

## **2019 Firm Brochure**



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This brochure provides information about the qualifications and business practices of Cole Wealth Management, LLC ("CWM"). If you have any questions about the contents of this brochure, please contact us at: (480) 275-6354, or by email at: [mcole@colewealth.com](mailto:mcole@colewealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

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

## Item 2: Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

Cole Wealth Management, LLC changed its office address to 9332 E Raintree Dr Suite 100 Scottsdale, AZ 85260 effective 09/01/2018.

The assets under management in the “Firm Description” under “Advisory Business” were updated to \$111 million effective 12/31/2018.

Cole Wealth Management, LLC was granted SEC Investment Advisor registration effective February 16, 2018.

Added language regarding custody in that, under the updated Custody Rule Cole Wealth Management, LLC is deemed to have “Limited Non-Beneficial Custody” for accounts that have certain money movement authorities. We are taking the required steps to be in compliance with the criteria outlined in the No-action Letter required for limited custody.

Added language that Cole Wealth Management, LLC will be deemed to have “Limited Beneficial” custody of clients’ checking accounts if providing “Bill Pay” services for those specific clients.

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (480) 275-6354 or by email at: [mcole@colewealth.com](mailto:mcole@colewealth.com).

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## **Item 4: Advisory Business**

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### **Firm Description**

Cole Wealth Management, LLC ("CWM") is a fee-based registered investment advisory firm founded in 2005 and headquartered in Scottsdale, AZ. CWM provides financial planning and investment supervisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and business entities. We recognize that along with financial success comes increased responsibilities and complexity. At CWM, we provide a holistic approach to managing and advising all aspects of our clients' financial picture. By doing so, we can uncover the critical interdependencies among investments, income and taxes, providing for retirement, expense management, insurance, as well as business counseling and philanthropic decision-making. We recognize that our clients' unique financial needs and goals change over time, so we offer a full range of financial planning and investment advisory services.

Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial issues, cash flow management, investment management, tax planning, insurance review, education funding, retirement planning and estate planning.

Investment advice is also an integral part of Financial Planning. Investment advice is provided, with the client making the final decision on the asset allocation of their portfolio. CWM does not act as a custodian of client assets. The client always maintains asset control. CWM places trades for clients under a limited power of attorney with carefully selected brokers or custodians.

A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement. Annual reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

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### **Principal Owners**

The Cole Family Trust is the only stockholder in CWM. Trustees of the Cole Family Trust are Martin T. Cole and Erica S. Cole.

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### **Types of Advisory Services**

CWM provides investment supervisory services, also known as asset management services; furnishes investment advice through consultations and, on more than an occasional basis, furnishes advice to clients on matters not

involving securities, such as financial planning matters, taxation issues, insurance and trust services that often include estate planning.

CWM provides both discretionary and non-discretionary advisory services. As of the date of this document, CWM manages approximately \$111 million in assets for approximately 260 clients. Approximately \$111 million is managed on a discretionary basis, and \$0 million is managed on a non-discretionary basis.

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### **Tailored Relationships**

The goals and objectives for each client are documented in our client file. Investment portfolios and advice recommendations are created to reflect the stated goals and objectives. Clients may impose reasonable restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

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### **Types of Agreements**

The following agreements define the typical client relationships.

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#### **Financial Planning Agreement**

The CWM *Financial Planning Agreement* provides for non-discretionary financial planning. Similar services that are provided to our managed clients are available, but the client must request them and will be billed in addition to the fees associated with this program. The fee for a financial plan is predicated upon the facts known at the start of the engagement. The fee range for this program is \$1,500 to \$5,000 for Comprehensive Financial Planning which may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client. CWM also provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$175 to \$250 per hour.

Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. In the event that we discover the client's situation is substantially different than what was disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary. Follow-up implementation work is billed separately at the rate of \$175 to \$250 per hour.

CWM generally does not accept clients without investment assets of at least \$100,000. However, this minimum is negotiable.

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**Asset Management Agreement**

The CWM *Asset Management Agreement* may be executed when financial planning is not provided as part of the relationship. Assets are invested on an ongoing basis utilizing equities (stocks), bonds, no-load or low-load mutual funds and exchange-traded funds, usually through discount brokers or a custodian. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds. CWM does not share in commissions from brokerage transactions.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm/custodian charges a fee for stock and bond trades. CWM does not receive any compensation, in any form, from fund companies.

Investments may also include: warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U. S. government securities, options contracts, initial public offerings (IPOs) and foreign issues.

The annual *Asset Management Agreement* fee is based on a percentage of the investable assets according to the following schedule:

- |                             |            |
|-----------------------------|------------|
| • 0\$ to \$249,999          | 1.35%      |
| • \$250,000 - \$499,999     | 1.20%      |
| • \$500,000 - \$1,999,999   | 1.10%      |
| • \$2,000,000 - \$4,999,999 | 1.00%      |
| • \$5,000,000 and up        | negotiable |

There is a minimum annual fee of \$1,350 required for this service, which also may be negotiable under certain circumstances. Clients will be invoiced monthly in advance. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the *Asset Management Agreement* is an ongoing agreement, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the month completed. The portfolio value at the completion of the prior full billing month is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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### **Wealth Management Agreement**

The CWM *Wealth Management Agreement* provides a package program to include both *Financial Planning and Asset Management* services on an ongoing basis. These services are based on the individual needs of the client. The scope of work and fee for a *Wealth Management Agreement* is provided to the client in writing prior to the start of the relationship. A *Wealth Management Agreement* can include: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning and estate planning. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The annual *Wealth Management Agreement* fee is based on a percentage of the investable assets according to the following schedule:

- 0\$ to \$249,999                      1.50%
- \$250,000 - \$499,999              1.35%
- \$500,000 - \$1,999,999          1.20%
- \$2,000,000 - \$4,999,999        1.10%
- \$5,000,000 and up                negotiable

There is a minimum annual fee of \$1,500 required for this service, which also may be negotiable under certain circumstances. Clients will be invoiced monthly in advance. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the *Wealth Management Agreement* is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the month completed. The portfolio value at the completion of the prior full billing month is used as the basis for the fee computation, adjusted for the number of days during the billing month prior to termination.

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### **Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying CWM in writing and paying the rate for the time spent on the advisory engagement prior to notification of termination. If the client made an advance payment, CWM will refund any unearned portion of the advance payment.

CWM may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, CWM will refund any unearned portion of the advance payment.

CWM retains the right, however, to complete any transactions open as of the date of termination. In the event of termination of a Management Agreement, the

Client shall be responsible for monitoring the securities in the Account, and CWM shall have no further obligation to act or advise with respect to assets in the Account. Upon termination, CWM shall be under no obligation to liquidate or purchase any securities or other assets owned by Client, but where applicable shall deliver the securities or other assets as directed by Client in writing.

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

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### **Description**

CWM bases its fees on a percentage of assets under management, hourly charges and fixed fees (not including subscription fees). CWM also receives compensation through commissions on fixed annuity and life insurance sales.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are negotiable.

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### **Fee Billing**

Investment management fees are billed monthly, in advance, meaning that we invoice you before the monthly billing period has begun. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed upon delivery of the plan.

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### **Other Fees**

Custodians may charge transaction fees on purchases or sales of securities, certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

CWM, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, referrals, negotiations with clients, etc.).

New Advisory Service Agreement fees are calculated based on the complexity of individual situations. The calculation is based on gross income, gross assets and other financial considerations.

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### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges

0.5% for their services. These fees are in addition to the fees paid by you to CWM.

Performance figures quoted by mutual fund companies in various publications are calculated after their fees have been deducted.

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**Past Due Accounts and Termination of Agreement**

CWM reserves the right to stop work on any account that is more than 30 days overdue. In addition, CWM reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in CWM's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

## **Item 6: Performance-Based Fees**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

CWM does not use a performance-based fee structure because of the potential conflict of interest. We believe performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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

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**Description**

CWM generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, corporations and other business entities.

Client relationships vary in scope and length of service.

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**Account Minimums**

CWM generally requires a minimum portfolio size of \$100,000 for management service clients, which equates to a minimum annual fee range from \$1,350 to \$1,500. The minimum fee depends on the program selected. However, the minimum portfolio size and the minimum annual fee may be negotiable under certain circumstances.

If an account falls below 100,000 in value, the minimum annual fee is charged. Depending upon circumstances, CWM will sign an *Hourly Agreement* with the client if assets have diminished significantly below \$100,000. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

CWM has the discretion to waive the account minimum. Accounts of less than \$100,000 may be set up when the client and the advisor anticipate the client will

add additional funds to the accounts bringing the total to \$100,000 within a reasonable time. Other exceptions will apply to employees of CWM and their relatives, referrals or relatives of existing clients.

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

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### **Methods of Analysis**

Security analysis methods may include fundamental analysis and technical analysis.

Fundamental analysis is a method of evaluating a security in an attempt to measure its intrinsic value, by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts study anything that can affect the security's value, including macroeconomic factors such as the overall economy and industry conditions, and microeconomic factors such as financial conditions and company management. The end goal of fundamental analysis is to produce a quantitative value that an investor can compare with a security's current price, thus indicating whether the security is undervalued or overvalued.

Technical analysis is a trading tool employed to evaluate securities and attempt to forecast their future movement by analyzing statistics gathered from trading activity, such as price movement and volume. Unlike fundamental analysts who attempt to evaluate a security's intrinsic value, technical analysts focus on charts of price movement and various analytical tools to evaluate a security's strength or weakness and forecast future price changes.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that CWM may use include Morningstar mutual fund information, Standard & Poor's stock information, Charles Schwab & Company's research services and the World Wide Web.

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### **Material risks**

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

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### **Investment Strategies**

The investment strategy and asset allocation for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client agrees on an asset allocation model that documents their objectives and desired investment strategy.

The primary investment strategy used on client accounts is an actively-managed asset allocation model. This means that we tailor an asset allocation model to the client's objectives, time-frames and risk tolerance. We then implement the investment strategy utilizing no-load or load-waived mutual funds, exchange traded funds, closed-end mutual funds, investment company securities (variable life insurance, variable annuities, and mutual funds shares), individual bonds and/or equities (stocks). However, we may move money in or out of this strategy based on our assessment of the current economy and market, giving us the potential to make a difference in the client's overall returns. There is significant risk to your investment principal in utilizing this strategy. Additionally, frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Investments may also include: warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U. S. government securities, options contracts, initial public offerings (IPOs) and foreign issues. Portfolios are globally diversified to control the risk associated with traditional markets.

Other investment strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). Disclosure brochures that discuss the risks of options and trading on margin are provided by Schwab.

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular

underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9: Disciplinary Information**

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### **Criminal or Civil Actions**

On 04/12/2010, while working for Financial Network Investment Corporation, a complaint and civil litigation was served against Eric T. Stern by his brother-in-law Jamys Williams, alleging negligence per se, breach of contract, breach of duty to a vulnerable adult, conversion, breach of fiduciary duty, fraud and unjust enrichment. Mr. Williams sought damages of \$1,500,000 plus attorney fees, other costs and interest. The suit was tried in the Superior Court of the State of Arizona; Maricopa County. The outcome was a settlement/award/monetary judgment of \$20,000 to the plaintiff.

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### **Administrative Proceedings**

There are no administrative proceedings to report.

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**Self-regulatory Organization (SRO) Proceedings**

Mr. Stern was disciplined by the NASD under Conduct Rule's 2110 – Abuse of Power of Attorney and 3050(c) – Failure to Disclose Power of Attorney. He agreed to an Acceptance, Waiver and Consent including a censure, \$10,000 fine and 18-month suspension effective 06/18/2012.

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

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**Other Business Activities**

CWM sells financial planning and investment management advice to its clients.

Additionally, CWM sells insurance products (life, health, annuity contracts) when appropriate and only when investment advisor representatives hold the proper registrations to do so. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. BWA always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to purchase such services or products through any representative of CWM in such individual's outside capacities. Approximately 5% of CWM's time will be dedicated to these activities.

CWM also provides professional tax preparation services when appropriate and only when investment advisor representatives hold the proper registrations to do so. CWM may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. CWM always acts in the best interest of the client and clients are in no way required to the services of any representative of CWM in connection with such individual's activities outside of CWM.

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**Affiliations**

CWM has an arrangement with Charles Schwab Institutional to process securities transactions on behalf of its customers at lower commission rates. CWM will associate with many insurance companies by utilizing insurance brokers as a conduit to A rated, or higher, insurance companies.

Associates of CWM may be registered representatives of a broker/dealer and sell securities through the broker/dealer. Associates are also appointed agents with various insurance companies and sell insurance through these companies. These activities are an integrated part of the overall service offered by CWM.

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

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### **Code of Ethics**

CWM has adopted a Code of Ethics (Code) that sets forth standards of business conduct, including compliance with applicable state and federal securities laws, that it requires of its officers, management and employees (associated persons). The Code is based on the principle that CWM and its associated persons have an overarching fiduciary duty to, at all times, place the interests of its clients first. The Code establishes that no associated person of CWM shall prefer their own interests to those of advisory clients and, among other things, prohibits the use of material non-public information. A copy of CWM's Code is available upon written request.

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

Employees of CWM may invest in securities for their personal accounts that are also recommended to clients of the firm. Each employee is required to provide CWM with quarterly statements that show all trading activity and current holdings. Additionally, employee transactions are subject to limitations regarding the type and timing of transactions and, subject to these limitations, CWM and its employees may at any time, buy, increase, decrease or sell positions in investments for their own account in which a client may have an interest. Neither the firm nor its related persons recommend to clients, or buys or sells for client accounts, securities in which the firm or its related persons have a material financial interest.

### **Personal Trading**

The Chief Compliance Officer of CWM is Martin T. Cole, MSFS, CFP, ChFC, CLU, AAMS. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not disadvantage clients. Since most employee trades are small, these trades typically have little or no effect on the securities markets.

## **Item 12: Brokerage Practices**

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### **The Custodian and Brokers We Use**

CWM does not maintain custody of your assets that we manage or on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to. While we recommend that you use Schwab as

custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

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### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us from Schwab*”)

CWM shall not be responsible for any loss caused by any act or omission of any bank or broker-dealer; except however, with respect to those banks and broker-dealers selected by CWM, and CWM has not acted prudently in such selection.

CWM does not receive fees or commissions from any of these arrangements.

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### **Your Brokerage and Custody Costs**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab’s commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities

bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

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**Products and Services Available to Us from Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts; while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us a quarterly service fee. Following is a more detailed description of Schwab’s support services:

- **Services That Benefit You** - Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.
- **Services That May Not Directly Benefit You** - Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:
  - Provide access to client account data (such as duplicate trade confirmations and account statements)
  - Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
  - Provide pricing and other market data
  - Facilitate payment of our fees from our clients’ accounts
  - Assist with back-office functions, recordkeeping, and client reporting

- **Services That Generally Benefit Only Us** - Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:
  - Educational conferences and events
  - Consulting on technology, compliance, legal, and business needs
  - Publications and conferences on practice management and business succession
  - Access to employee benefits providers, human capital consultants, and insurance providers
  - Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

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### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. Due to the amount of assets we have under management, we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

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### **Trade Allocation and Aggregation**

In all cases, trades placed by the Adviser shall be allocated according to the following:

- Securities being acquired are allocated by the size of assets of each account.
- Securities being sold are allocated based on the total size of each account's position in that security.
- The price of the securities allocated shall be at the average share price for all transactions of the accounts in that security on a given day, with all

transaction costs shared on a *pro rata* basis. This procedure applies to trades in ETFs as well.

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**Trade Errors**

All trading errors will be corrected as soon as reasonably practicable after discovery and when an error is corrected, a Client must not be disadvantaged. In the event that a broker-dealer causes an error in a transaction for a Client, if possible, the order shall be canceled or modified before settlement and the Client shall not bear any loss or expense as a result of such an error. CWM does not allow broker-dealers to promise to make up any discrepancy or agree to other arrangements regarding trade errors. If the error settles in the account or the price quoted for a security has changed since the order was placed, the error shall be corrected by CWM consistent with the orderly disposition and/or acquisition of the securities in question. A broker-dealer is not allowed to assume responsibility for any trading error caused by CWM.

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

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**Periodic Reviews**

Associates and other investment personnel (including administrative personnel designated and supervised by investment personnel) review each clients' investment portfolio on a regular basis to ensure that investments are made in conformity with the clients stated objectives. Trades for client accounts are reviewed for accuracy and appropriateness. Generally, and unless the client dictates more or less frequent meetings, Associates will meet with each client on an annual basis to review goals, objectives, holdings and portfolio performance to ascertain the continued appropriateness of the client's investment strategy. However, account reviews may be performed more frequently when market conditions dictate.

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**Review Triggers**

Generally, Clients receive confirmation of purchase and sale transactions. On a monthly or quarterly basis, reports are sent to clients from the custodians to show transactions for the period and portfolio holdings. Performance reports and appropriate commentary are provided on an annual basis. Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

## Item 14: Client Referrals and Other Compensation

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### **Incoming Referrals**

If a client is introduced to CWM by either an unaffiliated or an affiliated solicitor, CWM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)3 of the Investment Advisers Act of 1940. Except as disclosed below, any such referral fee shall be paid solely from the financial planning or investment management fee and shall not result in any additional charge to the client. If the client is introduced to CWM by an unaffiliated solicitor, the solicitor shall disclose the nature of his/her/its solicitor's relationship and shall provide each prospective client with a copy of the Registrant's Part 2 of Form ADV.

CWM may pay employees for obtaining new business. This additional compensation rewards employees for the extra time, effort and expense involved in establishing a new client relationship. This compensation does not increase client fees.

### **Referrals Out**

CWM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### **Other Compensation**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see "*Brokerage Practices*"). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## Item 15: Custody

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### **Limited Non-Beneficial Custody**

CWM has limited, non-beneficial, custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. CWM is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

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**Limited Beneficial Custody**

Under certain circumstances, CWM may offer Bill Payment as a value-added service. In these cases, CWM will be considered to have "Custody" of the specific account the clients' bills are paid from.

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**Account Statements**

Charles Schwab maintains custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements to the annual portfolio report you will receive from us. Generally, clients receive confirmation of purchase and sale transactions from all custodians. On a monthly or quarterly basis, reports are sent to clients from the custodians to show transactions for the period, portfolio holdings and advisory fees billed to the clients' account.

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**Performance Reports**

Performance reports and appropriate commentary are available upon request. Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by CWM.

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**Net Worth Statements**

Clients are frequently provided net worth statements and net worth graphs that are generated from our client service system. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

## **Item 16: Investment Discretion**

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**Discretionary Authority for Trading**

The limitations on investment and brokerage discretion held by CWM for its clients are:

1. Investments will be limited to the types of securities noted in "Investment Strategies," in this document unless the client requests or consents to investments in other types of securities. CWM reserves the right to change the types of securities it utilizes in its Investment Strategies.
2. For discretionary clients, CWM requires that it be provided with written authority to determine which securities and the amounts of securities to be bought or sold, as well as the broker dealer/custodian to be used and the commission rates to be paid.
3. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

4. Unless the client requests that a particular broker or dealer be used to execute transactions, CWM will select the broker or dealer to be used.
5. If the client requests that a particular broker or dealer be used to execute transactions in the client's account, CWM will not, as a matter of policy, negotiate such client's commission rates unless specifically requested to do so by a client in writing. CWM deems the designation of a broker dealer by a client as a direction by such client to CWM that such client is willing to pay such broker dealer's normal commission rates. This could result in client paying higher commissions than otherwise may be available.
6. If a client does not designate a broker dealer for a client's account, CWM will determine in good faith the broker dealer to be used based upon the following factors:
  - a. Commission rates
  - b. The value of research products or services provided by the broker dealer to CWM which research products or services provide lawful and appropriate assistance to CWM in the performance of its investment decision making responsibilities.
  - c. Other brokerage services provided by the broker dealer to the client such as collection of dividends, exchange or transfer of securities, and custody of securities and cash.

Research products and services received by CWM for broker dealers will be used to provide services to all its clients.

CWM will act with the reasonable due care and diligence expected of a prudent person in like capacity in determining the broker or dealer to be used in trading client accounts, and the commission rates to be paid for such services.

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### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute trades for the investment strategy that you have approved.

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

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### **Proxy Votes**

CWM does not vote proxies on securities for clients.

## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because CWM does not serve as a custodian for client funds or securities and does not require prepayment of fees of more than \$500 per client, and six months or more in advance.

## Item 19: Brochure Supplement

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### Education and Business Standards

CWM requires any associated person involved in determining or giving advice to have applicable experience. A college degree is preferred but not required unless the person has limited applicable experience. Additionally, associated persons will be required to hold any licenses that may be required by a regulatory agency. Associates of CWM are encouraged to complete advanced training such as the Certified Financial Planner (CFP) program. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

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### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail:

Accredited Asset Management Specialist (AAMS): Accredited Asset Management Specialists are licensed by the CFP Board to use the AAMS mark. AAMS certification requirements:

- Bachelor's degree from an accredited institution or have equivalent education or work experience.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the Certification Exam.
- Agree to adhere to the Code of Ethics and Procedures.
- Earn 16 hours of Continuing Education credit every two years.

Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Chartered Financial Consultant (ChFC): Chartered Financial Consultants are licensed by The American College Board of Trustees to use the ChFC mark. ChFC certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.

- Completion of the financial planning education requirements set by the American College ([www.theamericancollege.edu](http://www.theamericancollege.edu)).
- Successful completion of the Certification Exam.
- Three-year qualifying full-time work experience.
- Agree to adhere to The American College Code of Ethics and Procedures.
- Earn 30 hours of Continuing Education credit every two years.

Chartered Life Underwriter (CLU): Chartered Life Underwriters are licensed by The American College Board of Trustees to use the CLU mark. CLU certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Completion of the insurance education requirements set by the American College ([www.theamericancollege.edu](http://www.theamericancollege.edu)).
- Successful completion of the Certification Exam.
- Three-year qualifying full-time work experience.
- Agree to adhere to The American College Code of Ethics and Procedures.
- Earn 30 hours of Continuing Education credit every two years.

Chartered Retirement Planning Counselor (CRPC): Chartered Retirement Planning Counselors are licensed by the CFP Board to use the CRPC mark. CRPC certification requirements:

- Bachelor's degree from an accredited institution or have equivalent education or work experience.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the Certification Exam.
- Agree to adhere to the Code of Ethics and Procedures.
- Earn 16 hours of Continuing Education credit every two years.

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**Martin T. Cole, MSFS, CFP, ChFC, CLU, AAMS**

**Education:**

- Master of Science in Financial Services (MSFS) – The American College; Bryn Mawr, PA 2016
- BS, Business Administration - St. Vincent College; Pittsburgh, PA 1991
- Certified Financial Planner designation (CFP) - The College for Financial Planning; Greenwood Village, CO 1997
- Chartered Financial Consultant designation (ChFC) - The American College; Bryn Mawr, PA 2001
- Chartered Life Underwriter designation (CLU) - The American College; Bryn Mawr, PA 2003
- Accredited Asset Management Specialist designation (AAMS) - The College for Financial Planning; Greenwood Village, CO 2006

**Business Background:**

- 09/1992-11/1993: Financial Advisor, American Express Financial Advisors, Inc.
- 11/1993-11/1998: District Manager, American Express Financial Advisors, Inc.
- 11/1998-01/2002: Field Vice President, American Express Financial Advisors, Inc.
- 01/2002-07/2004: Group Vice President, American Express Financial Advisors, Inc.
- 07/2004-03/2005: Financial Advisor, American Express Financial Advisors, Inc.
- 03/2005-Present: Managing Member, Cole Wealth Management, LLC

**Birth Day: 07/19/1968**

**Disciplinary Information:** None

**Other Business Activities:** None

**Supervision:** As Chief Compliance Officer, Mr. Cole supervises himself. He reviews all CWM employees work through frequent office interactions as well as remote interactions. He also reviews all employees' activities through our activity monitoring system.

**Arbitration Claims:** None

**Self-Regulatory Organization or Administrative Proceeding:** None

**Bankruptcy Petition:** None

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**Robert DiCarlo, CRPC**

**Education:**

- BS, Financial Planning (Cum Laude) – Colorado Technical University; Westminster, CO 2012
- Business Major - Hofstra University; Hempstead, NY 1977-78
- AAS, Restaurant Management – Nassau Community College; Uniondale, NY 1985
- Certified Retirement Planning Counselor designation (CRPC) - The College for Financial Planning; Greenwood Village, CO 2010

**Business Background:**

- 06/1987-05/2006: Manager, Marriott International, Inc.
- 06/2006-11/2009: Financial Advisor, Ameriprise Financial, Inc.
- 12/2009-Present: Financial Advisor, Cole Wealth Management, LLC

**Birth Day:** 01/04/1960

**Disciplinary Information:** None

**Other Business Activities:** None

**Additional Compensation:** None

**Supervision:** Mr. DiCarlo is supervised by Martin Cole, Chief Compliance officer. He reviews Mr. DiCarlo's work through frequent office interactions as well as remote interactions. He also reviews Mr. DiCarlo's activities through activity monitoring system.

**Supervisor's Contact Information:**

Martin Cole  
480-275-6354 x101  
mcole@colewealth.com

**Arbitration Claims:** None

**Self-Regulatory Organization or Administrative Proceeding:** None

**Bankruptcy Petition:** None

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**Jay Gehrke, AAMS**

**Education:**

- BS, Global Business – Arizona State University; Phoenix, AZ 2005
- Accredited Asset Management Specialist designation (AAMS) - The College for Financial Planning; Greenwood Village, CO 2007

**Business Background:**

- 06/1999-05/2002: Player, Kansas City Royals.
- 06/2002-03/2005: Instructor, University of Southern California.

- 04/2005-Present: Financial Advisor, Cole Wealth Management, LLC

**Birth Day:** 11/01/1977

**Disciplinary Information:** None

**Other Business Activities:** None

**Additional Compensation:** None

**Supervision:** Mr. Gehrke is supervised by Martin Cole, Chief Compliance officer. He reviews Mr. Gehrke's work through frequent office interactions as well as remote interactions. He also reviews Mr. Gehrke's activities through our activity monitoring system.

**Supervisor's Contact Information:**

Martin Cole

480-275-6354 x101

mcole@colewealth.com

**Arbitration Claims:** None

**Self-Regulatory Organization or Administrative Proceeding:** None

**Bankruptcy Petition:** None

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**Christopher A. O'Brien, CRPC**

**Education:**

- BS, Finance- Arizona State University; Tempe, AZ 2001
- Certified Retirement Planning Counselor designation (CRPC) - The College for Financial Planning; Greenwood Village, CO 2010

**Business Background:**

- 07/2001-08/2005: Financial Advisor, American Express Financial Advisors, Inc.
- 09/2005-Present: Financial Advisor, Cole Wealth Management, LLC

**Birth Day:** 11/12/1979

**Disciplinary Information:** None

**Other Business Activities:** None

**Additional Compensation:** None

**Supervision:** Mr. O'Brien is supervised by Martin Cole, Chief Compliance officer. He reviews Mr. O'Brien's work through frequent office interactions as well as remote interactions. He also reviews Mr. O'Brien's activities through our activity monitoring system.

**Supervisor's Contact Information:**

Martin Cole  
480-275-6354 x101  
mcole@colewealth.com

**Arbitration Claims:** None

**Self-Regulatory Organization or Administrative Proceeding:** None

**Bankruptcy Petition:** None

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**Eric T. Stern**

**Education:**

- Attended - Arizona State University; Tempe, AZ 1993-1998

**Business Background:**

- 11/2001-05/2003: Financial Consultant, Merrill Lynch
- 06/2003-04/2005: Financial Advisor, Zions Investment Securities, Inc.
- 05/2005-08/2016: Financial Advisor, Financial Network Investment Corp.
- 09/2016-Present: Financial Advisor, Cole Wealth Management, LLC

**Birth Day:** 01/27/1975

**Disciplinary Information:** Disciplined 06/08/2012 for allegations occurring in 2010 regarding NASD Conduct Rules 2110 – Abuse of Power of Attorney and 3050(c) – Failure to Disclose Power of Attorney.

**Resolution:** Acceptance, Waiver & Consent(AWC).

**Sanctions:** Censure, 18 Month Suspension, \$10,000 Fine. See Item 9 for further details.

**Other Business Activities:** None

**Additional Compensation:** None

**Supervision:** Mr. Stern is supervised by Martin Cole, Chief Compliance officer. He reviews Mr. Stern's work through frequent office interactions as well as remote interactions. He also reviews Mr. Stern's activities through activity monitoring system.

**Supervisor's Contact Information:**

Martin Cole  
480-275-6354 x101  
mcole@colewealth.com

**Arbitration Claims:** None

**Self-Regulatory Organization or Administrative Proceeding:** None.

**Bankruptcy Petition:** None



## Cole Wealth Management, LLC - Privacy Disclosure

Cole Wealth Management, LLC (“CWM”) shall mean and refer to any and all subsidiaries, parent or sister corporations, limited liability companies, partnerships or other entities or entity controlling, controlled by or under common control with said corporations or entities.

The Securities and Exchange Commission has adopted Regulation S-P, privacy rules promulgated under section 504 of the Gramm-Leach Bliley Act. Section 504 requires the Commission and other federal agencies to adopt rules implementing notice requirements and restrictions on a financial institution’s ability to disclose nonpublic personal information about consumers.

Under the Gramm-Leach-Bliley Act, a financial institution must provide its customers with a notice of its privacy policies and practices and must not disclose nonpublic personal information about a consumer to nonaffiliated third parties unless the institution provides certain information to the consumer and the consumer has not elected to opt out of the disclosure.

This notice, in summary form, is intended to tell you where we obtain information about you and who has access to it once it is received by CWM.

**Where we get information.** Most of the information we collect about you comes directly from you; for example, investment management agreements or forms that you complete in the process of engaging our services. In addition, we maintain records of each of your transactions and holdings at CWM.

**How that information is shared with third parties.** We do not sell information about our clients. We provide information about current or former clients from the sources described above to parties outside of CWM only as follows:

- A) As necessary to process your business. For example, we transmit account and transactional information to your custodian. Third parties in this category are prohibited by agreement from using information about you except for the narrow purpose for which we gave it to them.
- B) Where required or permitted by law or regulation. Examples include responses to a subpoena, court order or regulatory demand.
- C) As authorized by you. You may direct us, for example, to send your account statements and confirms to a third party.

**Privacy and security.** We consider all information we have about you to be confidential, including the fact that you are a CWM client (unless you tell us otherwise). Your information is only to be handled in the manner described in this

notice. Within CWM, we restrict access to information about you to those employees and authorized agents who need to know that information in order to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to maintain the confidentiality of your information.

You may have other questions about how we respect your financial privacy. Please feel free to call Cole Wealth Management at (480) 275-6354 or email [service@colewealth.com](mailto:service@colewealth.com) for additional information or assistance.

## Business Continuity Program

SEIA seeks to provide uninterrupted client service. We believe the stability of our business practices, as well as our technology systems, is vital to earning your trust, therefore we make every effort to provide uninterrupted service through a Business Continuity Plan aligned with rigorous SEC and FINRA requirements.

In the event of a natural or unnatural disaster that interrupts our normal business operations at our corporate headquarters at 14301 N 87<sup>th</sup> St STE 307, Scottsdale, Arizona; our comprehensive Business Continuity Plans include but are not limited to the following:

Pre-defined alternate worksite and communications systems for all business-critical functions.

- 9332 E Raintree Dr STE 100 Scottsdale, AZ 85260
- Multiple data recovery backup systems.
- Various methods of communicating with and providing service to clients via the Internet, local offices and automated telephone forwarding services.
- Annual employee awareness and Business Continuity training.

While no contingency plan can eliminate all risk of service interruption or temporarily impeded account access, we continually assess, test, and update our Plan to mitigate all reasonable risk.

If we find it necessary to temporarily move our operations, we will attempt to notify you. Please understand that this may take from 24 to 48 hours or longer.

Please refer to the Business Continuity Programs of your custodian for additional key information. A complete copy of our Business Continuity Plan may be viewed in our office during regular business hours.

Sincerely,

*Marty*

Martin T. Cole, MSFS, CFP, ChFC, CLU, AAMS