



Item 1: Cover Page

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This brochure provides information about the qualifications and business practices of Townsend Wealth Management. If you have any questions about the contents of this brochure, please contact us at 706-221-8200. 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 Townsend Wealth Management is available on the SEC's website at www.adviserinfo.sec.gov.

Note: "Registered Investment Advisor" is a business classification of the Securities and Exchange Commission and does not imply a certain level of skill or training.

Item 2: Material Changes

There have been no material changes since the last annual update of the brochure.



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Item 4: Advisory Business

Townsend Wealth Management, founded in 2001, provides investment management and financial planning services to individuals, trusts, and profit sharing plans.

Investment management includes the purchasing and selling of mutual funds and other securities, on a discretionary basis, for the benefit of our clients. Clients select one of four investment strategies representing a risk/return profile appropriate for their needs and circumstances. We then implement the investment strategy in a similar manner for all clients within each strategy. Clients may place limited restrictions on their investment account, such as holding a stated amount of a particular company's stock (often a former employer), that we would otherwise not hold. As of January 29, 2011, we managed \$50,500,000 on a discretionary basis and \$1,250,000 on a non-discretionary basis. The two non-discretionary accounts consist of former employer stock for which we provide limited advice and execute trades as requested.

Financial Planning includes quantitative and qualitative analysis in an effort to help clients make wise decisions regarding their personal finances. We provide this advice either as a comprehensive financial plan that addresses all aspects of the client's financial lives for their expected longevity or we provide this advice on a situation specific basis addressing questions of a limited scope.

Townsend Wealth Management principal owners are Ken Townsend and Tyler Townsend.

Item 5: Fees and Compensation

Townsend Wealth Management is a fee-only firm. This means that 100% of firm revenue is received as payments directly from clients. We do not receive any money from third parties, such as commissions, for recommending or selling any products or services. We believe this eliminates an incentive to recommend investment products based on the compensation received, rather than on our clients' needs.

Investment Management Fees

For investment management services, we charge based on a percentage of the client's assets that we directly manage. Our fee schedule for all new clients, other than employees of Townsend Wealth Management and their families, is an annual rate of 1.0% of assets up to \$500,000; 0.8% of assets from \$500,000 to \$1,500,000; and 0.5% of assets above \$1,500,000. The first exception to this schedule is for Charter Investors who are charged 0.8% for assets up to \$1,500,000 and 0.5% for assets above \$1,500,000. This investor class was available to our first clients and prior to the firm reaching a total of \$15,000,000 in assets under management. The Charter Investor class is no longer available to new clients. The second exception is that employees of Townsend Wealth Management and their families are provided a discounted rate and in some cases no fees apply.

All management fee percentages are annual expenses and are charged quarterly in arrears. Our investment management fees are not negotiable.

Fee Example: Suppose a new client has \$2,000,000 in assets to be managed by Townsend Wealth Management. The annualized fee will be 1% applied to the first \$500,000; 0.8% applied to the next



\$1,000,000 and 0.5% applied to final \$500,000. The first payment will be due after one quarter of investment management and will be calculated as 0.0025 multiplied by the first \$500,000; 0.002 multiplied by the next \$1,000,000; and 0.00125 multiplied by the final \$500,000.

Most clients choose to have investment management fees automatically deducted from their investment accounts, though we do allow clients to pay fees by check.

In addition to fees paid to Townsend Wealth Management, investment clients will be subject to trade fees paid to the account custodian. Our clients receive a discount on the fees available at retail and generally range from \$0 to \$49 per trade, often depending on the type of security and size of the trade. See Item 12 (Brokerage Practices) for more information on brokerage fees. All mutual funds and exchange traded funds include management expenses paid to the fund company that are embedded in the share price. Townsend Wealth Management seeks to invest in a cost effective manner that minimizes trade and fund fees.

Financial Planning Fees

Comprehensive financial plans vary from \$500 to \$3,500 depending upon the complexity of the plan. The fee is quoted in advance and due after completion of the plan to the satisfaction of the client; fees are not negotiable. We offer a discount on this fee for investment management clients. Additionally, we offer situation specific planning at no charge to investment management clients.

Item 6: Performance Based Fees

We do not accept performance based fees, such as extra fees based on a share of capital appreciation of client investments. We believe this eliminates the incentive to take risks beyond the investment strategy risk/return profile selected by our clients.

Item 7: Types of Clients

We generally provide investment management services to individuals, trusts, and profit sharing plans. We do not require a minimum account size, though we advise prospective clients when an account may be too small to receive the full benefits of our diversified investment approach.

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

Townsend Wealth Management offers four investment strategies each with a risk/return profile ranging from fairly conservative to fairly aggressive. We work with the client to help them select a strategy appropriate for their risk tolerance and time horizon. We prepare an Investment Policy Statement for each investment client that provides further detail for the selected investment strategy. We advise all investment clients that investing in securities involves risk of loss and that they must be prepared to bear this risk regardless of strategy selected.

Each of our strategies is characterized by thoughtful asset allocation. In other words, for each strategy we determine the percentage of assets to hold in the core asset classes of US Large Cap Stocks, US Small



Cap Stocks, International Stocks, and Investment Grade Bonds. Using this strategic allocation as a starting point, we then overweight and underweight asset classes based upon our expectations. From time to time we will also introduce other asset classes such as commodities, real estate, emerging market stocks and bonds, and high yield bonds. Finally, within each asset class we select what we believe to be the best security to achieve our investment goals. This is most often a low cost actively managed mutual fund, though at times we invest in indexed mutual funds, exchange traded funds, Real Estate Investment Trusts (REITs), and other securities. Because we tend to invest in a well-diversified manner, risks are primarily related to market risk (risk that the overall stock and bond markets will decline) and interest rate risk (risk that unexpected changes to interest rates will negatively impact security prices). Inflation poses a risk to all investors in that a higher investment return may be required to provide the same purchasing power in the future.

Item 9: Disciplinary Information

No current or former employees of Townsend Wealth Management, nor the firm itself, have been subject to legal or disciplinary actions which could be considered material to our business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Townsend Wealth Management is an independently owned and operated firm. We do not have relationships or agreements with other individuals or firms that could pose a conflict of interest with our clients.

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

We have a Regulatory Compliance Vision Statement and a Code of Ethics. The Code of Ethics requires that we honor our clients' interests first at all times, that we comply with all laws and regulatory requirements, that we maintain strict privacy regarding our clients, and that we exercise investment decisions based strictly on our judgment of the contributions to the client's goals and objectives. Our Code of Ethics Policy is available to any client or prospect upon request.

Townsend Wealth Management employees invest side-by-side with our clients in the strategy that the employee determines to be appropriate for his or her risk tolerance and time horizon. While our investments tend to be in highly liquid securities such as mutual funds, and we do not believe Townsend Wealth Management trades will impact the price of any security in which we invest, as a matter of practice we still take the step of executing employee trades concurrently or after similarly situated client trades.

Item 12: Brokerage Practices

We recommend our clients select Charles Schwab & Co. as their account custodian. As mentioned above, Townsend Wealth Management is independently owned and operated; we are not affiliated with

Schwab or any other organization. Schwab provides us with access to its institutional trading and custody services which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge so long as they maintain at least \$10 million of the advisor's clients' assets in accounts at Schwab. These services are not otherwise contingent upon the advisor either committing to Schwab any specific amount of assets or investing any amount in any Schwab branded product. Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Townsend Wealth Management's clients' accounts, Schwab generally does not charge separately for custody but is compensated by account holders through transaction-related fees for securities trades that are executed through Schwab.

Schwab also makes available other products and services that benefit Townsend Wealth Management but may not benefit its clients' accounts immediately and directly. Some of these other products and services are necessary to manage and administer clients' accounts in an efficient manner. These include software and other technology that provide access to client account data; facilitate trade execution; provide research, pricing information, and other market data; facilitate payment of Townsend Wealth Management's fees from its clients' accounts; and assist with back-office functions, record keeping, and client reporting. Many of these services generally may be used to service all or a substantial number of Townsend Wealth Management's accounts, including accounts not maintained at Schwab.

Schwab also makes available to Townsend Wealth Management other services intended to help us manage and further develop our business. These services may include consulting, publications, and conferences on topics such as practice management, information technology, business succession, regulatory compliance, and marketing. These services may be provided by Schwab employees or third parties and fees that would otherwise be charged may be discounted or waived. While as a fiduciary Townsend Wealth Management endeavors to act in its clients' best interests, our recommendation that clients maintain assets in accounts at Schwab may be based in part on the benefit to us of the availability of some of these services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest if not properly managed. We perform an annual "best execution" analysis to evaluate Schwab's effectiveness in regards to the nature, cost, and quality of custody and brokerage services to help determine Schwab's value to our clients and to mitigate any potential conflict of interest from our receipt of services that may help our business in general but not client accounts immediately and directly. We do believe that these services enable efficiencies in our operations that allow more time and effort managing the investment programs for our clients.

The majority of our investments are in mutual funds which trade at a single price established after the market closes. For this reason, it is of no benefit to aggregate trade orders into a single block trade at a single price and then allocate the shares to all clients at that single price. For investments that trade at different prices throughout the day, such as stocks or exchange traded funds, we generally place batches of trades throughout the day. It is possible that clients in different batches will receive different prices; it is also possible that different clients within the same batch could receive different prices. It is not possible to know whether the same security in the next batch will receive a higher or lower price than the previous batch. We generally attempt to place trades within a short period of time and we



generally place the trades in alphabetical sequence while holding Townsend Wealth Management's employees' trades until the last batch.

Item 13: Review of Accounts

Ken Townsend, the firm president, reviews accounts almost daily. He also makes the decision to alter the asset allocations and change the securities held, though these changes reflect a long term view and are relatively infrequent. Accounts are generally rebalanced at the same time asset allocations are altered. Changes to investments in a client account are most often triggered by an addition to the client's account by the client, a withdrawal by the client, account rebalancing, or a change to the asset allocation or security selection.

Clients receive monthly statements from the custodian and quarterly performance reports from Townsend Wealth Management. The custodian's monthly statements are typical of such statements, providing month-ending security holding information, transaction history, and account performance during the month.

The Townsend Wealth Management performance reports generally include performance information for the preceding quarter, year-to-date, and since account inception, each on a net-of-fees basis. We also include an account billing statement for the reported quarter. For taxable accounts, at the end of the year, clients also receive a Realized Gains and Losses report to assist income tax filing.

Item 14: Client Referral and Other Compensation

We do not receive compensation from any third party for providing any recommendation or service. We do not pay any third party for recommending our firm to a prospective client.

Item 15: Custody

We do not have custody of any client funds or securities.

Item 16: Investment Discretion

We invest client accounts on a discretionary basis, based upon the investment strategy selected by the client and detailed in their signed Investment Policy Statement. Clients execute a limited power of attorney that provides Townsend Wealth Management the ability to buy and sell securities within their accounts on their behalf. Clients may choose to additionally authorize Townsend Wealth Management to deduct quarterly investment management fees from the account.



Item 17: Voting Client Securities

When establishing an account, the client has the option to elect to vote proxies or have Townsend Wealth Management vote the proxies. Our Proxy Voting Policy requires that we vote proxies in the best economic interests of our clients, in our considered judgment. The policy and record of proxy votes is available to all clients upon request. Any client wishing to change their voting preference may do so with timely notice to the custodian.

Item 18: Financial Information

We do not require prepayment of fees for any services. We have not been the subject of a bankruptcy petition at any time. We do not have any financial conditions that would impair our ability to meet contractual commitments to our clients.

Item 19: Requirements for State-Registered Advisers

We are registered with the Securities and Exchange Commission; we are not registered at the state level.