

Wealth Design Services, Inc.  
132 Allens Creek Road, Suite 205  
Rochester, New York 14618  
(585) 442-3230  
[www.wealthdesignservices.com](http://www.wealthdesignservices.com)  
December 31, 2012

This Brochure provides information about the qualifications and business practices of Wealth Design Services, Inc. If you have any questions about the contents of this Brochure, please contact us at (585) 442-3230 or at [sschwartz@wealthdesignservices.com](mailto:sschwartz@wealthdesignservices.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Wealth Design Services, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

The purpose of this Item is to call your attention to material changes contained in this Form ADV when compared to Form ADV for the Year Ended December 31, 2011.

Pursuant to SEC Rules, you will receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

The policy of Wealth Design Services, Inc. is to provide clients with a complete Form ADV within 120 days of the close of our business fiscal year without charge. It can be also be requested at any time.

Currently, our Brochure may be requested by contacting Wealth Design Services, Inc. at (585)442-3230 or by sending an email to [sschwartz@wealthdesignservices.com](mailto:sschwartz@wealthdesignservices.com).

Additional information about [Wealth Design Services, Inc.](#) is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with [Wealth Design Services, Inc.](#) who are registered, or are required to be registered, as investment adviser representatives of [Wealth Design Services, Inc.](#)

## **Item 2- Material Changes Contained in this Form ADV**

For client engagements entered into after January 1, 2013, client accounts will be billed in advance rather than in arrears, prorated from the date that the client contract was signed.

This change does not affect any client relationship entered into prior to January 1, 2013.

During 2012, Wealth Design Services, Inc. introduced its Pension Up Process.

In order to accommodate a wider range of clients and investment preferences, clients will be offered two implementation choices: Pension Up/DFA and Pension Up/SEI.

Both choices benefit from the same financial planning and tax services, and are subject to the same Wealth Design Services, Inc. fee schedule. The choices differ in investment implementation, degree of customization that is possible, minimum fee requirements, and in underlying investment manager costs.

Pension Up/DFA will employ a passive investment approach that includes passive mutual funds and individually selected fixed income investments. Assets will be in custody at

Charles Schwab. The minimum fee to Wealth Design Services is \$7,500.

Pension Up/SEI will employ an active investment approach under the management and custody of SEI Trust Company. Mutual funds or Exchange Traded Funds will be used for implementation. The minimum fee to Wealth Design Services is \$4,000.

In the first year of service, we will require a client fee commitment of the greater of \$4,000 or 30% of the first year's anticipated fee.

### **Item 3- Table of Contents**

<u>Item 2 – Material Changes Contained in this Form ADV</u>	2
<u>Item 3 -Table of Contents</u>	4
<u>Item 4 – Advisory Business</u>	5
<u>Item 5 – Description of Financial Planning Process</u>	6
<u>Item 6 – Fees and Compensation</u>	9
<u>Item 7 – Custody</u>	13
<u>Item 8 – Performance-Based Fees and Side-By-Side Management</u>	14
<u>Item 9 – Types of Clients</u>	14
<u>Item 10 – Methods of Analysis, Investment Strategies, and Risk of Loss</u>	14
<u>Item 11 – Our Major Vendors</u>	20
<u>Item 12 – Disciplinary Information</u>	20
<u>Item 13 – Other Financial Industry Activities and Affiliations</u>	20
<u>Item 14 – Code of Ethics</u>	20
<u>Item 15 – Brokerage Practices</u>	21
<u>Item 16 – Review of Accounts</u>	22
<u>Item 17 – Client Referrals and Other Compensation</u>	22
<u>Item 18 – Investment Discretion</u>	22
<u>Item 19- Voting Client Securities</u>	23
<u>Item 20- Financial Information</u>	23
 Brochure Supplement(s)	

#### **Item 4- Advisory Business**

Wealth Design Services Inc. provides comprehensive tax, financial planning and investment services to individuals and families. Our service emphasis is directed toward individuals who are within 5 years of retirement, who are in retirement or who are otherwise depending on savings and investments to support their current living expenses.

The Firm was established in 2004 by Steven G. Schwartz, CPA, JD, PFS, RMA following a lengthy career as a Tax Partner in two regional accounting firms in Rochester, NY. Steven Schwartz is the sole shareholder of Wealth Design Services Inc., an independently registered investment advisor.

All services are provided through a “fee only” arrangement that precludes Wealth Design Services, Inc. from earning income from commissions, referral fees or any other forms of compensation in connection with advice provided to clients. Wealth Design Services, Inc. acts in a fiduciary relationship with its clients.

Wealth Design Services, Inc. believes that its resources and methodologies are particularly suited for individuals approaching retirement or who are in retirement. The distinguishing characteristic of these services is the emphasis placed on financial planning prior to formulating specific investment recommendations as well our selection of financial solutions which complement retirement planning.

In order to address the needs of retirement, we apply our knowledge of a variety of investment vehicles to each client situation. Our fee only model permits us to reach beyond the capabilities of any single product solution and to deliver a planning process that evolves over time.

Our signature service is best described as “retirement income management”. We describe the service in our literature, and internally, as our “Pension Up Process”.<sup>(sm)</sup> We believe that this approach differs from traditional accumulation investing in the following ways:

1. Financial planning is used to develop an appropriate investment strategy rather than orienting investments to track published investment benchmarks.
2. Whereas accumulation investing has a long term orientation that is often designed around statistical expectations, “retirement income management” builds portfolio recommendations around issues of risk, cash flow and essential outcomes alongside the

issues of portfolio growth and legacy.

3. Risk, in part, is managed by employing the so called “investment pool” approach.

The Pension Up Process is offered to clients in two different formats.

The financial planning process will be the same irrespective of implementation format:

#### **Item 5- Description of Financial Planning Process**

1. A complete inventory of all client resources will be identified and measured. This includes financial assets, future earning capacity and other resource pools such as social security benefits, employer pensions and family resources.

2. Information will be developed to help each client understand both their current spending habits as well as develop a view of each client’s lifetime financial capacity.

3. The financial planning process will culminate with a specific plan for measured distributions appropriate to the client’s resource level and age. We refer to this as the client’s “retirement paycheck”.

4. Each client will receive a specific set of asset value benchmarks which will be used over time to evaluate the progress of the client’s plan.

If actual values exceed or achieve the benchmark, it will indicate that the plan is progressing as anticipated. If a pattern of shortfalls develops, then it will be an indication that either investment performance or unanticipated spending is calling for a revision.

Investment implementation for all clients is driven by the above financial planning process.

To accommodate a range of client preferences and savings levels, we offer the choice of either actively managed portfolios or “so-called” passive portfolios.

In either case, the portfolios are specifically designed to accommodate withdrawal throughout the portfolio life.

The “passive portfolio” option is referred to as Pension-Up/DFA. The “actively managed”

option is known as Pension-Up/SEI.

Clients with investment assets in excess of \$750,000 have the choice of employing either option.

Clients with investment assets less than \$750,000 are more likely to use Pension-Up/SEI.

### **Key Differences**

The following are the key differences between the two formats:

1. The minimum fee for Pension Up/SEI is \$1,000 per quarter.

The minimum fee for Pension Up/DFA is \$2,500 per quarter.

2. Pension Up/SEI is designed to produce a reoccurring and sustainable distribution needed to meet core living expenses. As such, the distributions are predictable and change in ways that are not too different from a working paycheck.

Pension Up/DFA is designed for more complete customization and can accommodate uneven cash flows and non-reoccurring expenditures.

3. Pension Up/SEI is implemented using active investment managers selected and monitored by SEI Trust Company. Because this is an active strategy, the embedded costs to SEI are higher than the embedded costs of a passive investment strategy. Both Growth and Income Investments are implemented using a fund structure. Volatility is managed through a combination of volatility management strategies within the growth portfolios and by employing short term investment pools to accommodate planned distributions.

Embedded investment costs within the Pension Up/SEI strategy are expected to be .55% - 1.18% of the portfolio value, depending on the investment strategies selected. This is in addition to fees paid to Wealth Design Services.

4. Pension Up/DFA is implemented using passive investment strategies.

The Growth pool is implemented using mutual funds. The Income pool is implemented using individually selected fixed income securities specifically chosen to match each client's

unique cash flow.

Investment costs embedded in passive mutual fund growth portfolio are expected to average .35%-.5% of the portfolio value. Fees paid to the Fixed Income manager are .35%. This is in addition to fees paid to Wealth Design Services, Inc. and transaction fees paid to Charles Schwab.

**These differences are summarized in the following table:**

	<b><u>Pension-Up/DFA</u></b>	<b><u>Pension UP/SEI</u></b>
Minimum Fee	\$7,500 per year	\$4,000 per year
First Year Fee Commitment	Greater of 30% of First Year's Fee or \$4,000	Greater of 30% of First Year's Fee or \$4,000
Cash Flow Stream	Customized	Recurring; Adjusted Annually
Custodian	Charles Schwab	SEI Trust Company
Investment Style	Passive	Active
Holdings	Mutual Funds + Individual Fixed Income Securities	Mutual Funds
Embedded Management Costs	.35%-.5% plus transaction costs	.55% - 1.28%, depending on investment strategy No Transaction costs
Wealth Design Fees	No Difference, Higher minimum fee	No Difference, Lower minimum fee
Meeting Frequency	Quarterly	Semi-Annual - In Office
Tax Return Preparation	Included	Included
Financial Planning	Included	Included
Phone Availability	As Needed	As Needed
Client Education Programs	Included	Included



## **Assets Under Management**

As of December 31, 2012, Wealth Design Services, Inc. manages or supervises \$87,636,351 of client assets. Of this amount \$62,136,844 of client assets are managed on a discretionary basis. In addition, Wealth Design Services, Inc. supervises \$25,499,507 of client assets on a nondiscretionary basis, including \$11,402,754 of assets held by clients within their employee retirement plans or other outside accounts.

## **Item 6 – Fees and Compensation**

Wealth Design Services, Inc. is a fee only advisory firm. This means that our only source of revenue is from client fees.

Our comprehensive management services, which are described as our “Pension Up Process” <sup>(sm)</sup> are intended to offer a broad engagement that includes financial planning assistance, investment management, tax planning, as well as compliance and estate planning. These services tend to be delivered in segments over the life of the relationship rather than in the form of a single comprehensive plan. We consider financial planning to be a process rather than a specific document description.

### **Our fees are derived from the following fee schedule:**

First \$1,000,000	1%
\$1,000,001 - \$2,000,000	.75%
\$2,000,001 - \$3,000,000	.65%
\$3,000,001 - \$5,000,000	.6%
Over \$5,000,000	.5%

Fees are negotiable and payable quarterly in advance.

Wealth Design Services, Inc. offers its clients the opportunity to choose either a traditional asset based fee that is revalued quarterly or a fixed fee that accrues quarterly or is reset based on a mutual agreement.

All accounts are subject to a minimum fee. The amount of the fee is dependent upon the investment implementation choice.

Accounts employing Pension Up/SEI are subject to a minimum fee of \$1,000 per quarter, or \$4,000 per year.

Accounts employing Pension Up/DFA are subject to a minimum fee of \$1,775 per quarter, or \$7,500 per year.

Fees may be waived for employees of Wealth Design Services, Inc. and members of their families and for employees of family members.

The services of Wealth Design Services, Inc. may be terminated at any time by the client upon 60 days written notice.

During the first year only, a minimum fee commitment of the higher of \$4,000 or 30% of the fee expected from the first four quarters of service is required to compensate Wealth Design Services, Inc. for the financial planning process that precedes investment selection.

### **Other Costs That Each Client Should Anticipate and Understand**

In addition to the fees charged by Wealth Design Services, Inc. for its services, all clients will incur additional fees and expenses, depending on the product or services chosen to implement a particular investment strategy or financial plan.

For clients utilizing Pension Up/DFA, portfolio returns will be reduced by the internal management expenses of the mutual funds used, as well as transaction costs incurred when individual funds are purchased or sold. The specific expense ratios are provided in the prospectus of each fund.

In addition to mutual funds, the Pension Up/DFA will purchase and hold individual fixed income securities such as bonds, CDs, and agency instruments to create a customized income portfolio. The fixed income market prices bonds to produce a profit for brokers and dealers in fixed income securities. Charles Schwab also charges a transaction fee. Unlike mutual funds which have embedded management costs, a third party manager will be responsible for investment selection and management. A fee will be paid to that manager in addition to the fee to Wealth Design Services, Inc.

For clients utilizing Pension Up/SEI , portfolio returns will be reduced by the internal management and program expenses offered to clients. Because SEI Trust Company employs an active management style of investing, the fees paid to SEI Trust Company will be higher than the management fees embedded in the funds used within the Pension Up/DFA program.

Clients may also incur charges imposed by unaffiliated insurance companies and their agents, custodians, brokers, third party investment managers, as well as other costs such as fees for odd-lot differentials, transfer taxes, wire transfers, electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

All such costs are exclusive of and in addition to Wealth Design Services, Inc's. fee. Wealth Design Services, Inc. does not receive any portion of these commissions, fees or costs.

### **Factors Considered in Selecting or Recommending Third Parties for Client Transactions**

Wealth Design Services, Inc. relies on many third party vendors to provide valuable services to both the client and to Wealth Design Services, Inc. As described above, these services may result in additional routine costs which are borne by the client.

We receive no monetary compensation from any third party vendor solution that we choose to use or recommend.

Factors that are considered in making recommendations to clients include:

1. The integrity and consistency of the vendor's service delivery
2. Whether the vendor's service offerings are consistent with the service offerings of Wealth Design Services, Inc.
3. The level of transparency offered to both Wealth Design Services, Inc. and the client in service delivery
4. Whether the cost of the service, when considered in connection with all costs likely to be incurred by the client, are reasonable and of good value to both the client and to Wealth Design Services, Inc. in serving the client.

## **Planning Only Engagements**

From time to time, Wealth Design Services, Inc. will accept “planning only engagements” which are limited to financial planning analysis and recommendations. The fees for this type of engagement range in cost from \$3,000 to \$5,000 depending on the scope of the client’s needs. A retainer will be requested at the start of the engagement. Whether or not these engagements are accepted depends on resource availability as well as our assessment of the value of such an engagement to the client.

## **Fee Collection**

The specific manner in which fees are charged by Wealth Design Services, Inc., is established in a client’s written agreement with Wealth Design Services, Inc. The agreement will authorize Wealth Design Services, Inc. to directly debit fees from client accounts.

Fees for the 1<sup>st</sup> quarter of service are collected in advance at the time that the client’s account is substantially funded.

Management fees are not prorated for capital contributions or withdrawals made during the calendar quarter, but are calculated using account value on the last business day of the preceding calendar quarter.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Fees will continue to be earned by Wealth Design Services, Inc. until either the custodian has “de-linked” its relationship with the client’s accounts or until there has been a substantial transfer of funds from Wealth Design Services, Inc.’s supervision. Any unearned fee will be returned to the client within 15 days of either of these terms or events.

## **Item 7- Custody**

Wealth Design Services, Inc. will not and does not take custody of client assets. Clients will be asked to custody assets at either Charles Schwab and Company or at SEI Trust Company to facilitate Wealth Design Services, Inc.’s ability to provide services to the client in an efficient and high quality manner.

Charles Schwab and Company charges no fee for holding client assets. However, transaction charges are assessed each time a security is bought or sold.

SEI Trust Company generally charges no fee for holding client assets. However, in addition to Custody Services, SEI provides investment management and administrative services that benefit both the client and Wealth Design Services, Inc. These services are paid for by the client through investment and program fees that are charged to each client based on the investment strategy employed. These fees compensate both SEI and any underlying 3rd party managers and include all transaction costs.

Wealth Design Services, inc. is also an approved advisor to TIAA CREF Funds.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Wealth Design Services, Inc. urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Asset Dedication LLC**

Asset Dedication, LLC. of Mill Valley, California provides significant consulting services to both Wealth Design Services, Inc. and to its clients. Wealth Design Services, Inc. has no direct or indirect relationship to Asset Dedication, LLC.

Asset Dedication, LLC. provides engineered fixed income portfolios to meet the needs of individuals who depend on invested assets for living costs. We choose Asset Dedication, LLC. to manage our fixed income portfolios because of their unique ability to personalize bond portfolios for individuals, their competitive fees, our shared values toward client services and investment selection, and their commitment to improving the management of investment risk affecting retirees.

Asset Dedication, LLC. is compensated by a management fee which is debited from the client account, pursuant to an agreement between the client and Asset Dedication, LLC. The annual fee for this service is currently .35% and is limited to the specific assets managed by Asset Dedication, LLC.

## **Item 8 – Performance-Based Fees and Side-By-Side Management**

Wealth Design Services, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 9- Types of Clients**

Wealth Design Services, Inc. provides comprehensive tax, financial planning, and investment services to individuals with an emphasis on individuals who are within 5 years of retirement, are in retirement or who are otherwise depending on asset accumulations for their current living costs.

We do not provide services to business sponsored retirement plans or not for profit endowment funds or trust funds that are not associated with an individuals or families unrelated to our comprehensive planning and management services.

## **Item 10 – Methods of Analysis, Investment Strategies, and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Furthermore, individuals who are nearing retirement or who are in retirement have added risks to consider when managing their investment accounts.

**The risks that we consider in formulating our advice to clients include:**

**Personal Risks:** These are risks personal to each individual which are largely unpredictable, but are expected to be burdensome from a financial point of view. These include the risk of acute health care, the risk of running out of money due to longevity, and “sequence of return” risk. The hazard caused by “sequence of return risk” is the random coincidence that the market value of a client’s portfolio has dropped in value at the same time that the client is expending the investment resources. The implication of this risk is that at times when market values are low, more investment units must be sold to raise the desired amount of cash. This has the long term effect of eroding the growth potential of a portfolio. Each client’s ability to withstand these risks is ultimately tied to the level of their financial resources. No assumption can be made that financial advice will overcome these risks.

**Investment risks:** Investment risks are often described as systematic or unsystematic.

**Unsystematic risks** are those unique to a single company, industry or geographical location. Credit risk is a form of unsystematic risk. Unsystematic risks are managed through investment diversification and asset allocation.

**Systematic risks** are those risks that apply to the financial system as a whole and cannot be controlled through diversification or asset allocation as was evident in the 2008-2009 market collapse.

**Public Policy Risks** also affect financial outcomes. These risks refer to the risk of tax rate increases, monetary inflation, interest rate changes, and political events.

### **Risk Management**

Risk is impossible to avoid and the possibility of loss is an inherent aspect of investing. It is not realistic to believe that all risks can be mitigated. However, we are deliberate in our efforts to control risks through our investment choices and processes.

### **Management of Personal Risks**

The value of personal financial planning is not its predictive ability. The value derives from the opportunity that it creates to be strategic and thoughtful over a period of time. Like the investment markets, which change every day, each individual is unique and can expect to experience changes throughout their life.

### **Risk Management by Prioritizing Investment Goals**

Your standard of living is the starting point for our investment process. The reason is simple. The most important function of your investment portfolio is to fund your standard of living. It determines the amount that you must annually withdraw from your investments. This is called your withdrawal rate.

Understanding the relationship between your annual withdrawal rate and your resources is critical in understanding your financial capacity.

Too high of a withdrawal rate might mean that your retirement is underfunded. In this

situation, our ability to assist you, if at all, will be limited. A useful rule of thumb is that if your annual withdrawal rate is expected to exceed 7.5% of your investment assets, we would consider your retirement to be underfunded. Our client acceptance policy requires an expected withdrawal rate of less 7.5% of invested assets.

Another way that we use this information is to help us gauge the level of your resources that must be committed to investments that are dedicated to funding your anticipated “living needs” and those resources that are best dedicated to “portfolio growth”. Resources committed to “funding living needs” will not provide growth. They provide cash when you need it.

### **Risk Management Through Investment Choice: Pension-Up/DFA**

While our portfolios are designed to include many different asset classes, we find it more helpful to think of our portfolios in terms of an income sleeve and a growth sleeve.

#### **Income Sleeve**

Rather than building the income sleeve of your portfolio using the standard methodology of risk tolerance questionnaires and statistical averages, the income sleeve is unique to each investor. This is possible by integrating the “cash plan” that we help each client develop with a matching portfolio of high quality laddered bonds, notes, or CDs specifically selected and sized to meet the client’s annual “funding” needs.

Fixed income investors are subject to investment risks that are often overlooked without experience in bond ownership. These risks include default risk (the risk of not being repaid or credit downgrade), interest rate risk (the risk that interest rate increases cause a decrease in your bond value), inflation risk (the risk that inflation causes a loss of purchasing power during the instrument holding period), and reinvestment risk (the risk that maturing bonds must be reinvested in replacement instruments with less favorable terms).

Our investment discipline responds to these risk factors, but does not eliminate them in the following ways:

1. Our laddered bonds are designed to be held to maturity. During the holding period of all bonds, interest rate increases are expected to cause a decline in bond values. However, we purchase bonds with the expectation that they will be repaid at redemption value at a



measured maturity date – irrespective of the level of market interest rates. This practice is designed to mitigate interest rate risk and reinvestment risk.

2. To mitigate the effect of inflation, we employ United States Government Inflation Protected Securities and other inflation sensitive asset classes, to the extent available and appropriate. We may take inflation into account in sizing the cash flow that is incorporated into each “cash plan”.

3. Our emphasis on cash flow and planned liquidity may reduce the performance of the portfolio when measured against traditional benchmarks of total return. For example, this strategy may lead to higher cash reserves for longer periods of time than would be necessary in a traditional total return portfolio using systematic withdrawal systems to fund living expenses.

4. Credit risk is managed by limiting fixed income selection to government issued securities and highly rated corporate bonds where sufficient diversification is possible.

### **Growth Sleeve**

All portfolios share a growth objective to some degree.

The goal of the growth portion of each portfolio is to create additional funding for future income needs as well as create opportunities for legacy. Ultimately, the success of any portfolio will depend on the health of the investment markets. While there is no guarantee that the growth portion of the portfolio will succeed in fully replenishing the portion of the portfolio consumed during the bond ladder duration, the “asset pool” approach to retirement investment creates an important opportunity to protect income portfolios from “sequence of return risk”.

Growth portfolio construction in Pension-Up/DFA is heavily influenced by the research of Professors Eugene Fama and Kenneth French which resulted in the so called “three factor model” of investing. This model attributes as much as 96% of possible equity returns to three factors: (1) the exposure to and behavior of the broader investment markets (2) the portfolio’s exposure to the small company factor (3) the portfolio’s exposure to the “value factor”. Neither the “small company factor” nor the “value factor” provide a consistent performance advantage each year (and sometimes these premiums are absent for several years), but they have been shown to present return premiums on a consistent basis over long periods of time. In order to implement these ideas in a transparent, consistent and

low cost manner, our core growth portfolios employ DFA Funds. We are also free to use other growth solutions where we believe it is appropriate.

### **Risk Management Through Investment Choice: Pension-Up/SEI**

Investment implementation through Pension-Up/SEI also employs an investment pool approach.

In contrast to Pension-Up/DFA which is a “Passive Management” process, Pension-Up/SEI provides an active and dynamic management style of investment.

The allocation of resources to the investment pools is determined by SEI Trust Company rather than by specific client budgeting, as is the case of Pension-Up/DFA.

Funds are allocated between three investment pools having different time horizons to assure that funds are available to meet approaching cash flow requirements. Because SEI employs a fund approach to cash flow management, the level of cash flow certainty is not as clear or transparent as will be the case where Pension-Up/DFA is employed.

Pension-Up/SEI is designed to provide a consistent and repeating cash flow for a specific period of time from a diversified mix of mutual funds.

Clients choosing Pension Up/SEI will custody their assets at SEI Trust Company and draw a combination of financial engineering and manager selection supervised by the Trust Company.

SEI Trust Company is traded on the NASDAQ (SEIC) and provides institutional investment assistance to over 4,900 financial advisors who supervise over 170,000 client accounts.

At SEI Trust Company, each portfolio is constructed using multiple layers of diversification. Diversification extends to utilization of securities with both income and growth properties; utilization of sub-asset classes such as large, small, growth and value; geographic diversification to capture global opportunities; manager diversification (a sample portfolio assigns management responsibility to 46 different managers employing 46 different investment styles) and finally, individual security selection (a sample portfolio includes 6,826 individual securities).

SEI continuously reviews the portion of each portfolio assigned to each manager and has discretion to change or reallocate funds among managers when it is in the best interest of the investor.

Income distribution strategies are available with ongoing distributions of between 4% and 8% of the client's value on the date of investment. The specific percentage will be aligned with the client's financial plan, retirement time horizon, and risk factors relevant to retirement income portfolios.

Distribution levels can be matched with portfolios designed to favor stability, growth, or a blend of stability and growth.

The factors that enter into the selection of a distribution portfolio are:

1. Time horizon
2. Level of distributions desired
3. Tax sensitivity
4. Inflation Sensitivity
5. Client risk aversion levels
6. Other sources of income

Wealth Design Services, Inc. will supplement the monitoring of risk and outcomes through the following practices:

1. Investment accounts may be paired with fixed annuity instruments to reduce the risk of portfolio failure.
2. Ongoing account values will be compared annually against analytics originally produced during the portfolio selection process so that each client maintains the information to assess the level of their goal achievement.

### **Item 11- Our Major Vendors**

Wealth Design Services, Inc. relies on many independent vendors to deliver client services. Many of these vendors necessarily have access to private client information for the sole purpose of providing essential services to Wealth Design Services, Inc, and our clients. Wealth Design Services, Inc. receives no compensation for vendor selection, although vendors may recognize their relationship with Wealth Design Services, Inc. by offering preferred pricing or discounts on services based on Wealth Design Services, Inc, volume or perceived profitability of our relationship. The convenience of having a limited number of trusted vendors, cost concessions, productivity tools, and education opportunities offered to Wealth Design Services, Inc. could be a conflict of interest in our vendor choices.

### **Item 12 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Wealth Design Services, Inc. or the integrity of Wealth Design Services, Inc's. management. Wealth Design Services, Inc. has no information applicable to this Item.

### **Item 13 – Other Financial Industry Activities and Affiliations**

Wealth Design Services, Inc. provides tax preparation services for clients on a restricted basis.

### **Item 14 – Code of Ethics**

Wealth Design Services, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. This standard of business conduct requires that the interests of clients be placed ahead of the interests of the Firm or any of its employees at all times. The Code of Ethics incorporates policies and procedures relating to personal trading by employees, and provides for sanctions if such policies and procedures are violated.

Wealth Design Services, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Steven Schwartz.

Persons related to or affiliated with Wealth Design Services, Inc. may own de minimus shares of publicly held securities or mutual funds also owned by clients.

Investment recommendations follow the personal financial goals that are unique to each client. For this reason, differences will exist in the recommendations made among Firm clients.

### **Item 15 – Brokerage Practices**

Wealth Design Services, Inc. may require that clients establish brokerage and custody accounts with Charles Schwab & Company, (Schwab) a registered broker-dealer, member SPIC, or SEI Trust Company (SEI) to maintain custody of client assets, provide reports, and to implement trading instructions.

Both Schwab and SEI provide both Wealth Design Services, Inc. and clients with access to a variety of services. The services include brokerage, custody, research, and access to mutual funds and other investments.

The services provided by Schwab are available to independent investment advisors on an unsolicited basis at no cost, so long as a total of at least \$10 million of the advisor's client assets are maintained in accounts at Schwab.

These services are not otherwise contingent upon Wealth Design Services, Inc. committing to Schwab or SEI any specific amount of business (assets in custody or trading).

Both Schwab and SEI Trust Company make available to Wealth Design Services, Inc. other products and services that benefit Wealth Design Services, Inc. but may not benefit client accounts. Some of these other products and services assist in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of fees from client accounts and assist with back-office functions, recordkeeping and client reporting.

Schwab and SEI also make available to Wealth Design Services, Inc. other services intended to help manage and further our business enterprise. These services may include consulting, publications, and conferences on practice management, information technology, business succession, regulatory compliance and marketing. While Wealth Design Services, Inc. endeavors to act in the best interest of the clients, the requirement that client's maintain their assets at Schwab or SEI may be based in part on the benefit to Wealth Design Services, Inc. from the availability of some of the foregoing products and services

provided by Schwab or SEI. The extensive use of these resources by Wealth Design Services, Inc. poses a potential conflict of interest even though no fees or compensation are received from either Schwab or SEI.

#### **Item 16 – Review of Accounts**

Investment accounts are reviewed at least annually by Steven Schwartz to determine whether the investment accounts are performing in a manner that is consistent with the objectives established within the client's Investment Policy Statement and financial planning goals.

Additionally, reviews are triggered by events that occur during the year such as scheduled client meetings, unusually volatile market conditions, and significant cash inflows and outflows.

Wealth Design Services Inc prepares performance reports for each client four times a year and accounts are reviewed at that time as well.

#### **Item 17 – Client Referrals and Other Compensation**

In limited circumstances, and only with the client's written consent and full knowledge, Wealth Design Services Inc has paid compensation to other advisers who refer clients to Wealth Design Services Inc.

#### **Item 18 – Investment Discretion**

Wealth Design Services, Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Wealth Design Services, Inc observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Wealth Design Services, Inc's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Wealth Design Services, Inc in writing.

#### **Item 19 – Voting Client Securities**

As a matter of firm policy and practice, Wealth Design Services, Inc. does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Wealth Design Services, Inc. may provide advice to clients regarding the clients' voting of proxies.

#### **Item 20 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Wealth Design Services, Inc's. financial condition. Wealth Design Services, Inc has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

**Part 2B of Form ADV: Brochure Supplement**

**Item 1- Cover Page (Part 2B of Form ADV: Brochure Supplement)**

---



**WEALTH DESIGN SERVICES, INC.**

**132 Allens Creek Road Suite 205**

**Rochester, NY 14618**

**(585) 442-3230**

**[www.wealthdesignservices.com](http://www.wealthdesignservices.com)**

---

**Steven G. Schwartz- CPA, JD, PFS**

**President**

**Jamie F. Block- CFP®, CPA**

**Support Advisor**



This brochure supplement provides information on our personnel listed above and supplements the Brochure. You should have also received a copy of the Brochure.

Additionally, a Summary of Professional Designations is included with this Part 2B Brochure Supplement. The list is provided to assist you in evaluating the professional designations our investment professionals hold.

If you have not received our firm's Brochure, have any questions about professional designations or about any content of this supplement, please contact us at (585) 442-3230.

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



Steven G. Schwartz, CPA, JD, PFS, RMA<sup>SM</sup>

**Principal**

**President**

**Chief Investment Officer**

Item 2- Educational Background and Business Experience

Year of Birth: 1952

Designations:

- Certified Public Accountant (CPA)
- Personal Financial Specialist (PFS), American Institute of Certified Public Accountants
- National Association of Personal Financial Advisors (NAPFA), Registered Member
- Retirement Management Analyst (RMA), Retirement Income Industry Association

Education:

- B.A., Franklin and Marshall College
- J.D, University of Pittsburgh School of Law

Item 3- Disciplinary Information

Steven G. Schwartz has never had any disciplinary disclosures to be reported.

Item 4- Other Business Activities

Steven G. Schwartz is currently not actively engaged in any other investment related business or occupation.

Item 5- Additional Compensation

Neither Wealth Design Services, Inc. nor Steven G. Schwartz receives economic benefits, sales awards, or other prizes from someone who is not a client.

Item 6- Supervision

Steven G. Schwartz, as Firm Principal, serves as a supervising advisor at Wealth Design Services, Inc.



Jamie F. Block, CFP®, CPA

**Support Advisor**

Item 2- Educational Background and Business Experience

Year of Birth: 1977

Designations:

- Certified Public Accountant (CPA)
- Certified Financial Planner (CFP®)

Education:

- B.S., Cornell University
- M.B.A., University of Rochester Simon School of Business

Item 3- Disciplinary Information

Jamie F. Block has never had any disciplinary disclosures to be reported.

Item 4- Other Business Activities

Jamie F. Block is currently not actively engaged in any other investment related business or occupation.

Item 5- Additional Compensation

Neither Wealth Design Services, Inc. nor Jamie F. Block receives economic benefits, sales awards, or other prizes from someone who is not a client.

#### Item 6- Supervision

Jamie F. Block and Steven G. Schwartz work as a team in servicing client relationships. All trading activity is signed and co-signed by both advisors to ensure accuracy. Office technology is designed to enable collaboration on work. Both advisors attend all client meetings when possible and notes are taken and shared as part of the meeting process.

## Summary of Professional Designations

### **CPA- Certified Public Accountant**

Issued by: New York State

Prerequisites/Experience Required: Candidate must meet the following requirements:

- Be at least 21 years of age
- Meet education requirements
- Meet examination requirements
- Meet experience requirements

Education Requirements: Candidate must

- Possess a bachelor's or higher degree from a program that is registered by the Department as meeting New York's 150 semester hour education requirements; or
- A Masters degree in accounting from an AACSB (Association for the Advancement of Collegiate Schools of Business) accredited accounting program; or
- A bachelors or higher degree from a regionally accredited college or university and completion of 150 semester hours in the following content areas, including the following:
  - 33 semester hours in accounting with at least one course in each of the following areas:
    - financial accounting and reporting
    - cost or managerial accounting
    - taxation
    - auditing and attestation services
  - 36 semester hours in general business electives and
  - The curriculum must also include, either as stand alone courses or integrated into other courses, the study of business or accounting communications, ethics, and professional responsibility, and accounting research.

Examination Type: New York State Uniform CPA Examination prepared and graded by the American

Institute of Certified Public Accountants (AICPA).

Continuing Education/Experience Requirements: The choice of:

- A minimum of 40 contact hours in any recognized subject area each year or
- 24 contact hours in one accepted subject area each year

### **CFP® Certified Financial Planner**

Issued by: Certified Financial Planner Board of Standards, Inc.

Prerequisites/Experience Required: Candidate must meet the following requirements:

- A bachelor's degree (or higher) from an accredited college or university, and
- 3 years of full-time personal financial planning experience

Educational Requirements: Candidate must

- Complete a CFP®-board registered program, or hold one of the following:
  - CPA • ChFC • Chartered Life Underwriter (CLU) • CFA • Ph.D. in business or economics
  - Doctor of Business Administration • Attorney's License

Examination Type: CFP® Certification Examination

Continuing Education/Experience Requirements:

- 30 hours every 2-years

### **PFS- Personal Financial Specialist**

Issued by: The American Institute of Certified Public Accountants (AICPA)

Prerequisites/Experience Required: Candidate must meet all the following requirements:

- Be a member of the AICPA
- Hold an unrevoked CPA certificate issued by a state authority
- Have at least two years of full-time business personal financial planning experience or 3000 hours equivalent experience (including up to 1000 hours of tax compliance) within the five-year period preceding the date of the PFS application

Education Requirements: Candidate must

- Have a minimum of 80 hours of personal financial planning education within the five-year period preceding the date of the PFS application

Examination Type: Final Certification Exam

Continuing Education/Experience Requirements:

- 60 hours of continuing professional education every three years related to the personal financial planning body of knowledge (AICPA education options)

### **NAPFA- The National Association of Personal Financial Advisors**

Prerequisites/Experience Requires: Candidate must meet the following requirements:

- Minimum 36 months engaged primarily in the provision of comprehensive financial planning services within the last 60 months, and including the most recent 12 months.

Educational Requirements: Three credits of advanced education in each of the following:

- Income Taxes
- Investments
- Estate Planning
- Retirement Planning
- Risk Management

Continuing Education Requirements:

- 60 Hours every 2 years which includes at least 5 hours in each of six areas around financial planning. Each hour documented and records are subject to audit.

Compensation: Fee-only all of the time

### **RMA- Retirement Management Analyst**

Issued by: The Retirement Income Industry Association (RIIA).

Prerequisites/Experience Required: Candidate must meet the following requirements:

- Have at least 3 or more years experience as a financial advisor working with clients broadly on retirement and non-retirement portfolios
- Have a Full Individual Membership with the RIIA



- Pass the RIIA Approved Education Program such as the Retirement Management Program at Boston University's Center for Professional Education