

SCHRUM PRIVATE WEALTH MANAGEMENT, LLC

a Registered Investment Adviser



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Item 1. Cover Page

This brochure provides information about the qualifications and business practices of Schrum Private Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number listed above. 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.

Registration with the Securities and Exchange Commission or any state securities authority does not imply any level of skill or training.

Additional information about Schrum Private Wealth Management, LLC is also available on the Securities and Exchange Commission's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 312164.

Item 2. Material Changes

Annual Update

The “Material Changes” section of this Disclosure Brochure (“**Brochure**”) will be updated annually or when material changes occur since the previous release of this Brochure.

Material Changes Since the Last Update

This Firm Brochure, dated March 30, 2024, provides you with a summary of Schrum Private Wealth Management’s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information.

1. Annual Update:

We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.

2. Material Changes:

No material changes have occurred since the last update of March 2023. Please contact Schrum Private Wealth to request a copy of the entire brochure. The brochure is also available via the SEC website at www.adviserinfo.sec.gov.

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Item 4. Advisory Business

Schrum Private Wealth Management, LLC (“**Schrum Private Wealth**,” “**we**,” “**us**,” “**our**,” “**the Firm**”) is an investment adviser (“**adviser**” or “**RIA**”) registered with the Securities and Exchange Commission (“**SEC**”). Schrum Private Wealth Management became an RIA in 2021. Prior to becoming an RIA, the owner and Chief Executive Officer of the firm, Owen L. Schrum, provided advisory services to clients through different RIAs.

Schrum Private Wealth offers a variety of advisory services, which includes investment and wealth management and financial planning.

Schrum Private Wealth specializes in providing advisory services to high-net worth clients as well as individuals (**together “clients” or “you”**). Clients meet with an Investment Advisor Representative (“**Advisor**,” “**IARs**” or “**Wealth Manager**”) to determine if an investment management account is in their best interest, uncover their investment goals and objectives, determine suitable investment strategies, review portfolios with the clients, and if there were any changes to the client’s financial goals and objectives, we will adjust the portfolio holdings and/or allocations accordingly. Wealth Managers also work with clients to create financial plans.

Schrum Private Wealth’s principal place of business is located in Saint Augustine, Florida. Schrum Wealth Management is a limited liability company whose shares are solely owned by Mr. Owen L. Schrum.

Schrum Private Wealth is a Fiduciary to You

In serving as an investment adviser to its clients, Schrum Private Wealth is a fiduciary. Schrum Private Wealth is registered under the Investment Adviser Act of 1940, as amended (“**Advisers Act**”), which places a fiduciary obligation on Schrum Private Wealth in terms of the way Schrum Private Wealth provides advisory services to its clients.

In addition, Schrum Private Wealth provides services as a “fiduciary” (as the term is defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) and/or Section 4975 of the Internal Revenue Code of 1986, as amended (“the Code”)), with respect to Retirement Accounts. For the purposes of this Brochure, the term “Retirement Account” is used to cover certain retirement plans under Title I of ERISA, which includes Individual Retirement Accounts (“**IRAs**”).

As a fiduciary, Schrum Private Wealth’s responsibility is to make sure your best interests come first. Schrum Private Wealth provides you with full disclosure of all material facts relating to its investment advisory relationship with you. The advisory services are designed to avoid conflicts of interest. In situations where the appearance of, or potential for, such conflict is unavoidable, Schrum Private Wealth will disclose the details to you.

Schrum Private Wealth will provide you with objective investment advice. Portfolio investments and asset allocation decisions, along with financial planning, are subject to a due diligence process by our experienced investment professionals.

Schrum Private Wealth investment strategy recommendations are provided to you only after we thoroughly review your investment goals, financial situation, liquidity needs, tax sensitivity and risk tolerance (together **“Investor Profile”**). We will provide ongoing investment advice to you and if your goals change, we will work with you to keep your investment strategy in-line with those changes. Schrum Private Wealth will provide ongoing monitoring of your portfolios and make changes to the portfolio holdings and asset allocations as necessary.

Prior to Schrum Private Wealth rendering any advisory services, clients are required to enter into one or more written agreements with Schrum Private Wealth setting forth the relevant terms and conditions of the advisory relationship (the **“Advisory Agreement”** or **“Wealth Management Agreement”**). A client agreement may be canceled at any time, by either party, for any reason upon receipt of **30** days written notice.

While this brochure generally describes the business of Schrum Private Wealth, certain sections also discuss the activities of the Firm’s officers, directors (or other persons occupying a similar status or performing similar functions), Wealth Managers, employees, or other persons (**together “Supervised Persons”**) who provide investment advice on Schrum Private Wealth’s behalf and are subject to the Firm’s supervision or control.

Investment and Wealth Management Services

Our firm provides ongoing discretionary portfolio management to clients. Schrum Private Wealth’s Investment and Wealth Management Services primarily allocates client assets among various mutual funds, exchange-traded funds (**“ETFs”**), equity securities, such as stocks, individual debt securities, such as bonds, and money market funds. In limited situations, we manage accounts on a non-discretionary basis.

Schrum Private Wealth tailors its advisory services to meet the needs of its individual clients and works on a continuous basis to manage client portfolios in a manner consistent with those needs and objectives. The Firm consults with clients on an initial and ongoing basis to assess their Investor Profile and review their portfolio.

Clients are advised to promptly notify us if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if Schrum Private Wealth 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.

Where appropriate, the Firm also provides advice about any type of legacy position that clients would like to maintain in their portfolio, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon.

Financial Planning and Consulting Services

Schrum Private Wealth offers financial planning and consulting services that focus on educating our clients, clarifying their overall financial situation, determining our client's specific long-term goals, and establishing a road map to help them achieve those goals. Clients who engage in our financial planning services are provided with a written financial plan and a consultative session to discuss detailed steps and recommendations to execute the plan.

Financial planning is an evaluation of a client's current and future financial state by using known variables to help model or forecast future cash flows, asset values, and portfolio withdrawal plans. During the financial planning process, we ask an extensive number of questions in order for you to provide us with the necessary information to help us analyze, review, and build your financial plan.

Schrum Private Wealth offers clients a broad range of financial planning and consulting services, which include all of the functions below. The Firm, at the direction of the client, can arrange to coordinate with the client's accountants and attorneys for estate and tax planning.

- Business Planning
- Cash Flow Analysis
- Trust and Estate Planning
- Insurance Analysis
- Retirement Planning
- Risk Management Analysis
- Tax Analysis and Planning
- Education Planning

In performing any of its services, Schrum Private Wealth is expressly authorized through the written financial planning agreement to rely on the information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is not required to verify any information received from the client or from the client's other professionals. Where appropriate, Schrum Private Wealth may recommend that certain clients engage with its Supervised Persons in their individual capacities as insurance agents to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Schrum Private Wealth or its affiliates to provide (or continue to provide) additional services for compensation.

While we exercise investment discretion for our advisory clients, clients retain authority over all investment strategy decisions regarding implementation of any recommendations made by Schrum Private Wealth representatives under a financial planning, consulting engagement, or insurance consultation. 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 Schrum Private Wealth's recommendations and/or services.

Amount of Managed Assets

As of December 31, 2023, the end of our fiscal year, the Firm had approximately \$146,854,200 in assets under management on a discretionary basis. Item 5. Fees and Compensation

Investment and Wealth Management Fees

Clients pay an asset based annual fee (“**Annual Advisory Fee**” or “**Management Fee**”) for Investment and Wealth Management Services. The Annual Advisory Fee is calculated based upon a percentage of assets under management and generally range from .45% to 1.5%, depending on the size and composition of a client’s portfolio, the type and amount of services rendered and the individual(s) providing the services. Each client’s Tiered Management Fee Schedule is disclosed in the Advisory Agreement.

The Annual Advisory Fee is billed monthly, in arrears, and calculated using the average daily balance. Fees will be debited from the account in accordance with the client authorization in the Advisory Agreement. Alternatively, the Firm may charge a flat fixed advisory fee, which is individually negotiated and based upon a number of factors including the size and composition of a client’s portfolio, the type and amount of services rendered and the individual(s) providing the investment management services.

We retain the discretion to negotiate alternative fee schedules on a client-by-client basis. For example, Schrum Private Wealth can negotiate a fee schedule that is either higher or lower from the range set forth above. The client’s specific required investment management services are considered in determining the fee schedule. We also consider additional factors such as the complexity of the client, assets to be placed under management, anticipated future deposit of additional assets, related accounts, portfolio style, account composition, reports, and other factors.

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians or broker dealers used to execute trades, including but not limited to, any transaction charges. Please refer to the "Brokerage Practices" section (Item 12) of this brochure for additional information.

All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Schrum Private Wealth primarily invests in “no-load” or load waived mutual funds. When feasible, the Firm selects institutional mutual fund share classes that typically charge lower underlying fees and expenses. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Schrum Private Wealth treats cash as an asset class. As such, all cash positions (i.e., money markets, etc.) shall be included as part of assets under management for purposes of calculating the Annual Advisory Fee. At any specific point in time, depending upon perceived or anticipated market conditions or events (there being no guarantee that such anticipated market

conditions/events will occur), Schrum Private Wealth may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Further, depending upon current yields, at any point in time, the Schrum Private Wealth Annual Advisory Fee could exceed the interest paid by the client's money market fund.

There are no minimum account assets required for Investment Management Services.

Schrum Private Wealth offers a discretionary householding advisory fee program, sometimes referred to as "accounts related for fee billing purposes," whereby the firm can aggregate assets of multiple related Schrum Private Wealth accounts and apply the aggregated Account Market Values for purposes of calculating the Annual Advisory Fee for each client account. In certain circumstances, the aggregated Account Market Values allow individuals to reach a higher breakpoint on the Tiered Management Fee Schedule and pay a lower Annual Advisory Fee. Please note, the householding advisory fee program requires a common fee schedule among each of the household's accounts.

Financial Planning and Consulting Fees

Schrum Private Wealth charges a fixed fee for providing financial planning and consulting services under a stand-alone engagement ("**Financial Planning and Consulting Agreement**"). These fees are negotiable, but range from \$500 to \$10,000, depending upon the scope and complexity of the financial planning and/or the consulting services. The scope of the agreement can be for a defined project, such as the delivery of a plan, or for ongoing services. If the client engages the Firm for additional investment advisory services, Schrum Private Wealth can offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Financial Planning Agreement. For project-based services Schrum Private Wealth requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Financial Planning Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. Ongoing services are charged as described in the investment management section, below. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees, six or more months in advance of services rendered.

Account Deposits and Withdrawals

Clients can make deposits to and withdrawals from their account at any time, subject to Schrum Private Wealth's right to terminate an account. Deposits can be in cash or securities provided that the Firm reserves the right to liquidate or decline any transferred securities. Clients can withdraw account assets on notice to Schrum Private Wealth, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. Schrum Private Wealth may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may 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.

Conflicts of Interest

Conflicts of interest or potential conflicts of interest commonly refer to activities or relationships in which Schrum Private Wealth and/or an IAR's interest compete with the interests of our clients. A conflict of interest arises when the conflict could incline Schrum Private Wealth or an IAR to provide advice to you that is influenced by considerations of firm or personal advantages. Schrum Private Wealth is obligated to disclose these conflicts to make you aware of them as you evaluate Schrum Private Wealth's advice and services.

Retirement Account Rollovers

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Schrum Private Wealth recommends clients roll over their retirement plan assets into an account to be managed by Schrum Private Wealth, such a recommendation creates a conflict of interest since Schrum Private Wealth will earn new (or increase its current) compensation as a result of the rollover. If Schrum Private Wealth provides a recommendation as to whether a client should engage in a rollover or not, Schrum Private Wealth is acting as a fiduciary 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. No client is under any obligation to roll over retirement plan assets to an account managed by Schrum Private Wealth.

Different Advice

Schrum Private Wealth could give different advice, take different action, receive more or less compensation, or hold or invest in different securities from another client or account, including the accounts of the Wealth Managers.

For further information on potential conflicts of interest, please see "Other Financial Industry Activities and Affiliations" in Item 10, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" in Item 11, and "Brokerage Practices" in Item 12 of this Brochure.

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

Schrum Private Wealth does not charge performance-based fees or engage in side-by-side account management activities. Performance based fees are typically based on share of capital gains or capital appreciation of a client's account. Side-by-side management is the practice of managing accounts that are charged different fee structures (e.g., a performance-based fee charged for one account while at the same time, managing accounts that are charged an asset based fee), whereby a potential conflict could arise that could cause an adviser to favor one account over another account. Schrum Private Wealth does not manage or advise any publicly registered mutual funds or private funds.

Item 7. Types of Clients

Schrum Private Wealth offers advisory services to individuals, clients holding joint accounts, retail investors, trusts, estates, corporations, and other business entities in the United States.

As previously disclosed in Item 5, our firm does not have established initial minimum account requirements.

Client relationships vary in scope and length of service. Schrum Private Wealth reserves the right to decline any new account or resign as adviser to any account after initiation of an investment advisory relationship for any reason at its sole discretion.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Schrum Private Wealth utilizes a combination of fundamental, strategic, and behavioral finance methods of analysis while employing an asset allocation strategy based on a derivative of Modern Portfolio Theory ("MPT").

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For Schrum Private Wealth, 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.

Strategic analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that Schrum Private Wealth is recommending. The risks with cyclical analysis are similar to those of technical analysis.

Behavioral finance analysis involves an examination of conventional economics as well as behavioral and cognitive psychological factors. Behavioral finance methodology seeks to combine a qualitative and quantitative approach to provide explanations for why individuals may, at times, make irrational financial decisions. Where conventional financial theories have failed to explain certain patterns, the behavioral finance methodology investigates the underlying reasons and biases that cause some people to behave against their best interests. The risks relating to behavior finance analysis are that it relies on spotting trends in human behavior that may not predict future trends.

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, Schrum Private Wealth's investment process is structured in such a way to integrate those assumptions and real-life considerations for which MPT analytics do not account.

Investment Strategies

Schrum Private Wealth provides investment management services in the framework of the Firm's comprehensive wealth management services. Specifically, Schrum Private Wealth offers customized and on-going portfolio management services based on each client's individual goals, objectives, risk tolerance, and time horizon. The client's tax situation and income needs are also factored in.

Once these objectives are defined, Schrum Private Wealth follows the following principles:

- Investment decisions are driven by thoughtful financial planning;
- Grounded investment strategy in rigorous and fundamental academic research and not Wall Street trends;
- Invest for the long term;
- Create globally diversified portfolios following a clearly defined and monitored asset allocation model intended to reduce risk; and
- Minimize costs, taxes, and turnover everywhere possible.

Schrum Private Wealth's asset allocation strategy uses low-cost no load index mutual funds, low-cost ETFs, individual stocks, individual bonds such as US Treasury and Municipal, and money market funds. Schrum Private Wealth focuses on low-cost and passive investments as part of its global asset allocation strategy. Schrum Private Wealth does not attempt to time the market, but the Firm may make tactical changes from time-to-time as deemed appropriate, based on the client's risk tolerance and the Firm's expectations of market behavior. Schrum Private Wealth may modify its investment strategy to accommodate special situations like low basis stock, stock options, legacy holdings, closely held businesses or special tax situations.

Margin Transactions

In very limited circumstances, we do allow our managed account clients to use a “margin account” at the qualified custodian. Margin allows clients to borrow money using securities in the account as collateral. Typically, this line of credit can be used to purchase more securities for your portfolio without selling other securities holdings or withdraw the money as a short-term loan. Although margin increases the client’s purchasing power, it also exposes clients to the potential for larger losses. Clients also pay interest on the borrowed money. The firm receives no portion of any interest or fees in connection with the use or margin.

The use of margin has the effect of magnifying any profit or loss made on the securities. After reviewing a client’s most recent financial situation and Investor Profile, Schrum Private Wealth could recommend such borrowing to clients for specific non-investment needs, such as short-term bridge loan or other situational financing requirements. Margin interest is determined by, and paid to, the Custodian firm and is based upon the value of the assets being borrowed. The Firm does not receive any interest or fees charged in connection with the use of margin.

Risk of Loss

Investing in securities has certain risks that are borne by the investor. Investing in securities involves volatility of the markets and risk of loss that clients should be prepared to bear. Investment performance of any kind is not guaranteed, and the client may lose money on their investments. Wealth Managers work with clients to understand their risk tolerance. At a minimum, investors face the following types of investment risks, while not an all-inclusive list, depending on the selected investments held in your portfolio.

- **Market risk.** The price of a security, bond, mutual fund or ETF could drop in reaction to material or immaterial events or 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 have the ability to trigger market events.
- **Company risk.** When investing in stock positions, there is always a certain level of risk of a company or industry specific risk that is inherent in each investment. There is a risk the company will perform poorly or have its value reduced based on factors specific to the company or its industry.
- **Inflation risk.** When any type of inflation is present, a dollar today might not buy as much as a dollar next year because the purchasing power can change due to the rate of inflation.
- **Interest rate risk.** Fluctuations in interest rates could cause investment prices to fluctuate and have an adverse impact on the value of fixed income securities. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market value to decline. The value of a security with longer maturities is generally affected to a greater degree than the value of those with shorter maturities.

- **Reinvestment risk.** This is the risk that future proceeds from investments could be reinvested at a potentially lower rate of return (i.e., interest rate). This relates primarily to fixed income securities.
- **Rebalancing risk.** A rebalancing strategy seeks to minimize relative risk by aligning the portfolio target asset allocation as the portfolio's allocation shifts due to market movements. Rebalancing a portfolio has the ability to limit the portfolio's upside growth potential, and these types of strategies might rebalance client accounts without regard to market conditions. Furthermore, rebalancing strategies do not necessarily address prolonged changes in the market conditions.
- **ETF risk.** There could be a lack of liquidity in certain ETFs, which can lead to a large difference between the bid/ask prices (increasing the cost to clients when ETFs are bought and sold). A lack of liquidity could cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF could suspend issuing new shares, and this may result in an adverse difference between the ETF's publicly available share price and the actual value of its underlying investment holdings. At times when underlying holdings are traded less frequently, or not at all, an ETF's returns may diverge from the benchmark it is designed to track.
- **Concentration risk.** This is the risk of amplified losses that could occur from having a large portion of holdings in a particular investment, asset class, or market segment or sector relative to the investor's overall portfolio. Additionally, when strategies invest in a concentrated number of securities or sectors, a decline in the value of these securities would cause the overall account value to decline to a greater degree than that of a less concentrated portfolio. Furthermore, strategies that invest a large percentage of assets in only one industry sector or in only a few sectors are more vulnerable to price fluctuations than strategies that diversify among a broad range of sectors.
- **Risks associated with Advisory Assets that invest in alternative investments.** Alternative investment strategies go beyond the traditional long-only equity and fixed income strategies and therefore involve a higher degree of risk, including short sale and derivative risks. Alternative investment holdings, including mutual funds that engage in alternative investment strategies, are not for everyone and could even be considered speculative.
- **Environmental, Social and Governance investment strategy risk.** Socially responsible ETFs invest to a specific mandate, including incorporating into investment analysis socially responsible investing ("SRI") criteria, sometimes referred to as "environmental, social and governance" ("ESG") investing or "Impact Investments." This investment mandate also involves screening companies that adhere to ESG standards or finding fixed income ETFs that are focused on community impact. SRI and ESG strategies may limit or eliminate exposure to investments in certain industries or companies that do not meet specific ESG criteria. As a result, the portfolio or fund may underperform other funds or an appropriate benchmark that does not have an SRI or ESG focus and may forgo certain market opportunities available to strategies that do not use these criteria.

- **Margin risk.** When buying securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian. The securities purchased in such an account are the qualified custodian's collateral for its loan to you. If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the custodian may issue a margin call and/or sell other assets in the account. Further, you will pay interest on the borrowed money used to purchase the securities in the account. You may lose more funds than you deposit in the account and the custodian can increase its maintenance requirements at any time, which would require you to deposit more money, or the custodian will liquidate securities in your account.
- **Options risk.** We may engage in options transactions for certain clients for the purpose of hedging risk and/or generating portfolio income. The use of options transactions as an investment strategy can involve a high level of inherent risk. No client is under any obligation to use options as a part of his or her portfolio strategy. If clients engage in this strategy, they must be prepared to accept any potential or unintended consequences, such as losing ownership of a security, incurring taxes on capital gains, etc.
- **Tax harvesting risk.** One trading strategy in client accounts is tax harvesting or "tax loss harvesting." The intent of this strategy is to sell holdings at a taxable loss and replace those positions with a holding whose historical performance or expected future performance are similar, thereby having little impact on the overall strategic allocation, but capturing the tax loss. There is potential for the future performance of the replacement position to deviate from that of the initial holding.
- **Cash Management Risks.** The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.
- **Mutual Funds and ETFs** An investment in a mutual fund or ETF 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 the funds 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 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 index-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.

Item 9. Disciplinary Information

Schrum Private Wealth 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.

Licensed Insurance Agents

Certain Supervised Persons are licensed insurance agents and offer certain insurance products on a fully disclosed commissionable basis. A conflict of interest exists to the extent that Schrum Private Wealth recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in the client's best interest regardless of any such affiliations.

Neither Schrum Private Wealth nor its representatives accepts compensation for the sale of securities or other investment products. The firm and its IARs are not registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, or commodity trading advisor, or a representative of the foregoing. The Firm does not receive, directly or indirectly, compensation from other RIAs.

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

Code of Ethics

Schrum Private Wealth has adopted a Code of Ethics, as mandated by the Adviser Act rules. The Code of Ethics sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws and reporting violations of the Code of Ethics.

The Code of Ethics includes the following provisions:

- i. Standards of business conduct required of access persons, which standards reflect fiduciary duty obligations and those of Supervised Persons to advisory clients;
- ii. Terms requiring Supervised Persons to comply with applicable federal securities laws;
- iii. Terms and procedures relating to the review and approval of certain securities

- transactions and holdings by Supervised Persons with access to client information;
- iv. Requirements prohibiting the use of material non-public information for personal or professional gain;
- v. Procedures for reporting violations of the Code of Ethics; and
- vi. Procedures for the receipt and acknowledgement of the Code of Ethics by Supervised Persons.

Schrum Private Wealth will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

Schrum Private Wealth's Supervised Persons often have their own brokerage accounts as well as different investment objectives, risk tolerance, and financial goals for those accounts. Schrum Private Wealth's Supervised Persons also have the ability to enroll in one or several of the Firm's advisory accounts and engage in different investment strategies.

Although Schrum Private Wealth's advisory accounts are designed for long-term investing, the investment strategies for accounts associated with Schrum Private Wealth's Supervised Persons can differ substantially from those of its clients. As such, Supervisor Persons can buy, sell, or sell short securities that could also be held in client portfolios. Schrum Private Wealth's investment portfolios can also include mutual funds or ETFs that engage in short selling, alternative investment strategies, or the use of various options strategies.

If a conflict of interest or potential conflict of interest arises, Schrum Private Wealth's Chief Compliance Officer, will review the facts and circumstances and, if necessary take appropriate steps, including but not limited to administrative actions, trade sanctions, and the reversal of related trades associated with persons subject to the Schrum Private Wealth Code of Ethics.

Item 12. Brokerage Practices

Recommendation of Broker-Dealers for Client Transactions

Clients wishing to engage in individual investment management and execute an Advisory Agreement with Schrum Private Wealth are required to establish an account through an unaffiliated third-party custodian broker-dealer that is approved by us. It should be noted that not all Advisors require their clients to use a particular broker-dealer for custody and trade execution. Schrum Private Wealth will use its discretion when recommending the qualified custodian.

There are currently two unaffiliated custodians (**together "Custodians"**) used by Schrum Private Wealth that offer brokerage and clearing services. Those Custodians are Fidelity Institutional Wealth Services as cleared through National Financial Services, LLC ("**Fidelity**") and/or Charles Schwab & Co., through Schwab Advisor Services division ("**Schwab**"). The final decision to custody assets with one of the Custodians is at the discretion of the client, including those accounts under ERISA rules and regulations. Custodians provide Schrum Private Wealth with access to institutional trading and custody services, which are typically not available to retail investors.

Schrum Private Wealth looked at several factors when considering Custodians to recommend to clients, including their respective financial strength, reliability, reputation, historical relationship with Schrum Private Wealth, trade order execution capabilities, pricing, and service. The commissions and/or transaction fees charged by the Custodians are lower when client accounts are enrolled in Custodian's electronic document delivery program ("eDelivery"). Each Custodian's transaction fees could also be higher or lower than those charged by other financial institutions. There are no commitments by Schrum Private Wealth to the Custodians to invest in any specific mutual fund, securities, or other investment products. The Firm does not receive client referrals from Custodians. We recommend Custodians that we believe comply with our fiduciary duty to seek "best execution" of client trades. It is important to note, that when 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 Custodian broker-dealer's services. The Custodian's pricing schedule is provided along with the Advisory Agreement at the time of account opening.

The Firm does not aggregate or "block" client trades. We place client trade orders separately for each account. Consequently, certain client trades may be executed before others, at a different price. Given the institutional transaction pricing obtained by the Custodians, there is no material impact on the cost of the client transactions if the Firm were to engage in block trades. Schrum Private Wealth does not engage in principal or agency cross transactions.

Schrum Private Wealth has an arrangement with the Custodians whereby they provide the Firm with "institutional platform services." In addition to the brokerage, custody and related services, the institutional platform services assist us in managing and administering client accounts include software and other technology tools that: (i) provide access to client account data (such as trade confirmations and account statements), (ii) facilitate trade execution, with access to a trading team that exclusively services its institutional clients, and access to an electronic communication network for client account trade order entry, (iii) provide research, pricing, and other market data; (iv) facilitate payment of fees from client accounts, and (v) assist with back-office functions, recordkeeping, and client reporting.

The Custodians offer other services intended to help RIAs manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third-party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third-party service providers who provide a wide array of business-related services and technology with whom Schrum Private Wealth may contract directly. Schrum Private Wealth does not currently engage in these services.

Schrum Private Wealth receives without cost from Custodians administrative support, computer software, related systems support, as well as other third-party support which allows Schrum Private Wealth to better monitor client accounts and otherwise conduct its business. Schrum Private Wealth receives the support without cost because the Firm renders investment management services to clients that maintain assets at Custodians. The support and investment research are not provided in connection with securities transactions of clients (i.e., not "soft dollars").

Custodians also make available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional, or Firm specific

educational events organized and/or sponsored by Custodians. Other potential benefits may include occasional business entertainment of personnel of Schrum Private Wealth by Custodians personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Certain products and services assist Schrum Private Wealth in managing and administering client accounts. These products and services include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Custodians.

Additionally, Custodians make available to RIAs other services intended to help firms manage and further develop their businesses. These services may include the following: business consulting, access to publications and conferences on practice management, information technology, business succession guidance, regulatory compliance, employee benefits, human capital consultants, insurance, and marketing. Furthermore, Custodians may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Custodians may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm.

The Firm's recommendation that clients maintain their assets in accounts at Custodians may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Custodians, which creates a potential conflict of interest. As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of the services provided by Custodians. We examined this potential conflict of interest when we chose to enter into the relationships with the Custodians. We determined that the relationships are in the best interests of Schrum Private Wealth's clients and satisfies our client obligations, including our duty to seek best execution.

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 custodian's and/or broker-dealer's services, as described above. While Schrum Private Wealth will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Schrum Private Wealth may in certain situations purchase individual fixed income securities from unaffiliated third-party brokers other than the Custodians. These other broker-dealers specialize in trading fixed income securities or have extensive fixed income inventory. This type of trading is often referred to as "trading away." These bond transactions could incur additional fees and expenses in the form of markups, markdowns or "spreads," and costs, such as, but not limited to, clearing house fees, SEC fees, odd-lot differentials, electronic fund and wire transfer fees, platform service and access fees, and ticket charges that are not covered by Schrum Private Wealth's Annual Advisory Fee. These securities will be custodied at the client's existing Custodian.

Item 13. Review of Accounts

Account Reviews

Schrum Private Wealth monitors client portfolios on an ongoing basis. The portfolio reviews are conducted by the Firm's Wealth Managers. Investment Management accounts are reviewed with clients on different frequencies (i.e., monthly, quarterly, or semi-annually, or annually) based on factors such as the complexity of the client's objectives and changes to the client's Investor Profile. When needed, accounts are reviewed more frequently. Account reviews, which vary in focus, can include asset allocation updates and rebalancing, performance reviews, tax harvesting, security reviews, cash flow monitoring, and more. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Schrum Private Wealth and to keep the Firm informed of any changes thereto.

Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Custodians. On a quarterly basis, clients also receive written or electronic reports from Schrum Private Wealth 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 Schrum Private Wealth or an outside service provider.

Item 14. Client Referrals and Other Compensation

This section of the brochure describes certain arrangements that Schrum Private Wealth has with third parties that may refer clients to our firm. In some circumstances the Firm compensates companies ("**promoters**") for client referrals. The practice of companies providing referral services is sometimes referred to as a third-party "endorsement." Schrum Private Wealth has entered into a written agreement with one promoter under which the promoter refers potential clients to us in exchange for referral fees.

Compensation is paid directly to promoters and is considered de minimis in nature. Schrum Private Wealth does not charge clients for any such referral arrangements and clients are not charged more as a result of such referrals. The referral company provides the required endorsement disclosures to individuals using their services. The referring company provides up to five (5) investment professional names to prospective clients in their geographic location. The disclosures include information about how Schrum Private Wealth compensates the promoter (i.e., a flat monthly membership fee and a flat monthly territory fee) to advertise its services. The fees paid are irrespective of whether the prospective client becomes a client of Schrum Private Wealth and are not passed along to the client. These referrals comply with relevant laws and rules governing such arrangements.

The Firm receives economic benefits from Custodians. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

Item 15. Custody

Custody, as it applies to investment advisors, is defined by regulators as having physical custody or having access to or control over client funds and/or securities. Although Schrum Private Wealth Management does not maintain physical custody of client funds and/or securities, it is deemed to have custody because the Firm directly debits advisory fees from client accounts that are held at one of the qualified Custodians, as previously disclosed in the Fees and Compensation section (Item 5) of this Brochure.

As part of Schrum Private Wealth Management's fee billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

It is important for clients to carefully review their custodial statements to verify the accuracy of the calculation. Clients should contact us directly if they believe that there may be an error in their statement. We also urge clients to compare those account statements to the periodic portfolio overview and account performance reports that we provide directly to our clients. Clients make the determination to get either paper copies or electronic copies of custodial account statements. The statements will be sent directly to the email or postal mailing address the client provides to the Custodian.

Clients setting up Standing Letters of Authorization (SLOA) may have given us custody in that they are providing us with the means to move client assets from their managed accounts to other accounts or institutions. We utilize these SLOAs to better service the needs of our clients. We have developed policies and procedures to monitor the use of these SLOAs, making sure they are structured and used so we do not have discretion as to the amount, payee, and/or timing. We have structured our procedures according to the guidance and requirements provided by the SEC and will adhere to these procedures.

Item 16. Investment Discretion

Under the terms of the Advisory Agreement, clients give us discretionary authority over the management of the client's portfolio(s), appoint Schrum Private Wealth as attorney-in-fact, and grant us limited power-of attorney with trading authority over the assets in the account. Schrum Private Wealth is considered to exercise investment discretion over a client's account if it can affect and/or direct transactions in client accounts without first seeking the client's consent. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). When discretionary authority is granted, we will have the authority to determine when the transactions are made and the type and quantity of securities to be bought or sold. Clients can elect to have accounts managed on a non-discretionary basis whereby Schrum Private Wealth must receive prior approval by the client before buying or selling securities.

Item 17. Voting Client Securities

Schrum Private Wealth does not vote proxies for clients or advise clients about the voting of proxies relating to securities held in an advisory account. Clients are responsible for voting their own proxies and must instruct their account custodian(s) to forward to them all proxies and shareholder communications relating to the securities held in their accounts. Schrum Private Wealth will not accept responsibility for assisting clients with any class actions.

Clients maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events.

Item 18. Financial Information

As an advisory firm that is deemed to have custody due to our directly debiting client fees, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Schrum Private Wealth has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Schrum Private Wealth has not been the subject of a bankruptcy petition at any time during the past ten years.