

## **PART 2A OF FORM ADV – BROCHURE**

**MKD Wealth Coaches, LLC**  
**1301 West Long Lake Rd., Suite 210**  
**Troy, Michigan 48098**  
**(248) 418-5100**  
**[www.mkdwealthcoach.com](http://www.mkdwealthcoach.com)**

**March 20, 2019**

This Brochure provides information about the qualifications and business practices of MKD Wealth Coaches, LLC. If you have any questions about the contents of this Brochure, please contact Tim Mrock, our Chief Compliance Officer and Director of Operations, at (248) 418-5100 or [tim@mkdwealthcoach.com](mailto:tim@mkdwealthcoach.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.

We are a registered investment adviser. Registration of an adviser does not imply any level of skill or training.

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

### **ITEM 3: TABLE OF CONTENTS**

COVER PAGE.....	i
ITEM 3: TABLE OF CONTENTS.....	ii
ITEM 4: ADVISORY BUSINESS .....	1
ITEM 5: FEES AND COMPENSATION .....	3
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	8
ITEM 7: TYPES OF CLIENTS.....	8
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
ITEM 9: DISCIPLINARY INFORMATION.....	16
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	17
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	17
ITEM 12: BROKERAGE PRACTICES.....	18
ITEM 13: REVIEW OF ACCOUNTS .....	20
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	21
ITEM 15: CUSTODY .....	22
ITEM 16: INVESTMENT DISCRETION .....	23
ITEM 17: VOTING CLIENT SECURITIES .....	23
ITEM 18: FINANCIAL INFORMATION .....	23

## **ITEM 4: ADVISORY BUSINESS**

### **Our Owners and Principals**

We established our firm in December 2006. Joseph Mackey, John Dankovich and Nathan Bohannon are our members, and each owns 33.33% of our firm's membership interests.

### **Our Advisory Services**

We are an investment adviser providing investment management services, financial planning, and consulting services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities. We offer our services on a fee basis, and depending on the type of service, we charge an asset-based fee, hourly rate or fixed fee. Prior to engaging us to provide any investment advisory services, we will enter into one or more written agreements with you setting forth the terms and conditions under which we will provide our services.

#### ***Investment Management Services***

If you choose to become an investment management client of ours, you will sign a Discretionary Investment Advisory Agreement with us which establishes the general terms and conditions of our engagement. We discuss your financial needs, financial goals and objectives, risk tolerance and other individual circumstances with you to determine which strategy will meet your investment objectives. Under our agreement, you grant us the ability to determine, without obtaining your specific consent, the securities to be bought or sold for your account(s) and the amount of securities to be bought or sold. However, we exercise such discretion in a manner consistent with your stated investment objectives for the account and by considering the size of your account and your risk tolerance. Also, you may impose reasonable restrictions, in writing, on our discretionary authority or place limitations on the types of investments for your account. You must notify us promptly if there are ever any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions upon our management services.

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

We offer a broad range of comprehensive financial planning and consulting services, which include non-investment related matters. We offer comprehensive and continuous financial planning, under which we will review your overall financial situation and provide recommendations covering retirement cash flow, tax, investment and estate planning, and risk management. If you desire financial planning on a more limited scope, we offer a variety of services, which include providing you with a report and recommendations regarding asset allocations, estate planning or retirement planning.

As part of your financial plan, we generally recommend other services we offer or the services of other professionals to implement our recommendations. While recommending our own services does present a conflict of interest, you are under no obligation to act upon any of our recommendations and you are not required to engage the services of any recommended professional, including us as an investment manager. You retain absolute discretion over all financial planning implementation decisions and may accept or reject any of our recommendations. It is your responsibility to notify us promptly if there is any change in your financial situation or investment objectives so that we can review, evaluate, or revise our previous recommendations and services.

Our consulting services have included one or more of the following services for some clients: C.H.A.T.<sup>®</sup>, insurance reviews, and other financially related topics as requested by our clients.

### ***Other Investment Services***

We also offer to provide investment management services to you regarding: (1) annuity products, individual bonds and/or cash and equivalents that you may own; or (2) your individual account in an employer-sponsored retirement plan. We refer to these accounts as being an outside managed account (“OMA”) because we are not engaged by the insurance company or your employer-sponsored retirement plan. Typically, when we provide these services, your assets are maintained either at the specific insurance company that issued you the variable life/annuity product, or at the custodian designated by you or your retirement plan’s sponsor. When providing advice regarding your annuity products, individual bonds, cash and equivalents or retirement plan, we direct the allocation of your assets among the various mutual fund subdivisions that comprise these products or the retirement plan.

We can also assist you with establishing a 529 plan and review its investments when needed.

### **Assets Under Management**

We manage client assets on both a discretionary and nondiscretionary basis, and as of December 31, 2018, we had \$203,463,325 in client assets managed on a discretionary basis and \$14,840,786 in client assets managed on a nondiscretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

### **Investment Management Service Fees**

Our investment management services are billed quarterly in advance and are based upon a percentage of the market value of the assets in your account(s) under our management. Our fee varies depending upon the investment strategy and market value of the assets under management. We aggregate the account values within an adviser fee group and calculate our fee based on a tiered fee schedule.

Our fee schedules are tiered, meaning that the respective fee amounts apply only to the assets in the applicable tier (e.g., an account with \$750,000 in assets is charged 1.95% on the first \$250,000, 1.80% on the next \$250,000 and 1.70% on the remaining \$250,000). The tables below sets forth the schedule of fees applicable to accounts invested in the specified adviser fee group. We prorate the fee for your initial quarter starting the day your assets are designated for our management.

We generally use the following annual fee schedule for new clients seeking our investment management services for the following investment and annuity services:

**Adviser Fee Group #1: All assets under management are billed as follows, with the exception of assets in Group 2 and/or Group 3 below:**

<b>Value of Account</b>	<b>Annual Fee</b>
<u>(\$0-\$250,000)</u>	
For the first \$250,000	1.95%
<u>(&gt;\$250,000-\$500,000)</u>	
For the next \$250,000	1.80%
<u>(&gt;\$500,000-\$1,000,000)</u>	
For the next \$500,000	1.70%
<u>(&gt;\$1,000,000-\$2,000,000)</u>	
For the next \$1,000,000	1.35%
<u>(&gt;\$2,000,000-\$5,000,000)</u>	
For the next \$3,000,000	1.15%
<u>(&gt;\$5,000,000-\$10,000,000)</u>	
For the next \$5,000,000	0.60%
<u>(&gt;\$10,000,000)</u>	0.50%

Some clients may pay a lower fee for the above strategies. The minimum annual fee for the OMA Tactical strategy and OMA NorthStar strategy is \$500. We may waive the minimum fee in our discretion, based on other assets under management or future contributions expected.

**Adviser Fee Group #2: Short Term Income Instruments, Income Instruments, and Cash and Equivalents.**

For accounts invested in Short Term Income Instruments, Income Instruments, and Cash and Equivalents, we generally use the following annual fee schedule for new clients. We reserve the right to waive our advisory fees on Cash and Equivalent accounts, in our discretion, and currently do waive it. If we change this practice, we will notify our clients in advance of billing.

<b>Value of Account</b>	<b>Annual Fee</b>
<u>(\$0-\$1,000,000)</u>	
For the first \$1,000,000	0.65%
<u>(&gt;\$1,000,000-\$2,000,000)</u>	
For the next \$1,000,000	0.45%
<u>(&gt;\$2,000,000-\$5,000,000)</u>	
For the next \$3,000,000	0.35%
<u>(&gt;\$5,000,000-\$10,000,000)</u>	
For the next \$5,000,000	0.25%
<u>(&gt;\$10,000,000)</u>	0.15%

**Adviser Fee Group #3: 529 College Savings Plans.**

For 529 College Savings Plans we charge the following annual fee schedule for new clients.

<b>Value of Account</b>	<b>Annual Fee</b>
<u>(\$0-500,000)</u>	
For the first \$500,000	0.50%
<u>(&gt;\$500,000-\$1,000,000)</u>	
For the next \$500,000	0.40%
<u>(&gt;\$1,000,000-\$5,000,000)</u>	
For the next \$4,000,000	0.30%
<u>(&gt;\$5,000,000)</u>	0.20%

An annualized fee calculation can be illustrated by the following example. A client with \$1,500,000 in the following Adviser Fee Groups with MKD Wealth Coaches, LLC:

1 account from Adviser Fee Group #1	\$ 250,000
1 account from Adviser Fee Group #1	1,000,000
1 account from Adviser Fee Group #2	200,000
1 account from Adviser Fee Group #3	50,000

The adviser fee would be as follows:

<b><u>Adviser Fee Group #1:</u></b>	<b><u>Asset Range</u></b>	<b><u>Rate</u></b>	<b><u>Total Adviser Fee</u></b>
For two accounts totaling \$1,250,000	For the first \$250,000	1.95% x \$250,000 =	\$ 4,875
	On the next \$250,000	1.80% x \$250,000 =	\$ 4,500
	On the next \$500,000	1.70% x \$500,000 =	\$ 8,500
	Remaining balance	1.35% x \$250,000 =	\$ 3,375

**Subtotal Annualized Adviser Fee Group #1: \$21,250**

<b><u>Adviser Fee Group #2:</u></b>	<b><u>Asset Range</u></b>	<b><u>Rate</u></b>	<b><u>Total Adviser Fee</u></b>
Short-Term Income Instruments	For the first \$1,000,000	0.65% x \$200,000 =	\$ 1,300

**Subtotal Annualized Adviser Fee Group #2: \$ 1,300**

<b><u>Adviser Fee Group #3:</u></b>	<b><u>Asset Range</u></b>	<b><u>Rate</u></b>	<b><u>Total Adviser Fee</u></b>
529 College Savings Plan	For the first \$500,000	0.50% x \$50,000 =	\$ 250
<b>Subtotal Annualized Adviser Fee Group #3:</b>			<b>\$ 250</b>
<hr/>			
<b>TOTAL ANNUALIZED ADVISER FEE:</b>			<b>\$ 22,800</b>

On occasion, client accounts are not invested in one of the strategies named above. This normally is the case when the client's restrictions or investment needs dictate a "custom" approach to their investment account. The fee range for custom accounts is 0.50% to 1.95%. If your assets are managed as a custom account, the specific fee schedule we charge is established in our written investment advisory agreement with you. Similar to our investment strategies, we will determine your specific fee based on the investment products used in your custom account.

As set forth in the "**ITEM 7: TYPES OF CLIENTS**" section on page 8, we do impose minimum fees and account sizes to open an account managed in some of our strategies.

Our agreement with you continues until one of us terminates the agreement by providing the other party with written notice. We prorate our fees through the date of termination and we refund you any outstanding balance, as appropriate, in a timely manner.

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

We reserve the right to negotiate our fees with all clients, which are higher or lower than those described in this Brochure. Whether or not we negotiate fees, the fees we will charge you will be set forth in your investment advisory agreement.

We generally waive our adviser fee for our associated persons' immediate family members and our employees. For some other clients, we also modify our standard adviser fee based on assets under management, future contributions expected, personal relationships, or scope of work performed.

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses incurred in connection with providing investment advisory services to you. Mutual funds and ETFs also charge internal management fees, which are disclosed in the fund's

prospectus. Such charges, fees and commissions are in addition to our fee. For additional information regarding brokerage arrangements see “**ITEM 12: BROKERAGE PRACTICES**”, beginning on page 18.

Clients may make additions to and withdrawals from your account at any time. Additions may be in cash or securities, provided that we reserve the right to liquidate any transferred securities, or decline to accept particular securities into your account. Generally, we prorate our fees for each capital contribution or withdrawal of \$50,000 or more made during the applicable calendar quarter. You may withdraw assets from your account by contacting us and we will provide the appropriate paperwork required by the custodian to initiate a withdrawal. Any withdrawal is subject to the custodian’s usual and customary securities settlement procedures.

We design our portfolios as long-term investments and asset withdrawals could impair the achievement of your investment objectives. We will consult with you about your options and ramifications of transferring securities. You should be aware that when transferred securities are liquidated, you will incur applicable commissions, transaction fees, fees assessed at the mutual fund level or variable annuity level (i.e., contingent deferred sales charge, and redemption fees) and/or taxes. You are responsible for any commissions, transaction costs or fees, or taxes due in connection with the liquidation of investment positions to facilitate cash or asset withdrawals.

Generally, our clients authorize us under the investment advisory agreement to direct your custodian to deduct our fees directly from their account. If you provide us such authorization, the custodian’s periodic statements will show each fee deduction from your account. A client has the option to withdraw this authorization for direct billing of these fees at any time by notifying your custodian or us in writing.

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

If you engage us to provide financial planning and consulting services, we charge you a fee for these services. Our financial planning and consulting fees are negotiable, but generally range from \$1,000 to \$50,000 on a fixed fee basis and from \$200 to \$500 on an hourly rate basis. The range of fees depends upon the level and scope of the services you desire and the professional rendering of financial planning or consulting services. We typically require you to pay one-half of the estimated hourly or fixed fee when the written agreement is signed. Generally, the balance is due upon delivery of the financial plan or completion of the agreed upon services, or as otherwise stated in our agreement.

You may terminate our agreement at any time by giving us written notice; we may terminate our agreement by providing you with written notice. In the event you terminate our financial planning or consulting services, we refund the balance of any unearned fees to you. If

termination occurs within five (5) business days of entering into an agreement you are entitled to a full refund.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge any performance-based fees, which are fees based on a share of capital gains on or capital appreciation of your assets.

#### **ITEM 7: TYPES OF CLIENTS**

We are an investment adviser providing financial planning, consulting and investment management services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

We impose certain conditions for opening or maintaining an account in our investment strategies. The minimum portfolio size is generally \$500,000, though we may waive the minimum in our discretion. The minimum account sizes for the above strategies are as follows:

<b>Strategy Name</b>	<b>Minimum Account Size</b>
Short Term Income Instruments	\$ 2,500
Capital Asset Builder, All Weather	\$ 2,500
RIS <sup>®</sup> Market, RIS <sup>®</sup> Sectors, Hard Assets, Portfolio Diversifier, NorthStar, and custom strategies	\$25,000
Tactical and Evaluate8	\$50,000

We do not impose a minimum account size on any of our other investment strategies. In addition, we do not impose any additional conditions for our financial planning or other services.

**ITEM 8: METHODS OF ANALYSIS,**  
**INVESTMENT STRATEGIES AND RISK OF LOSS**

**Methods of Analysis**

In executing our investment management process, we create various model strategies. Clients with similar investment objectives and risk tolerances typically receive substantially identical portfolio recommendations, depending upon each client's circumstances. We have engaged third-party consultants to provide us with investment research and analysis. Based on the investment analysis, the third-party consultants will recommend changes to our investment strategies. We will continue to determine which strategy is appropriate for our clients. The third-party consultants do not provide individualized client investment management but rather provide portfolio design, asset allocation, and securities selection for our investment strategies. We will continue to have discretion over all trading decisions in the management of our strategies.

We believe these resources for information are reliable and regularly depend on these resources for making our investment decisions; however, we are not responsible for the accuracy or completeness of this information. At least annually, we will evaluate the services provided by the third-party consultants.

One of our third-party consultants who provides us with investment research and analysis has a less than 1% ownership interest in a company which manufactures various investment funds which we currently utilize as part of our investment models. As a result, that third-party consultant has an economic incentive to recommend those investment funds to clients (such as our firm) as the consultant indirectly receives fees charged by those funds through its equity ownership interest in the company. We have mitigated this conflict by having other strategies available for clients to invest in. Additionally, the investment funds manufactured by the issuer represent a small percentage of our overall portfolio strategies.

**Investment Strategies**

We use a variety of investment strategies depending on your circumstances and needs. We implement one or more of the following investment strategies: long-term purchases (held at least a year), short term purchases (held less than a year), trading (held less than 30 days), margin transactions (purchase of a security on credit extended by a securities company), and option writing (selling an option).

We implement these strategies using one or more of the following investment products: stocks, bonds, mutual funds (held directly or held within variable annuities or life insurance products, or employer retirement plans), exchange traded funds municipal securities, options contracts, futures contracts and other types of investments. We often recommend mutual funds and exchange traded funds of different kinds to promote portfolio diversification within various asset classes, such as industry sectors, domestic/international, or equities/bonds. We use periodic

purchases, sales, and exchanges of those mutual fund shares and/or exchange traded funds when there are changes in your financial needs, market conditions, or economic developments.

We offer the following strategies to our investment clients:

- Cash and Equivalents
- Short Term Income Instruments
- Income Instruments
- RIS<sup>®</sup> Tax-Managed Income Strategy
- RIS<sup>®</sup> Market Strategy
- RIS<sup>®</sup> Sectors Strategy
- Tactical Strategy
- Passive Strategies (includes Capital Asset Builder, All Weather, NorthStar and OMA NorthStar)
- Portfolio Diversifier Strategy
- Hard Assets Strategy
- Evaluate8 Strategy
- OMA Tactical Strategy
- OMA Diversified Tactical Strategy
- Custom strategies (when needed)

The “**Cash and Equivalents**” strategy seeks to provide current income and principal protection through the use of money market accounts, and certificates of deposit.

The “**Short-Term Income Instruments**” Strategy utilizes mutual funds which own bonds (including Corporate, Municipal, or Government bonds) or Exchange Traded Funds which track bond indices. The Short-Term Income Instruments strategy seeks to provide an income level higher than current money market rates, with a lower volatility than 1-year to 3-year US Treasury obligations.

The “**Income Instruments**” strategy utilizes individual bonds (including corporate, municipal, and Government bonds), and seeks to provide an income level higher than 5-year US Treasury obligations.

The “**RIS**®” strategies use a protect and advance philosophy designed to respond to changing markets with a sell side discipline. We use technical and fundamental factors to maintain a focus on short-term, intermediate-term and long-term market direction. Our decisions are based on a disciplined, trend-following approach to rationally view the cyclical nature, patterns of returns and volatility of the financial markets.

- a. The “**RIS**® **Tax-Managed Income**” Strategy invests primarily in state and municipal income tax-free bond obligations and looks to protect capital during periods of uncertainty when compared to the Barclay Municipal Bond Index, utilizing a trend-following approach.
- b. The “**RIS**® **Market**” Strategy is a longer term, lower activity, model whose goal is to be invested in global equities during Bull markets, and in cash and/or fixed income during Bear markets.
- c. The “**RIS**® **Sectors**” Strategy utilizes a two-factor market strength assessment to go “long” with the U.S. sectors which are expected to outperform, while simultaneously “shorting” the sectors expected to underperform.

The “**Tactical**” Strategy seeks to achieve capital appreciation through a globally diversified portfolio of equity, fixed income, alternatives, and commodities, and is premised on the principal that asset allocation and adjusting the tactical underweighting and overweighting are the primary drivers of returns. We offer three versions of the Tactical Strategy: Conservative, Balanced, & Growth.

The “**Passive Strategies**” include all of the following strategies:

- a. “**Capital Asset Builder**,” which utilizes a globally diversified portfolio comprised of equities, fixed income, and commodities modeled on a passive approach and is rebalanced once a year.
- b. “**All Weather**,” which is based on the risk parity philosophy. Its allocations are weighted among equities, fixed income, and commodities to equalize the risk exposure among each asset class.
- c. “**NorthStar**” utilizes the strategic asset allocation approach of a globally diversified portfolio of equity, fixed income, alternatives, and commodities modeled on a passive

approach. We offer three versions of the NorthStar Strategy: Conservative, Balanced, and Growth.

d. **“OMA NorthStar”** utilizes the strategic asset allocation approach of a globally diversified portfolio of equity, fixed income, alternatives, and commodities modeled on a passive approach. We offer three versions of the OMA NorthStar Strategy: Conservative, Balanced, and Growth, limited by the positions available in the platform provided by the outside managed account.

The **“Portfolio Diversifier”** Strategy seeks to diversify traditional asset allocation utilizing liquid alternative strategies (e.g. Long/Short, Event Driven, Market Neutral, Global Macro, Managed Futures).

The **“Hard Assets”** Strategy provides a broadly diversified commodity exposure through investments in ETF’s, Mutual Funds, and individual stocks allocated in a core/satellite fashion. (e.g. using one or more diversified commodity indices as core positions, surrounded by specific exposures to steel, coal, gold miners, silver miners, etc., as satellites).

The **“Value8”** Strategy is a Small and Mid (SMID) Cap 10 stock with Guard Overlay strategy, which seeks to achieve capital appreciation by utilizing individual equity positions identified by utilizing an eight-factor algorithm to calculate a unique score for U.S. companies. This strategy focuses on U.S. Mid Cap and Small Cap stocks with a strong value bias. The strategy also utilizes a risk management overlay, which in times of stock market stress can cause the strategy to sell all 10 positions and purchase a lower risk security instead of moving to cash.

The **“OMA Tactical”** Strategy works within the limitations of the positions available within the platform provided by the outside managed account to overweight and underweight equities, fixed income and cash. We offer three versions of the OMA Tactical Strategy: Conservative, Balanced, and Growth, limited by the positions available in the platform provided by the outside managed account.

The **“OMA Diversified Tactical”** Strategy seeks to achieve capital appreciation through a globally diversified portfolio of equity, fixed income, alternatives, and commodities, and is premised on the principal that asset allocation and adjusting the tactical underweighting and overweighting are the primary drivers of returns. We offer three versions of the OMA Diversified Tactical Strategy: Conservative, Balanced, and Growth, limited by the positions available in the platform provided by the outside managed account.

While we primarily offer to invest our client’s assets in accordance with an investment strategy, named above, there are occasions where a client’s restrictions or investment needs dictate a **“custom”** approach to meet their specific goals and objectives. Occasionally, the “customized” accounts may include some (or all) of the same securities included in our various

strategies. The difference between a “custom” strategy and the strategies listed above will generally involve the allocation mix of the securities.

### ***Model Portfolios***

Our investment management style focuses on the use of diversified model strategies. The core strategy is known as the “Tactical” Strategy and has three versions (conservative, balanced, and growth). The “Tactical” Strategies utilize a globally diversified portfolio of equity, fixed income, alternatives and commodities. We also have other model strategies that are used primarily as satellite strategies to the core Tactical Strategy.

### ***Margin Leverage***

Although, as a general business practice, we do not utilize leverage, there have been instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, we will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client’s investment portfolio. For example, investors are able to control \$2 of a security for \$1. So, if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client’s account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians will apply more stringent rules as they deem necessary.

### ***Short-Term Trading***

Although we, as a general business practice, do not utilize short-term trading, there are instances in which short-term trading is necessary or an appropriate strategy. An investment strategy that involves frequent trading will result in significantly higher commissions and charges to client accounts due to increased brokerage, which will offset client profits.

### ***Use of Hedging Strategies***

Some of the strategies invest a percentage of its assets in funds that can take “short” positions in companies that are expected to underperform the equity markets, and for hedging purposes. This could result in that portion of the strategy losing money should the securities that these funds/managers are “long in” decline in value or if the securities these funds/managers have “shorted” increase in value, but the ultimate goal is to realize returns in both rising and falling equity markets, while providing a degree of insulation from increased equity market volatility.

### **Types of Investments and Risk of Loss**

You should be prepared to bear the risk of loss when you invest in securities. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We will work with you to attempt to identify the balance of risks and rewards that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not understand fully the risks associated with any investment or investment strategy.

Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure you that your investments will be profitable or that no losses will occur in your investment portfolio. Past performance is one consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

We offer advice about a wide variety of investment types, including mutual funds, index funds, ETFs, corporate debt, government and municipal securities, fixed and variable annuities, option contracts on securities, futures, and interests in partnerships investing in real estate and oil and gas investments, each having different types and levels of risk. We will discuss these risks with you in determining the investment objectives that will guide our investment advice for your account. We will explain and answer any questions you have about these kinds of investments, which present special considerations such as the following.

### ***Mutual Funds, Index Funds and Exchange Traded Funds***

Mutual funds and ETFs typically charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. Some Mutual fund companies waive the sales charge for Registered Investment Adviser firms, while others do not. These separate fees and expenses are disclosed in each fund's current prospectus, which is available from the fund or we can provide it to you upon request.

Consequently, for any type of fund investment, it is important for you to understand that you are paying two levels of advisory fees and expenses: one layer of fees and expenses is paid at the fund level and one layer of advisory fees is paid to us. Also, we primarily recommend "no-load" mutual funds, which do not have a commission or sales charge because the shares are distributed directly by the investment company, instead of going through a secondary party. Generally speaking, many mutual funds can be purchased directly, without using our services and without incurring our advisory fees.

We invest in open-end mutual funds and exchange-traded funds for the vast majority of our clients. However, for certain clients, when appropriate, we will effect transactions in the following types of securities:

a. **Equity Securities:** Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

b. **Mutual Fund Securities:** Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

c. **Exchange-Traded Funds ("ETFs"):** ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. ETFs could be utilized to gain exposure to a portion of the U.S. or foreign markets. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and

other expenses, in addition to their own expenses. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. ETFs that employ leverage, create additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

While our investment strategies do not hold a concentrated position in any one security, on occasion, a client may hold a large concentrated security position. This is often due to the client participating in an employer's stock plan. There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. While concentrated holdings offer the potential for higher gain, they also offer the potential for significant loss.

### ***Variable Annuities***

Variable annuities are highly complex financial products offered by insurance companies. Investment in a variable annuity contract is subject to both general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses. Variable annuities are regulated under both securities and insurance laws and related rules and regulations. Variable annuities offer various benefits and features which may or may not have value to you depending on your circumstances, which we can discuss with you.

## **ITEM 9: DISCIPLINARY INFORMATION**

As a registered investment adviser, we must disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We are a licensed insurance agency. Most of our Wealth Coaches, in their individual capacities, are licensed insurance agents and when appropriate or requested, will recommend the purchase of certain insurance products. A conflict of interest exists to the extent that we recommend the purchase of insurance products where our Wealth Coaches earn insurance commissions or other additional compensation. However, to mitigate this conflict, if you decide to implement our recommendation to purchase insurance products you are not required to purchase insurance through our affiliated agency or Wealth Coaches, and you may purchase insurance products through another insurance agency of your choice.

Mr. Dankovich is a licensed practicing attorney who maintains a limited legal practice, separate and distinct from our firm. No portion of our services to you constitutes legal advice. Rather, you should consult with and seek the advice of your own attorney.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

We have adopted a code of ethics establishing standards of conduct for our firm and the persons associated with us which we call associated persons. Our code requires that our associated persons comply with applicable securities laws. In accordance with Section 204A of the Advisers Act, our code contains written policies reasonably designed to prevent the unlawful use of material non-public information by us or any of our associated persons. Our Code also requires that certain of our personnel who have access to confidential client information report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Our associated persons buy or sell securities for their own accounts, otherwise known as proprietary accounts that we also recommend to you and other clients consistent with our policies and procedures. There are many similarities in portfolio holdings among these proprietary accounts and your accounts. While this is viewed as presenting a conflict of interest, generally, orders for your account and our proprietary accounts are aggregated or “batched” into one large order in accordance with our trade aggregation and allocation policy described in more detail in the “**Aggregation of Orders**” section on page 20.

Also, when we are purchasing or selling or considering for purchase or sale any security on behalf of a client that is not part of an aggregated order, an access person cannot purchase or sell that same security before we complete purchase or until a decision has been made not to purchase or sell such security for our clients. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other

high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

You can request a copy of our code by contacting Tim Mrock, our Chief Compliance Officer and Director of Operations, at (248) 418-5100 or [tim@mkdwealthcoach.com](mailto:tim@mkdwealthcoach.com).

## **ITEM 12: BROKERAGE PRACTICES**

### **Directed Brokerage and Soft Dollars**

Although we do not require you to use a specified broker-dealer we have established a brokerage relationship with Fidelity Brokerage Services, LLC for custodian and brokerage services. As part of this program, we receive benefits from Fidelity that we would not receive if we were not on their institutional platform. When we select and recommend custodians or any other broker, we consider, not only the broker's commission rate and execution capabilities, financial responsibility and responsiveness to instructions, but also the full range of services provided by the broker, including research and custodial services. Accordingly, you potentially pay commissions in excess of those which another broker may charge for transactional services alone, in recognition of the additional services we receive from our recommended custodians. However, our recommended custodians enable us to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

We must determine in good faith that the amount of any commission paid is reasonable in relation to the value of the brokerage and research services provided, viewed in terms either of a particular transaction or our overall responsibilities with respect to accounts as to which we exercise investment discretion. We must also determine that any services we receive provide lawful and appropriate assistance in the performance of our investment decision-making responsibilities. Consistent with the foregoing, while we will seek competitive rates, we will not necessarily obtain the lowest possible commission rates for client transactions.

We have not and do not intend to enter into any contractual third-party soft-dollar arrangements, such as where we commit to place a specific level of brokerage with a specific firm in return for which the brokerage firm will pay for various research related products or services for us, such as Bloomberg terminals or other communications links or services, computer hardware or software, investment publication subscriptions or other research related products or services that are generally available for cash purchase. However, Fidelity does provide us with various investment research products or services to assist us in our investment advisory process.

Fidelity also makes available to us other products and services that benefit us, but which may not directly benefit you. These types of services will help us in managing and administering your accounts. These include software and other technology that provide access to your account data such as trade confirmations and account statements; facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from your account; and assist with back-office functions, record-keeping, and client reporting. Many of these services are used to service all or a substantial number of our accounts. Such research and execution related services are offered to investment advisors who utilize Fidelity. However, the commissions charged by Fidelity are potentially higher than those charged by a broker who does not provide the aforementioned research and execution related services.

In fulfilling our duties to you, we endeavor at all times to put the interests of our clients first. You should be aware, however, that our receipt of economic benefits from our recommended custodians or another broker-dealer creates a conflict of interest and has the potential to influence our choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, services or compensation.

### **Client Directed Brokerage**

As stated above, we do not require you to use a specified broker-dealer. You may direct us, in writing, to utilize a specified broker-dealer of your choice to effect transactions for or with your account. Subject to our duty of best execution, we generally decline your request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

If you choose to direct your brokerage, you should understand that, in the case of such a directed brokerage arrangement:

- you are solely responsible for negotiating the terms and arrangements on which those brokers and dealers are engaged, and we will have no responsibility for reviewing the fairness of those terms and arrangements;
- we will not seek better execution services or prices from other brokers and dealers in connection with transactions for your account;
- we will not be able to “batch” or “aggregate” transactions for your account with transactions for our other clients not subject to a similar such arrangement;
- we will not monitor the performance of or the services provided by the brokers and dealers so designated; and
- as a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

We will seek better execution services or prices from other brokers or dealers or “batch” your transactions for execution if such action is required by law or fiduciary duties, including but not limited to, the fiduciary duty provisions under ERISA, or if the designated broker or dealer is unable or unwilling to effect a particular transaction or transactions, which may occur with certain transactions involving fixed-income securities.

### **Aggregation of Orders**

From time to time, and only where appropriate, we will aggregate orders for securities transactions for more than one client and, in appropriate circumstances, include proprietary accounts. In doing so, we strive to treat each client fairly and will not favor one client or a proprietary account over another client. When executed, we will allocate the aggregated order in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is for our administrative convenience and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately.

We will not aggregate orders for a client having a directed brokerage relationship with a client who does not have a directed brokerage relationship with the same broker-dealer. A consequence of not aggregating your order with other orders for the same securities is that you may not obtain as good a price in a separate transaction as clients whose orders have been aggregated.

Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by our firm in that security on a given business day. If permitted by the broker-dealer effecting the transaction, transaction costs will be shared on a pro rata basis. Some broker-dealers charge brokerage commissions to each participating client in accordance with the size of that client’s part of the aggregated order, regardless of the total size of the aggregated order. If an aggregated order is not filled in its entirety, it will be allocated among participating accounts on a pro rata basis.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **Reviews**

The frequency and triggering factors for internal account reviews depend upon the services we provide to a client. Our investment adviser representatives conduct our client reviews.

Our investment committee meets on a regular basis to review and make investment recommendations for our RIS<sup>®</sup> Strategies and other strategies. Whenever the committee deems it necessary or appropriate, we will make investment changes to your account. As described in

“**METHODS OF ANALYSIS**” section on page 9, we utilize third party consultants to monitor the investments held within our strategies.

If you are an investment management client, we monitor your account on an ongoing basis. To assist us in reviewing your account we use various reporting tools to (1) identify if your account is not properly aligned with your investment strategy, (2) determine if the growth/loss in your account during the quarter requires us to rebalance your holdings back to the strategy allocation, and (3) review your cash position to determine if it is within the pre-determined risk range. In addition, we conduct regular account reviews at least annually. If you are a financial planning or consulting client, we conduct reviews on an agreed upon basis.

We encourage you to discuss your financial needs, goals and objectives with us and to keep us informed of any changes. We contact our ongoing investment advisory clients at least annually to review our previous services and make any necessary recommendations, as well as discuss the impact resulting from any changes in the client’s financial situation and investment objectives.

### **Reports**

If you are a financial planning or consulting client, we provide a written report and recommendations to you at the completion of a project. As described in the section titled “**ITEM 15: CUSTODY**” beginning on page 22, if you are an investment management client, you will receive confirmations of your purchases and sales and statements from your broker-dealer or custodian containing account information such as account value, transactions, and other relevant account information.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

We must disclose any economic benefits we or our investment advisory representatives receive for providing investment advice and other services to you. As described in the “**ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**” section on page 17, we are a licensed insurance agency and will receive commissions when our Wealth Coaches, as licensed insurance agents, sell insurance products to you. As we described above, while this does create a conflict of interest, we mitigate this conflict by not requiring you to purchase such life insurance through our affiliated agency or Wealth Coaches, and you may purchase the products from another insurance agency of your choice.

In previous years, we hosted and sponsored an annual all-day golf outing. We may or may not host and sponsor the event again. When we offer the event, we invite current clients and Centers-of-Influence to be team captains and to invite three potential prospects that have not yet met us. The majority of the cost for the outing is born by us. We do, from time to time, have mutual fund or ETF product manufacturers contribute financially to reduce our cost. We choose the vendor on the basis of whether we are currently utilizing any of their products, and then ask them if they would like to contribute. The amount of contribution, if any, is decided by them. While the amount varies with each event, the product manufacturers have previously contributed between 5.0% and 20.0% of the cost of the event. We give verbal recognition to the vendor at the golf outing. Sometimes representatives of the vendor will attend the event for part of the day (usually for lunch). The amount the vendor contributes ranges from 0.075% to 0.225% of our annual income, which we believe does not create any influence on what products we utilize in client portfolios. We do attend and sponsor other events that other companies host.

We must also inform you if we or a related person directly or indirectly compensate a third-party for referring clients to us. From time to time, we engage solicitors to market our services. If we do so, you will receive a separate solicitor's disclosure brochure describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You will also receive a copy of this Brochure.

#### **ITEM 15: CUSTODY**

We do not maintain custody of client assets. Rather, each client appoints a qualified custodian to take possession of all client funds and securities. We do not accept cash or securities. We have procedures in place to direct employees regarding the inadvertent receipt of any client funds or securities. Nevertheless, we are deemed to have custody when we are authorized, by the client, to directly debit our advisory fees from the client's custodian account. We are also deemed to have custody when a client establishes a letter of instruction or other asset transfer authorization arrangement with their qualified custodian, authorizing us to disburse funds to one or more third parties specifically designated by the client.

Some of our clients provide us with personal identification numbers and passwords so that we can access their accounts for trading purposes and/or planning purposes. Because we have this information in our possession, we are deemed to have "custody" of certain clients' assets under Rule 206(4)-2 of the Investment Advisors Act of 1940. We have engaged an independent public accounting firm to conduct surprise examinations of these accounts. The accounting firm will conduct these audits each year at a time chosen by the accounting firm without prior notice to us, and that is irregular from year to year.

You will receive statements from the broker-dealer, bank or other qualified custodian that holds and maintains your investment assets at least quarterly. We urge you to carefully review such statements and compare such official custodial records to account summaries that we provide to you, if any.

#### **ITEM 16: INVESTMENT DISCRETION**

We generally receive discretionary authority in writing from you at the outset of our advisory relationship in the Agreement. Discretionary authority grants us the ability to determine, without obtaining your specific consent, the securities to be bought or sold for your portfolio, the amount of securities to be bought or sold, and in most cases, the broker or dealer to be used and the commission rate to be paid. You may establish written investment guidelines and restrictions to limit our discretionary authority in relation to your accounts. In all cases, we exercise such discretion consistent with your investment policies, limitations and restrictions, account size and risk tolerance.

Also, you will likely sign an agreement with your custodian which generally includes a limited power of attorney granting us authority to direct and implement the investment and reinvestment of your assets within the account, but not direct the assets outside of your custodial account.

#### **ITEM 17: VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, we will not be responsible for responding to proxies solicited with respect to annual or special meetings of shareholders of securities held in your account. If you are an ERISA plan, the plan fiduciary of your account expressly retains the authority and responsibility for voting any proxies and we are expressly precluded from voting your proxies. We forward all proxy solicitation materials to you for response and voting.

#### **ITEM 18: FINANCIAL INFORMATION**

As a registered investment adviser, we must provide you with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to you. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to you.