

# Wrap Fee Brochure

January 26, 2015

## **Strategic Family Wealth Counselors, LLC**

*a Registered Investment Adviser*

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This wrap fee brochure provides information about the qualifications and business practices of Strategic Family Wealth Counselors, LLC (hereinafter "SFWC" or the "firm"). If you have any questions about the contents of this brochure, please contact Michael T. Dwyer, III at (973)575-3444. 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 Strategic Family Wealth Counselors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Strategic Family Wealth Counselors, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This section discusses only the material changes that have occurred since SFWC's last annual update of the wrap fee brochure dated March 24, 2014. SFWC does not have any material changes to disclose in this Item.

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## Item 4. Services, Fees, and Compensation

The Strategic Family Wealth Counselors Program (the “Program”) is an investment advisory program sponsored by SFWC. The Program provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges.

To join the Program, a client must:

- (1) Complete an investor profile that describes the client’s financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to the client’s specific financial situation and any other supporting documentation the Program requires;
- (2) Complete the investment advisory wrap fee agreement (the “*Agreement*”) with SFWC;
- (3) Complete a new account agreement with Charles Schwab & Co., Inc. (“*Schwab*”) or another broker dealer SFWC approves for participation in the Program (“*Financial Institution*”); and
- (4) Open a securities brokerage account with the *Financial Institution* and deposit those assets designated for participation in the Program into the account.

After an analysis of any information provided by the client to SFWC, SFWC assists the client in developing an appropriate investment strategy for the assets in their accounts. Thereafter, all clients are encouraged to discuss their needs, goals, and objectives with SFWC and to keep SFWC informed of any changes thereto. SFWC contacts ongoing clients at least annually to review its previous services and/or recommendations and to determine whether changes should be made to their investment strategy.

### Management of Your Portfolio

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All clients in the Program grant SFWC discretionary and/or non-discretionary authority to buy, sell, and otherwise trade in the type of securities described in Item 6, and to liquidate previously-purchased securities that the client has transferred to their accounts. Assets are managed by one of SFWC’s investment adviser representatives.

SFWC recommends that certain clients authorize the active discretionary management of a portion of the assets by and/or among one or more independent investment managers (hereafter “*Independent Managers*”) to implement a particular investment strategy.

The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between SFWC or the client and the designated *Independent Managers*. SFWC continues to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which SFWC receives an annual advisory fee based upon a percentage of the market value of the assets managed by the designated *Independent Managers*. Factors that SFWC considers in recommending *Independent Managers* include the client’s stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. In

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addition to SFWC's written disclosure brochure and/or wrap fee brochure, the client receives the written disclosure brochure of the designated *Independent Managers*.

### Financial Planning Services

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In an effort to provide more coordinated and effective wealth management solutions, the firm may also provide clients in the Program with a variety of financial planning services. These services may address any or all of the following, without limitation:

- Investment policy statements;
- Financial independence models;
- Survivor income needs analysis;
- Education planning analysis;
- Cash flow models;
- Estate planning analysis;
- Investor education;
- Wealth transfer;
- Statements of financial positions; and
- Risk management strategy.

In performing its services, SFWC is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. SFWC may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if SFWC recommends its own services. The client is under no obligation to act upon any of the recommendations made by SFWC under a financial planning or consulting engagement or to engage the services of any such recommended professional, including SFWC itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of SFWC's recommendations. Clients are advised that it remains their responsibility to promptly notify SFWC if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising SFWC's previous recommendations and/or services.

### Fees for the Program

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Clients in the Program pay a single annualized fee for participation in the Program (the "*Program Fee*") ranging between 0.10% and 1.50% of the assets being managed under the Program. This fee is largely determined by the size of a client's portfolio and the investment management services to be rendered. The *Program Fee* is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by SFWC under the Program on the last day of the previous quarter. SFWC, in its sole discretion, may negotiate to charge a lesser *Program Fee* based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fee Comparison

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Under the Program, clients receive both investment advisory services and the execution of transactions for a single, combined annualized fee, the *Program Fee*. The *Program Fee* may also include the management and transaction fees charged by the *Independent Managers*. Participation in the Program may cost the client more or less than purchasing such services separately. The number of transactions made in the client's accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The *Program Fee* may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

### Other Charges

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Clients may incur certain charges imposed by third parties in addition to the *Program Fee* such as fees charged by *Independent Managers*, charges imposed directly by a mutual fund or exchange-traded fund ("ETF") in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## Item 5. Account Requirements and Types of Clients

The Program participants include individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimums Imposed By *Independent Managers***

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SFWC does not impose a minimum portfolio size or minimum annual *Program Fee*. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than SFWC. In such instances, SFWC may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 6. Portfolio Manager Selection and Evaluation

SFWC either manages its clients' investment portfolios internally or selects an *Independent Manager* to provide portfolio management services in accordance with its client's objectives.

### Investment Management

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SFWC manages clients' investment portfolios on a discretionary and/or non-discretionary basis. In addition, as part of the firm's wealth management services, the firm combines various components of the financial planning services (described above) with portfolio management under a single, coordinated offering. SFWC primarily allocates clients' investment management assets among mutual funds, ETFs and collective investment vehicles. The firm also provides advice with regard to legacy positions or investments otherwise held in its clients' portfolios.

Certain of the collective investment vehicles recommended by SFWC take the form of private placement securities. As such, SFWC limits such recommendations to clients who are deemed to be "accredited investors," as defined by Rule 501 under the Securities Act of 1933.

### Use of Independent Managers

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As mentioned in Item 4, SFWC may recommend that certain clients authorize the active discretionary management of a portion of their assets by *Independent Managers* instead of by SFWC. In these cases, SFWC renders services to the client relative to the discretionary selection of *Independent Managers*. SFWC also monitors and reviews the account performance and the client's investment objectives. When selecting an *Independent Manager* for a client, SFWC reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that SFWC considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research.

### Performance-Based Fees and Side-by-Side Management

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SFWC does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### Methods of Analysis

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SFWC's primary methods of analysis are largely fundamental in nature.

*Fundamental analysis* involves the examination of the fundamental financial condition and competitive position of a company. SFWC analyzes the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in



order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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Each client has goals and objectives that are unique. The firm's approach recognizes that and takes the time to thoroughly listen to clients in an effort to gain an understanding of their individual situations, concerns and expectations. SFWC asks questions, listens to concerns and welcomes discussion as alternatives are considered. As such, SFWC's strategy for managing its clients' wealth involves a multi-tiered process, as follows:

1. The firm completes the initial discovery interview in an effort to review and develop an understanding of the client's current financial position, as well as to verify the client's short, intermediate and long term goals.
2. SFWC sends a discovery letter to verify the financial information gained during the interview process.
3. The firm prepares a detailed statement of financial position, current investment allocation and verification of goals and objectives.
4. SFWC prepares a written financial plan, outlining goals and recommendations regarding how to meet the client's objectives in the most appropriate manner. The firm also develops a Financial Independence Model in an effort to determine the minimum rate of return a client would need to earn in order to meet their financial objectives based on their available capital and time horizon. By determining this minimum investment hurdle rate, it allows SFWC to create portfolios that are designed with the goal of providing clients with the greatest opportunity of meeting their targeted investment return with the minimum amount of volatility.
5. SFWC then develops an investment policy statement, which aids in the following ways:
  - a. Clarifies objectives and expectations for all concerned parties;
  - b. Approves specific procedures so that all parties concerned know what to expect;
  - c. Compels the investor and advisor to be more disciplined and systematic in their decision-making;
  - d. Minimizes the potential for misunderstandings;
  - e. Establishes a record of decisions and an objective means to test whether those serving the investor are complying with the investor's requirements;
  - f. Provides a means to communicate to advisors, beneficiaries, and current and future fiduciaries on how the investor proposes to act upon their duties.
6. The firm seeks to identify appropriate investment managers to be utilized as part of the process, which include:

- a. Active versus passive management
  - b. Security selection of:
    - i. Mutual funds
    - ii. ETFs
    - iii. Separate account managers
    - iv. Individual stocks
    - v. Individual bonds
    - vi. Hedge funds
    - vii. Private equity
    - viii. Commodities
    - ix. Real estate
    - x. Managed futures
7. SFWC develops a timeline and implementation strategy in order to initiate recommendations.
  8. The firm then initiates the investment strategy.
  9. SFWC continues to monitor quarterly performance of investment assets against stated objectives.
  10. On an annual basis, the firm updates cash flow models and Statements of Financial Positions in an effort to assure family objectives are being met, as well as incorporating any changes in financial situation or the client's philosophy.

### Risks of Loss

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#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares

or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted “strike” price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Market Risks*

The profitability of a significant portion of SFWC’s recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that SFWC will be able to predict those price movements accurately.

### *Use of Independent Managers*

SFWC may recommend the use of *Independent Managers* for certain clients. SFWC will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, SFWC does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Items 4 and 6, above.

### *Use of Private Collective Investment Vehicles*

SFWC may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called “hedge funds”). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by SFWC in the management of the client’s investment portfolio, the market value of the client’s account and

corresponding fee payable by the client to SFWC will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin shall correspondingly increase the management fee payable to SFWC. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Voting of Client Securities**

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SFWC is required to disclose if it accepts authority to vote client securities. SFWC does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### **Item 7. Client Information Provided to Portfolio Managers**

SFWC acts as the sponsor and portfolio manager to the Program. As discussed above, SFWC may also designate one or more *Independent Managers* to manage a portion of its clients' assets. SFWC may share information about the client with the *Independent Manager* necessary for the *Independent Manager* to render services to the client, including risk tolerance, account balance, and other financial information. SFWC has adopted a privacy policy notice which is provided to all current and prospective clients.

### Item 8. Client Contact with Portfolio Managers

There are no restrictions on a clients' ability to contact and consult with SFWC. Clients may contact *Independent Managers* through SFWC by providing SFWC with written request and identification of the questions or issues to be discussed with the *Independent Managers*. After receiving the client's written request SFWC, at its sole discretion, contacts the *Independent Managers* for the client or arranges for the *Independent Managers* and the client to communicate directly.

## Item 9. Additional Information

### Disciplinary Information

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SFWC is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. SFWC does not have any required disclosures to this Item.

### Registered Representatives of Broker Dealer

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As discussed Item 5, certain of SFWC's *Supervised Persons* are registered representatives of *PKS*.

### Receipt of Insurance Commission

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Certain of SFWC's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While SFWC does not sell such insurance products to its investment advisory clients, SFWC does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that SFWC recommends the purchase of insurance products where SFWC's *Supervised Persons* receive insurance commissions or other additional compensation.

### Code of Ethics

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SFWC and persons associated with SFWC ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with the firm's policies and procedures.

SFWC has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). SFWC's *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by the firm or any of its associated persons. The *Code of Ethics* also requires that certain of SFWC's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When the firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact SFWC to request a copy of its *Code of Ethics*.

### **Review of Accounts and General Reports**

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For those clients to whom SFWC provides investment management services, SFWC monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients in the Program to whom SFWC also provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of SFWC's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with SFWC and to keep SFWC informed of any changes thereto. SFWC contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom SFWC provides investment advisory services will also receive a report from SFWC that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance not less than annually. Clients should compare the account statements they receive from their custodian with those they receive from SFWC.

Those clients in the Program to whom SFWC provides financial planning services will receive reports from SFWC summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by SFWC.

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

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SFWC is required to disclose any arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. SFWC may receive certain benefits from Schwab Advisor Services<sup>TM</sup> ("*Schwab*") for recommending that investment management clients utilize *Schwab's* brokerage and clearing services. These benefits may include, without limitation: computer software, systems



support, business loan facilities, lines of credit, access to certain trading desks, access to block trading, and bundled duplicate statements or confirmations, among others. This type of arrangement gives rise to a conflict of interest in that there exists an incentive for SFWC to recommend *Schwab's* services.

In addition, SFWC is required to disclose any direct or indirect compensation that it provides for client referrals. SFWC does not compensate for referrals.

### **Financial Information**

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SFWC is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

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