

## **Firm Brochure**

(Part 2A of Form ADV)



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This brochure provides information about the qualifications and business practices of Cox Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at: (423) 894-3882, or by Email at: [info@coxwealth.com](mailto:info@coxwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

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

**April 30, 2011**

## ***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**

Change of Regulatory Supervision from the SEC to the State of Tennessee due to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The maximum amount of prepayment has been lowered from \$1,200 to prepayment of fees of no more than \$500.00 per client, six months or more in advance due to the differences in SEC and State Regulations.

References to SEC Registration removed and replaced by Tennessee Department of Commerce and Insurance Securities Division due to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Assets updated per the Tennessee Department of Commerce and Insurance Securities Division filing instructions to be within 90 days of filing to Discretionary Assets of \$31,506,968 for 132 clients, and Non-Discretionary Assets of \$3,345,898.00 for 4 clients.

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### **Full Brochure Available**

Whenever you would like to receive a complete printed copy of our Firm Brochure, please contact us by telephone at: (423) 894-3882 or by Email at: [info@coxwealth.com](mailto:info@coxwealth.com) or you can access an electronic copy on the [www.coxwealth.com](http://www.coxwealth.com) website by clicking the "Our Form ADV" hyperlink.

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### **Firm Description**

Cox Wealth Management, LLC, was founded in 1998 by Richard Lee Cox, Sr., who along with his wife Margaret Renee' Cox are the two principal owners of the firm. There are currently four employees including one Certified Financial Planner™ designee who is the sole Investment Adviser for the firm, one Registered Assistant, one chief financial officer and a part-time technology consultant. The firm is registered with the Tennessee Department of Commerce and Insurance Securities Division as a Registered Investment Adviser. *(The term Registered does not imply a certain level of skill or training)*

Cox Wealth Management, LLC provides personal financial planning and investment management to individuals, families, business owners, governments and related entities, such as trusts, estates, and family businesses. Cox Wealth Management, LLC works with clients to define financial objectives and to develop strategies for reaching those objectives, some of which may include: identification of financial problems, cash flow and budget management, tax planning, risk exposure review, investment and portfolio management, education funding, retirement planning, estate planning, charitable planning goals, special needs planning, business management consulting, family business succession issues, fringe benefits, and/or other issues specific to the client. The client may impose restrictions on investing in certain securities or types of securities depending on their individual preferences.

Cox Wealth Management, LLC participates in a Brokerage Platform offered by American Portfolios Financial Services, Inc. under a marketing name of the *Eagle Asset Management Account*. This platform allows for custom portfolios to be designed and managed according to the client investment objectives. The ticket and ancillary charges under this platform are paid directly to American Portfolios Financial Services, Inc. who has custody of the assets. Cox Wealth Management, LLC does not participate in these charges. Please refer to the "Custody" Section of this brochure for more information.

Cox Wealth Management, LLC manages client assets under either a discretionary basis which currently represents approximately 90% of client assets, or non-discretionary or direct brokerage basis currently representing approximately 10% of client assets.

The firm's compensation is solely from fees paid directly by the clients. The firm does not receive commission based income from the purchase or sale of any financial product, including insurance. No commissions in any form are accepted by Cox Wealth Management, LLC. No finder's fees are solicited or accepted.

Cox Wealth Management, LLC is however directly affiliated with persons that do sell financial products or securities, who may also be licensed with broker dealers, insurance companies, and insurance agencies. This poses a conflict of interest when the affiliated associate also offers such products to clients. Please refer to the "Other Financial Industry Activates and Affiliations" of this brochure for more information.

Cox Wealth Management, LLC may also directly or indirectly benefit from client referrals from Richard L. Cox, Sr. its Chief Investment Manager who is profiled as an advisor in the Paladin Registry ([www.paladinregistry.com](http://www.paladinregistry.com)). Please refer to the "Incoming Referrals" Section of this brochure for more information.

Investment advice is provided as a part of the financial planning process, with the client making the final decision on investment or product selection. Cox Wealth Management, LLC does not act as a custodian of client assets. The client always maintains asset control. Cox Wealth Management, LLC places trades for clients under a limited power of attorney granted by the client.

An evaluation of each client's initial situation is provided to the client, often in the form of an online financial summary accessible by the client through a secure website. Periodic 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 conducted by telephone, is free of charge and is considered an exploratory interview to determine the extent to which services offered may be beneficial to the client.

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## **Principal Owners**

Richard Lee Cox, Sr. the Chief Investment Manager and Managing Member of Cox Wealth Management, LLC is a 90% owner of the firm. His wife Margaret Renee' Cox is the Chief Financial Officer of Cox Wealth Management, LLC and a 10% owner.

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## **Types of Advisory Services**

Cox Wealth Management, LLC provides investment supervisory services, also known as asset management services; reviews, selects and monitors non-affiliated third party money managers, manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations; issues special reports about securities; and provides, charts, graphs, formulas, or other devices which clients may use to evaluate securities.

On more than an occasional basis, Cox Wealth Management, LLC furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, business consulting, pension consulting and trust services that often include estate planning.

As of 04/27/2012, Cox Wealth Management, LLC manages and oversees approximately \$34,852,866.00 in total assets for approximately 132 clients. Approximately \$31,506,968.00 is managed on a discretionary basis, and \$3,345,898.00 is managed on a non-discretionary or direct brokerage basis.

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## **Tailored Relationships**

The goals and objectives for each client are documented in the online planning application and the plan developed in consultation with the client. Investment policy statements are created that reflect the clients stated goals and objectives. Clients may impose 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**

A financial plan is designed to help the client with all aspects of financial planning, without ongoing investment management unless elected after the financial plan is completed.

The financial plan 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; strategic tax planning; 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 investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The minimum fee is \$2,500.00 and increases for those clients with a total Net Worth above \$2,500,000.00 by calculating 1/10<sup>th</sup> of a percent of the total. *For example a \$5,000,000 (5 Million Dollar Networth) times 1/10<sup>th</sup> of a percent would be \$5,000.00 (five thousand dollars).*

Total Net Worth is defined as the total assets over which the client has a beneficial interest in *(including trusts, estates, and foreign accounts)* less outstanding liabilities or obligations. This fee is negotiable with the purchase of other services. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments and may require additional advice which is billed outside the scope of the financial plan.

In the event that the client's situation is substantially different than 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, if a fee increase becomes necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation work is billed separately, according to the *Hourly Planning Engagement* schedule or under the complete services agreements offered through the *Pinnacle Advisory Service* as described in this document.

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## **Pension Consulting Agreement**

Cox Wealth Management, LLC provides pension consulting for business clients seeking design, construction, custodian selection, investment selection, ERISA qualification and ongoing supervision of their pension plans.

*We may charge both hourly and/or ongoing management fees depending on the plan and the services requested by the client. Compensation is negotiated with the client in writing and disclosed per DOL and ERISA guidelines. CWM will work with plan sponsors in the development and design of ERISA plans and offering advice on plan assets on a negotiated basis either hourly or fee (or combination of both) depending on the client needs. In no event will CWM also charge for participant investment advice at the same time they are acting as the advisor to the plan.*

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## **Employee Plan Review Agreement**

Cox Wealth Management, LLC also provides independent investment advice to individual plan participants of Employer sponsored qualified plans not under our management for a flat fee of \$125.00 per review. These reviews include the analysis of participant plan investment options and developing recommendations from available investment choices according to the individual participant risk tolerance. They recommend that the client have quarterly reviews and updates to monitor the account progress, but do not offer continuous supervision due to lack of access to employee participant account information.



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## Advisory Service Agreement

Clients can choose to have Cox Wealth Management, LLC manage their financial affairs by using the *Pinnacle Advisory Services Agreement* in order to obtain ongoing advice and life planning. The Client engages the Adviser to monitor specified aspects of the client's financial affairs according to their request, including those of their dependent children. Realistic and measurable goals are developed and objectives to reach those goals are defined. The reviews of the defined goals and objectives are available per client request, recommended changes are made and implemented upon client approval. The Pinnacle Advisory Services includes: cash flow review; insurance review; investment and portfolio management (including performance reporting) ; education planning; retirement planning; estate planning; and tax advice, as well as any Advisory fees for implementation of the recommendations within each area, it is understood that the Pinnacle Advisory Services Agreement will include any hourly agreements or fees chargeable, unless negotiated separately.

The annual *Pinnacle Advisory Service Agreement* fee is based on a percentage of the investable assets according to the following schedule:

### FEE SCHEDULE

| Account Value             | Annualized Fee %* |
|---------------------------|-------------------|
| \$50,000 - \$99,999       | 2.00              |
| \$100,000 - \$249,999     | 1.95              |
| \$250,000 - \$499,999     | 1.85              |
| \$500,000 - \$749,999     | 1.75              |
| \$750,000 - \$1,249,999   | 1.65              |
| \$1,250,000 - \$1,999,999 | 1.55              |
| \$2,000,000 - \$4,999,999 | 1.50              |
| \$5,000,000 - \$9,999,999 | 1.25              |
| \$ 10,000,000 – UP        | Negotiable        |

The minimum annual fee is \$1,000.00 and is only negotiable with the purchase of additional services or the combining of additional accounts under unified management. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the *Pinnacle Advisory Service 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 quarter completed. The *average daily balance* of the portfolio value 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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## Retainer Agreement

In some circumstances, a *Retainer Agreement* is executed in lieu of a *Fee Agreement* when it is more appropriate to work on a fixed-fee basis. The annual fee for a Retainer Agreement is negotiable based upon the estimated work and services desired by the client and is re-negotiated on an annual basis. If the contract is not re-negotiated then the agreement continues at the previously agreed rate until the agreement is either canceled or re-negotiated.

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## Investment Management Agreement

The *Eagle Asset Management Account* may be executed as a standalone agreement when additional ongoing planning and advice is not desired as part of the relationship. The annual fee for the *Eagle Asset Management Account* is based on the following fee schedule:

### FEE SCHEDULE

| Account Value             | Annualized Fee % |
|---------------------------|------------------|
| \$50,000 - \$99,999       | 1.25             |
| \$100,000 - \$249,999     | 1.00             |
| \$250,000 - \$499,999     | 0.950            |
| \$500,000 - \$749,999     | 0.925            |
| \$750,000 - \$1,249,999   | 0.850            |
| \$1,250,000 - \$1,999,999 | 0.825            |
| \$2,000,000 - \$4,999,999 | 0.760            |
| \$5,000,000 - \$9,999,999 | 0.725            |
| \$ 10,000,000 – UP        | Negotiable       |

The minimum annual fee is \$625.00 and is negotiable with the purchase of additional services or combining of accounts. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

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## Third Party Money Managers

When certain investment management services are desired to be added to a client's portfolio, which Cox Wealth Management, LLC does not provide they will then seek out non-affiliated third party Investment Managers.

Cox Wealth Management, LLC will conduct a due diligence process including a review of the outside firm's Form ADV, references, length of time in industry, performance, and management history. Once engaged they continue monitoring the manager and the ongoing portfolio performance against the client's stated goals and objectives.

The fee for this service is billed under the same schedule as the *Eagle Asset Management Account* fee schedule as described previously. Some Third Party Managers may deduct their fee from the assets they manage and share part of it with Cox Wealth Management, LLC. Cox Wealth Management, LLC will offset client fees by the amount received from the Third Party Money Managers. In no event will the fee paid to Cox Wealth Management, LLC exceed the amount normally received under a signed client advisory agreement.

The Third Party Manager will also have additional fees and expenses as compensation for their labor and expense. The Third Party Manager will disclose their fees in their Firm Brochure and under a separate signed client agreement.

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## Tax Advice or Preparation Agreement

Tax Advice is included under the *Financial Planning, Pinnacle Advisory Service Agreement* or Retainer Agreement scope of work.

Tax **preparation** work is performed separately from all other services and is billed per their published hourly rates as listed under “*Hourly Planning Engagements*” in this document. Minimum fee for tax preparation is \$500.00.

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## Hourly Planning Engagements

Cox Wealth Management, LLC provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is according to their hourly fee schedule as follows:

|  |                |
|--|----------------|
| Administrative (Record Keeping, Filing, Typing, Correspondence)        | \$ 55.00 Hour  |
| Para-Planner (Planning Associates, Staff Reports, & Research)          | \$ 115.00 Hour |
| Professional (Asset Allocation, Investment Advice, Financial Planning) | \$ 225.00 Hour |

Hourly fees are billable each month as incurred, plus any additional out of pocket expenses for postage, long distance phone calls, overnight charges, duplication expenses or any other direct expenses. Cox Wealth Management, LLC makes an estimate for any hourly engagements that will take more than 3 hours and a deposit of 50% of the total estimated hourly fee shall be made at the beginning of any engagement.

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## Asset Management

Assets are invested primarily in stocks, closed end funds, no-load or load mutual funds sold at Net Asset Value (*without a commission*) and exchange-traded funds, usually through discount brokers or fund companies. Cox Wealth Management, LLC may also use third party money managers to manage all or a portion of client assets if the need arises. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Third-Party Money Managers charge a fee as disclosed in their Firm Brochure. Discount brokerages may additionally charge transaction fees and service fees for the purchase, sale or administration of investments.

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

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, unit investment trusts, real estate investment trusts and mutual funds shares), U. S. government securities, options contracts, futures contracts, derivatives, and interests in partnerships.

Initial public offerings (IPOs) are not available through Cox Wealth Management, LLC.

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## Termination of Agreement

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

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

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## **Fees and Compensation Description**

Cox Wealth Management, LLC bases its fees on a percentage of assets under management, hourly charges, and fixed fees (not including subscription fees).

Some *Retainer Agreements* may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation and calculated as a Percentage of Networth.

Fees maybe negotiable with the combining of multiple accounts or the purchase of additional services.

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## **Fee Billing**

Investment management fees are billed quarterly, *in arrears*, meaning that the client is invoiced *after* the three-month billing period has *ended and as calculated by the qualified custodian holding the assets using the "average daily balance" method*. Fees are usually deducted from a designated client account as a convenience for clients. The client must consent in advance to direct debiting of their investment account. The qualified custodian will make the calculations and remit the fees payable with a detailed notice to the client as listed on the custodian's quarterly holdings report. Cox Wealth Management, LLC pays the cost to the custodian for this billing service to the client.

Hourly Fees and Retainer Fees are billed by invoice directly to the client on either a monthly or quarterly basis as agreed in the signed agreement. Payment in full is expected upon invoice presentation.

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan. The positive or negative values of option contracts are included in the net equity value of the account for purposes of determining the client advisory fee. Clients should be aware that option contracts are a "wasting" asset, in that they have value only through the date on which they expire. If call option contracts are sold in conjunction with securities held in a client account, (often referred to as "covered call options") the cash received on the sale of the option may have the effect of temporarily increasing the net equity value of the client account, and thus increasing the amount of the client advisory fee.

With respect to client accounts that utilize margin, the "net worth" or "net equity" value of the account, not the long or short market value, is used to determine the client advisory fee. No portion of the fee is based upon a share of capital gains upon, or capital appreciation of the funds under our management.

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## **Rate Changes**

Rates and schedules are subject to change as necessary. Cox Wealth Management, LLC will notify the client of the new rates in writing. The effective date of the rate increase will be 30 days after notification. The client is supplied with a new rate schedule to be attached to their existing agreement within the 30 day period.

*Services provided by CWM might be obtained elsewhere at either a higher or lower cost.*

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## Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds, or stocks and bonds held in clients account. 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.

Cox Wealth Management, LLC, 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, purchase of multiple services, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Cox Wealth Management, LLC has a fiduciary duty to place the interests of the client ahead of their own, with full disclosure of any additional compensation when an associated person is acting in another capacity, such as a securities broker or insurance agent.

Cox Wealth Management, LLC offers offsetting credits to the advisory accounts of clients who pay securities commissions to their affiliated advisors who are also a securities broker when the client places such assets under a management agreement. These offsetting credits reduce the advisory fee or retainer fees of clients who have assets covered under a signed Cox Wealth Management, LLC advisory agreement.

Service fees (sometimes referred to as 12b1 fees) paid to Cox Wealth Management, LLC affiliated advisors are not credited to any particular client but rather used by the advisor to lower the total cost of doing business. These costs are incidental and the amounts are so small and the transactions so numerous that the cost for accounting would exceed the nominal amount received.

Commissions earned on Insurance products purchased through Cox Financial Centers, Inc. are not allowed to be credited to advisory accounts due to the laws against rebating insurance in most states. Therefore no credits are made to any client account purchasing insurance products through Cox Financial Centers, Inc. or its general agent Richard Lee Cox, Sr and affiliates.

Insurance products recommended can be purchased through other agents not affiliated with Cox Wealth Management, LLC. There is no requirement that any products be purchased through Richard Lee Cox, Sr., his affiliated companies or representatives.

Investment products recommended may also be purchased through other brokers or agents not affiliated with Cox Wealth Management, LLC. If so elected Cox Wealth Management, LLC would not be able to provide continuous supervision or management of the held away assets. This advice would be covered under an hourly engagement with the client responsible for the execution of any recommendations.

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## Expense Ratios

Mutual funds, Variable Annuities and Electronic Traded Funds (ETF's) 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 fund company charges 0.5% for their services. These internal fees are in addition to the fees paid to Cox Wealth Management, LLC and disclosed in the prospectus given by the investment company. Be sure to read the prospectus carefully prior to investing.

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

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## **Past due Accounts and Termination of Agreement**

Cox Wealth Management, LLC reserves the right to stop work on any account that is more than 60 days overdue. In addition, Cox Wealth Management, LLC 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 Cox Wealth Management, LLC's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 14 days.

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## **Performance Based Fees/Sharing of Capital Gains**

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

Cox Wealth Management, LLC does not use a performance-based fee structure because of the conflict of interest that exists. 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.

## ***Types of Clients***

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### **Description**

Cox Wealth Management, LLC generally provides investment advice to individuals, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities. Client relationships vary in scope and length of service.

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### **Account Minimums**

The minimum account size for the *Eagle Asset Management Account* is \$50,000 of assets under management, which equates to an annual fee of \$625.00.

When an account falls below \$50,000.00 in value, the minimum annual fee of \$625.00 is charged. Depending upon circumstances, Cox Wealth Management, LLC will sign an *Hourly Agreement* with the client if assets have diminished significantly below \$50,000.

Cox Wealth Management, LLC has the discretion to waive the account minimum. Accounts of less than \$50,000.00 which may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$50,000.00 within a reasonable time, or when combining multiple accounts or services for billing. Other exceptions will apply to employees of Cox Wealth Management, LLC and their relatives, or relatives of existing clients because of securities regulations.

Clients receiving ongoing Advisory Service through the *Pinnacle Advisory Service Agreement* will be assessed a \$1,000.00 minimum annual fee. 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.

## ***Methods of Analysis, Investment Strategies and Risk of Loss***

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### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

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

Other sources of information that Cox Wealth Management, LLC may use include Morningstar Advisor Workstation mutual fund information, Morningstar Stock Analysis information, Dorsey Wright Momentum Research, Hulbert Research and the World Wide Web.

Investing involves the risk of loss that clients should be prepared to bear, including the loss of principal. No investment strategy can protect a portfolio from all risks so clients should understand and be willing to accept the associated risks with investing.

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## **Investment Strategies**

### **Tactical Asset Management**

The primary investment strategy used on client accounts is a tactical asset allocation strategy utilizing Relative Strength Studies. This means that Cox Wealth Management, LLC will use individual stocks, closed end mutual funds, and exchange-traded funds as the core investments, and then track the strength of the individual assets against their peer group and the broader sectors in which they are classified, looking for opportunities to make a difference.

Cox Wealth Management, LLC may employ a trailing stop to sell a position if it falls below their adjusted limits. They also may employ the use of ETN's electronic traded notes which base their value on underlying derivatives such as options or commodity contracts. Portfolios are globally diversified to attempt to control the risk associated with traditional markets, however due to trading securities based on their relative strength it may also require trading securities more frequently during times of excessive market volatility. This can result in increasing trading costs and taxes (*in a taxable account*) both of which can result in reduced overall portfolio performance. Other strategies affecting all type of Investment accounts may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

### **Strategic Asset Management**

Cox Wealth Management, LLC will also provide strategic asset allocations for those clients wishing a traditional mutual fund allocation. This means they use mutual funds screened by their objective for each portion of the allocation model and then evaluated for the 1, 3, & 5, year performance. They further screen for manager experience, time at the firm, size of the fund and star rating by Morningstar. The allocation model once defined according to the client risk tolerance is then further adjusted for both the relative strength and the current economic outlook as determined by the advisor.

### **Variable Annuity Asset Management**

Cox Wealth Management, LLC will also offer discretionary management for variable annuity contract clients subject to the restrictions and limitations imposed on the contracts by the issuing insurance companies. They use a rebalancing and investment selection process similar to the strategic asset management as described above. Variable contracts have investment options known as sub-accounts which carry separate management fees in addition to the policy fees assessed by the insurance company for mortality and expense charges and any insurance riders which may be purchased. These fees are established by the issuing insurance company and investments managers of the sub-accounts. Any commissions paid to Cox Wealth Management, LLC affiliated advisors will offset a like amount to

any advisory agreement with Cox Wealth Management, LLC, as long as the variable contract is part of a signed advisory services agreement.

The investment strategy for a specific client is based upon the objectives as stated by the client during consultations. The client may change these objectives at any time. The client must execute a Limited Power of Attorney for Variable Contracts allowing discretionary trading of the contract.

Upon termination of the LPOA the investment accounts remain as last allocated and the owner must instruct the Insurance Company or their agent directly if they desire any changes to be made. Once accepted by CWM, this LPOA continues in effect until verbal or written notification of termination is received from the contract owner. The electronic transaction privilege given to CWM may be canceled by the contract owner at any time by notifying the Insurance Company directly.

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## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Cox Wealth Management, LLC's investment approach constantly keeps the risk of loss in mind. Additionally 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.



- **Political Risk:** Laws governing any country are subject to change and as such can create financial stress when abruptly changed. This can affect a single industry or the broader economy causing unexpected results, sometimes known as “unintended consequences”.
- **Derivative Risk:** When the value of an asset is based upon other underlying assets such as commodities or options contracts. The derivative can leverage the value of the asset by multiples resulting in increased volatility in either an up or down market.
- **Risk of Loss:** Investing carries with it the risk of loss, including the loss of invested principal. Understanding this risk can help investors decide how much of their money they are comfortable in placing in any given asset.

## ***Disciplinary Information***

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## ***Other Financial Industry Activities and Affiliations***

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### **Financial Industry Activities**

Cox Wealth Management, LLC is registered as an investment advisor and only acts in that capacity. Registration does not imply a certain level of skill or training

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### **Affiliations**

Cox Wealth Management, LLC has arrangements that are material to its advisory business or its clients with a related person who is also affiliated with a broker-dealer, Investment Company, other investment advisor, accounting firm, insurance company or agency.

Richard Lee Cox Sr. Chief Investment Manager of the firm is also affiliated with American Portfolios Financial Services, Inc. a Registered Broker Dealer as a Registered Representative (*the term Registered does not imply a certain level of skill or training*) offering securities which are sold on a commission basis. He also may receive service fees from certain mutual funds, and asset based sales charges from certain broker dealer sold products. Commission income can present a conflict of interest as the advisor may recommend such investment products over others based on the commissions received. Mr. Cox is held to a fiduciary standard and required to disclose any conflicts of interest prior to executing any transactions additionally we have agreed to offer fee credits to offset any commissions he may receive. (See “Other Fees” section of this document).

Richard Lee Cox, Sr. Chief Investment Manager of Cox Wealth Management, LLC is also affiliated with Cox Financial Centers, Inc. a licensed insurance agency where he markets and sells Life, Health, Disability, Long Term Care and Group insurance products as a licensed insurance agent. These products pay commissions to Cox Financial Centers, Inc. and directly benefit Richard Lee Cox, Sr. as the General Agent. Clients may purchase recommended products through any agent they so choose.

Cox Wealth Management, LLC does not participate directly in any commissions earned, and has procedures in place to ensure clients are fully informed of any commission transactions prior to execution by their advisors. In all circumstances Cox Wealth Management, LLC holds their advisors’ to a fiduciary standard of care, meaning the advice given is impartial and clients are under no obligation as to where or from whom to purchase any recommended products or investments.

Richard Lee Cox, Sr. is also a stockholder with his wife Margaret Renee' Cox in Legacy Trust Administration Services, Inc. an accounting company specializing in trust, estate, and partnership accounting services provided on either a retainer or an hourly basis.

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## **Other Investment Advisers**

Cox Wealth Management, LLC may recommend other investment advisers for consideration by their clients. In such relationships they may act as the supervising manager monitoring the outside investment adviser. Some investment advisers share the revenue they receive for managing the assets with Cox Wealth Management, LLC. Cox Wealth Management, LLC will offset client fees by any amount received.

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

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### **Code of Ethics**

The employees of Cox Wealth Management, LLC have committed to a Code of Ethics that is available for review by clients and prospective clients upon request.

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

Cox Wealth Management, LLC and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees are required to comply with the trading provisions as outlined in the Cox Wealth Management, LLC Compliance Manual.

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### **Personal Trading**

The Chief Compliance Officer of Cox Wealth Management, LLC is Richard Lee Cox, Sr. He reviews all employee trades before execution. His trades are reviewed by Charles Wayne Cordle, Jr his Registered Assistant\*

Due to his relationship as a Registered\* Representative of American Portfolios Financial Services, Inc Richard Lee Cox, Sr trades are also reviewed for suitability by their compliance department as mandated by the Financial Industry National Regulatory Authority (FINRA).

The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm do not receive preferential treatment. Since most employee trades are stocks, closed end funds, small mutual fund trades or exchange-traded fund trades, the trades do not materially affect the securities markets.

*(\* registration does not imply a certain level of skill or training).*

### ***Brokerage Practices***

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### **Selecting Brokerage Firms**

Cox Wealth Management, LLC does not have a direct affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. Cox Wealth Management, LLC recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates and related services provided.

Cox Wealth Management, LLC recommends discount brokerage firms and trust companies (qualified custodians), such as American Portfolios Financial Services, Inc. and its clearing firm Pershing, LLC.

The custodians publish a list of their brokerage and transaction fees which are delivered to a client prior to opening an account.

Cox Wealth Management, LLC *does not* receive fees or commissions from any of these arrangements.

However, Richard Lee Cox, Sr. the Chief Investment Manager of Cox Wealth Management, LLC may receive commissions or service fees as a Securities Broker affiliated with American Portfolios Financial Services, Inc. and this is a conflict of interest. (*See the Affiliations Section*)

Since most of the portfolios are constructed with individual stocks, bonds, closed end funds and electronic traded funds, and Mutual Funds purchased at Net Asset Value (*commission free*) the amount of such income would be negligible within such Advisory Services account.

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## **Best Execution**

Cox Wealth Management, LLC reviews the execution of trades at the custodian each quarter. The review is documented per the Cox Wealth Management, LLC Compliance Manual. Trading fees charged by the custodians are also reviewed on a quarterly basis. Cox Wealth Management, LLC does not receive any portion of the trading fees. The fees charged may be higher or lower at other firms.

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## **Soft Dollars**

Cox Wealth Management, LLC receives software and technology services from American Portfolios Financial Services, Inc. allowing the ability to electronically trade client accounts. Most client assets are custodied at American Portfolios Financial Services, Inc. and its clearing firm Pershing, LLC. This access offsets some of the annual maintenance and technology fees Cox Wealth Management, LLC would otherwise have to pay. The selection of American Portfolios Financial Services, Inc. as a custodian for clients is not affected by this nominal benefit, the primary benefits for using American Portfolios is the ability to trade all accounts in a single transaction (*otherwise known as aggregate trading or block trading*), and the overall transaction fee pricing, prospectus fulfillment, and electronic trading interface. These services may be higher or lower at other clearing firms.

All clients benefit from this arrangement as it reduces the firm's overall expenses.

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## **Directed Brokerage**

Cox Wealth Management, LLC recommends that clients execute transactions through American Portfolios Financial Services, Inc. and its clearing firm Pershing, LLC for several business and regulatory reasons.

Richard Lee Cox, Sr. the Chief Investment Manager of the firm is affiliated with American Portfolios Financial Services, Inc. as a Securities Broker and Branch Manager and as such is required by the regulators to have his transactions supervised by their compliance and supervision department.

By using a single custodian client accounts can be block traded in aggregate potentially lowering costs or obtaining better pricing for the clients. By *not* directing brokerage to American Portfolios Financial Services, Inc. and its clearing firm Pershing, LLC it could potentially prevent Cox Wealth Management, LLC from obtaining the most favorable execution for client transactions and potentially increasing the cost for client transactions.

Cox Wealth Management, LLC will provide investment advice to clients who wish to establish brokerage accounts with other custodians. These arrangements are priced under hourly agreements and no supervision or management services are provided for the held away assets. When using these types of brokerage arrangements it may result in higher brokerage commissions because the trades cannot be aggregated with other client accounts and the pricing may be less favorable.

The costs associated with conducting transactions through American Portfolios Financial Services, Inc. may be higher or lower at other brokerage firms.

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## **Order Aggregation**

Cox Wealth Management, LLC may engage in aggregate trading when purchasing the same security for the benefit of more than one discretionary account at a time. If an order is filled, each participating client receives the same average share price for all the transactions in a given aggregated trade, on a given business day, with the transaction costs shared equally and on a pro-rata basis when custodied at the same brokerage firm.

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## **Periodic Reviews**

Advisory Account reviews are performed quarterly by Richard Lee Cox, Sr., CFP® and may be performed more frequently if market conditions dictate.

Performance reports are mailed quarterly for those clients requiring paper delivery. These reports compare the performance of the portfolio against an equity index and a bond index over the previous year, the portfolio breakdown by class, the assets held in the account by value and percentage, the gain or loss in the portfolio over the time period measured and the beginning and ending value.

Cox Wealth Management, LLC provides daily updates for their client advisory accounts through their secure website. Clients have the ability to access their account information and run performance reports at any time by using their secure logon identification and password. This ability allows the client and the advisor the ability to review the account on a daily basis if needed.

Financial Planning reviews are provided on an as need basis with notices sent annually as a reminder. Cox Wealth Management, LLC provides virtual planning services with the client's information accessible through their secure website. Clients can access their financial plan at any time by using their logon identification and password. This ability allows both the advisor and the client to collaborate and update information as needed.

Clients can view and print their financial plan online and contact their advisor with any updates or changes as required. If the client wishes a printed plan or report then one will be provided at no cost.

Cox Wealth Management, LLC contracts with third party providers to collect and aggregate the data on their secure website for both the Advisory and the Planning clients. No warranty is expressed or implied as to accuracy of the data collected or presented. While the data is believed to be reliable it is provided as a courtesy for their clients on a best efforts basis by the third party data providers.

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## **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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## **Regular Reports**

Clients receive periodic communications on at least an annual basis. *Pinnacle Advisory Service Agreement* clients, *Eagle Asset Management Account* clients, and *Retainer Agreement* clients receive written quarterly updates if requested. The written updates may include a portfolio statement, and/or a summary of objectives and progress towards meeting those objectives depending on the type of agreement. The reports may be delivered electronically by client request.

## ***Client Referrals and Other Compensation***

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### **Incoming Referrals**

Cox Wealth Management, LLC has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these type of referrals.

Cox Wealth Management, LLC may directly or indirectly obtain client referrals from Richard Lee Cox, Sr. who is profiled in the Paladin Registry ([www.paladinregistry.com](http://www.paladinregistry.com)). Investors use the Registry's online services to learn about financial advisors, to learn how to avoid bad financial advice, to learn how to select quality advisors, to search for financial advisors, and to view advisor documentation. Paladin matches their listed financial professionals to investors who use the Registry's Self and Custom Search services and its documentation for their credentials, ethics, business practices, and financial services. Their professionals pay fixed monthly dues to be profiled in the Registry and to receive referrals. Paladin uses the dues to provide free information and search services to potential investors.

Cox Wealth Management, LLC may directly or indirectly obtain potential client referrals through WiserAdviser.com an online internet based referral service owned by Respond which profiles Advisors through an internet based search engine and attempts to match them to a local advisor. This is a fee based service requiring the Advisor to pay for each contact referred.

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### **Referrals Out**

Cox Wealth Management, LLC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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### **Social Media Policy**

Cox Wealth Management, LLC has adopted a Social Media policy created by American Portfolios Financial Services, Inc. through its relationship with an outside vendor known as Social Ware. Due to Richard L. Cox, Sr. the Chief Managing Member and Charles Wayne Cordle, Jr. his Registered Assistant being licensed through the Financial Industry Regulatory Association (FINRA) they are required to adhere to the Broker Dealer Regulations and usage concerning Social Media which extends to all affiliated persons of Cox Wealth Management, LLC.

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### **Other Compensation**

Cox Wealth Management, LLC does not receive any additional compensation for advisory services.

## ***Custody***

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. As a customer convenience the qualified custodian will calculate the advisory fee and pay Cox Wealth Management, LLC directly per the terms of the signed client agreement. Cox Wealth Management, LLC pays the cost on behalf of the client for the use of this service. The calculation and amount is reported to the client on the client's quarterly report provided by the qualified custodian.

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### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Cox Wealth Management, LLC.

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### **Net Worth Statements**

Cox Wealth Management, LLC clients are frequently provided net worth statements and net worth graphs that are generated from their online financial planning system. Networth statements contain approximations of bank account balances provided by the client, as well as the estimated value of land and hard-to-price real estate and other hard to price assets as requested. 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.

### ***Investment Discretion***

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#### **Discretionary Authority for Trading**

Cox Wealth Management, LLC accepts discretionary authority to manage securities accounts on behalf of clients. Cox Wealth Management, LLC has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. This authority is granted by a limited power of attorney as described in the Client agreement. However, Cox Wealth Management, LLC consults with the client prior to each trade for those accounts where discretionary authorization has not been given.

The client approves the custodian to be used and the transaction fees, commission rates, and service fees paid to the custodian. Cox Wealth Management, LLC does not receive any portion of the fees paid by the client to the custodian.

Discretionary trading authority facilitates placing trades in accounts on behalf of a client so that Cox Wealth Management, LLC may promptly implement the investment policy that has been approved by the client in writing.

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#### **Limited Power of Attorney**

A limited power of attorney is a trading authorization to allow Cox Wealth Management, LLC discretion to only purchase and sell securities and limited as to the type of security selected, timing and amount. It does not allow funds to be withdrawn from the account or transferred to another

account without express written permission from the client. Clients sign a limited power of attorney so that Cox Wealth Management, LLC may execute the trades as agreed.

### ***Voting Client Securities***

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#### **Proxy Votes**

Cox Wealth Management, LLC does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, Cox Wealth Management, LLC will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

### ***Financial Information***

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#### **Financial Condition**

Cox Wealth Management, LLC does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Cox Wealth Management, LLC does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500.00 per client, six months or more in advance.

### ***Business Continuity Plan***

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#### **General**

Cox Wealth Management, LLC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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#### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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#### **Alternate Offices**

Alternate offices would be identified to support ongoing operations in the event the main office is unavailable. It is their intention to contact all clients within five days of a disaster that dictates moving their office to an alternate location.

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#### **Loss of Key Personnel**

Cox Wealth Management, LLC has signed a Business Continuation Agreement with another financial advisory firm to support Cox Wealth Management, LLC in the event of Richard Lee Cox, Sr.'s serious disability or death.

## ***Information Security Program***

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### **Information Security**

Cox Wealth Management, LLC maintains an information security program to reduce the risk that client's personal and confidential information may be breached.

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### **Privacy Notice**

**Client privacy is important to us Cox Wealth Management LLC, ("CWM")**, along with its sister companies Cox Financial Centers, Inc. and Legacy Trust Administration Services, Inc. (*The Cox Financial Group of Companies*) is committed to protecting client privacy and maintaining client trust. That is why CWM wants their clients to understand how they protect client privacy when they collect and use information about their clients, and the steps that they take to safeguard that information.

**Please read this to learn how we will handle client (private) personal information:**

#### **Information CWM Collects (About their Clients):**

In connection with providing investment products, financial advice or other services, CWM obtains non-public (or private) personal information about clients, including:

- Information they receive from clients on account applications, such as their address, date of birth, social security number, occupation, financial goals, assets and income;
- Information about client transactions with CWM, their affiliates, or others; and
- Information received from credit or service bureaus or other third parties, such as a client's credit and medical history or Employment status.

#### **Categories of Information CWM Discloses:**

CWM may be required to disclose all information that they collect to regulators, government agencies and under court order. Cox Wealth Management LLC and its affiliates do not sell customer lists and will not sell or disclose a client's name or information to telemarketers.

#### **Disclosure of Client Information to Third Parties:**

In some cases, it may be beneficial to share financial information with a trusted third party, such as a family member or other professional(s) with whom a client may work with, such as their Attorney or CPA. As this information is protected by federal and state privacy laws, written permission is required to share client information with any third party. A signed Privacy Waiver Form must be obtained from the client prior to sharing any financial information with any third party as designated on the form. For joint accounts, each account owner needs to complete the form, and the information on each form must be the same. Signed forms must be maintained in CWM client files per regulations.

#### **(Third Parties to Whom CWM Discloses Client Information):**

CWM will disclose information regarding a client or their account with CWM, under the following circumstances:

- To American Portfolios Financial Services, Inc. ("APFS"), (a broker-dealer firm) and their Registered Representative and his or her manager for regulatory and supervision of client



accounts;

- Cox Wealth Management LLC permits Registered Representatives of American Portfolios Financial Services, Inc. and Associated Persons of Cox Wealth Management LLC that terminate their affiliation with Richard L. Cox, Sr to make copies of their files,
- To CWM's sister companies or their affiliates, to extent permitted by law for processing client transactions;
- To entities that perform services for CWM or function for their behalf, including financial service providers, such as a clearing broker-dealer, (for example APFS or Pershing), an investment company, (such as a Mutual Fund Company), or an insurance company, (such as Jackson National Life);
- To consumer reporting agencies,
- To third parties who perform services or marketing on CWM's behalf,( such as Emerald Publications);
- To their attorneys, accountants or auditors; and
- To government entities or other third parties in response to subpoenas or other legal process as required by law or to comply with regulatory inquiries.

#### **How CWM Uses (Client) Information:**

Information may be used by American Portfolios Financial Services, Inc. and other companies that perform support services for CWM, such as billing, data processing, technical (computer) systems consultants and programmers, or companies that help them market products and services to clients for a number of purposes such as:

- **To protect client accounts** from unauthorized access or identity theft;
- **To process client requests** such as securities purchases and sales
- **To establish or maintain an account with an unaffiliated third party**, such as a clearing broker-dealer (APFS & Pershing) providing services to the client and/or Cox Wealth Management LLC;
- **To service client accounts**, such as by issuing checks and account statements;
- **To comply** with Federal, State and Self-Regulatory Organization requirements;
- **To keep clients informed** about financial services of interest to them.
- **For Supervision and Monitoring** for suitability and regulatory requirements.

#### **CWMs Security Policy:**

CWM restrict(s) access to nonpublic (or private) personal information about clients to those individuals who **"need to know"** that information to provide products or services to clients and perform their respective duties. CWM maintain(s) physical (locked doors), electronic (password protection, encryption and firewalls) and procedural (back up computer systems with data taken off-site) security measures to safeguard confidential client information.

#### **Closed or Inactive Accounts:**

If a client decide(s) to close their account(s) or become an inactive customer, (meaning they no longer

respond to CWM contacts and do not execute transactions through CWM), this Privacy Policy will continue to apply to that client.

**Complaint Notification:**

Please direct complaints to: Cox Wealth Management LLC. 6031 Shallowford Road. Suite 109. Chattanooga. TN 37421-1984. Telephone: 423-894-3882

**Changes to this Privacy Policy:**

If any substantial changes are made in the way CWM use(s) or disseminate(s) confidential information, (each client will be notified). If there are any questions concerning this Privacy Policy, please write to: Cox Wealth Management LLC. 6031 Shallowford Road. Suite 109. Chattanooga. TN 37421-1984. Or Telephone: 423-894-3882