



## **Forthright Family Wealth Advisory LLC**

2101 CityWest Blvd., 1<sup>st</sup> Floor  
Houston, Texas 77042

713-510-3510  
[www.forthrightadvice.com](http://www.forthrightadvice.com)

December 2019

(Item 1)

This brochure provides information about the qualifications and business practices of Forthright Family Wealth Advisory LLC. If you have any questions about the contents of this brochure, please contact us at 713-510-3510. 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 Forthright Family Wealth Advisory LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes (Item 2)**

The last update to this brochure was July 2019. Since that update, there have been the following material changes:

Advisory Business:

We added that Neal Carlson is backed up by Laura Garza who is Director, Client Operations.

We updated Client Assets Under Management to reflect discretionary assets under management as of 11/30/19 to \$140,788,771.

## Table of Contents (Item 3)

|  |   |
|--|---|
| Advisory Business (Item 4) .....   | 1 |
| Fees and Compensation (Item 5).....  | 1 |
| Performance-Based Fees and Side-By-Side Management (Item 6) .....                                    | 3 |
| Types of Clients (Item 7) .....  | 3 |
| Methods of Analysis, Investment Strategies and Risk of Loss (Item 8).....                            | 3 |
| Disciplinary Information (Item 9) .....  | 4 |
| Other Financial Industry Activities and Affiliations (Item 10) .....                                 | 4 |
| Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (Item 11)..... | 5 |
| Brokerage Practices (Item 12).....   | 6 |
| Review of Accounts (Item 13) .....   | 7 |
| Client Referrals and Other Compensation (Item 14) .....  | 7 |
| Custody (Item 15) .....  | 7 |
| Investment Discretion (Item 16) .....  | 7 |
| Voting Client Securities (Item 17) .....   | 8 |
| Financial Information (Item 18) .....  | 8 |

## ADVISORY BUSINESS (ITEM 4)

### ADVISORY FIRM DESCRIPTION

Forthright Family Wealth Advisory LLC (“Forthright” or the “Firm”) has been in business since June 2019. The principal owner of the Firm is Keen Holdings LP, a family owned entity. Neal Carlson is the control person of the firm and he is backed up by Laura Garza, Director, Client Operations.

### TYPES OF ADVISORY SERVICES

Forthright is an independent, fee-only investment advisor providing clients with a detailed personalized approach on a discretionary basis. Forthright consults with clients regarding their personal financial goals and objectives.

Our investment management process is to:

- Determine client’s risk tolerance and investment objective
- Establish Investment Policy Statement (“IPS”)
- Invest the portfolio in accordance with the IPS
- Conduct periodic meetings to review the portfolio and determine if the investment objective and/or risk tolerance has changed

### INVESTMENT MANAGEMENT

Forthright enacts investment objectives and asset allocation by trading in the client’s account as deemed appropriate. The Firm monitors these discretionary accounts continuously in consideration of current market conditions, client objectives and risk tolerance. See Item 8 for more information on Forthright’s investment strategies.

### TAILORED ADVISORY SERVICES

Clients are able to impose restrictions on investing in certain securities or sectors at the onset of the relationship with Forthright.

### CLIENT ASSETS UNDER MANAGEMENT

As of November 30, 2019, the Firm had \$140,788,771 in discretionary assets under management.

## FEES AND COMPENSATION (ITEM 5)

### INVESTMENT MANAGEMENT

For investment advisory services, Forthright charges a monthly management fee which is assessed in arrears. Fees are calculated based on the average value of the managed assets (including cash and accrued interest) for the month ending as reported by the Custodian by (a) multiplying such average value by the applicable percentage rate and (b) dividing the product by twelve (12). Fees for the initial month and the final month will be adjusted *pro rata* based upon the number of calendar days in the calendar month that the Investment Management Agreement was in effect. All accounts for members

of a client's family (husband, wife and dependent children) or related businesses may be assessed on an aggregated or "household" basis in order to attain a lower fee rate.

Forthright has established the following standard fee schedule:

| Average Monthly Managed Assets Balance | Annual Management Fee |
|--|-----------------------|
| \$1,000,000 to \$3,000,000             | 1.2%                  |
| \$1,000,001 to \$5,000,000             | 1.0%                  |
| \$5,000,001 to \$10,000,000            | 0.9%                  |
| \$10,000,001 to \$15,000,000           | 0.8%                  |
| \$15,000,001 to \$20,000,000           | 0.7%                  |
| \$20,000,001 +                         | 0.5%                  |

Fees are negotiable depending upon the complexity of the portfolio, the client's need for additional advice and the desired frequency of meetings. Therefore, Forthright expects that some clients with the same amount of assets under management will pay more than others.

#### ***OTHER FEES***

Client accounts pay directly for fees assessed by the custodian, such as markups, wire, exchange or custodial fees. For more details on the custodian relationship, please refer to the section below "Brokerage Practices".

#### ***IMPLEMENTATION WITH MUTUAL FUNDS***

When Forthright recommends a mutual fund for a client's account, three separate fees may be charged to the client, either directly or indirectly. The first fee is Forthright's investment management fee where the fund is included in the asset base for the monthly fee calculation. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to each client by the custodian. (This set of fees also applies to any ETF or money market fund purchased in the client's account.) The third fee may be a transaction fee which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account. To avoid such fees a client would be required to open a separate account with each individual mutual fund company instead of using the custodian recommended by Forthright, which would also negatively affect Forthright's ability to deliver its services efficiently. Not all mutual fund trades

enacted by Forthright incur this transaction fee. When recommending mutual funds for client portfolios, Forthright only recommends no-load funds.

#### *OTHER ADVISORS*

Forthright recommends other advisors to manage certain client assets. For this service, the client will sign an agreement with the other advisor(s) and pay the corresponding fees directly to the other advisor.

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

Forthright does not charge performance-based fees on any asset or accounts.

### **TYPES OF CLIENTS (ITEM 7)**

Forthright provides investment advisory services to:

- High net worth individuals and families
- Foundations
- Businesses

The preferred minimum account size is \$1 million, however smaller accounts will be accepted at the firm's discretion.

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS (ITEM 8)**

#### METHODS OF ANALYSIS

Forthright uses a combination of the following types of analysis in evaluating investments for client accounts:

- Charting—Analysis of charts of past stock performance
- Fundamental—Analysis of financial attributes of a company, such as revenue growth, debt-to-equity ratio, inventory turnover, etc.
- Technical—Analysis which assumes past performance is a predictor of future performance
- Cyclical—Analysis based on business, industry, calendar or historical cycles

#### INVESTMENT STRATEGIES

Forthright takes a holistic approach to a client's portfolio and manages the following asset classes in each: equities, fixed income, real assets and alternatives. These are allocated on a client by client basis according to the client's tolerance for risk (conservative, moderate or aggressive) and then according to objective (income, growth, or income). Portfolios may hold mutual funds, ETFs, individual equities or bonds, MLPs, certificates of deposit, options, and private placements.

Forthright implements its investment strategies by the following:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)

- Trading (securities sold within 30 days)
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies
- Recommending other advisors to manage particular asset classes/assets

#### **RISK OF LOSS**

---

Forthright does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The client understands that investment decisions made for the client's account by the Firm are subject to various market, economic, political and business risks, and that those investment decisions will not always be profitable. Clients are reminded that investing in any security entails risk of loss which they should be willing to bear. Other specific risks are discussed below.

#### ***OVERALL INVESTMENT RISK***

All investing and trading activities risk the loss of capital. The nature of the securities to be purchased and traded and the investment techniques and strategies to be employed by the Firm may increase this risk. While the Firm will attempt to moderate these risks, there can be no assurance that the Firm's investment activities will be successful or that losses will not be suffered. An investment in an individual account is suitable only for persons who have adequate means of providing for their current needs and personal contingencies and have no need for liquidity in their investments. Many unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments, may cause sharp market fluctuations that could adversely affect performance.

#### ***TRANSACTIONS IN SECURITIES***

There is no assurance that the Firm will correctly evaluate the nature and magnitude of the various factors that could affect the prospects invested securities. Clients may lose their entire investment or may be required to accept cash or securities with a value less than their original investment. Under such circumstances, the returns generated from investments may not be adequate compensation for the risks assumed.

#### **DISCIPLINARY INFORMATION (ITEM 9)**

There have been no disciplinary actions against Forthright or Mr. Carlson.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (ITEM 10)**

Forthright has no other financial industry affiliations.

Mr. Carlson is a licensed insurance agent; he may receive commissions on insurance products he recommends to clients. This service creates a conflict of interest with Forthright clients if Mr. Carlson recommends the purchase of insurance products from

which sale he will receive a commission. This conflict is mitigated through the fact that clients are free to purchase insurance products Mr. Carlson recommends elsewhere.

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

### CODE OF ETHICS

Forthright has adopted a Code of Ethics that describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm’s Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm’s behalf and on their own behalf consistently with the Firm’s disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

### *MISUSE OF NONPUBLIC INFORMATION*

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or recommending clients’ securities trades.

### *PERSONAL SECURITIES TRADING*

Forthright or individuals associated with the Firm may buy, sell or hold in their personal accounts the same securities the Firm recommends to its clients. This creates a potential conflict of interest with the possibility of Firm personnel obtaining a better price than clients obtain. To mitigate this conflict, personal trades in the same security



may occur simultaneously with and receiving the same price, or after client trades. The Firm does not allow front running.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

#### *OUTSIDE BUSINESS ACTIVITIES*

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

### **BROKERAGE PRACTICES (ITEM 12)**

#### **SELECTION OF BROKERS**

The Firm recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis. However, the Firm evaluates its entire custodial and trading relationship in assessing best execution on a client-by-client basis. Items considered include quality of trade executions, speed of reports, quality of client service, access to mutual funds, and pricing to clients.

#### **RESEARCH AND OTHER SOFT-DOLLAR BENEFITS**

Forthright currently has no formal soft-dollar arrangements, where specific products or services are paid for with soft dollars generated for the Firm by individual trades the Firm places in client accounts. However, the custodian provides the Firm with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

#### **BROKERAGE FOR CLIENT REFERRALS**

The Firm does not receive referrals from a broker/dealer or third parties providing service to Forthright.

#### **DIRECTED BROKERAGE**

Clients choose to execute trades through broker/dealers with whom they have an existing relationship. In this instance, the Firm is less able to meet its fiduciary duty to obtain best execution for transactions executed for clients. These clients are also unable to participate in aggregated trade orders.

#### **ORDER AGGREGATION**

Forthright may aggregate brokerage orders for its clients and allocate the securities purchased or sold among the participating accounts, with each account receiving the same terms. The proportion in which participating accounts will share transactions will be determined by the Firm based on investment objectives, cash availability, expected cash and liquidity needs, and other relevant factors. The overarching principle for that

allocation is that no client is intentionally favored over another client that is similarly situated. There is no fee advantage to clients when participating in aggregated orders.

### REVIEW OF ACCOUNTS (ITEM 13)

Mr. Carlson conducts periodic reviews of client accounts, generally no less than monthly. These reviews entail comparing the client's investment objective to the portfolio holdings, cash flows, changes in the client's financial position, and often discussion with the client.

Mr. Carlson will meet with each client on a periodic basis to review account(s). The frequency of these reviews can be impacted by several factors including:

- The size and complexity of the client's accounts
- The complexity of the client's financial situation
- Unexpected changes in the client's goals or objectives
- Changes in political and economic circumstances
- Other lifestyle changes warranting a review of the client's financial situation

Periodic written performance reports will be prepared for each review in addition to the monthly account statements and confirmations that are generated by the custodian of the assets and are sent directly to the client.

### CLIENT REFERRALS AND OTHER COMPENSATION (ITEM 14)

The Firm does not pay outside individuals or entities for referring clients.

### CUSTODY (ITEM 15)

Custody is defined as having any access to client funds or securities. Because Forthright generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's account, Forthright is considered to have "custody" of client assets. This limited access is monitored by the client through receipt of account statements directly from the custodian. These statements all show the deduction of the management fee from the account.

Forthright expects its clients will provide the Firm with standing instructions to send funds from their account to outside parties. This authority gives Forthright a form of custody because the standing instructions are not explicit concerning when and how much would be sent. However, these accounts will not need to be examined by a public accounting firm on a surprise basis.

When clients receive their statements from the account custodian, clients should carefully review those statements.

### INVESTMENT DISCRETION (ITEM 16)

Because Forthright manages only discretionary accounts, the Firm has full trading authority under a limited power of attorney. As a result, Forthright will determine both the investments, when and how much of each, should be purchased or sold on each

client's behalf. The Firm follows the investment strategy as set forth in the client's Investment Policy Statement. Clients may place restrictions on the Firm's discretion in writing.

#### **VOTING CLIENT SECURITIES (ITEM 17)**

Forthright does not vote proxies for securities held in clients' accounts. Clients receive proxy material directly from their account custodian by either email or U.S. mail. Clients may address questions concerning a proxy matter to Firm personnel via email or phone.

#### **FINANCIAL INFORMATION (ITEM 18)**

There is no financial condition that is reasonably likely to impair the Firm's ability to meet its contractual commitments to its clients.