

**Item 1 - Cover Page**

# **Hilltop Wealth Advisors, LLC**

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Form ADV Part 2A – Firm Brochure

Dated: March 14, 2024

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This brochure provides information about the qualifications and business practices of Hilltop Wealth Advisors, LLC (“Hilltop Wealth Advisors”, “Firm”, “we”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number or through the website listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Firm is a registered investment adviser, registered with the United States Securities and Exchange Commission. Registration does not imply any level of skill or training.

## **Item 2 - Material Changes**

In this Item, Hilltop Wealth Advisors is required to discuss any material changes that have been made to the brochure since the last annual update. We will ensure that clients receive a summary of any material changes to this and subsequent Hilltop Wealth Advisors' brochures within 120 days of the close of our fiscal year (December 31st).

Since the last Annual Updating Amendment, dated February 6, 2023, we have updated Item 8 to disclose risks related to direct indexing strategies and private equity funds. We have also updated Item 5 to disclose our fees in more detail.

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## **Item 4 - Advisory Business**

Hilltop Wealth Advisors offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Hilltop Wealth Advisors rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Hilltop Wealth Advisors setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Hilltop Wealth Advisors was formed in 2016 and is owned by Managing Members Benjamin R. Yeager and Russell S. Eriksen. Christopher Hostetler is also a shareholder in the firm. Hilltop Wealth Advisors is registered as an investment adviser with the Securities and Exchange Commission (“SEC”).

While this brochure generally describes the business of Hilltop Wealth Advisors, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Hilltop Wealth Advisors’ behalf and is subject to the Firm’s supervision or control.

### **Financial Planning and Consulting Services**

Hilltop Wealth Advisors offers clients a broad range of financial planning and consulting services, which, by way of example could include any or all of the following functions:

- Retirement Planning
- Cash Flow Forecasting
- Investment Allocations
- Trust & Estate Planning
- Debt Management
- Student Loan Analysis
- Charitable Gifting Strategies
- Employee Benefits Analysis
- Business Planning
- Education Planning
- Insurance Planning
- Tax Planning
- Executive Compensation Optimization

While each of these services is available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below, and referred to as the “Ascend Services” or the “Wealth Management Services”).

In performing these services, Hilltop Wealth Advisors is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.,) and is expressly authorized to rely on such information. Clients are advised that a conflict of interest exists if clients engage Hilltop Wealth Advisors or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Hilltop Wealth Advisors under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Hilltop Wealth Advisors’ recommendations and/or services.

### **Educational Seminars**

Advisory representatives of the firm conduct client seminars for businesses where the advisor will address a range of topics which include discussions of economic conditions, retirement planning or other investment-related topics specific to the particular plan.

### **Investment and Wealth Management Services**

Hilltop Wealth Advisors provides clients with wealth management services which includes a broad range of comprehensive financial planning and consulting services as well as discretionary management of investment portfolios.

Hilltop Wealth Advisors primarily allocates client assets among various mutual funds and exchange-traded funds (“ETFs”). In addition, the Firm will sometimes also allocate client assets to individual debt and equity securities, options and independent investment managers (“Independent Managers”).

Where appropriate, the Firm will also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage Hilltop Wealth Advisors to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Hilltop Wealth Advisors either (i) directs or recommends the allocation of client assets among the various investment options available with the product, or (ii) directly manages such assets with discretion pursuant to an order management system that facilitates trading in such held-away accounts, but does not convert such assets to the custody of Hilltop Wealth Advisors. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product’s provider.

Hilltop Wealth Advisors tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Hilltop Wealth Advisors consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Hilltop Wealth Advisors if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Hilltop Wealth Advisors determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

### **Retirement Account Rollovers**

A client may have several options regarding current and former employer retirement plans:

- leave the assets in the current plan
- roll over the assets to another employer retirement plan
- roll over the assets to an Individual Retirement Account (“IRA”)
- cash out the account value

The client should review their employer’s retirement plan documents and the applicable tax guidance to understand their options and potential tax consequences.

If Hilltop Wealth Advisors recommends that a client roll over their retirement plan assets into an account to be managed by the Firm, such a recommendation creates a conflict of interest if the Firm will earn an advisory fee on the rolled over assets. No client is under any obligation to rollover retirement plan assets to an account managed by Hilltop Wealth Advisors.

When Hilltop Wealth Advisors provides investment advice to a client regarding such client's retirement plan account or individual retirement account, Hilltop Wealth Advisors is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code (the "Code"), as applicable, which are laws governing retirement accounts. The way Hilltop Wealth Advisors makes money creates some conflicts with the interests of clients, so Hilltop Wealth Advisors operates under a special rule that requires us to act in such client's best interest and not put our interest ahead of such client's. Under this special rule's provisions, Hilltop Wealth Advisors 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.

#### **ERISA Retirement Plan Services**

Hilltop Wealth Advisors acts as a service provider to 401(k) plans as a so-called 3(21) fiduciary. This means that we assist with the selection of investment options, help plans develop an Investment Policy Statement, and provide non-discretionary investment advice. We also assist in monitoring investment options but do not have discretionary investment authority.

#### **Use of Independent Managers**

As mentioned above, Hilltop Wealth Advisors has the ability to select certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager will be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients must also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

Hilltop Wealth Advisors evaluates a variety of information about Independent Managers, which include the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. Hilltop Wealth Advisors also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Hilltop Wealth Advisors continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Hilltop Wealth Advisors seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

Hilltop Wealth Advisors frequently hosts social and educational events for clients and potential clients. These range from topical seminars to purely social outings. Some of the cost of these events is borne by the Independent Managers and fund companies which Hilltop Wealth Advisors selects to manage client assets. This creates a conflict of interest in that this financial support is an incentive for Hilltop Wealth Advisors to select these managers over other managers. Hilltop Wealth Advisors mitigates this conflict by (1) only participating in events which we believe are usual and customary business practices, and (2) following the manager selection process described above to ensure that we are acting objectively and in our clients' best interests. Hilltop Wealth does not receive other compensation from these managers.

#### **Assets Under Management**

As of December 31, 2023, we managed approximately \$432,698,869 in client assets. These assets were managed on a discretionary basis; where we made the investment decisions for our clients.

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

Hilltop Wealth Advisors is strictly a fee-only financial planning firm which includes fixed fees as well as fees based upon assets under management. The firm does not sell any commissioned products. Some of the Firm's Supervised Persons may hold insurance licenses which are held strictly for advisory purposes.

#### **Financial Planning and Consulting Fees**

With respect to separate financial planning services that are provided on an ongoing basis and not in conjunction with investment management services, the Firm charges a recurring fixed fee that generally takes the form of a minimum annual fee of \$5,000, charged in quarterly installments in advance. Please note: certain clients have been grandfathered into previous fee schedules that are different than the fees stated herein.

For clients that have engaged the Firm to receive Wealth Management Services, the Firm does not separately charge a recurring fixed fee for financial planning services and instead charges clients pursuant to an asset-based fee as described below. For clients that have engaged the Firm to receive Ascend Services, the Firm separately charges a one-time Plan Launch Fee up to \$750 upon the effectiveness of the agreement, a recurring fixed fee up to \$3,000 per annum for financial planning services, and an asset-management fee as described below. The recurring fixed financial planning fee for Ascend Services is charged quarterly in advance. The first quarterly installment of the recurring fixed financial planning fee shall be prorated based on the effective date of the agreement and charged together with the second full quarterly installment at the beginning of the next immediately subsequent calendar quarter.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement. The Firm does not take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

#### **ERISA Plan fees**

Our fees for the services we provide as a 3(21) fiduciary to retirement plans are negotiable depending on the services provided and the scale of the plan. These fees are typically .50% of the assets in the plan billed quarterly in arrears. The fee calculation is typically based on the average of included assets on the first day & last day of each quarter.

### Fees for Educational Seminars

Fees charged for the firm to conduct client seminars for businesses is negotiated on a case by case basis and ranges from reimbursement of expenses for non-profit organizations up to a maximum of \$15,000. The terms and conditions of the educational seminar engagement are set forth in the Advisory Agreement and Hilltop Wealth Advisors generally requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the seminar. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### Investment Management Fees

Hilltop Wealth Advisors offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee will vary based on whether the client is receiving Ascend Services, Wealth Management Services, or standalone investment management services, but will generally not exceed the following 'cliff' fee schedule:

Assets Under Management	Annual Fee
From \$0 to \$999,999	1.00%
From \$1,000,000 to \$2,499,999	0.90%
From \$2,500,000 to \$4,999,999	0.80%
From \$5,000,000 to \$9,999,999	0.70%
From \$10,000,000 to \$14,999,999	0.60%
\$15,000,000 and above	0.50%

Please note: certain clients have been grandfathered into previous fee schedules that are different than the fee schedule stated above.

Investment management fees charged in connection with Ascend Services are generally equal to 0.50% per annum, which is in addition to the Plan Launch Fee and recurring fixed fee described in "Financial Planning and Consulting Fees," above. Investment management fees charged in connection with Wealth Management Services are subject to a minimum annual fee of \$5,000, applied in quarterly installments.

If, as measured at the end of a calendar quarter, the average daily balance of a client receiving Ascend Services equals or exceeds \$500,000 during the prior calendar quarter, such client shall thereafter (a) no longer pay the separate recurring fixed fee up to \$3,000 per annum described above, (b) no longer be charged an asset-based fee equal to 0.50% per annum, and (c) will instead be charged pursuant to the asset-based fee described in the table above, subject to the minimum annual fee of \$5,000.

Annual asset-based fees are prorated and generally charged quarterly, in advance, based on the market value of the average daily account balance during the prior billing period. Asset-based fees are based on the gross value of the assets held in a client's account(s) (securities, cash, cash equivalents, and outstanding margin balances) and managed by the Firm. Since the asset-based fee is determined by average daily account balance, if assets are deposited into or withdrawn from an account after the inception of a month or quarter, the base fee payable with respect to such assets is adjusted and billed in the quarter thereafter.

For the initial period of an engagement, the fee is calculated on a *pro rata* basis in arrears for the initial billing period, and quarterly in advance thereafter. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding portion of the fee already paid by the client in advance is refunded to the client.



Hilltop Wealth Advisors uses money market funds, stable value funds and cash equivalent investments defensively and tactically in its investment management process. When we manage an account with distributions, we consider cash needs and risk tolerance in our management decisions when allocating your investments. Because of this, assets invested in money market funds, stable value funds and cash equivalent investments are included in the management fee calculation.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Hilltop Wealth Advisors may negotiate a fee rate that differs from the range set forth above.

With respect to directly-managed held-away accounts managed by Hilltop Wealth Advisors with discretion pursuant to the order management system described in Item 4, Hilltop Wealth Advisors shall aggregate such assets into the other assets under the Firm's management and apply the same fee schedule agreed-to as between the Firm and the client. Fees applicable to directly-managed held away accounts will either be billed pro-rata to such accounts, billed to the client's taxable brokerage account(s), or billed to the client directly for payment.

#### **Fee Discretion**

Hilltop Wealth Advisors' fees are negotiable, at the firm's sole discretion and based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

#### **Additional Fees and Expenses**

In addition to the advisory fees paid to Hilltop Wealth Advisors, clients will also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below. When we manage so-called "held away" assets as described in Item 4, our fees are in addition to any fees charged by the outside custodian or, in the case of a qualified retirement plan, the plan's fees and expenses.

#### **Mutual Fund Share Class Selection**

Hilltop Wealth Advisors may have the option to choose from multiple mutual fund share classes when selecting a fund. As a fee only firm, Hilltop does not receive any revenue based on the share class selected. The Firm recognizes its clients pay the fees charged by a fund and the custodian. Hilltop seeks to choose the share class with lower cost of ownership to the client over time taking into account factors such as the initial and on-going transaction costs and internal fund expenses.

For mutual funds custodied with Fidelity Institutional Wealth Services, Hilltop Wealth Advisors has as its standard practice to select the lowest cost mutual fund share class without a transaction fee. There may be share classes available with lower fees.

**Direct Fee Debit**

Clients generally provide Hilltop Wealth Advisors and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Hilltop Wealth Advisors. Alternatively, in limited circumstances, the Firm will send a separate invoice for direct payment.

**Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to Hilltop Wealth Advisors' right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to Hilltop Wealth Advisors, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Hilltop Wealth Advisors may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they will sometimes be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

**Item 6 - Performance-Based Fees and Side-by-Side Management**

Hilltop Wealth Advisors does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

**Item 7 - Types of Clients**

Hilltop Wealth Advisors offers services to individuals, trusts, estates, corporations and business entities.

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

Hilltop Wealth Advisors utilizes a fundamental analysis while employing a tactical asset allocation strategy based on a derivative of Modern Portfolio Theory ("MPT"). The firm primarily uses mutual funds and exchange traded funds (ETFs).

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For Hilltop Wealth Advisors, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Modern Portfolio Theory ("MPT") is a mathematical based investment discipline that seeks to quantify expected portfolio returns in relation to corresponding portfolio risk. The basic premise of MPT is that the risk of a particular holding is to be assessed by comparing its price variations against those of the market portfolio. However, MPT disregards certain investment considerations and is based on a series of

assumptions that may not necessarily reflect actual market conditions. As such, the factors for which MPT does not account (e.g., tax implications, regulatory constraints and brokerage costs) may negate the upside or add to the actual risk of a particular allocation. Nevertheless, Hilltop Wealth Advisors' investment process is structured in such a way to integrate those assumptions and real life considerations for which MPT analytics do not account.

## **Models**

Hilltop Wealth Advisors creates and continuously manages model portfolio allocations based on various factors like account size, account type, and client preferences. Within each model there is a range of allocations designed to meet clients' risk tolerances and financial objectives. The Firm's primary models include:

- Hilltop Qualified – This model is primarily designed for qualified retirement accounts (IRAs, Roth IRAs, 401ks, etc.).
- Hilltop Non-Qualified – This model is primarily designed for non-retirement specific accounts. The model seeks to employ a majority of investment strategies the firm believes may provide greater tax efficiency such as municipal bonds and tax efficient mutual funds and exchange traded funds. Expected tax efficiency is not the only factor used when selecting investments for this model; this model may have funds not considered tax efficient.
- Hilltop SRI Qualified – This model is primarily designed for retirement accounts seeking greater alignment with Socially Responsible Investing. The model seeks to employ a majority of investment strategies the firm believes screen for greater environmental, social and governance (ESG) characteristics. This is sometimes referred to as Socially Responsible Investing (SRI). Hilltop Wealth Advisors uses a variety of resources which may include third party ratings, index construction methodology, and investment literature to assess an investment's SRI characteristics. SRI investments may exclude all companies engaged in a particular industry (such as tobacco) or invest in firms with higher SRI scores within an industry. SRI investments may limit the types and number of investment opportunities. SRI investments may underperform investments that do not have an SRI focus. SRI characteristics are not the only factor used when selecting investments for this model; this model may have funds not considered SRI.
- Hilltop SRI Non-Qualified – This model is primarily designed for non-retirement accounts seeking greater alignment with Socially Responsible Investing. The model seeks to employ a majority of investment strategies the firm believes screen for greater environmental, social and governance (ESG) characteristics. This is sometimes referred to as Socially Responsible Investing (SRI). Hilltop Wealth Advisors uses a variety of resources which may include third party ratings, index construction methodology, and investment literature to assess an investment's SRI characteristics. SRI investments may exclude all companies engaged in a particular industry (such as tobacco) or invest in firms with higher SRI scores within an industry. SRI investments may limit the types and number of investment opportunities. SRI investments may underperform investments that do not have an SRI focus. SRI characteristics are not the only factor used when selecting investments for this model; this model may have funds not considered SRI.
- Embark – This is a simplified model portfolio designed for accounts with less than \$50,000 invested.

## **Risk of Loss**

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Hilltop Wealth Advisors' recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price

movements of stocks, bonds and other asset classes. There can be no assurance that Hilltop Wealth Advisors will be able to predict those price movements accurately or capitalize on any such assumptions.

#### *Mutual Funds and Exchange Traded Funds*

An investment in a mutual fund or exchange traded fund involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Use of Independent Managers*

As stated above, Hilltop Wealth Advisors will sometimes select certain Independent Managers to manage a portion of its clients' assets. In these situations, Hilltop Wealth Advisors continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Hilltop Wealth Advisors generally will not have the ability to supervise the Independent Managers on a day-to-day basis.

Hilltop Wealth Advisors will sometimes recommend certain Independent Managers who employ direct indexing investment strategies that seek to enhance after-tax performance of a specific benchmark, which may be unable to harvest losses due to various factors. Market conditions may limit the ability to generate tax losses. A tax loss realized by a U.S. investor after selling a security will be negated if the investor purchases the security within thirty days. Although the manager attempts to avoid "wash sales" and temporarily restricts securities it has sold at a loss to prevent wash sales, a wash sale can occur inadvertently because of trading by a client in portfolios not managed by the manager, in other household-level accounts managed by Hilltop, or within other direct indexed accounts. Direct indexed mandates of non-liquid securities (e.g., small cap U.S. equities, distressed companies, ADRs) can carry significant bid-ask spreads that detract from pre-tax performance. Direct indexing performance can meaningfully deviate from the performance of the benchmark the strategy attempts to replicate.

### *Options*

Options allow investors to buy or sell a security at a contracted “strike” price at or within a specific period of time. Clients normally pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Private Equity Funds*

Private Equity Funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; may involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.

## **Item 9 - Disciplinary Information**

Hilltop Wealth Advisors has not been involved in any legal or disciplinary events that are material to a client’s evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

### **Licensed Insurance Agents**

Some of the Firm’s Supervised Persons may hold insurance licenses for strictly advisory purposes. Hilltop Wealth Advisors nor its Supervised Persons as an Outside Business Activity sell annuities, insurance or other commissioned products. The firm is not affiliated with entities that sell financial products. Commissions in any form are not accepted nor are finder’s fees.

## **Item 11 - Code of Ethics**

Hilltop Wealth Advisors has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. As an Investment Advisor, Hilltop Wealth Advisors is considered a fiduciary. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the core underlying principal for our Code of Ethics.

Hilltop Wealth Advisors’ Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Hilltop Wealth Advisors' personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions are made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Hilltop Wealth Advisors to request a copy of its Code of Ethics.

## **Item 12 - Brokerage Practices**

### **Recommendation of Broker/Dealers for Client Transactions**

Hilltop Wealth Advisors generally recommends that clients utilize the custody, brokerage and clearing services of Fidelity Institutional Wealth Services ("Fidelity") for investment management accounts. Factors which Hilltop Wealth Advisors considers in recommending Fidelity or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Hilltop Wealth Advisors' clients to Fidelity comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Hilltop Wealth Advisors determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Hilltop Wealth Advisors seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

### **Software and Support Provided by Financial Institutions**

Hilltop Wealth Advisors may receive without cost from Fidelity computer software and related systems support, which allow Hilltop Wealth Advisors to better monitor client accounts maintained at Fidelity. Hilltop Wealth Advisors receives the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Fidelity. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit Hilltop Wealth Advisors, but not its clients directly. In fulfilling its duties to its clients, Hilltop Wealth Advisors endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Hilltop Wealth Advisors’ receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm’s choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Hilltop Wealth Advisors receives the following benefits from Fidelity:

- Credits to be used toward qualifying third-party service providers used in connection with the initial set up of the Firm’s research, technology and software platforms;
- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

#### **Brokerage for Client Referrals**

Hilltop Wealth Advisors does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

#### **Directed Brokerage**

Hilltop Wealth Advisors does not accept Directed Brokerage arrangements.

#### **Trade Aggregation**

Transactions for each client generally will be effected independently, unless Hilltop Wealth Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Hilltop Wealth Advisors may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Hilltop Wealth Advisors’ clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Hilltop Wealth Advisors’ Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Hilltop Wealth Advisors does not receive any additional compensation or remuneration as a result of the aggregation. This practice may result in external commissions, transaction costs, and other custodial and processing fees which are not included in your advisory fees and which may not be readily apparent. These costs are not charged by Hilltop Wealth Advisors and do not benefit the firm or its personnel.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when



only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

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

### **Account Reviews**

Hilltop Wealth Advisors monitors client portfolios on a continuous and ongoing basis. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Hilltop Wealth Advisors and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Hilltop Wealth Advisors and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Hilltop Wealth Advisors or an outside service provider.

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

The Firm does not currently provide compensation to any third-party solicitors for client referrals. Any affiliated solicitor of Hilltop Wealth Advisors is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

## **Item 15 - Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize Hilltop Wealth Advisors and/or the Independent Managers to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm



retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Hilltop Wealth Advisors.

Hilltop Wealth Advisors helps its clients to, at their request, transfer funds to third parties. Under Securities and Exchange Commission guidance released in 2017, Hilltop Wealth Advisors is considered to have custody of client assets in accounts for which it provides this service. Hilltop Wealth Advisors, in collaboration with the qualified custodian who holds the client assets, has controls in place to safeguard against loss or misappropriation of these assets.

In addition, as discussed in Item 13, Hilltop Wealth Advisors may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Hilltop Wealth Advisors.

### **Item 16 - Investment Discretion**

Hilltop Wealth Advisors will normally be given the authority to exercise discretion on behalf of clients. Hilltop Wealth Advisors is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Hilltop Wealth Advisors is given this authority through a power-of-attorney included in the agreement between Hilltop Wealth Advisors and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Hilltop Wealth Advisors takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

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

Hilltop Wealth Advisors generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

### **Item 18 - Financial Information**

Hilltop Wealth Advisors is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.