

# Bernard Wealth Management Corp.

CRD #159533

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## **Item 1 - Cover Page**

This Brochure provides information about the qualifications and business practices of Bernard Wealth Management Corp. ("BWM, us, we or our"). If you have any questions about the contents of this Brochure, please contact us at (248) 556-2900 or [ken@bernard-wealth.com](mailto:ken@bernard-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.

BWM is a corporation formed in the State of Michigan.

Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you determine to hire or retain an Adviser.

Additional information about Bernard Wealth Management Corp. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

If we have any material changes in the future to this Brochure, we will list those changes here for each Client's review ("you or your").

As a fiduciary, we are obligated to place your interests before ours; a central obligation in our fiduciary obligation is to make all required disclosures, including potential conflicts between our interests and yours. We do this through this ADV Part 2 A and B Brochure Supplement.

We believe that communication and transparency are the foundation of our relationship, not because regulations require us to do so, but because it is good business. We encourage you to read this Disclosure Brochure and discuss any questions you may have with us. And of course, we always welcome your feedback.

Currently, our Brochure may be requested by contacting Kenneth M. Bernard, President, at (248) 556-2900 or [ken@bernard-wealth.com](mailto:ken@bernard-wealth.com).

**December 31, 2023:** There have been no "material changes" incorporated into this Brochure since our last delivery of posting of this document on the SEC's public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 – Advisory Business**

The following pages describe our services and fees and disclose any material conflicts of interest. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

### **Firm Information**

Bernard Wealth Management Corp. is a corporation formed in the State of Michigan. BWM is owned by its principals, Kenneth M. Bernard and Andrew P. Niedermeier. BWM, founded in October 2011, has offices in Royal Oak, Michigan and Lone Tree, Colorado.

### **Advisory Services**

#### Portfolio Management

Our portfolio management services are provided on a client specific basis, based upon your unique facts and circumstances. We translate your needs and objectives into an Investment Policy Statement (IPS). This IPS captures your:

- Financial goals
- Risk tolerance, and
- Unique circumstances.

This IPS then drives the asset allocation of your investment(s) and portfolio(s). We adjust your IPS as you notify us of changes in your personal circumstances or as documented in annual updates to your financial plan, as the case may be.

Although we manage your accounts based on your individual needs, we employ model portfolios of securities which may include all equity, all fixed income or a combination of the two. These models, taken together with the asset allocation established in your IPS, determine the composition of your portfolio.

Equity investments may include:

- Individual stocks
- Mutual funds
- Exchange traded funds (ETFs)

Fixed income investments may include certificates of deposit (CDs), individual bonds, mutual funds, and ETFs.

Portfolio Management Services include the following components:

- *Investment Selection and Implementation* – Upon completion of your IPS, we implement an investment plan for you by selecting the most appropriate model portfolio for you. We typically invest your assets in stocks, mutual funds, exchange-traded funds or fixed income instruments as appropriate. We formulate a long-term asset allocation strategy that specifies the amount of your account assets that are invested across equity, fixed income and cash or cash equivalents, (as applicable). We develop the models based upon our proprietary research on markets and market conditions as well as perceived value in selected securities (See Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss). We then include a broad-based economic outlook as part of the process.
- *Investment Monitoring and Maintenance* – We regularly review your accounts on a continual basis (by monitoring our models) to ensure that risk levels stay within the parameters established in your IPS. Further, we monitor your portfolio in order to ensure we have client assets invested consistent with our models, firm-wide investment guidance, appropriate indexes and broad economic outlook.
- *Financial & Retirement Planning* – Along with our investment management services, we may also advise you on issues related to your retirement planning or wealth management. These services are included in a Portfolio Management relationship and are detailed below under Financial Planning Services.

See **Item 14 – Client Referrals and Other Compensation** for an explanation of conflicts that arise from recommendations of insurance products.

We re-balance your portfolios as necessary. More or less frequent rebalancing may be required depending on macroeconomic, market or sector factors, as well as changes in your personal or family circumstances.

Your financial situation may include unique circumstances, which we reference in your Investment Policy Statement and may code in our portfolio management software. For example, you may have concentrated positions in certain stocks that you wish to hold. We may then tilt your portfolio to reflect these stock positions, to avoid further individual stock and industry concentration. In addition, you can place reasonable restrictions on your account as long as they are in writing and accepted by us. You may modify these restrictions at any time, subject to them being in writing. These restrictions may include

types of securities that may be purchased and held in your accounts. New restrictions are not implemented until we accept them.

### **Financial Planning Services**

We also offer financial planning services on a fixed fee basis when clients don't want an ongoing Portfolio Management relationship. These services may vary depending on the needs of the client, but will generally include:

- Reviewing and prioritizing your goals and objectives.
- Developing a summary of your current financial situation.
- Reviewing your current investment portfolio and developing an asset management strategy.
- Developing a financial management strategy, including financial projections and analysis.
- Presenting a financial plan that will be reviewed in detail with you. It will contain recommendations designed to meet your stated goals and objectives, supported by relevant financial summaries.
- Identifying tax planning strategies to optimize financial position.
- Referral to other professionals, as required, to assist with implementation of the action plan.

See **Item 14 – Client Referrals and Other Compensation** for an explanation of conflicts that arise from recommendations of insurance products.

### **Investment Management for Qualified Plans**

We also provide investment management services to qualified retirement plans which are subject to the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"). As part of our services to qualified plans, we will act as a fiduciary of the plan under Section 3(21)(A) of ERISA. In this case, we act as a non-discretionary investment advisor. Plan services will generally include investment recommendations, participant enrollment and education, fee monitoring and plan search support. In addition, we monitor the performance of all investment options on at least a monthly basis.

For qualified plan clients, we assist you with creating and maintaining your investment policy statement. Your investment policy statement may place restrictions on the types of investments the plan assets may invest in.

## Wrap Fee Programs

Bernard Wealth Management Corp. does not participate in any wrap fee programs.

## Assets Under Management

As of December 31, 2023, we had \$158,861,606 in assets under management, of which \$142,099,685 is managed on a discretionary basis, and \$16,761,921 is in non-discretionary 401(k) plans.

## Item 5 – Fees and Compensation

**Fees for Portfolio Management Services.** Our portfolio management fees are charged quarterly, in advance, based upon the value of account(s) on the last business day of the prior quarter. Portfolio management fees are as follows, including our minimum account size:

<u><i>Account Type</i></u>	<u><i>Annual Fee</i></u>	<u><i>Account Minimum</i></u>
Equity/Growth	1.00% of first \$1,000,000  Plus 0.85% above \$1,000,000	\$250,000
Balanced	1.00% of first \$1,000,000  Plus 0.85% above \$1,000,000	\$250,000
Fixed Income Only	0.65% of first \$1,000,000  Plus 0.50% above \$1,000,000	\$250,000
Tax-free Fixed Income Only	0.50% of first \$1,000,000  Plus 0.35% above \$1,000,000  Plus 0.30% above \$5,000,000	\$250,000

These fees and account minimums are both negotiable, based upon a number of factors, including but not limited to the following:

- Other accounts related to your accounts
- Future investments
- Unique objectives or restrictions

Fees are computed on portfolio values as determined by your custodian (an independent, third-party and qualified custodian). For accounts opened during a calendar quarter, your first fee is charged based on the inception value of the account (as reported by your custodian) and is due and payable at the inception of the account for the number of the days we provide services to you. If you pay our fees via direct debit authorization, the inception fee will be deducted as described below.

Alternatively, at our discretion, we may agree to a flat quarterly or annual fee for investment management services. The fee may range from \$1,000 to \$20,000 annually and is billed quarterly, in advance or prorated upon inception of the account(s). Under this fee arrangement, clients will receive the same investment management services as clients paying a fee based on percentage of assets under management.

Upon termination of an account, prepaid and unearned fees are promptly refunded to you (within 30 days of the date of termination).

Householding of Accounts: Clients who have multiple accounts at the recommended custodian (See Item 12, below) may authorize these multiple accounts to be managed according to your IPS as long as the accounts can be househanded as described below. In addition, each househanded account shall be identified in the portfolio management agreement we have with you. We household accounts both for your convenience and to meet our fiduciary obligations for fee calculation purposes. We will household accounts for fee calculation purposes unless you instruct us otherwise. To Household accounts, each must:

1. Have the same last name and physical street address
2. Be spouses or domestic partners at the same address
3. Be dependent family members
4. Additionally meet the recommended custodian's definition of a household account; the following types of accounts may be househanded:
  - a. Individual or Joint Tenants;
  - b. Living Trusts;
  - c. Custodial accounts for minor children (UGMA/UTMA);



d. Sole Proprietorship

5. Other types of organization(al) accounts if owned by an individual or family.

Corporate entities are *not available* for the Householding of Accounts.

**Termination Provision:** A portfolio management agreement may be terminated by either party by delivering written notice to the other. Upon receipt of a termination from you we will cease all activity on your behalf; transactions placed on your behalf are allowed to settle, however, your notice of termination is effective when received.

As indicated above, all prepaid and unearned fees are promptly refunded to you upon termination.

You also have the ability to terminate a portfolio management agreement within 5 days of your execution of an agreement without penalty. However, as a fiduciary, we cannot penalize a client for terminating an agreement as a result, upon written notice you may terminate an agreement with us at any time. We are permitted to charge you a fee for services we provide to you (and refund prepaid and unearned advisory fees).

**Financial Planning Services** Financial Planning Services are generally billed on a flat fee basis. The standard fee for a financial planning engagement is \$2,500. We do not expect payment until after we have met with the client to review our analysis and recommendations.

**Qualified Retirement Plans** Annual fees will generally range from 0.25% to 1% of assets under management, depending on plan size and complexity. We generally require a minimum plan size of \$250,000.

**Hourly Planning Services** BWM may provide project-based advisory and consulting services. Hourly Financial Planning Services focus on specific planning needs, such as business planning, college funding, retirement planning, charitable giving, tax strategies, investment analysis, etc. The hourly rate for limited scope planning services is \$300. Hourly fees will generally only be charged to non-portfolio management clients, as these services are usually included in a portfolio management relationship.

**Additional Fees and Expenses.** Fees paid to BWM are exclusive of the following that you pay as a client:

- Brokerage commissions
- Transaction fees, and
- Other related costs and expenses (see also Item 12, below)
- Mutual funds and exchange traded funds: shareholders also pay internal management fees, which are disclosed in a fund's prospectus. As a shareholder of

these securities, you pay these additional fees and expenses, which are in addition to the planning or portfolio management fees we charge to you.

- Any insurance commissions paid in purchasing policies recommended by BWM personnel. See **Item 14 – Client Referrals and Other Compensation** for an explanation of conflicts that arise from recommendations of insurance products.

BWM does not accept any compensation from securities transactions or other fees and expenses that you pay. BWM employees do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **Additional Information on Advisory Services and Fees**

Employees and friends of BWM may receive advisory services that are the same as provided to clients for no fee or at fees lower than those charged to our non-family or friend clients.

Similarly, services are available from other sources for fees that are lower or higher than those paid to BWM.

You do not need the services of BWM to invest in securities; however, you might not receive access to certain institutional shares classes without going through BWM. Our services are designed, among other things, to assist you in determining which securities are most appropriate for you and your unique circumstances. You should review both the fees charged by the fund(s), third parties and the fees charged by BWM to fully understand the total fees to be paid for the services we provide to you.

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

BWM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) and therefore does not engage in Side-By-Side Management.

## **Item 7 – Types of Clients**

Our services are provided to the following types of clients:

- Individuals
- High net worth individuals
- Businesses
- Corporate pension and profit-sharing plans
- Charitable organizations

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

### **Methods of Analysis**

We use fundamental and technical methodologies to analyze the following types of publicly traded securities:

- Common Stocks
- Preferred Stocks
- Foreign Issues – American Depositary Receipts (ADR's)
- Exchange-Traded Funds
- Mutual Funds
- Real Estate Investment Trusts (REITs)
- Corporate Debt Securities
- Money Markets
- Certificates of Deposit
- Municipal Securities
- United States Government Securities
- Government-Sponsored Enterprise (GSE) Agency Securities

We employ quantitative<sup>1</sup> screens to identify stocks that may be added to client portfolios. We research new ideas diligently, investigating, among other factors:

- Valuation
- Growth drivers
- Cash flows
- Balance sheet strength and
- Competition

Our goal is to purchase stocks that are trading at significant discounts to their potential valuation and sell when that discount is no longer material.

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<sup>1</sup> Quantitative means evaluating securities based on statistical, mathematical and related data. Based on this information, we apply modeling and our proprietary assessments which are used to identify securities for investment.

In addition to individual equity investments, we invest in mutual funds and exchange-traded funds to add diversification to client accounts. Mutual funds are selected after considering a variety of criteria, including:

- Manager tenure and track record
- Portfolio composition and concentration, and
- Expenses.

Exchange-traded funds may be added to portfolios for broad diversification or to target specific areas of the global equity market, such as individual countries. Factors for selecting ETFs include:

- Cost
- Liquidity
- Diversification benefits, and
- Targeted sector or geographic exposure

Fixed income securities are analyzed for:

- Credit risk
- Yield
- Duration
- Cost
- Focusing on reducing likely portfolio volatility

Fixed income investments may include individual securities, mutual funds, and ETFs.

### **Investment Strategies**

Equity Strategy: Seeks long-term growth through a strategy that blends concentrated risk with broader market diversification.

Portfolios are generally invested in a core model of exchanged traded funds and/or mutual funds, providing broad diversification and appropriate sector, geographic and industry exposure. When deemed appropriate, individual stocks may be added to portfolios, providing concentrated risk in businesses that we think are attractive. Stocks are added to our buy list after thorough research. Results of the research are our determination that the equities are substantially undervalued relative to their growth potential and the potential for profitability and cash flow.

Stock mutual funds and ETFs are selected after careful, independent research that considers multiple factors including the investment philosophy, distinct style of stock investing and performance.

Equity accounts may hold high cash and money market balances at times, as dictated by our evaluation of market conditions.

**Fixed Income Strategy:** Seeks predictable current income by investing conservatively in government and investment grade corporate bonds. Unless instructed otherwise, a material portion of an account may be allocated to high-yield (junk) bonds.

Allocation between corporate and government bonds will vary depending on perceived opportunities. Fixed income accounts may hold individual securities, bond mutual funds, ETFs, closed-end funds (CEFs) and at times, high cash and/or money market balances.

For taxable accounts, we may invest in tax-free municipal bonds and bond funds for part or all of the fixed income strategy. We will generally use investment grade municipal bonds, but may also invest in high yield bonds, unless instructed otherwise.

**Balanced Strategies:** These strategies blend equity and fixed income strategies to create the asset allocation appropriate for each client's risk tolerance and return objectives. Most clients will require a balanced strategy, particularly as they approach retirement and wish to reduce portfolio volatility.

## **Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. You should be prepared to bear the potential risk of loss of your invested assets. We will assist you in determining an appropriate strategy based on your tolerance for risk and other factors noted in your IPS.

However, there is no guarantee that your portfolio will meet your investment goals or objectives. We do not, directly, or indirectly, promise or represent any level of performance or success of your accounts.

We attempt to manage the risk in your investments. Depending on the types of securities you are invested in, you can face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Credit Risk:** The fundamental financial stability of a company could deteriorate for any number of reasons, resulting in a decline in a bonds value.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to any number of events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments will have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher degree of operational risk, but also potentially higher returns (profitability) than an electric company, which generates its income from a steady stream of customers who buy electricity regardless of the economic environment.
- **Fixed income Risks:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks will occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.
- **Small/Mid Cap Risk:** Stocks of small or small, emerging companies could have less liquidity than those of larger, established companies and could be subject to greater price volatility and risk than the overall stock market.
- **Concentration Risk:** Investments that are concentrated in one or a few industries or sectors will involve more risk, including the potential for greater volatility, than more diversified investments. This risk also applies to single company investments. Larger weightings in single companies imply greater concentration risk.
- **ETF Pricing Risk:** Exchange-traded funds' prices may deviate from their net asset values. This risk can be mitigated by selecting ETFs with sufficient liquidity.

## **Item 9 – Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Bernard Wealth Management Corp. or the integrity of BWM's employees. Neither BWM nor any of its employees have ever had a legal or disciplinary action brought against it.

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

Neither BWM nor any employees are registered, nor have an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

Neither BWM nor any employees are registered, nor have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading adviser, or associated person of any of these entities.

Neither BWM nor any employees recommend or select other investment advisers for our clients. We do not receive compensation directly or indirectly from other advisers.

As described in more detail in the “Client Referrals and Other Compensation” (Item 14), Kenneth M. Bernard and Deanna Harless are licensed as insurance agents and may act as an agent for various insurance companies.

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

We have developed and implemented a Code of Ethics which defines the standards of business conduct that we consider essential to maintaining the highest level of integrity for BWM. We develop practices and choose actions that put your best interests first.

We adhere to the requirements of our regulator(s) as they apply to our practice. We monitor our business to identify conflicts of interests with you, our clients. We also monitor employee outside business activity to identify conflicts present between an employee and BWM.

We allow employees to buy or sell the same securities that are bought or sold in your accounts, which constitutes a conflict, in that employees may benefit from client transactions. We attempt to mitigate this conflict by aggregating including employee transactions with client orders. Each account that participates in an aggregated order will receive the average share price for all transactions ordered by our firm in that security on a given business day. If an aggregated order is not filled in its entirety, it will be allocated among participating accounts on a pro rata basis. If a transaction is not completed in full, client transactions are allocated; employee trades are held out of the allocation until clients are completely filled. In addition, BWM employees may only trade in BWM model equities after ascertaining that all client trades in the security have been completed for the day.

We have also adopted written policies and procedures to detect and prevent the misuse of material, non-public information.

We may have an interest or position in certain securities, which may also be recommended to you; however, we do not acquire positions prior to the recommendation or purchase for your accounts (front running is prohibited by policy).

Employee trading is regularly reviewed by Kenneth M. Bernard, our President and Compliance Officer, to ensure compliance with our Code and Personal Trading policy. A complete copy of our Trading Policy may be obtained by contacting our office.

At no time will BWM or any employee transact in any security to the detriment of any Client.

A copy of the firm's Code of Ethics is available upon request.

## **Item 12 – Brokerage Practices**

### **Research and Other Soft Dollar Benefits**

We do not receive research or other products or services from Schwab or any other broker-dealer or third party ("soft dollar benefits") in connection with client securities transactions.

As part of our relationship with Schwab, we do receive certain benefits which we might otherwise have to purchase from other vendors. These include access to investment research and portfolio rebalancing technology.

### **Brokerage for Client Referrals**

BWM and its employees do not receive client referrals from a broker-dealer or third party.

### **Directed Brokerage**

We have established a brokerage relationship with Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer for custodian and brokerage services. We are independently owned and operated and are not affiliated with Schwab, but we utilize Schwab Advisor Services™. We recommend and then require that clients use Schwab as custodian and broker, and we do not allow clients to direct brokerage to another broker.

Not all investment advisors require directed brokerage. Some advisors may allow clients to select their own custodian and direct brokerage to other broker-dealers.

In recommending Schwab, we have evaluated the following criteria:

- Financial stability
- Competitive rates for transactions
- Availability of no-load, no transaction fee mutual funds
- Dedicated trading desk



- Dedicated client service team
- Access to institutional class shares of mutual funds
- Duplicate confirmations and statements
- Secure login for clients to their accounts (website feature)
- Technology which includes:
  - Access to client account data, such as trade confirmations and account statements
  - Trade execution and allocation of aggregated trade orders for multiple client accounts
  - Generic research on markets or economics, pricing and other market data
  - Direct debit of our fees from your accounts
  - Back-office functions, recordkeeping and client reporting

As of this writing, Schwab does not charge commissions or transaction fees on stocks or exchange-traded funds (ETFs). Schwab does charge fund management fees which clients will pay. In addition, Schwab is also compensated by earning interest on the uninvested cash in your account in their Cash Features Program. You may be able to earn a higher interest rate through other brokerages or banks.

We have determined in good faith that the amount of any commissions, transaction fees or other fees paid is reasonable in relation to the value of the brokerage and other services provided to us and our clients.

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

- Educational conferences and events
- Consulting on technology and business needs
- Consulting on legal and related compliance 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

As a fiduciary, BWM's highest priority is to act in our clients' best interests. However, we require that clients maintain their assets in accounts at Schwab due to the benefits provided to our firm and our clients. Although our assessment and recommendation of Schwab is based on an objective assessment of Schwab, it is an inherent conflict of interest in recommending Schwab when we (and you) receive benefits that we do not pay for separately. However, we believe that these additional benefits are of minimal value, and that, in the aggregate, our recommendation of Schwab as custodian and broker is in the

best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

### **Aggregating and Allocating Trades (Block Trading)**

We may, but are not obligated to, aggregate multiple client transactions in the same security, at the same time. The primary benefit to block trading is an enhanced ability to negotiate the price of the security (a component of best execution). A result of block trading is to enhance the overall most favorable net price for the transaction for all participating clients. Factors considered in block trading include, but are not limited to:

- 1) price
- 2) size of order
- 3) difficulty of execution
- 4) confidentiality and
- 5) skill required of the broker

Note, however, that block trading does not benefit participating clients when we are purchasing or selling non-ETF mutual fund shares as mutual funds trade on the previous day's close or net asset value. Block trading may be beneficial when trading in equity, fixed income or ETFs.

### **Item 13 – Review of Accounts**

We review client accounts regularly to ensure that accounts are invested in accordance with the parameters defined in the applicable Investment Policy Statement (IPS). Accounts of similar asset allocation will likely hold approximately the same securities, but regular reviews are nonetheless required, to ensure that cash balances are appropriate and that asset class weightings remain within the tolerances agreed upon in the client's IPS. Client accounts are reviewed daily for asset allocation and cash balance exceptions. Ken Bernard, as portfolio manager, is responsible for these reviews. Deanna Harless and Andrew Niedermeier may also review client accounts, under Mr. Bernard's supervision. If accounts are found to require rebalancing, a more detailed review is conducted, account-specific trades may be executed, or the trades may be included in block transactions with other accounts. See **Item 12 – Brokerage Practices** for more information on block trading.

You will receive trade confirmations and monthly statements from the custodian of your account(s) directly from Schwab, your independent and third party qualified custodian.

In addition, we will provide a quarterly performance report and newsletter. We communicate with our clients regularly through telephone and e-mail, and are available for meetings as needed.

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

BWM relies upon referrals from clients and other professionals to grow our business. However, we do not participate in any arrangements under which we provide compensation or receive compensation (directly or indirectly) for client referrals.

Kenneth M. Bernard and Deanna Harless, in their individual capacities, are licensed as insurance agents, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products.

On occasion and if the client agrees, an outside insurance consultant may be introduced to provide insurance analysis and recommendations to the client. If a recommended product is used, the outside consultant will split the commissions with Kenneth M. Bernard or Deanna Harless in exchange for the introduction. This agreement only applies if the client purchases the insurance through the outside consultant.

A conflict of interest exists if, while licensed to sell insurance products, we recommend that you purchase insurance products for which Bernard Wealth Management Corp. employees receive insurance commissions. Clients are under no obligation to act upon our recommendations, and do not have to effect any transactions through BWM personnel. In addition, we do not require you to purchase any insurance products from BWM personnel, and you are free to purchase any insurance products we recommend from an unaffiliated insurance agent. We only make insurance recommendations when in our client's best interest.

## **Item 15 – Custody**

BWM does not have custody of any client's funds or securities.

However, as we directly debit advisory fees from your accounts (as described under Item 4 above) we have "constructive custody" as determined by regulation. We employ the following practices to safeguard your assets:

- A. We have custody of the funds and securities solely as a consequence of our authority to make withdrawals from client accounts to pay our advisory fee.
- B. We have written authorization from our clients to deduct advisory fees from the account held with the qualified custodian.
- C. Each time a fee is directly deducted from a client account, we concurrently:
  - i. Send the qualified custodian an invoice of the amount of the fee to be deducted from the client's account; and

- ii. Send the client an invoice itemizing the fee. Itemization includes the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.
- D. We notify our regulators in writing as needed that we will employ these safeguards. Such notification is required to be given in this Form ADV.

You should receive statements from the broker-dealer (Schwab) that holds and maintains your investment assets on a monthly basis. These statements should be carefully reviewed by you and compared to the account statements that we provide. You should notify us of any discrepancies.

Our statements may vary from custodial statements based on a number of factors including custodial pricing issues, dividends due but not yet paid or fixed income accrued interest due or payable, among others.

As previously stated, Schwab is the official record-keeper of your account; as a result, your custodial statement is the sole authority for tax reporting purposes.

## **Item 16 – Investment Discretion**

For portfolio management clients, we require investment discretionary authority. This discretionary authority allows us to select the identity and amount of securities to be bought or sold for your account without obtaining your consent to the transactions. In all cases, however, such discretion is to be exercised in a manner consistent with your stated investment objectives.

You can place reasonable restrictions on your account as long as they are in writing and accepted by us. You may modify these restrictions at any time, subject to them being in writing. New restrictions are not implemented until we accept them.

Investment guidelines and restrictions must be provided to us in writing. We will document your restrictions, if any, in your Investment Policy Statement.

If we manage your 401(k) plan on a non-discretionary basis, we will solicit your approval prior to making changes to your plan's investment options.

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

We vote proxies on various matters related to shares owned by our clients. We generally vote shares of issuers held in your account. We vote according to our written Proxy Voting Policy and Procedures, which describe how we *generally* vote on numerous proxy issues concerning:

- Corporate governance
- Boards of Directors
- Director and executive compensation
- Capital structure
- Other issues

In certain instances, we consider issues on a case-by-case basis and it may be necessary to deviate from positions indicated in the Proxy Voting Policy and Procedures. A copy of BWM's complete proxy voting policies may be obtained by contacting our President, Kenneth Bernard at (248) 556-2900 or [ken@bernard-wealth.com](mailto:ken@bernard-wealth.com).

## **Item 18 – Financial Information**

We are obligated to disclose certain financial information or disclosures about our financial condition, if any, that would impact our ability to provide our services to you.

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

We do not have any financial situations that impair our ability to meet contractual and fiduciary commitments to clients. We have also not been the subject of a bankruptcy proceeding.

## **Other Information**

BWM maintains a written Business Continuity Plan and Succession Plan that identify procedures to be followed in the event of emergency, including death or incapacitation of key personnel. The intent of these procedures is to minimize business disruption and maintain care for clients and their investments. We review and update these plans at least annually.