monitor the financial circumstances of the client.

### **Managing Client Portfolios/Investment Advisory Services**

The client can determine to engage Clarity to provide discretionary investment advisory services based on an annual service cost.

Clarity creates investment portfolios for clients based on an individualized investment strategy that takes into consideration the client's personal financial situation including employment status, cash reserves, retirement account values, current age, anticipated retirement date, other sources of income as well as their personal tolerance for risk and volatility. Client portfolios are monitored and adjusted in accordance with the agreed upon investment strategy.

Clarity utilizes general securities (stocks & bonds), mutual funds (including exchange traded funds or ETFs (Exchange Traded Funds)), government securities, and occasionally real estate and metals funds to create diversified portfolios tailored to client's goals and individual risk profiles. In client accounts, we do not typically purchase or manage "alternative investments" (such as commodities, managed futures, private equity, currency, or hedge funds)

It remains the client's responsibility to promptly notify the Clarity if there is ever any change in his/her/their financial situation or investment objectives for the purpose of reviewing/evaluating/revising Clarity's previous recommendations and/or services.

#### **C. Tailoring of advisory services to individual client needs**

Clarity clients are each unique, so services are tailored to meet client needs. This process begins with a series of consultations intended to discover individual goals and values. Advisors then analyze clients' financial data and suggest how to best achieve client goals, considering client resources, constraints and values, and evaluations of risk and uncertainty. Recommendations are based on the information provided to Clarity by clients, and any omissions or non-disclosed items become the burden of the client. Advisors strive to match investment portfolios to client objectives. Clients may impose restrictions on investing in certain securities or types of securities (Please refer to Item 16).

**Note: Retirement Rollovers -Potential Conflict of Interest** A client leaving an employer typically has four options (and may engage in a combination of these).

1. Employee may leave the money in the employer plan, if permitted
2. Employee may rollover the assets to their current employer plan, if permitted

3. Employee may rollover the assets to an Individual Retirement Account (IRA)
4. Employee may take a lump-sum cash distribution from the employer plan

Clarity may recommend an investor rollover the plan assets to an IRA managed by Clarity (option 3 above). As a result, the advisors may earn an asset-based fee for managing the account. A recommendation that a client or prospective client leave their plan assets with their old employer, or rollover to a current employer plan will result in potentially lower compensation to Clarity advisors. Clarity Wealth Development may have an economic incentive to encourage an investor to roll plan assets into an IRA managed by Clarity Wealth Development.

Clarity considers a variety of factors before recommending rollover of a retirement plan, including but not limited to: 1) the investment options available in the plan versus the investment options in an IRA 2) fees and expenses in the plan versus the fees and expenses in an IRA 3) the services and responsiveness of the plan's investment professionals 4) required minimum distributions and age considerations 5) tax consequences and 6) clients' experience with self-directed investment management.

No client is under any obligation to rollover plan assets to an IRA managed by Clarity.

For insurance products, the company provides access to a platform for insurance products by DPL Financial Partners, LLC ("DPL"). The investor is under no obligation to use DPL's service and may seek insurance advice from any licensed agent. The insurance products and fee structures available from DPL may differ from those available from other third-party insurance agents. The company recommends that the investor fully evaluate products and fee structures to determine which arrangements are most favorable to the investor prior to making an investment decision. The company does not receive compensation for insurance products selected by the investor, whether secured through DPL or any other agent.

#### D. Wrap fee programs

Clarity does not participate in wrap-fee programs.

#### E. Assets under management

As of December 31, 2023, Clarity managed \$140,635,576 on a discretionary basis.

### **ITEM 5- FEES & COMPENSATION**

#### A. Compensation

Clarity charges three types of fees – financial planning fee ("Planning Fee"), investment management fee ("Annual Advisory Fee"), and Net Worth retainer fee ("Retainer Fee"). The fees stated below may be negotiated on occasion, based on the firm's discretion.

## Planning Fees

Comprehensive Financial Planning has a one-time planning fee of up to \$10,000, based on complexity and time. In certain cases, Clarity will charge an hourly rate not to exceed \$350 per hour. At the time of engagement, the contract will state your fees. This is payable during the planning process and clients may set up a mutually agreed upon payment plan.

A comprehensive financial plan fits those that need specialized financial planning. For clients that have over \$500,000 under management by Clarity, the planning is included as a part of the Annual Advisory Fee or the Retainer Fee, as applicable. (Described below).

If a client elects to pay the planning fee via credit card, Clarity will charge an additional 3.6% processing fee based on the fee charged to the credit card. Please note that clients are not obligated to pay via credit card.

## Annual Advisory Fee

Managed money fees, which cover the investment and management of client assets at Schwab and comprehensive financial planning services, are based on investment account balances. Households are aggregated, meaning that individual accounts under one household are combined for calculation of fees, which works in the favor of the client by minimizing fees. Fees are paid quarterly at the *end* of each quarter. Fees are calculated based on the average daily balance of household accounts for the quarter. Clarity does not impose minimums but may suggest another advisor depending on the overall cost of doing business with small account sizes.

Assets Under Management	Annual Advisory Fee*
First \$1,000,000	1.00%
Next \$1,000,000 - \$3,000,000	0.75%
Next \$3,000,000 - \$5,000,000	0.50%
\$5,000,000 and above	0.25%

\*The Fee Schedule is subject to a \$5,000 minimum annual fee.

## Retainer Fee

Net Worth fees, which cover the investment and management of client assets at Schwab and comprehensive financial planning services, are based on the client's Net Worth. Net Worth excludes the client's primary residence as well as any businesses or assets that Clarity does not consult. Clarity will reevaluate the client's Net Worth annually. The fee may be adjusted up or down accordingly, but in no case shall exceed 1.00% of the client's Net Worth. Fees are paid quarterly, at the *end* of each quarter.

**Note: Fee Differentials.** As indicated above, Clarity shall price its services based upon various objective and subjective factors. As a result, clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. Current clients may pay more than

previous clients based on changes in pricing throughout the years. The services to be provided by Clarity to any client could be available from other advisors at lower fees. All clients and prospective clients should be guided accordingly.

**B. Fee payment options**

With signed client permission on a Limited Power of Attorney, Clarity can withdraw account management fees at the end of each quarter. Clients may choose to be billed outside of their accounts at the end of each quarter. Fees for financial planning are billed and due according to the mutually agreed upon payment plan.

If a client elects to pay any fees via credit card, Clarity will charge an additional 3.6% processing fee based on the fee charged to the credit card. Please note that clients are not obligated to pay via credit card.

**C. Other types of fees**

Clarity fees do not include fees charged by your custodian, mutual funds and other money managers, including management fees, custodial fees, mutual fund fees, taxes and transfer fees. The fees charged by Clarity are in addition to fees charged by any mutual fund in which a client's funds may be invested. The mutual funds held in a client's portfolio, such as money market funds, will assess charges and fees at the fund level, including fees for investment management services provided to the mutual fund by the fund's investment adviser. All such fees and charges are disclosed in the prospectus of the applicable mutual fund. Clarity does not receive a portion of any of these fees. Simply put, they are a necessary part of doing business in the securities industry.

**D. Fees in advance of service**

The Comprehensive Financial Planning for one-time planning (no AUM services) fee and/or hourly fee agreements may have an upfront deposit. No services are pre-paid for more than six months of services. If the client cancels within five business days of signing a contract, 100% of the fees will be refunded. Thereafter, the fees refunded will be pro-rated to the effective date of termination. The Consultation fee will only be refunded if the consultation does not occur.

**E. Compensation (commissions) for the sales of securities**

No one at Clarity accepts commissions or any other form of compensation for selling securities or other investment products. All insurance or annuity purchases are bought using fee-only products and we receive no commission.

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

Clarity does not charge performance-based fees (i.e., fees calculated based on a share of capital gains upon or capital appreciation of the funds, or any portion of the funds, of an advisory client).



Consequently, Clarity does not engage in side-by-side management of accounts charged a performance-based fee with accounts charged another type of fee (such as assets under management). As described above, Clarity provides its financial planning and investment advisory services for a fixed fee, hourly rate, and/or based upon a percentage of assets under management or net worth.

## **ITEM 7- TYPES OF CLIENTS**

Clarity Wealth Development provides comprehensive financial planning, consultations, and portfolio management services to individuals, high net worth families, and small businesses. In addition, Clarity may be a coordinator working with the client and their other advisors as needed to help implement recommended strategies.

Clarity does not impose any requirements on the minimum account size for opening or maintaining an account, however planning fees are not included with advisory services fees for clients with household account sizes less than \$500,000. In other words, planning fees are charged in addition to advisory fees for households with less than \$500,000 in accounts under management at CWD.

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

### **Our Investment Philosophy:**

Clarity uses a variety of models that incorporate risk analysis, goals, age, needs, income level, tax bracket and client values to come up with the appropriate mix of stocks, bonds and other appropriate assets.

Clarity does not attempt to "beat" the market with complicated trading strategies, and instead relies on Modern Portfolio Theory to construct portfolios and long-term investment strategies that maximize expected return for the appropriate level of risk, depending on a client's risk profile.

### **A. Methods of analysis**

**Modern Portfolio Theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics.

The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile - i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

## B. Investment Strategies/Risk

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, clients will bear additional expenses based on their pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities, the ETF, or mutual fund holds. Clients will also incur brokerage costs when purchasing mutual funds.

**Long-term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to several types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include inflation (purchasing power), interest rate, economic risk, market risk, and political/regulatory risk.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired. This is used sparingly in client accounts - we believe the purpose must be explained and clients must choose to have margin on their account.

**Selection of Other Advisors:** Although Clarity seeks to select only money managers who will invest clients' assets with the highest level of integrity, Clarity's selection process cannot ensure that money managers will perform as desired, and Clarity will have no control over the day-to-day operations of any of its selected money managers. Clarity would not necessarily be aware of certain activities at the underlying money manager level, including a money manager's engaging in unreported risks, investment "style drift" or even regulator breach or fraud.

***CLIENTS SHOULD BE AWARE THAT INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT THEY SHOULD BE PREPARED TO BEAR.***

## ITEM 9- DISCIPLINARY INFORMATION

- A. Criminal or civil actions None
- B. Administrative proceeding before the SEC or any other government agency None
- C. Self-regulatory organization (SRO) proceedings None

## ITEM 10- OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. Securities broker/dealer affiliations

Clarity is an independent advisory firm. No-one at Clarity is a securities broker/dealer or a securities registered representative.

B. Futures commission merchants, commodity pool operators and commodity trading advisors

No-one at Clarity is a futures commission merchant, a commodity pool operator or a commodity trading advisor, or an associated person of the above-mentioned three entities.

C. Other financial relationships or arrangements

Kay Dee Cole and Garrett Dresen are licensed insurance agents in the State of Oregon. Kay Dee Cole will not be renewing her license after June 2024. Clarity maintains licenses for educational purposes and to give advice on these products. Clarity may recommend insurance or annuity products and can offer fee-only products but does not sell products with a commission. Accordingly, clients should be aware that if a conflict exists between their interests and Clarity interests, they are under no obligation to act upon any of Clarity's recommendations, and if clients elect to act upon any of the recommendations, they are under no obligation to affect the insurance transactions through Clarity. Clarity advisors will recommend other agents but receive no compensation from them if clients elect to do business outside Clarity.

In addition to Michelle Onaka being an investment adviser representative of Clarity, Ms. Onaka is also a Financial Planner for Nectarine Financial, Inc. ("Nectarine"), an independent and unaffiliated registered investment adviser. Ms. Onaka's activities as a Financial Planner for Nectarine are separate from her activities with Clarity, and clients of Clarity and Nectarine are not currently expected to be referred to one another. Thus, Ms. Onaka's activities for Nectarine are not currently expected to create any material conflict of interest.

D. Compensation for recommendations of other registered investment advisors

On occasion, Clarity advisors will recommend other money managers to clients. They may be firms that specialize in investments Clarity does not manage, primarily annuities and "alternative investments" like commodities or currency. This helps diversify client investments. Clarity has chosen third-party money managers based on their relative costs, skills, reputation, dependability and compatibility with our clients, and NOT upon any financial arrangement between Clarity and Kay Dee Cole or Kim Hall. Any fees charged to clients are in addition to the fees charged by Clarity.

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

A. Code of Ethics

The Clarity Code of Ethics establishes ideals for ethical conduct based upon fundamental principles of openness, integrity & trust. It promises that Clarity will always put client interests first with complete confidentiality and honesty. Clarity advisors hold themselves to exacting standards and diligence. A copy of the Clarity Code of Ethics is provided to any client or prospective client at the first initial meeting.

**B. Material financial interests in investment recommendations**

Clarity will not recommend an investment to clients in which advisors have a material financial interest. Clarity advisors do not act as a principal and buy securities from or sell securities to clients, nor will they solicit investments for general partnerships or investment companies.

**C. Clarity personal trading in securities also recommended to clients**

On occasion, Clarity advisors may buy or sell securities that are also recommended to clients. The type of security always depends on the client's investment goals, objectives and time frames. There is a conflict of interest in advisors owning the same securities as they recommend to clients. However, Clarity believes this conflict to be minimal because the securities recommended are widely held and publicly traded and Clarity is too small of a firm for advisors/investors to affect the market in widely held and publicly traded securities.

**D. Advisor/client timing of security trades**

Clarity does not permit "front running" (advisor buying or selling before clients) or advisors buying or selling securities contemporaneously with clients.

**ITEM 12- BROKERAGE PRACTICES - SELECTION OF CUSTODIAN**

Clarity offers a clearing platform to execute securities business for investment advisory services through Schwab Advisor Services, a division of Charles Schwab & Co., Inc. Member FINRA/SIPC ("Schwab").

In order for Clarity to provide asset management services, we request you utilize the brokerage and custodial services of Schwab. Schwab is an independent SEC-registered broker dealer and is separate and unaffiliated with Clarity. Schwab offers services to independently registered investment advisors which include custody of securities, trade execution and clearance and settlement of transactions. The firm receives some benefits from Schwab through its participation in the Schwab Advisor Services program, as described in greater detail below.

Clarity evaluates broker dealer/custodians based on our projected AUM and the best fit for our business model. In considering which independent qualified custodian would be the best fit for Clarity's business model, we evaluate the following factors, which is not an all-inclusive list:

- Financial strength
- Reputation
- Reporting capabilities
- Execution capabilities
- Pricing, and
- Types and quality of research

While you are free to choose any custodian, we recommend that you establish an account with Charles

Schwab & Co. with which we have an existing relationship. Such relationships may include benefits provided to our firm, including research, market information, and administrative services that help our firm manage your account(s). Our recommended custodian provides quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by the recommended broker-dealers, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm.

Although Clarity does not have any formal soft dollar agreements, Clarity receives soft dollar benefits by nature of its relationship with Schwab Advisor Services, Division of Charles Schwab & Co., Inc., member FINRA/SIPC ("Schwab"). Clarity participates in Schwab's institutional customer program and may recommend Schwab to clients for custody and brokerage services. There is no direct link between Clarity's participation in the program and the investment advice it gives to its clients, although Clarity receives economic benefits through its participation in the program that are typically not available to Schwab retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Clarity participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Clarity by third party vendors.

Schwab may also have paid for business consulting and professional services received by Clarity's related persons. Some of the products and services made available by Schwab through the program may benefit Clarity but may not benefit its client accounts. These products or services may assist Clarity in managing and administering client accounts, including accounts not maintained at Schwab. Other services made available by Schwab are intended to help Clarity manage and further develop its business enterprise. The benefits received by Clarity or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab.

As part of its fiduciary duties to clients, Clarity endeavors to always put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Clarity or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Clarity's choice of Schwab for custody and brokerage services.

A. Brokerage for client referrals

Clarity does not receive client referrals in exchange for custodial business.

B. Directed brokerage

For Clarity to provide Clients with asset management services, we require that Client's custody their assets with Schwab.

C. Aggregating client accounts

Clarity can "aggregate" the purchase or sale of securities for clients when a large block of clients is trading the same security in order to reduce transaction costs for clients. Clarity is an independent small RIA that does not buy or sell large blocks of securities very often. More importantly, Clarity clients differ in risk profile, goals and portfolio size making these types of opportunities rare.

### ITEM 13- REVIEW OF ACCOUNTS

A. Client Reviews

Clarity's Investment Advisor Representatives review all assets under management (AUM) accounts a minimum of once a year; many are reviewed more than once a year. Clarity's investment models are reviewed annually, and due diligence reviewed monthly with advisory staff.

Portfolios may need to be repositioned if a client's financial situation or goals change, therefore it is ***important that clients notify Clarity immediately of any major changes in their financial situation.***

***Clients who have financial planning only (no assets under management with Clarity) will have their plans reviewed if stated in the contract.***

Clients are contacted, at a minimum once a year, to come in for an annual review. If clients do not respond to three repeated attempts to schedule an annual review, Clarity will request that clients contact us within a year to schedule a review. If no communication is received after one year, the clients account may be delinked from Clarity management. Clients will be personally responsible for managing their accounts.

B. Client reports & fees

Client account statements, transaction confirmations, all applicable tax documents, required minimum distributions forms, and proxy documents (including ballots and any communication from public companies) are sent by the account custodian.

In addition, clients may also receive prospectuses and reports from any owned securities or money managers utilized. Performance reports are reviewed during client reviews and are posted to the Clarity client portal (Black Diamond) quarterly. Account statements are posted monthly and billing statements and performance reports quarterly and can also be retrieved through the client portal.

Accounts are reviewed and fees calculated at the end of each quarter (Jan. 1, April 1, July 1 and Oct 1) for the previous quarter. After reviews for accuracy, fees are deducted from client accounts and invoices are then sent out immediately to clients. Notices are posted to online accounts and the fees are stated in quarterly statements.

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

##### **A. Economic benefits for certain advice**

Clarity does not get economic benefits from a non-client for providing certain advice. In addition, Clarity does not accept sales awards or other prizes, such as trips.

##### **B. Payment for client referrals**

Clarity does not pay for client referrals. Clarity also does not get paid for client referrals when recommending other money managers or insurance products.

#### **ITEM 15- CUSTODY**

Pursuant to Rule 206(4)-2 of the Advisers Act, Clarity is deemed to have custody of client funds because Clarity has the authority and ability to debit fees directly from clients' accounts. To mitigate any potential conflicts of interests, all client account assets will be maintained with an independent qualified custodian.

Clients should be aware, however, of the differences between having their assets held in custody at a broker-dealer versus at a bank or trust company. Some of these differences include custodian costs, trading issues, asset security, client reporting and technology.

Some clients may execute limited powers of attorney or other standing letters of authorization that permit the firm to transfer money from their account with the client's independent qualified Custodian to third parties. This authorization to direct the Custodian may be deemed to cause our firm to exercise limited custody over your funds or securities and for regulatory reporting purposes, we are required to keep track of the number of clients and accounts for which we may have this ability. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate any transfers that may have taken place within your account(s) each billing period. You should carefully review account statements for accuracy.

#### **ITEM 16- INVESTMENT DISCRETION**

Client accounts are managed on a discretionary basis, although some clients prefer non-discretionary accounts. Non-discretionary accounts are ones for which Clarity must obtain Client consent prior to

each transaction.

Clients may place limitations on the discretionary nature of their account management. For example, several clients prefer not to invest in gambling, tobacco or alcohol-based securities. Some prefer sustainable business practice or green businesses. In some cases, Clarity advisors may require written acknowledgement of investment recommendations if clients choose not to implement them.

Limited Power of Attorney is needed to authorize discretionary account management and is included with the account opening paperwork. Before executing the power of attorney, the custodian ensures that the signed contract which authorizes Clarity to have certain privileges, is initialed on the new account form. Clients may authorize Clarity to open accounts, manage accounts with discretion or not, receive duplicate confirmations and statements, and authorize the custodian to deduct fees from your account.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Clarity on a non-discretionary investment advisory basis must be willing to accept that Clarity cannot affect any account transactions without obtaining prior verbal or written consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Clarity will be unable to affect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal or written consent.

## **ITEM 17- VOTING CLIENT SECURITIES**

### **A. Voting client securities**

Clarity does not accept authority to vote client securities. Clients will receive proxies or other solicitations directly from the custodian. Clarity encourages clients to discuss them with their legal representatives. Clients can opt to have these communications sent electronically.

## **ITEM 18- FINANCIAL INFORMATION**

### **A. Prepayment of asset management fees**

Clarity never charges fees more than \$1,200 more than 6 months in advance of services.

### **B. Financial condition**

Since Clarity may have discretionary authority of client funds and/or securities, Clarity is required to disclose any financial condition that is reasonably likely to impair their ability to meet contractual commitments to clients. No financial impairments exist that would prevent Clarity from making a refund if necessary.