



## *Form ADV Part 2A & 2B*

### **Item 1: Cover Page**

Brochure Date: February 3, 2012

Townsend Wealth Management  
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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](http://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**

Since the annual filing on March 15, 2011, we have added ADV Part 2B (Brochure Supplement) information to the end of this document. This addition was made June 17, 2011. No other material changes have been made.



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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 retirement 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 February 2, 2012, we managed approximately \$52,300,000 on a discretionary basis and approximately \$1,000,000 on a non-discretionary basis. The non-discretionary account consists 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. Retirement plan accounts for which we serve as the investment advisor have a minimum charge of \$2,000 per year.

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 retirement 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 employee of Townsend Wealth Management, or the firm itself, has 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 the majority of the employees' personal investments are held in this strategy, employees are permitted to invest in securities outside of the strategy. 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 in a manner and sequence that is most efficient for quickly and accurately executing the trades. We hold Townsend Wealth Management's employees' trades until the last batch.

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

Ken Townsend, the firm president, reviews accounts almost daily. In the event of trading errors, it is the policy of Townsend Wealth Management to ensure that clients do not suffer a loss as a result of the error. A trading error covered by this policy is defined as the purchase or sale of a quantity of a security in excess of the quantity intended by the investment manager. Errors are reported to the broker's trade desk and the error is corrected with any financial loss charged directly to Townsend Wealth Management. Townsend Wealth Management never benefits from trade errors; gains as a result of an error remain with the client. A complete description of the Townsend Wealth Management Trade Error Policy is available to all clients and prospects at any time upon request.

Ken Townsend also makes decisions to alter 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 custodian provides a year-end Realized Gains and Losses report for taxable accounts to assist income tax filing.

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.

**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**

At the time of writing this document, we are registered with the Securities and Exchange Commission. Sometime prior to July 1, 2012 we expect to withdraw from SEC regulation and become regulated by the states of Georgia, Texas, and Alabama. State regulation will become a requirement for investment advisors of our size prior to this time.



## *Form ADV Part 2A & 2B*

See the attached Brochure Supplement document for information on our principle executive officers and management persons. No employees are actively engaged in any business outside of Townsend Wealth Management. No employee has any relationship or arrangement with any issuer of securities.





**Brochure Supplement: Ken Townsend**

**Item 1: Cover Page**

Ken Townsend, CFP®  
President  
Townsend Wealth Management  
6867 Mountainbrook Drive, Suite 102  
Columbus, GA 31904  
706-221-8200

This brochure supplement provides information about Ken Townsend that supplements the Townsend Wealth Management brochure. Ken Townsend provides investment advisory services; additional information about Ken is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Educational Background and Business Experience**

Ken Townsend, born in 1940, received a bachelor of science degree in mechanical engineering from Georgia Tech and a master of business administration degree (MBA) from Wharton. Ken worked for ExxonMobil Chemical Company for thirty-four years, ending in August 2000. Most of his assignments were in sales, finance, and general business management positions including the management of Callaway Chemical in Columbus, GA for the nine years this company was owned by ExxonMobil (1985-1994). Ken has served as president of Townsend Wealth Management since its founding in 2001.

Ken is a CERTIFIED FINANCIAL PLANNER™ professional. The CFP® certification is a voluntary certification; it is not required by any federal or state law or regulation. To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- *Education:* Complete an advanced college-level course of study addressing subject areas important for the competent and professional delivery of financial planning services.
- *Examination:* Pass the comprehensive CFP® Certification Examination administered in 10 hours over a two-day period.
- *Experience:* Complete at least three years of full-time financial planning-related experience.
- *Ethics:* Agree to be bound by CFP Board's *Standards of Professional Conduct*, including a fiduciary standard of care placing the client's interests above all else.

CFP® professionals must complete the following ongoing education and ethics requirements:

- *Continuing Education:* Complete 30 hours of continuing education every two years, including two hours on the *Code of Ethics* and *Standards of Professional Conduct*.
- *Ethics:* Renew an agreement to be bound by the *Standards of Professional Conduct*.

**Item 3: Disciplinary Information**

Ken Townsend has not been subject to legal or disciplinary actions which could be considered material to his performance or the performance of the firm.

**Item 4: Other Business Activities**

Ken Townsend is not actively engaged in any outside investment-related business or occupation.



### Item 5: Additional Compensation

Ken Townsend does not receive outside compensation related to his investment advisory services. Additionally, Ken does not receive any bonus that is based, even in part, on the number or amount of sales, client referrals, or new accounts obtained by the firm.

### Item 6: Supervision

Ken Townsend is the majority owner of Townsend Wealth Management, which is organized as a limited liability company. Ken is accountable to the other members of the firm. All firm members may be reached at 706-221-8200.

### **Brochure Supplement: Tyler Townsend**

#### Item 1: Cover Page

Tyler Townsend, CFP®, CFA  
Vice President, Investments  
Townsend Wealth Management  
6867 Mountainbrook Drive, Suite 102  
Columbus, GA 31904  
706-221-8200

This brochure supplement provides information about Tyler Townsend that supplements the Townsend Wealth Management brochure. Tyler Townsend provides investment advisory services; additional information about Tyler is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### Item 2: Educational Background and Business Experience

Tyler Townsend, born in 1972, received a bachelor's degree in industrial engineering from Georgia Tech. Prior to joining Townsend Wealth Management in 2007, Tyler worked as a senior manager in professional services for Manhattan Associates, a supply chain technology firm serving clients in a variety of industries throughout the world. Since joining Townsend Wealth Management, Tyler has held the positions of Associate Planner and Vice President, Investments.

Tyler is a CERTIFIED FINANCIAL PLANNER™ professional. The CFP® certification is a voluntary certification; it is not required by any federal or state law or regulation. To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- *Education:* Complete an advanced college-level course of study addressing subject areas important for the competent and professional delivery of financial planning services.
- *Examination:* Pass the comprehensive CFP® Certification Examination administered in 10 hours over a two-day period.
- *Experience:* Complete at least three years of full-time financial planning-related experience.
- *Ethics:* Agree to be bound by CFP Board's *Standards of Professional Conduct*, including a fiduciary standard of care placing the client's interests above all else.

CFP® professionals must complete the following ongoing education and ethics requirements:

- *Continuing Education:* Complete 30 hours of continuing education every two years, including two hours on the *Code of Ethics and Standards of Professional Conduct*.
- *Ethics:* Renew an agreement to be bound by the *Standards of Professional Conduct*.

Tyler is a Chartered Financial Analysts (CFA) charterholder. The CFA charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute – the largest global association of investment professionals. The CFA charter is voluntary; it is not required by any federal or state law or regulation.

To earn the CFA charter, candidates must: 1) pass three sequential six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

The CFA Program curriculum includes a wide range of fundamental and advanced topics such as economics, financial reporting, equity and fixed income analysis, derivatives, alternative investments, portfolio management, and wealth planning. The CFA Program emphasizes a global approach to investment management with more than 90,000 CFA charterholders practicing in more than 130 countries.

*Item 3: Disciplinary Information*

Tyler Townsend has not been subject to legal or disciplinary actions which could be considered material to his performance or the performance of the firm.

*Item 4: Other Business Activities*

Tyler Townsend is not actively engaged in any outside investment-related business or occupation.

*Item 5: Additional Compensation*

Tyler Townsend does not receive outside compensation related to his investment advisory services. Additionally, Tyler does not receive any bonus that is based, even in part, on the number or amount of sales, client referrals, or new accounts obtained by the firm.

*Item 6: Supervision*

Tyler Townsend is supervised by Ken Townsend, president of Townsend Wealth Management. Ken may be reached at 706-221-8200.



**Brochure Supplement: Leigh Anne Thomas**

Leigh Anne Thomas  
Vice President, Financial Planning  
Townsend Wealth Management  
6867 Mountainbrook Drive, Suite 102  
Columbus, GA 31904  
706-221-8200

Leigh Anne Thomas is Vice President of Financial Planning and leads financial plan preparation. Prior to accepting her current position, Leigh Anne worked for Callaway Chemical for twenty five years in a variety of accounting, human resources, and administrative positions. Since joining Townsend Wealth Management, she has earned the Registered Paraplanner designation through a comprehensive planning course and examination.

Leigh Anne Thomas has not been subject to legal or disciplinary actions which could be considered material to her performance or the performance of the firm.

Leigh Anne Thomas is not actively engaged in any outside investment-related business or occupation.

Leigh Anne Thomas does not receive outside compensation related to her financial planning services. Additionally, Leigh Anne does not receive any bonus that is based, even in part, on the number or amount of sales, client referrals, or new accounts obtained by the firm.

Leigh Anne Thomas is supervised by Ken Townsend, president of Townsend Wealth Management. Ken may be reached at 706-221-8200.