

**Registered as: Innovative Advisory Partners, LLC doing business as Franklin Wealth Management**

## **FORM ADV PART 2A FIRM DISCLOSURE BROCHURE**



**4700 Hixson Pike, Hixson, TN 37343 | Phone: 423-870-2140, Fax: 423-870-2164**

**[www.innovativeria.com](http://www.innovativeria.com)**

**March 30, 2024**

This brochure provides information about the qualifications and business practices of Franklin Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 423-870-2140 or [Joe.Franklin@Franklin-Wealth.com](mailto:Joe.Franklin@Franklin-Wealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Franklin Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for 156135. Franklin Wealth Management, 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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**Item 2: Material Changes**

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The following is a Summary of the Material Changes to the Part 2A disclosure brochure for Franklin Wealth Management, LLC which have occurred since the filing of our previous annual amendment on 03/31/2023.

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

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Franklin Wealth Management, LLC ("IAP") is a registered investment adviser based in Hixson, Tennessee. We are organized as a limited liability company under the laws of the State of Tennessee and formed in 2010.

The firm is primary owned by Franklin Wealth Management, LLC which also serves as a doing business as name. Franklin Wealth Management, LLC is owned by Joe D. Franklin, who serves as the CEO, President and Chief Compliance Officer of Franklin Wealth Management, LLC.

The firm provides innovative advice for business-minded professionals, with a focus on inter-generational planning and out of the box thinking with regard to saving taxes, investing and ensuring clients stay financially fit. Services consist of portfolio management and financial planning and consulting services. Clients may retain Franklin Wealth Management, to provide portfolio management and financial planning or may engage us to provide either service exclusive of the other.

#### **Asset Management**

We provide portfolio management services based on static and dynamic model portfolios. Static model strategies are based on current and past performance of different sectors and dynamic model strategies are generally more aggressive in nature based on current and expected future performance of asset classes.

If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to construct an investment portfolio for you which will be based on a model portfolio. Once we select a model portfolio for you, we will monitor your portfolio's performance on an ongoing basis and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

We offer discretionary and non-discretionary authority to manage your account. Written discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm or trading authorization forms. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

#### **Franklin Wealth Management Wrap Fee Program**

Assets managed in a wrap fee program are identical to a non-wrap fee program except for the fee structure. Franklin Wealth Management acts as the sponsor and portfolio manager. The cost to manage an account, advisory fees and transaction expenses are "wrapped" into a single fee. Please see Appendix 1 –Wrap Fee Program Brochure, which is included as a supplement to this Disclosure Brochure for additional details. There are no differences between how a wrap fee account and a non-wrap fee account are managed.

## **Financial Planning and Consulting Services**

Franklin Wealth Management offers broad-based, modular, and consultative financial planning services. Our financial planning services typically involve providing a variety of advisory services regarding the management of your financial resources based upon an analysis of your individual needs. Financial planning services may include but may not be limited to:

- investment planning,
- estate planning
- tax planning
- asset protection planning
- retirement planning
- wealth planning

If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You should also be aware that our financial plans may contain certain assumptions with respect to interest and inflation rates, along with past trends and performance of the market and economy. Past performance is in no way an indication of future performance. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

For consultative planning, where we advise you on specific financial related topics, fees may be due and payable upon completion of services rendered and may be charged on a negotiable hourly or fixed fee basis. In certain circumstances other fee payment arrangements may be made, which will be determined on a client by client basis.

You may terminate the financial planning agreement with written notice within 5 days of the signing of the agreement, without penalty. Thereafter, you may terminate the financial planning agreement upon 30 day's written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre- paid fees that we have not yet earned, you will receive a prorated refund of those fees.

In some cases we may waive or offset the financial should you choose to implement the advice through our portfolio management services as described above or by purchasing insurance or a commissioned product through associated persons acting as insurance agents or as registered representatives of LPL. We reserve the right to determine whether the financial planning fees will be waived or offset by the fees earned in the implementation process. However, you are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through portfolio management services and are free to act on our recommendations by placing securities transactions with any brokerage firm of your choice.

You may terminate the client agreement with written notice within 5 days of the signing of the agreement, without penalty. Thereafter, you may terminate the client agreement upon 30 days written notice to our firm.

You will incur a pro rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Financial Institution Consulting Services**

Franklin Wealth Management provides investment consulting services to certain broker/dealers' customers ("Brokerage Customers") who provide written consent requesting to receive the firm's consulting services. Brokerage Customers have entered into a written advisory agreement with Franklin Wealth Management.

### **Wealth Management Reporting**

We offer an online wealth management reporting service whereby you are able to view all your financial and account information in a consolidated reporting format.

We charge the following fees for such service which is based upon the value of assets reported on as follows:

<b>Asset Value</b>	<b>Annual Fee</b>
Up to \$500,000	0.10%
\$501,000 to \$1,000,000	0.05%
\$1,000,001 to \$5,000,000	0.05%
\$5,000,001 to \$10,000,000	0.05%
Above \$10,000,000	Negotiable*

\* There is a minimum \$75 charge for this service.

### **Hourly Consulting Services**

Franklin Wealth Management offers consulting services on an hourly basis. Hourly consulting and financial planning offer similar services but differ in depth and scope. Financial planning is generally more comprehensive and takes into account a client's entire financial situation whereas hourly consulting tends to be more focused on a particular financial objective or need. The hourly consulting engagement terminates upon final consultation with the client.

### **Retirement Plan Rollovers**

An employee generally has four (4) options for their retirement plan when they leave an employer:

1. Leave the money in his/her former employer's plan, if permitted
2. Rollover the assets to his/her new employer's plan if one is available and permitted
3. Rollover to an Individual Retirement Account (IRA), or
4. Cash out the account value, which has significant tax considerations

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney. If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

- Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
- Employer retirement plans generally have a more limited investment menu than IRAs.
- Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
- Your current plan may have lower fees than our fees.

Franklin Wealth Management provides educational services to retirement plan participants with assets that could potentially be rolled-over to an IRA advisory account. Education is based on a particular Client's financial circumstances and best interests. Again, Advisor has an incentive to recommend such a rollover based on the compensation received, which is mitigated by the fiduciary duty to act in a Client's best interest and acting accordingly.

If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because Investment Advisor Representatives have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each. An employee will typically be investing only in mutual funds, you should understand the cost structure of the share classes, available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA. Clients should understand the various products and services they might take advantage of at an IRA provider and the potential costs of those products and services.

- Our strategy may have higher risk than the option(s) provided to you in your plan.
- Your current plan may also offer financial advice.
- If you keep your assets titled in a 401k or retirement account, participants could potentially delay their required minimum distribution beyond age.
- A 401(k) may offer more liability protection than a rollover IRA; each state may vary.
- Participants may be able to take out a loan on your 401k, but not from an IRA.

- IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
- If company stock is owned in a plan, participants may be able to liquidate those shares at a lower capital gains tax rate.
- Plans may allow Advisor to be hired as the manager and keep the assets titled in the plan name.

Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

It is important to understand the differences between these types of accounts and to decide whether a rollover is the best option. Prior to proceeding, if you have questions contact your Investment Adviser Representative, or call our main number as listed on the cover page of this brochure.

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

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

### **Types of Investments**

We primarily offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. Government securities, options contracts on securities, interests in partnerships investing in real estate and oil and gas, managed futures, hedge funds and other alternative investments. Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Educational Seminars and Speaking Engagements**



Franklin Wealth Management strongly believes in investor education. As such, Franklin Wealth Management hosts educational workshops and seminars to clients and prospective clients. Franklin Wealth Management may or may not charge for attending an educational workshop or seminar, depending on the volume and costs of materials provided to the attendees, length of the session, cost of venue, etc. If Franklin Wealth Management does charge for attendance, the charge will not exceed \$100 per attendee.

### **Assets Under Management**

As of March 30, 2024, we manage approximately \$192,100,000 of client assets on a discretionary basis and approximately \$6,700,000 of client assets on a non-discretionary basis.

### **Conflicts of Interest**

Investment advisor representatives must fully disclose all material facts concerning any conflict and should avoid even the appearance of a conflict of interest and abide by honest and ethical business practices.

- Investment advisor representatives must not induce trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account. Investment advisor representatives must make recommendations with reasonable grounds to believe that they are appropriate based on the information furnished by the client.
- Investment advisor representatives may not borrow money or securities from or lend money or securities to a client.
- Investment advisor representatives must not place an order for the purchase or sale of a security if the security is not registered, or the security or transaction is not exempt from registration in the specific state.
- Product sponsors may pay for or reimburse Franklin Wealth Management for the costs associated with education or training events.
- The code of ethics permits employees and investment advisor representatives or related persons to invest for their own personal accounts in the same or different securities that an investment advisor representative may purchase for clients in program accounts.

In offering financial planning, a conflict exists between the interests of the investment advisor and the interests of the client. The client is under no obligation to act upon the investment advisor's recommendation, and, if the client elects to act on any of the recommendations, the client is under no obligation to affect the transaction through the investment advisor. Such conflicts and risk of misconduct are mitigated by an investment advisor representative's fiduciary duty to act in the best interests of its clients. The firm's Chief Compliance Officer, Joe Franklin, is available to address any questions regarding conflicts of interest.

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### **Item 5 Fees and Compensation**

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Please refer to the *Advisory Business* section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer. We provide an initial financial plan for a fee of .20% of the value of the total assets covered by the plan with a minimum fee of \$1,000. We charge an annual fee of .05% of the total assets covered by the plan for updates to the financial plan. Our fees are negotiable and will depend on the scope and complexity of the plan, your situation, and your financial objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee. We require that you pay one half of the fee in advance and the remaining portion upon the completion of the services rendered. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200. We will invoice you for financial planning fees or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedule for wrap fee and non-wrap fee accounts:

<b>Assets Under Management</b>	<b>Annual Fee**</b>
First \$1,000,000	2.25%
\$1,000,000 - \$2,000,000	1.80%
\$2,000,000 - \$5,000,000	1.55%
\$5,000,000 - \$25,000,000	1.00%
\$25,000,000 - \$50,000,000	0.90%
\$50,000,000 and above	0.80%

\*\*We generally impose a minimum annual fee of \$2,000 per household. The fee schedule is blended, meaning that you will be charged the corresponding fee based upon the value of your account at each tier.

Clients may be charged higher or lower fees than the fee schedule above. Some clients may be charged an overall flat percentage rather than blended.

An annual fee of up to \$65 may be assessed on all accounts to cover technology costs.

Our annual portfolio management fee is billed and payable quarterly in advance or in arrears as selected on the asset management agreement based on the value of your account on the last day of the previous quarter. If the client agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances. At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor

children, joint accounts with your spouse, and other types of related accounts.

### **Wealth Management Reporting**

Franklin Wealth Management offers an online wealth management reporting service whereby you are able to view all your financial and account information in a consolidated reporting format. We charge the following fees for such service which is based upon the value of assets reported on as follows:

Asset Value	Annual Fee
Up to \$500,000	0.10%
\$501,000 to \$1,000,000	0.05%
\$1,000,001 to \$5,000,000	0.05%
\$5,000,001 to \$10,000,000	0.50%
Above \$10,000,000	Negotiable

### **Educational Seminars and Speaking Engagements**

IAP strongly believes in investor education. As such, IAP hosts educational workshops and seminars to clients and prospective clients. IAP may or may not charge for attending an educational workshop or seminar, depending on the volume and costs of materials provided to the attendees, length of the session, cost of venue, etc. If IAP does charge for attendance, the charge will not exceed \$100 per attendee.

We offer investment advisory services to individuals, banks and thrift institutions, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

### **Mutual Fund Share Class Disclosures**

Certain mutual fund share classes charge a 12b-1 fee that generally amounts to an additional .25% expense ratio or more. The purpose of 12b-1 fees, as approved by the SEC, are to cover marketing expenses and shareholder services such as support services and “other expenses” such as legal, accounting and the administrative functions of the custodian. When selecting a mutual fund, Investment Advisor Representatives have a fiduciary duty to choose the share class that helps manage the overall fee structure of the account. The entire fee structure includes such fees as the asset management fee, the expense ratio and ticket charges.

- Mutual funds typically offer multiple share classes, including lower-cost share classes that do not charge 12b-1 fees and are therefore usually less expensive.
- Investment Advisor Representatives will consider investing client funds in 12b-1 fee-paying share classes even when a lower-cost share class is available as appropriate to account for the overall fee structure and tax considerations as well as attributes of a fund not available for lesser fees.

### **Financial Institution Consulting Services**

Franklin Wealth Management receives a consulting fee based on the Assets Under Management from

Brokerage Customers who have provided written consent to a broker/dealer to receive the investment consulting services and have entered into a written advisory contract with Franklin Wealth Management. The consulting fee is calculated from the Assets Under Management as of the end of a calendar quarter period multiplied by the annualized rate up to 2.25%. The initial fee is paid only after the completion of one full calendar quarter period following the date of the executed agreement with broker/dealers

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. We will invest your account, when suitable, in no load mutual funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this Brochure.

### **Compensation for the Sale of Securities or Other Investment Products Securities**

Neither the firm or any investment advisor representatives receives compensation for the sale of securities or other investment product.

### **Insurance**

Associated Persons of our firm are licensed as independent insurance agents with various insurance agencies and can sell insurance products to you (i.e. life, health, and long term care products) and earn commissions. Our firm is also a licensed insurance agency and may also receive commissions from the sale of insurance products. Insurance commissions earned are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in

the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

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

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We offer investment advisory services primarily to individuals, high net-worth individuals, charitable organizations, and corporation as well as broker/dealers.

### **Minimum Account Fee**

We impose a minimum annual fee of \$2,000 per household for portfolio management services.

### **LPL Financial Advisory Programs**

- LPL OMP: this program has a minimum account size of \$15,000.
- LPL PWP: this program has a minimum account size of \$250,000.
- LPL MWP: this program has a minimum account size of \$100,000.
- LPL Manager Access Select: this program has a minimum account size of \$100,000, however, in certain instances; the minimum account size may be lower or higher.

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

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We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. Although fundamental analysis is a well-recognized method of analysis, information obtained through this type of analysis may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Technical Analysis** - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. However, technical analysis may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

- **Margin Transactions** - A securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- **Options Trading/Writing** - A securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option. We only engage in options trading on a limited basis.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy in limited circumstances when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

- **Business Risk** – the measure of risk associated with a particular security. It is also known as unsystematic risk and refers to the risk associated with a specific issuer of a security. Generally speaking, all businesses in the same industry have similar types of business risk. More specifically, business risk refers to the possibility that the issuer of a particular company stock or a bond may go bankrupt or be unable to pay the interest or principal in the case of bonds.
- **Call Risk** – the risk specific to bond issues and refers to the possibility that a debt security will be called prior to maturity. Call risk usually goes hand in hand with reinvestment risk because the bondholder must find an investment that provides the same level of income for equal risk. Call risk is most prevalent when



interest rates are falling, as companies trying to save money will usually redeem bond issues with higher coupons and replace them on the bond market with issues with lower interest rates.

- **Company Specific Risk** – an unsystemic risk specific to a certain company's operations, executive decisions and reputation which is difficult to quantify
- **Concentration Risk** – concentrated portfolios are an aggressive and highly volatile approach to trading and investing and should be viewed as complementary to a stable, highly predictable investment approach. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic price swings. In addition, the rise or drop in price of any given holding in the portfolio is likely to have a larger impact on portfolio performance, than a more broadly diversified portfolio.
- **Credit Risk** – the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- **Currency/Exchange Rate Risk** – the risk of a change in the price of one currency against another.
- **Force Majeure** – a natural and unavoidable catastrophe that interrupts the expected course of events, market structure and access to funds.
- **Interest Rate Risk** – the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- **Inflationary Risk** – the risk that future inflation will cause the purchasing power of cash flow from an investment to decline.
- **Legislative Risk** – the risk of a legislative ruling resulting in adverse consequences.
- **Liquidity Risk** – the possibility that an investor may not be able to buy or sell an investment as and when desired or in sufficient quantities because opportunities are limited.
- **Market Risk** – the risk that the value of securities may go up or down, sometimes rapidly or unpredictably due to factors affecting securities markets generally or particular industries. This is a risk that will affect all securities in the same manner caused by some factor that cannot be controlled by diversification.
- **Pandemic Risk** – Large-scale outbreaks of infectious disease that can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.
- **Reinvestment Risk** – the risk that falling interest rates will lead to a decline in cash flow from an investment when its principal and interest payments are reinvested at lower rates.

- **Social/Political Risk** – the possibility of nationalization, unfavorable government action or social changes resulting in a loss of value.
- **Taxability Risk** – the risk that a security that was issued with tax-exempt status could potentially lose that status prior to maturity. Since municipal bonds carry a lower interest rate than fully taxable bonds, the bond holders would end up with a lower after-tax yield than originally planned.
- **Terrorism Risk** – an act of terror or calculated use of violence against the country, market structure or individuals.

### **Investment Strategies**

An investment strategy is what guides an investor's decisions based on goals, risk tolerance, and future needs for capital. Some investment strategies seek rapid growth where an investor focuses on capital appreciation, or they can follow a low-risk strategy where the focus is on wealth protection.

- **Income with Capital Preservation.** A conservative investment strategy with an objective of long-term accumulation. Emphasis is placed on generating current income with minimal risk of capital loss. A low-risk investment strategy generally results in reduced potential for overall return.
- **Income with Moderate Growth.** This investment objective emphasizes the generation of current income with a secondary focus on moderate capital growth.
- **Growth with Income.** This investment objective emphasizes modest capital growth with some focus on the generation of current income.
- **Growth.** This investment objective emphasizes achieving high long-term growth and capital appreciation. There is little focus on the generation of current income.
- **Aggressive Growth.** This investment objective emphasizes aggressive growth and maximum capital appreciation, with no focus on the generation of current income. This objective has a very high level of risk and is for investors with a longer time horizon.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend a variety of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks and even with the same type of security, risks can vary widely. In general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. We have identified the more common types of securities we recommend, and general risks associated with such investments as follows.

### **Types of Investments (Examples, not limitations)**

Investment advisor representatives of Shadow Wealth Management, LLC allocate a client's assets as



appropriate to help them reach their individual investment objectives within their time horizon in a manner consistent with their risk profile. Client funds are allocated appropriately in such investments as follow:

- **Alternative Investments** – The performance of alternative investments (limited partnerships) can be volatile and may have limited liquidity. An investor could lose all or a portion of their investment. Such investments often have concentrated positions and investments that may carry higher risks. Client should only have a portion of their assets in these investments.
- **Annuities** – are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy.
  - **Variable Annuities** – If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts. Variable annuities typically offer:
    - Regular stream of income or a lump sum payout at a future time
    - Tax-deferred treatment of earnings
    - Death benefits

Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges apply if money is withdrawn early.

Variable annuities also involve investment risks, like mutual funds.

- **Cash Positions** – Based on a perceived or anticipated market conditions and/or events, certain assets may be taken out of the market and held in a defensive cash position. All cash may be included as assets subject to the agreed upon advisory fee. Other investment types may be included as appropriate for a particular client and their respective trading objectives. Franklin Wealth Management generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve a reasonable return on our client's cash balances through relatively low-risk conservative investments.
- **Commercial Paper (CP)** - In most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default. There is a less risk in asset based commercial paper (ABCP). The difference between ABCP and CP is that instead of being an unsecured promissory note representing an obligation of the issuing company, ABCP is backed

by securities. Therefore, the perceived quality of the ABCP depends on the underlying securities.

- **Certificates of Deposit** - Generally the safest type of investment since they are insured by the federal government. However, because the returns are generally very low, it's possible for inflation to outpace the return. Likewise, US Government securities are backed by the full faith and credit of the United States government but it's also possible for the rate of inflation to exceed the returns.
- **Corporate Debt Securities** (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.
- **Equity** – investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environment.
- **Exchange Traded Funds (ETFs)** – an ETF is a portfolio of securities invested to track a market index similar to an index mutual fund but the shares are traded on an exchange like an equity. An ETF share price fluctuates intraday depending on market conditions instead of having a net asset value (NAV) that is calculated once at the end of the day. The shares may trade at a premium or discount; and as a result, investors pay more or less when purchasing shares and receive more or less than when selling shares. The supply of ETF shares is regulated through a mechanism known as creation and redemption that involves large specialized investors, known as authorized participants (APs). Authorized participants are large financial institutions with a high degree of buying power, such as market makers, banks or investment companies that provide market liquidity. When there is a shortage of shares in the market, the authorized participant creates more (creation). Conversely, the authorized participant will reduce shares in circulation (redemption) when supply falls short of demand. Multiple authorized participants help improve the liquidity of a particular ETF and stabilize the share price. To the extent that authorized participants cannot or are otherwise unwilling to engage in creation and redemption transactions, shares of an ETF tend to trade at a significant discount or premium and may face trading halts and delisting from the exchange. The performance of ETFs is subject to market risk, including the complete loss of principal. ETFs also have a trading risk based on cost inefficiency if the ETFs are actively traded and a liquidity risk if the ETFs has a large price spread and low trading volume. In addition, investors buying or selling shares in the secondary market pay brokerage commissions, which may be a significant proportional cost not incurred by mutual funds.
- **Exchange-Traded Notes (ETNs)** – An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are

listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks.

- **Fixed Income** – investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing.
- **Limited Partnership** - is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.
- **Mutual Funds** – a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.
  - **Open-End Mutual Funds** – a type of mutual fund that does not have restrictions on the amount of shares the fund will issue and will buy back shares when investors wish to sell. Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature
  - **Closed-End Mutual Funds** – a type of mutual fund that raises a fixed amount of capital through an initial public offering (IPO). The fund is then structured, listed and traded like a stock on a stock exchange. Clients should be aware that closed-end funds available within the program are

not readily marketable. To provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds.

- **Alternative Strategy Mutual Funds** – Certain mutual funds available in the program invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.
- **Municipal Securities**, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.
- **Non-U.S. Securities** – present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.
- **Margin Borrowings** – The use of short-term margin borrowings may result in certain additional risks to a Client. For example, if securities pledged to brokers to secure a Client's margin accounts decline in value, the Client could be subject to a "margin call", pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the pledged securities to compensate for the decline in value.
- **Options and warrants** - give an investor the right to buy or sell a stock at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months.
- **Regulation D Private Placements** - Under the federal securities laws, any offer or sale of a security must either be registered with the SEC or meet an exemption. Regulation D under the Securities Act provides a number of exemptions from the registration requirements, allowing some companies to offer and sell their securities without having to register the offering with the SEC. However, a "Form D" must be electronically filed with the SEC after they first sell their securities. Form D is a brief

notice that includes the names and addresses of the company's promoters, executive officers and directors, and some details about the offering, but contains little other information about the company.

- **Short Sales** - A short sale involves the sale of a security that the Client does not own in the hope of purchasing the same security at a later date at a lower price. To make delivery to the buyer, the Client must borrow the security and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. The Client realizes a profit or a loss as a result of a short sale if the price of the security decreases or increases respectively between the date of the short sale and the date on which the Client covers its short position, i.e., purchases the security to replace the borrowed security. A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss.
- **Unit Investment Trust (UIT)** – An investment company that offers a fixed, unmanaged portfolio, generally of stocks and bonds, as redeemable "units" to investors for a specific period. It is designed to provide capital appreciation and/or dividend income. UITs can be resold in the secondary market. A UIT may be either a regulated investment corporation (RIC) or a grantor trust. The former is a corporation in which the investors are joint owners; the latter grants investors proportional ownership in the UIT's underlying securities.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

- Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.
- Options and warrants give an investor the right to buy or sell a stock at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months.

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**Item 9 Disciplinary Information**

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Neither our firm nor any management persons has any reportable disciplinary information.

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

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**Registrations with Broker-Dealer**

Persons providing investment advice on behalf of our firm are registered representatives with LPL Financial Corporation. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by registered representatives who are affiliated with our firm. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about our clients, even if the client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact Joe Franklin at (423) 870-2140.

**Insurance Business**

In addition, Associated Persons of our firm are also licensed as independent insurance agents with various insurance agencies and can sell insurance products to you (i.e. life, health, and long-term care products) and earn commissions. Our firm is also a licensed insurance agency and may also receive commissions from the sale of insurance products. Insurance commissions earned are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

**Insurance Recommendations**

Franklin Wealth Management has a relationship with DPL Financial Partners, LLC ("DPL") to assist with the insurance needs of Clients. By working with DPL, Franklin Wealth Management can provide insurance reviews/analyses, education, and insurance solutions. DPL is a third-party provider of a platform of insurance consultancy services to SEC registered investment advisors like Franklin Wealth Management. DPL offers RIAs memberships to its platform for a fixed annual fee and, through its licensed insurance agents, who are also registered representatives of an unaffiliated SEC-registered FINRA/SIPC member broker/dealer offering members a variety of services relating to fee-based insurance products. These services include, among others, providing members with analyses of their current methodology for evaluating client insurance needs, educating and acting as a resource to members regarding insurance products generally and specific insurance products owned by their clients or that their clients are considering purchasing, and providing members access to and product marketing support regarding fee-based products that insurers have agreed to offer to members' clients through DPL's platform. For providing platform services, DPL receives service fees from the insurers that offer their fee-based products through the platform. These service fees are based on the insurance premiums received by the insurers. DPL is licensed where required to perform the platform services. Its agents are also licensed as insurance producers, appointed as insurance agents of the insurers offering their products through the platform, and registered representatives.



## **Financial Institution Consulting Services**

Franklin Wealth Management has agreement(s) with broker/dealers to provide investment consulting services to Brokerage Customers. Broker/dealers pay compensation to Franklin Wealth Management for providing investment consulting services to Customers. This consulting arrangement does not include assuming discretionary authority over Brokerage Customers' brokerage accounts or the monitoring of securities. These consulting services offered to Brokerage Customers may include a general review of Brokerage Customers' investment holdings, which may or may not result in specific securities recommendations or offering general investment advice. Brokerage Customers will execute a written advisory agreement directly with Franklin Wealth Management.

This relationship presents conflicts of interest. Conflicts are mitigated by Brokerage Customers consenting to receive investment consulting services from Franklin Wealth Management by Franklin Wealth Management not accepting or billing for additional compensation on broker/dealers' Assets Under Management beyond the consulting fees disclosed in Item 5 in connection with the investment consulting services; and by Franklin Wealth Management not engaging as, or holding itself out to the public as, a securities broker/dealer. Franklin Wealth Management is not affiliated with any broker/dealer.

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

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### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Joe Franklin at 423-870-2140.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that we shall not have priority over your account in the purchase or sale of securities.

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## **Item 12 Brokerage Practices**

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Franklin Wealth Management recommend that clients in need of brokerage and custodial services primarily utilize LPL Financial or Charles Schwab & Co., Inc. ("LPL" or "Schwab").

Broker/Dealers charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). LPL, TD Ameritrade or Schwab enable the firm to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged may be higher or lower than those charged by other custodians and broker-dealers. Some of these transaction fees are covered by the Company under its wrap program.

As part of the arrangement, the selected broker/dealer makes available, at no additional charge, certain research and brokerage services, including research services obtained directly from independent research companies, as selected by the firm (within specified parameters). These research and brokerage services can be used by the firm to manage accounts for which it has investment discretion. Services provided include research (including mutual fund research, third-party research, and proprietary research), brokerage, clearing, custody, and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. Research and brokerage services presently include:

- access to a full array of proprietary and third-party investment offerings, spanning alternatives, structured products, separately managed accounts and mutual funds;
- comprehensive technology integration, training and support;
- Integrated Trust Services offering efficient, custody and clearing; business-building solutions ranging from marketing support to client management tools;
- integrated charitable and foundation services; and,
- leading retirement programs and offerings to help the firm meet both the asset accumulation and income distribution needs of its clients.

The firm may also receive additional services. Without this arrangement, the firm would need to purchase the same or similar services at its own expense.

### **LPL Financial (LPL)**

LPL (CRD No. 6413) provides brokerage and custodial services to independent investment advisory firms, including Franklin Wealth Management. For accounts custodied at LPL, LPL generally is compensated by



clients through commissions, trails, or other transaction-based fees for trades that are executed through LPL Financial or that settle into LPL accounts. For IRA accounts, LPL generally charges account maintenance fees. In addition, LPL also charges clients miscellaneous fees and charges, such as account transfer fees. LPL charges Franklin Wealth Management an asset-based administration fee for administrative services provided by LPL. Such administration fees are not directly borne by clients, but may be considered when Franklin Wealth Management negotiates its advisory fee with clients.

Clients should also be aware that for accounts where LPL serves as the custodian, Franklin Wealth Management is limited to offering services and investment vehicles that are approved by LPL, and may be prohibited from offering services and investment vehicles that may be available through other broker/dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment vehicles offered through LPL. Clients should understand that not all investment advisers recommend that clients custody their accounts and trade through specific broker/dealers.

### **Charles Schwab & Co., Inc.**

Schwab Advisor Services™ (CRD No. 5393) is Schwab's business serving independent investment advisory firms. They provide access to institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

- Access to a broad range of investment products
- Execution and custody of assets.
- Investment products which might not otherwise be available
- Lower minimum initial investments

Schwab offers products and services to Franklin Wealth Management that do not directly benefit clients, but these products and services assist in managing and administering accounts, such as:

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

Schwab offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events

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

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

The availability of these services from Schwab benefits the firm because we do not have to produce or purchase them. The firm does not have to pay for Schwab's services. Schwab has also agreed to provide to The firm without a cost we would otherwise incur for technology, research, marketing, and compliance consulting products and services once the value of our clients' assets in accounts at Schwab reaches at set amount.

- These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody.
- This creates an incentive to recommend that clients maintain accounts with Schwab, based on our interest in receiving Schwab's services that benefit our business and Schwab's payment for services for which we would otherwise have to pay rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions.

This is a conflict of interest. In some cases, the services that Schwab pays for are provided by an affiliate or by another party that has some pecuniary, financial or other interests. This creates an additional conflict of interest. This conflict of interest is mitigated by the fiduciary duty to act in a best interests.

### **Block Trades**

We may but are not required to combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading" or aggregation). When we block trade, we will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

In the event orders are not aggregated, clients may receive different prices for the same securities transactions. Furthermore, you may not be able to buy or sell the same quantity of securities and may be charged higher fees or commissions, than if transactions were aggregated.

### **Best Execution**

As stated above, the firm will generally require that its clients establish broker accounts with LPL, TD Ameritrade or Schwab. The firm, pursuant to the terms of its management agreement with clients, will generally have discretionary authority to determine which securities are to be bought and sold and the price of such securities to effect such transactions. The firm recognizes that the analysis of execution quality involves a number of qualitative and quantitative factors. The firm will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include, but are not limited, to the following:

- The financial strength, reputation and stability of the broker-dealer;
- The efficiency with which the transaction is effected; the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- The availability of the broker-dealer to stand ready to effect transactions of varying degrees of difficulty in the future;
- The efficiency of error resolution, clearance and settlement;
- Block trading and positioning capabilities;
- Performance measurements;
- Online access to computerized data regarding customer accounts;
- Availability, comprehensiveness, and frequency of brokerage and research services;
- Commission rate;
- The economic benefit to the clients; and
- Related matters involved in the receipt of brokerage services.

The firm will utilize either LPL, TD Ameritrade or Schwab as custodian and broker/dealer.

### **Trade Errors**

Where a trade error occurs in a client account due to our error, we will correct the error and ensure the client account does not suffer a loss or incur a transaction cost related to that error. Depending on the nature of the error, we will pay the cost of the error or will cause the custodian or broker-dealer to pay the cost of the error. However, the client will not profit from the error, even if the subsequent correction results in a profit due to market movement.

### **Brokerage for Client Referrals**

The Company does not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Pontera Solutions Inc.**

Franklin Wealth Management uses a third-party platform, Pontera, to facilitate the management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials

to affect trades. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client to connect an account(s) to the platform. Once the Client account(s) is connected to the platform, Franklin Wealth Management will review the current account allocations. When deemed necessary, Franklin Wealth Management will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary. There is a .25% fee for this service provider that is added to the asset management fee.

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### **Item 13 Review of Accounts**

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Joe Franklin, Managing Member will monitor your account on an ongoing basis and will re-balance your portfolio(s) as market conditions and your circumstances change. In addition, he will conduct internal account reviews on a quarterly basis to ensure that the advisory services provided to you are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- changes in your financial circumstances;
- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or,
- changes in your risk/return objectives.

LPL will provide portfolio management clients with a performance report on a quarterly basis as well as account statements and confirmations of transactions. LPL Manager Access Select, Model Wealth Portfolios and Personal Wealth Portfolios Programs: In addition to the quarterly portfolio reports described in the Form ADV Part 2 of LPL, LPL will transmit to clients account statements showing all transactions in cash and securities and all deposits and withdrawals of principal and income during the preceding calendar month.

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### **Item 14 Client Referrals and Other Compensation**

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Franklin Wealth Management is a fee-based advisory firm, that is compensated solely by its Clients and not from any investment product. Franklin Wealth Management does not receive commissions or other compensation from product sponsors, broker-dealers or any un-related third party. Franklin Wealth Management may refer Clients to various unaffiliated, non-advisory professionals (e.g. attorneys, accountants, estate planners) to provide certain financial services necessary to meet the goals of its Clients. Likewise, Franklin Wealth Management may receive non-compensated referrals of new Clients from various third-parties.

Franklin Wealth Management and employees can receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in

connection with educational meetings with investment advisor representatives, client workshops or events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors may also pay for, or reimburse Franklin Wealth Management for the costs associated with, education or training events that may be attended by Franklin Wealth Management employees and investment advisor representatives and for Franklin Wealth Management sponsored conferences and events.

### **Cash Solicitation Agreement**

Franklin Wealth Management has entered into a solicitation agreement pursuant to which it compensates third-party intermediaries a fee for client referrals that could lead to new Clients. Any such cash solicitation agreements will comply with Rule 206(4)-3 under the Advisers Act. Compensation will be paid pursuant to a written agreement with the solicitor and generally may be terminated by either party. The cost of any such fees will be borne entirely by Franklin Wealth Management. Franklin Wealth Management does not make similar referrals to other entities for a fee.

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### **Item 15 Custody**

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your account(s) causes our firm to exercise limited custody over your funds or securities. 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 the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

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### **Item 16 Investment Discretion**

You may grant our firm written authorization over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

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

Franklin Wealth Management generally does not vote proxies on behalf of advisory accounts. On the rare occasion that Franklin Wealth Management votes a proxy, it will be consistent with management recommendations.

At your request, we may offer you advice regarding corporate actions and exercising your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a

shareholder. In most cases, you will receive proxy materials directly from the account custodian.

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## **Item 18 Financial Information**

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We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, broker-dealer firms having regulatory requirements to supervise certain activities of Franklin Wealth Management, LLC, accountants, consultants, and attorneys. We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law. You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Joe Franklin at 423-870-2140, if you have any questions regarding this policy.

# **Appendix 1 – Wrap Fee Program Brochure**

**4700 Hixson Pike, Hixson, TN 37343 | Phone: 423-870-2140, Fax: 423-870-2164**

**March 30, 2024**

This Form ADV2A - Appendix 1 (“Wrap Fee Brochure”) provides information about the qualifications and business practices for Franklin Wealth Management (“the firm”) services when offering services according to a wrap program. This Wrap Fee Brochure shall always be accompanied by the firm’s Disclosure Brochure, which provides complete details on the business practices of the firm. If you did not receive the firm Disclosure Brochure or you have any questions about the contents of this Wrap Fee Brochure or the firm Disclosure Brochure, please contact us at (423) 870-2140

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about the firm and its advisory persons are available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching for our firm name or by our CRD No. 156135. Licensure does not imply a certain level of skill or training.

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**Item 2 - Material Changes**

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If the firm amends this brochure so that it contains material changes from the last annual update, the changes will be identified in this item.

Clients will receive, at no charge, a summary of any material changes within 120 days of the firm's fiscal year-end and promptly (generally within 30 days) after any material changes throughout the year.



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**Item 3 – Table of Contents**

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#### Item 4 – Services, Fees and Compensation

Franklin Wealth Management is the sponsor and portfolio manager of the Asset Management Services wrap fee program. The wrap fee program allows clients to pay a single fee for asset management and ticket charges "wrapped" into a single payment. This Wrap Fee Program Brochure is provided as a supplement to the firm's Disclosure Brochure (Form ADV 2A) to provide further details of the business practices and fee structure.

This Wrap Fee Program Brochure references back to the firm's Form ADV 2A in which this Wrap Fee Program Brochure serves as an Appendix. Please see Item 4 – Advisory Services of the Form ADV 2A for details on the firm's investment philosophy and related services.

The benefits under a wrap fee program depend, in part, upon the size of the account, the costs associated with managing the account, and the frequency or type of securities transactions executed in the account. For example, a wrap fee program may not be suitable for all accounts, including but not limited to accounts holding primarily, and for any substantial period of time, cash or cash equivalent investments, fixed income securities or no-transaction-fee mutual funds, or any other type of security that can be traded without commissions or other transaction fees.

A wrap fee is not based directly on the number of transactions in your account. Various factors influence the relative cost of our wrap fee program to you, including the cost of our investment advice, custody and brokerage services if you purchased them separately, the types of investments held in your account, and the frequency, type and size of trades in your account. The program could cost you more or less than purchasing our investment advice and custody/brokerage services separately.

In order to evaluate whether a wrap [or bundled] fee arrangement is appropriate for you, you should compare the agreed-upon Wrap Program Fee and any other costs associated with participating in our Wrap Fee Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and execution costs, and custodial services comparable to those provided under the Wrap Fee Program.

Investment advisory fees are negotiable based on the scope and complexity of the services, the amount of time and expertise required but generally do not exceed 1.5% subject to the below grid.

Assets under Management	Annual Percentage Fee**
First \$1,000,000	2.25
\$1,000,000 - \$2,000,000	1.80%
\$2,000,000 – \$5,000,000	1.55%
\$5,000,000 - \$25,000,000	1.00%
\$25,000,000 - \$50,000,000	0.90%
\$50,000,000 and above	0.80%

\*\*We impose a minimum annual fee of \$2,000 per household. The fee schedule is blended, meaning that you

will be charged the corresponding fee based upon the value of your account at each tier.

Participation in this wrap fee program may cost more or less than purchasing such services separately. For example a client account with a high volume of trading is likely to benefit from the fee structure of a wrap fee program whereas a client with a low volume of trading is likely to benefit more from a fee structure that charges a transaction fee per trade with a lower asset management fee or a brokerage account that does not charge an asset management fee for active management.

### **Brokerage Services**

In addition to the advisory services, the wrap fee program includes certain services provided by a broker/dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. Franklin Wealth Management is independently owned and operated and not affiliated with a broker/dealer. The broker/dealer will act solely as a broker/dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely as instructed. The broker/dealer has no responsibility for our services and undertakes no duty to you to monitor our firm's management of your account or other services we provide to clients. The broker/dealer will hold client assets in a brokerage account and buy and sell securities and execute other transactions when instructed. Franklin Wealth Management does not open the brokerage account for clients.

### **Other Fees and Expenses**

Clients may incur fees or charges imposed by third parties, other than the firm, in connection with investments made on behalf of the Client's account[s]. The Client is responsible for all custody and securities execution fees charged by the broker/dealer. The fees and costs not included in the wrap fee include:

- Commissions and other fees charged by other broker/dealers other than Schwab for transactions
- Step-In, or Trade Away Services.
- Fees charged by mutual fund companies, closed-end funds, electronically traded funds, and other collective investment vehicles, including, but not limited to, sales loads and/or charges and short-term redemption fees.
- Markups and markdowns, bid-ask spreads, and selling concessions in connection with transactions Schwab executes as principal. Principal transactions contrast with transactions in which Schwab acts as your agent in effecting trades. Markups and markdowns and bid-ask spreads are not separate fees, but are reflected in the net price at which a trade order is executed.
- Costs imposed by third parties, such as transfer taxes, odd-lot differentials, certificate delivery fees, reorganization fees, and any other fees required by law. Schwab may also charge for additional services such wire transfer fees and fees for alternative investments.

These fees and costs are described in each fund's prospectus. These fees and costs will generally be used to pay management fees for the fund, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A Client could invest in these products directly, without the

services of Franklin Wealth Management, but would not receive the advisory services to assist in determining which products or features are most appropriate for their financial situation and objectives. Accordingly, the Client should review the fees charged by the fund[s] and the fees charged by the firm to fully understand the total costs. Only advisory fees are retained by Franklin Wealth Management.

### **Conflict of Interest**

When managing a client's account on a wrap fee basis, we receive as compensation for our investment advisory services, the balance of the total wrap fee paid after custodial, trading and other management costs (including execution and transaction fees) have been deducted. Accordingly, the firm has a conflict of interest because we have a financial incentive to maximize our compensation by seeking to reduce or minimize the total costs incurred in your account(s) subject to a wrap fee. For example, our wrap fee arrangement creates incentive to trade less frequently or select investments that reduce our costs, and in some cases increase expenses that are borne by the client.

Additionally, our custodians generally does not charge commissions (or transaction fees) for online trades of U.S. exchange-listed equities, U.S. exchange-listed ETFs, and no-transaction-fee ("NTF") mutual funds. This means that, in most cases, when the firm buys these types of securities, we can do so without paying commissions. We are available to discuss the custodian's execution related pricing with you so that you can compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If you choose to enter into a wrap fee arrangement, your total cost to invest could be more or less than paying for brokerage and advisory services separately.

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### **Item 5 – Account Requirements and Types of Clients**

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Please see Item 7 – Types of Clients in the Form ADV 2A Disclosure Brochure.

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### **Item 6 - Portfolio Manager Selection and Evaluation**

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Franklin Wealth Management serves as sponsor and portfolio manager for the services under this Wrap Fee Program. The firm does not charge performance-based fees. The selection of the wrap fee program for a client is based on their preference for a model-based account or open architecture as well as account minimum requirements. The performance of the wrap fee program is calculated by LPL Financial and reviewed based on account statements and performance reports prepared by LPL Financial. There is no financial incentive to recommend one wrap fee program over another.

Franklin Wealth Management does not accept proxy-voting responsibility. Clients will receive proxy statements directly from the Custodian. Franklin Wealth Management can assist in answering questions relating to proxies; however, the Client retains the sole responsibility for proxy decisions and voting.

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### **Item 7 – Client Information Provided to Portfolio Managers**

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Franklin Wealth Management is the sponsor and sole portfolio manager for the Program. There is no other portfolio manager where client information can be shared.

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## **Item 8 – Client Contact with Portfolio Managers**

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Franklin Wealth Management is a full-service investment management advisory firm. Clients always have direct access to the Portfolio Managers at the firm.

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## **Item 9 – Additional Information**

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The backgrounds, disciplinary information (none) and other financial industry activities and affiliations is available on the Investment Advisor Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching for our firm name or by our CRD No. 156135.

Please also see Item 9 of the firm Disclosure Brochure as well as Item 3 of each Investment Advisor Representatives Form ADV 2B Brochure Supplement (included with this Wrap Fee Program Brochure) for additional information on how to research the background information. Franklin Wealth Management has implemented a Code of Ethics that defines our fiduciary commitment to each Client. The details of the Code of Ethics can be found under Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading in the Disclosure Brochure (included with this Wrap Fee Program Brochure).

Client accounts are monitored on a regular and continuous basis by the Chief Compliance Officer (“CCO”). Details of the review policies and practices are provided in Item 13 of the Form ADV Part 2A – Disclosure Brochure.

Please see Item 14 – Other Compensation in the Form ADV Part 2A – Disclosure Brochure (included with this Wrap Fee Brochure) for details on additional compensation that may be received by the firm or its Investment Advisor Representatives. Each Investment Advisor Representative’s Form ADV 2B Brochure Supplement (also included with this Wrap Fee Brochure) provides details on any outside business activities and the associated compensation.

- Franklin Wealth Management does not pay a referral fee for the introduction of clients.
- Financial information is available in Item 18 of the Form ADV Part 2A – Disclosure Brochure.

## Privacy Policy

Effective: March 30, 2024

### Our Commitment to You

Franklin Wealth Management (“the firm”) is committed to safeguarding the use of personal information of our Clients (also referred to as “you” and “your”) that we obtain as your Investment Advisor, as described herein our Privacy Policy ("Policy").

Our relationship with you is our most important asset. We understand that you have entrusted us with your private information, and we do everything that we can to maintain that trust. The firm (also referred to as "we", "our" and "us") protects the security and confidentiality of personal information. Additionally, the firm has implemented controls to ensure that such information is used for proper business purposes in connection with the management or servicing of our relationship with you. Franklin Wealth Management does not sell your non-public personal information to anyone. Nor do we provide such information to others except for discrete and reasonable business purposes in connection with the servicing and management of our relationship with you, as discussed below. Details of our approach to privacy and how your personal non-public information is collected and used is outlined in this Policy.

### What you need to know?

Registered Investment Advisors (“RIAs”) must share some of your personal information in the course of servicing your account. Federal and State laws give you the right to limit some of this sharing and require RIAs to disclose how we collect, share, and protect your personal information.

### What information do we collect from you?

Driver’s license number	Date of birth
Social security or taxpayer-identification number	Assets and liabilities
Name, address and phone number(s)	Income and expenses
E-mail address(es)	Investment activity
Account information (including other institutions)	Investment experience and goals

### What Information do we collect from other sources?

Custody, brokerage and advisory agreements	Account applications and forms
Other advisory agreements and legal documents	Investment questionnaires and suitability documents
Transactional information with us or others	Additional information needed to service account

### How do we protect your information?

To safeguard your personal information from unauthorized access and use, we maintain physical, procedural and electronic security measures. These include such safeguards as secure passwords, encrypted file storage and a secure office environment. Our technology vendors provide security and access control over personal information and have policies over the transmission of data. Our associates are trained on their responsibilities

to protect the Client's personal information. We require third parties that assist in providing our services to you to protect the personal information they receive from us.

### How do we share your information?

An RIA shares Client personal information to implement its services effectively. In the section below, we list some reasons we may share your personal information.

Basis For Sharing	Do we share?	Can you limit?
<b>Servicing our Clients.</b> We share information with technology vendors and third-party service providers to manage and support operations and regulatory compliance (such as administrators, brokers, custodians, regulators, credit agencies, consultants and other financial institutions) as necessary to provide agreed-upon services, consistent with applicable law, including but not limited to: processing transactions; general account maintenance; responding to regulators or legal investigations; and credit reporting.	Yes	No
<b>Marketing Purposes.</b> The firm does not disclose and does not intend to disclose, personal information with non-affiliated third parties to offer you services. Specific laws may give us the right to share your personal information with financial institutions where you are a customer and where Franklin Wealth Management or the client has a formal agreement with the financial institution. We will only share information for purposes of servicing your accounts, not for marketing purposes.	No	Not Shared
<b>Authorized Users.</b> Your non-public personal information may be disclosed to you and persons that we believe to be your authorized agent(s) or representative(s).	Yes	Yes
<b>Information About Former Clients.</b> The firm does not disclose and does not intend to disclose, non-public personal information to non-affiliated third parties concerning persons who are no longer our Clients.	No	Not Shared

### Changes to our Privacy Policy

We will send you a copy of this Policy annually for as long as you maintain an ongoing relationship with us. Periodically we may revise this Policy and will provide you with a revised policy if the changes materially alter the previous Privacy Policy. We will not, however, revise our Privacy Policy to permit the sharing of non-public personal information other than as described in this notice unless we first notify you and provide you with an opportunity to prevent the information sharing.

### Any Questions?

You may ask questions or voice any concerns, as well as obtain a copy of our current Privacy Policy by contacting us at (423) 870-2140.