

**Firm Brochure**  
(Part 2A & 2B of Form ADV)

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This brochure provides information about the qualifications and business practices of Wealth Engineering, LLC. If you have any questions about the contents of this brochure, please contact us at: (480) 296-2042, or by email at: Dave@Wealth-Engineering.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.

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

August 1, 2011

## Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in a narrative, “plain English” format. The new final rule specifies mandatory sections and organization.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (480) 296-2042 or by email at: [Dave@Wealth-Engineering.com](mailto:Dave@Wealth-Engineering.com).

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# Advisory Business

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## **Firm Description**

Wealth Engineering, LLC ("Wealth Engineering") was founded in 2003.

Wealth Engineering provides customized Investment Advisory and Financial Planning Services. These services are provided to individuals, families, retirement plans, trusts and estates. Investment advice is personalized through lengthy conversations with Clients and may include the evaluation of the Client's: financial objectives, risk parameters, financial structure, cash management and life experiences. Wealth Engineering strongly believes that building customized portfolios is not an exact science since a Client's tolerance for stock market risk is not always a static measurement. It has been Wealth Engineering's experience that Clients are willing to take on greater risk during prosperous periods of economic growth (bull markets) and exhibit less of a willingness to take on risk during periods of economic contraction (bear markets). Thus, Wealth Engineering knows it may take a few market cycles to "fine tune" and arrive at a portfolio structure that ultimately meets the Client's desires.

Within our Investment Advisory Service, Wealth Engineering spends about 50% of our time helping clients with non-investment oriented issues. Wealth Engineering refers to these non-investment services as Financial Planning Services. Financial Planning Services are very broad in nature and are Client specific, but may include tax planning, risk management/insurance planning, education funding, retirement planning, and estate planning.

Wealth Engineering also offers a separate and distinct, non-advisory, formalized written Financial Plan. This formalized Financial Plan service is detailed within the following pages. Generally speaking, the comments in this section pertain to our Investment Advisory Service and not to our production of a Financial Plan document.

Wealth Engineering is strictly a fee-only investment management and financial planning firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions or finder's fees are accepted in any format.

Wealth Engineering does not act as a custodian of Client assets. Assets always remain in the name of the Client and Wealth Engineering does not accept title or vesting of any assets within the firm's name. All assets are held at large and respectable custodians.

Wealth Engineering implements the recommended investment strategy via a limited power of attorney provided to the firm by the Client. The nature of this limited power of attorney is discussed in greater detail in the following pages.

After Wealth Engineering has spent significant time understanding the Client's financial situation and desires, a "Recommendation Letter" is drafted to propose the specific investment allocation to be utilized. The Client has the

full authority to accept or reject the recommendations in this Recommendation Letter. Once the investment allocation is approved, Wealth Engineering will proceed in implementing the approved allocation over the time period noted in the Recommendation Letter. Depending on the Client's situation, a Retirement Plan may also be produced to supplement the Recommendation Letter.

Periodic reviews are provided to update Clients as to the current course of action as it pertains to the Client's personal situation. Wealth Engineering believes that two way communication is imperative to achieve a successful outcome. Wealth Engineering utilizes quarterly articles, emails, phone conversations and face to face meetings as modes of communication. Wealth Engineering fully relies on Clients to update them immediately of any changes in their financial or personal lives. It is also crucial that the Client maintain contact with Wealth Engineering via one of the above modes of communication.

The Recommendation Letter is utilized for the implementation period noted in the Recommendation Letter. Beyond the implementation of the Recommendation Letter, Wealth Engineering will make rebalancing and investment changes without notice to the Client. It is our intention, whenever possible, to communicate our future plans in our quarterly newsletter, but we know that a portion of investments will need to be implemented in a timelier manner, without Client notice. Some months, or possibly a few years, after the Recommendation Letter has been fully implemented the Advisor will write an Investment Policy Statement (IPS) for Client. The current Investment Policy Statement is being referred to as an "Interim" Investment Policy Statement due to the uncertain economic situation in the United States and world. It is Advisor's hope that a more typical "long-term" IPS will be drafted once we solve our economic problems. As discussed later in this document, our quarterly review process and ongoing communication provides frequent updates as to the planned future allocation and rebalancing changes.

It is imperative that the Client has other professional relationships (e.g., lawyer, accountant, insurance agents, etc.) that are engaged directly by the Client on an as-needed basis. It is the Client's responsibility to make sure these other professionals are being proactive and contacting the Client if any changes need to be made within their area of specialty. All of these professionals provide unique and distinct services beyond the services that are provided by Wealth Engineering, thus the importance of these other relationships. Wealth Engineering will occasionally write articles on legal, tax and insurance topics, but it is the Client's responsibility to take the next step in contacting their particular professional to implement any desired changes within these specific areas. We are pleased to discuss options before the Client contacts their other professionals, but the Client needs to take the initiative and assume responsibility in making contact.

It is the policy of Wealth Engineering to eliminate conflicts of interest wherever possible. It may not be possible to eliminate conflicts of interest in

every situation. Wealth Engineering will disclose any known conflicts of interest in writing.

The initial meeting(s), which may be by telephone and/or in person, is/are free of charge and is/are considered an exploratory interview to determine the needed scope of services and to determine if there will likely be a mutual benefit to both the Client and Wealth Engineering.

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**Principal Owners**

Dave Fernandez is a 100% stockholder (100% LLC Member).

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**Types of Advisory Services**

The only advisory service Wealth Engineering provides is the above mentioned Investment Advisory Service.

On a regular basis, Wealth Engineering furnishes advice to Clients on matters not involving securities. We refer to these other services as Financial Planning Services. These other services are very broad in scope and are typically driven by specific Client requests or needs, but they may include retirement planning, tax planning, risk management/insurance planning and estate planning. It is Wealth Engineering's belief that one of the differentiating elements of our firm is the time we spend with Clients on these non-investment advisory issues.

As of March 1, 2011, Wealth Engineering manages approximately \$64,200,000 in assets for approximately 40 clients. Approximately \$64,200,000 is managed on a discretionary basis, and \$0 is managed on a non-discretionary basis.

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**Tailored Relationships**

Through our initial conversations with Clients, Wealth Engineering tailors a customized investment allocation that is communicated to the Client in what we refer to as the "Recommendation Letter." The presentation and conversation about this letter gives the Client the forum to accept or decline the initial recommendations. Wealth Engineering provides periodic updates to Clients on our beliefs in the macro economy. These updates allow for the Client to contact Wealth Engineering and discuss any possible disagreements regarding our investment recommendations or broad global beliefs. Wealth Engineering will fully rely on the Client to contact us with any significant "big picture" disagreements with our recommended investment theories.

Agreements may not be assigned without Client consent.

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**Types of Agreements****Investment Advisory Agreement**

The vast majority of Clients elect to hire Wealth Engineering under an Investment Advisory Agreement to provide Asset Management. Due to Wealth Engineering's high minimums, the firm naturally gravitates to Clients that are well on their way to being financially independent or have reached



the point of not needing to continue to work. While Clients have the option to retain Wealth Engineering to prepare a formalized, written financial plan, most Clients determine that their life situation has moved beyond Cash Flow Planning and College Planning to an emphasis on issues pertaining to Risk Management (Insurance) and Estate Planning. Most Clients hire Wealth Engineering for the management of their assets, but over numerous years Clients come to understand the significant value in ongoing, broad non-investment oriented services that are provided by Wealth Engineering. Wealth Engineering believes that the pursuit of these Financial Planning topics is crucial to obtaining financial success. Unfortunately, Financial Planning has become synonymous with the publishing industry and most Financial Planners in the industry believe that a formalized 60 page document must be provided to explain the Financial Planner's recommended solutions. However, Wealth Engineering believes the pursuit of solutions for the Client is to maximize the Client's net worth, and this does not require the production of a 60 page document. The Investment Advisory Service provides the ongoing management of the Client's investment portfolio and the continuous pursuit of financial planning issues that need to be integrated into the Client's financial structure. If the Client wants an upfront comprehensive analysis of all financial planning issues, the Client must initially hire Wealth Engineering under a Financial Planning Document Preparation Agreement. The Financial Planning Services under the Investment Advisory Agreement should in no way be construed as a comprehensive Financial Plan.

We understand how Clients initially minimize these non-investment services addressed under our Investment Advisory Agreement, thus the following list of recently written articles may help prospective Clients understand the depth of our additional services:

College Planning – 529 Plans	Medicare and Supplemental Policies
Credit Reports – FICO Scores	Life Planning
Missing Money (State Dept. Rev.)	Beneficiary Designations
Estate Planning	Asset Protection
Roth Conversions	Client's Health
Property Casualty/Umbrella Policies	Charitable Gifting
Long-Term Care Insurance	Tax Update
Identity Theft	Reverse Mortgages

As directly pertaining to Asset Management, the following services will be provided:

- Risk Tolerance Determination
- Portfolio design to achieve or maintain financial independence
- Tailored Asset Allocation Plan with Specific Investment Recommendations

- Implementation and Ongoing support
  - Account establishment and/or account transfer assistance
  - Quarterly appraisal and performance reports
  - Ongoing portfolio monitoring and management – we spend a significant amount of time researching how to best position Client's portfolio relative to the current economic environment
  - Quarterly updates as to potential investment changes due to changes in the macro worldwide economy
  - Constant access to the Advisor via phone, email or in person to evaluate life changes and family financial issues

The following is a list of services that we provide annually that only partially relate to management of Client's investments:

- 1) Tax Reporting including Realized Gain and Loss reports and detailed notes to the Client's accountant to assist in completion of the Client's tax return. Upon Client direction, Wealth Engineering communicates directly with the Client's accountant as to any tax reporting revisions by the custodian.
- 2) Required Minimum Distribution calculation and distribution plan (if applicable).
- 3) Annual Net Worth Calculation to determine progress of the Client's overall financial situation. Wealth Engineering prepares Net Worth Statements during the second quarter of the year. Wealth Engineering sends the Clients out a query for asset values at the beginning of the second quarter. The Client is encouraged to provide the Net Worth Statement to their estate planning attorney and insurance agent to ensure that these other professionals understand the Client's current structure and current asset values to determine if changes need to be made to estate planning documents or insurance coverage.
- 4) Tax Loss Harvesting opportunities are pursued throughout the year. At times, there can be significant value to the Client in this service.
- 5) Year-end tax evaluation to determine if tax deferral or tax acceleration is beneficial for the Client. In an example of this analysis, Wealth Engineering might determine if a Roth Conversion or additional income will benefit the Client in normalizing tax liabilities over numerous years.

The scope of work and fee for an Investment Advisory Service relationship is provided to the Client in writing prior to the start of the relationship via a formalized contract.

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

Portfolio Value	Quarterly Rate	Equivalent Annual Rate
< or = \$2,000,000	0.1875%	0.75%, plus
\$2,000,001 to \$4,000,000	0.125%	0.50%, plus
>\$4,000,000	0.0625%	0.25%

Current Clients under previous contracts may have a lower fee than the fee schedule above. Wealth Engineering has a minimum annual fee of \$10,000.

Wealth Engineering, in its sole discretion, may reduce the minimum fee and/or charge a lesser investment advisory fee based upon certain extenuating factors (e.g. family members, business associates, groups of clients hiring advisor at one time, etc.).

Although the Investment Advisory Service Agreement is an ongoing agreement, the length of service to the Client is at the Client's discretion. The Client or the Advisor may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation.

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### **Financial Planning Document Preparation Agreement**

Wealth Engineering and potential Clients need to collectively determine if the preparation of a written Financial Planning Document is necessary. The age of the Client is many times a determining factor in deciding if a plan needs to be prepared. In that Wealth Engineering will not prepare Financial Planning Documents for Clients that do not desire ongoing Investment Advisory Services, it is likely that this service would benefit a young family with decent complexity that has significant assets and desires an immediate written document that details the following areas:

- Financial Goals
- Net Worth Statement
- Cash Flow Projection
- Debt Management
- Income Tax\*
- Risk Management (Current Insurance Review)\*
- Retirement Planning
- College Planning
- Estate Planning\*
- Investment Allocation Analysis

- Portfolio Volatility Tolerance Determination
- Tailored Asset Allocation Design

One of the main reasons a client would elect to pay for a written Financial Plan is that all of the above issues will be dealt with over a very short period of time and the client knows that there are some immediate issues that need to be resolved.

*\*NOTE: The written Financial Plan is aimed at improving asset utilization and capital accumulation. The Advisor is not a lawyer, accountant or licensed insurance agent; therefore, the Advisor recommends the integration of the advice with these other professionals.*

The fee for a Financial Plan is predicated upon the facts known at the start of the engagement. The fee range is \$5,000 to \$10,000 and is not negotiable. Half of the fee will be due at the beginning of the process; the other half will be invoiced after the completion of the plan. The fee is determined by an estimate of the hours that will be spent on the plan. It typically takes Wealth Engineering 25 to 30 hours to prepare a written Financial Plan.

After delivery of a Financial Plan, the Financial Planning Agreement expires and the Investment Advisory Services agreement becomes the “in force” document.

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### **Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying Wealth Engineering in writing and paying the pro-rata portion of the investment advisory expense for the given quarter. If the Client made an advance payment, Wealth Engineering will refund any unearned portion of the advance payment.

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

## **Fees and Compensation**

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### **Description**

Wealth Engineering bases its fees on a percentage of assets under management or the applicable minimum annual fee.

Financial Plans are priced according to the degree of complexity associated with the client’s situation.

Fees are not negotiable.

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### **Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning that we invoice the Client after the three-month billing period has ended. Wealth

Engineering provides a copy of the Client's invoice along with their quarterly investment statements. Wealth Engineering utilizes the quarter end balance to determine the Client's fee. It is clearly noted on the invoice that the Client must verify the fee calculation in that the custodian will not verify these figures. A date is typically provided on the invoice that is two to three weeks following the end of the quarter informing the Client that their fee will be deducted on this date. The Client authorizes Wealth Engineering to directly debit this fee from the Client's investment account, via the initial custodian account application.

Fees for Financial Plans are billed half in advance, with the balance due upon delivery of the Financial Plan.

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**Other Fees**

Custodians charge transaction fees on purchases or sales of certain mutual funds, exchange-traded funds or separate issue securities. These transaction charges are usually small and incidental to the underlying annual expense of the fund. The selection of the security is more important than the nominal fee the custodian charges to buy or sell the security. The current fees at TD Ameritrade are \$24 for a mutual fund and \$9.99 for stocks or ETFs.

Wealth Engineering also utilizes third party bond brokers that transact bond and CD purchases and sales under the direction of the Advisor. These bond brokers are compensated by commissions and it is Wealth Engineering's responsibility to reduce these commissions wherever possible. These commissions for the purchase or sale of municipal bonds are significantly higher than the transactions to buy separate issue stocks or mutual funds. Wealth Engineering fully understands that Clients are paying higher commissions in this segment of the portfolio, but these separate issue bonds and CDs are recommended due to their lack of ongoing expenses.

It is imperative to understand that Wealth Engineering does not receive any of the above commissions nor do they receive any enticement to direct trades to these third party brokers.

Investments may also include: equities (stocks), preferred stock, corporate debt securities, commercial paper, certificates of deposit, municipal bonds, investment company securities (variable annuities and mutual funds shares), U. S. government securities, options contracts and futures contracts.

Initial public offerings (IPOs) are not available through Wealth Engineering.

There are instances where extraordinary financial planning or non-investment oriented services could arise, under the Investment Advisory Agreement. It should be noted that these instances are rare. Wealth Engineering will discuss any additional fees with the Client before any fees accrue. The most common reason for these fees has been death and divorce of a Client. An hourly fee of \$250 will be billed for these services.

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## **Expense Ratios**

Mutual funds and ETFs charge a management fee for their services as investment managers. These fees vary on the complexity of the management of the specific funds. As an example, a fund that has an expense of .5% would have an annual expense of \$500 on a \$100,000 investment. These fees are in addition to the fees paid by the Client to Wealth Engineering.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted. Wealth Engineering's performance reports are net of all fees (Wealth Engineering's Fee, Mutual Fund Expenses and Custodian Transaction Fee).

Equity Assets are invested primarily in no-load mutual funds and exchange-traded funds (ETFs) and Fixed Income Assets are invested within Mutual Funds and separate issue bonds, CDs and other instruments. Most of the mutual funds are deemed to be "Institutional Class" funds due to their reduced annual expenses provided to Investment Advisors that have substantial holdings with the fund company. The underlying expense in a recommended fund is very important and a determining factor for the advisor in recommending the funds to the Client. Wealth Engineering favors these lower expense investments where applicable for its Clients. These expenses are disclosed in the fund prospectus or can be viewed on the mutual fund's website. Wealth Engineering also provides details on these fund fees on the initial "Recommendation Letter."

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

As previously noted, Wealth Engineering deducts fees from Investment Advisory accounts approximately two to three weeks following the end to the quarter. The Client authorizes the Advisor to deduct these fees at the onset of the relationship. The Client has approximately two weeks to review their bill before the deduction is implemented. With the above arrangement, Past Due Accounts are not applicable. Also, as previously noted, the Client or Advisor can terminate any agreement and a prorated portion of the fee will be charged to the Client.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

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

Wealth Engineering does not utilize a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the Advisor to recommend an investment strategy that may carry a higher degree risk than desired by the Client.

# Types of Clients

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## Description

Wealth Engineering generally provides investment advice to individuals, families, pension and profit sharing plans, trusts, estates, corporations or business entities.

Client relationships vary in length of service.

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## Account Minimums

Wealth Engineering believes Clients need to have a minimum portfolio that ranges between \$1,000,000 and \$1,350,000 to justify Wealth Engineering's \$10,000 minimum annual fee. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by Clients with greater assets under management.

Wealth Engineering has the discretion to temporarily reduce the account minimum. Accounts of less than \$1,000,000 may be set up when the Client and the Advisor anticipate the Client will add additional funds to the accounts within a reasonable time, thus bringing the total to \$1,000,000. Other exceptions may apply to relatives of existing clients, business associates, acquaintances or relatives to the owner of Wealth Engineering.

# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis

Wealth Engineering's security analysis method predominately centers on fundamental analysis. Wealth Engineering spends much of their investment analysis energy on understanding the macro economic environment. While many firms center their efforts on the micro economic environment (specific stocks), Wealth Engineering believes that our time is much better utilized in understanding the "Big Picture."

The main source of information comes from analysts throughout the world. Much of this information is obtained via the internet. Secondly, information is obtained from mutual fund company literature, financial newspapers and magazines, mutual fund rating services, research materials prepared by others and discussions with fellow financial advisors.

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## Investment Strategies

The primary investment strategy used on Client accounts is strategic asset allocation. It is likely that Wealth Engineering will always maintain a core group of equity mutual fund holdings, but the current volatile economic landscape warrants a more active and opportunistic philosophy. Wealth Engineering spends the majority of its research efforts attempting to understand the macro economic forces and implementing broad and diversified investments that will prosper from these economic challenges.

These possible benefits may be either in the form of upside performance or downside loss reduction. As an example, in the year 2000 while many investors were attempting to figure out what internet stock (micro approach) to own, many macro-oriented advisors scoured the world landscape and came to the conclusion that broad emerging market exposure would benefit clients over the next ten years. Many investors were trying to decipher what stock to hold for the next ten days, while macro investors knew they could not time the market over days or months, but looked for value over an extended number of years. These macro economic beliefs are clearly communicated to Clients via our quarterly letter and it is clearly communicated which types of investments need to be pursued to capture these opportunities. It is Wealth Engineering's belief that it will be necessary to be somewhat more active than in previous years in this difficult economic environment.

Wealth Engineering asks for input from the Client on a quarterly basis and it is up to the Client to provide any changes to their risk parameters or financial situation that were initially provided to the firm.

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Wealth Engineering is humble enough to know that we cannot foresee all possible risks. We do understand though that there are known unknowns. In today's market, an emphasis on asset preservation and the preservation of purchasing power is warranted. Some of the risks that investors could weather are:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to real and/or emotional events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk/ Loss of Purchasing Power:** When inflation is present, a dollar next year will not buy as much as a dollar today because the purchasing power is eroding. This devaluation can also occur in other world currencies.
- **U.S. Dollar Risk:** Our home currency could become impaired due to excessive current and further additional Federal deficits.
- **Currency Risk:** In today's globalized world, investments are held within currencies throughout the globe. Losses could be a result of both the weakening and strengthening of certain currencies.



- **Counterparty Risk:** Financial institutions may not be able to honor their obligations under a derivative security in an extreme financial crisis, similar to what was experienced in 2008 and early 2009.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash at a reasonable price. The vast majority of Wealth Engineering's assets are liquid, assuming that the markets stay open and do not seize. The issue on liquidity has been more of an issue of liquidity at a much lower price. During the downturn in 2008 and 2009, there was limited liquidity within the municipal bond market and if Advisor was forced to sell during a one month window, Client would have received a significant discount on Client's asset. It is Wealth Engineering's goal to ensure that assets that could have compromised liquidity in a financial panic are in fact long-term holdings. Advisor attempts to not be a seller in a compromised market.

## **Disciplinary Information**

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### **Legal and Disciplinary**

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

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

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### **Financial Industry Activities**

Wealth Engineering does not have any other commercial activities within the Securities, Investment Management or Financial Planning industry.

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### **Affiliations**

Wealth Engineering has affiliations with Camden Financial Management and Continuum Wealth Management (detailed later in "Privacy Notice"). Wealth Engineering shares office space and common computer systems with these firms.

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

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### **Code of Ethics**

The employees of Wealth Engineering have committed to a Code of Ethics that is available for review by Clients and prospective Clients upon request.

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

Wealth Engineering and its employees may buy or sell securities that are also held by Clients. Employees may not trade their own securities ahead of Client trades. Employees comply with the provisions of the Wealth Engineering *Compliance Manual*.

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## **Personal Trading**

The Chief Compliance Officer of Wealth Engineering is Dave Fernandez. He places and reviews all trades each quarter. This personal trading review ensures that Clients of the firm receive preferential treatment over the personal trades of Dave Fernandez. Since any trades made by Dave Fernandez are small in relation to the overall markets and are typically mutual fund or exchange-traded fund trades, these trades will not affect the securities markets.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Wealth Engineering does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. Wealth Engineering recommends custodians based on proven integrity and financial responsibility within the industry. Reasonable commission rates and the best execution of orders are also very important in Wealth Engineering's determination of a custodian to recommend to clients.

Wealth Engineering recommends discount brokerage firms (qualified custodians), such as TD Ameritrade. Vanguard and TIAA-CREF are also recommended for their low cost variable annuities for Clients with existing variable annuities.

Wealth Engineering does not receive fees or commissions from any of these arrangements.

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### **Best Execution**

Wealth Engineering reviews a compilation of execution data (transactions) at TD Ameritrade on an annual basis. Additionally, Wealth Engineering does talk with competing custodians of TD Ameritrade and requests data to substantiate where their transactions are being settled on more favorable terms. The response from these competing firms has always indicated that no data exists supporting any one of the three large Institutional/Independent custodians having any better execution than the others. The review is documented in Wealth Engineering's *Compliance Manual*. In that Wealth Engineering utilizes mutual funds for a significant portion of our portfolios, the transaction fee to buy or sell a fund is of greater importance than the execution of trades. The fees charged to transact stocks, ETFs and mutual funds at TD Ameritrade are some of the most competitive in the industry. Wealth Engineering does recognize that Best Execution is applicable in the purchase and sale of ETFs, thus this expense will be evaluated on an annual basis. As mentioned previously, Wealth Engineering does utilize a third party institutional bond broker to execute some bond purchases and sales due to the reduced commission and resulting execution advantage. Wealth Engineering does not receive any portion of the trading fees.

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**Soft Dollars**

Wealth Engineering does not have any soft dollar arrangements in the literal definition.

The issue that could potentially be deemed to be a soft dollar arrangement would be our utilizing of TD Ameritrade as the custodian for our Client funds. TD AMERITRADE offers services to independent investment advisors and their clients which include custody of securities, trade execution, clearance, and settlement of transactions ("Institutional Program"). The Advisor receives no cash benefit, including commissions, from any third party in connections with Clients' accounts. All investment advisors that participate in the Institutional Program are eligible to receive certain benefits from TD AMERITRADE ("Program Benefits"). These benefits include various technological tools, education and compliance materials that assist investment advisors in managing and servicing their Clients' accounts. These Program Benefits do not depend on the amount of brokerage transactions an investment advisor directs to TD AMERITRADE. An investment advisor's receipt of Program Benefits could create potential conflicts of interest between the investment advisor and its Clients. For example, the receipt of Program Benefits by an advisor may indirectly influence that advisor's recommendation of TD AMERITRADE for custody and brokerage services.

Wealth Engineering does not deem the benefits mentioned in the prior paragraph as having any significant value. If Wealth Engineering utilized another custodian they would receive similar "institutional services."

If Wealth Engineering found a custodian that would provide better service to the Client, lower fees and equal stability – Wealth Engineering would consider moving our Institutional relationship.

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**Order Aggregation**

Most trades are mutual funds or exchange-traded funds and Wealth Engineering does not utilize block trading or aggregating software. As previously noted, Wealth Engineering manages customized portfolios, thus purchases and sales are specifically tailored to each Client's current financial situation.

## **Review of Accounts**

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**Periodic Reviews**

Account reviews are performed at least quarterly by the Advisor, Dave Fernandez. Account reviews are performed more frequently when market conditions dictate.

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**Review Triggers**

Other conditions that may trigger a review are changes in market conditions, a change in investment assumptions, an unforeseen macro event, and an update from the Clients as to changes in the Client's financial or personal situation. On a quarterly basis, input and feedback are requested of Clients

relative to our macro beliefs and/or specific recommendations. In addition, all Clients are requested to keep the Advisor apprised of any changes regarding their financial and personal situation.

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### **Regular Reports**

Clients receive regular statements and confirmations from various companies serving as custodians for the Clients' investment(s), e.g. brokerage firms (TD Ameritrade) and mutual fund companies (Vanguard or TIAA-CREF). Clients should review these trades and statements within a timely basis and contact Wealth Engineering if any discrepancies exist or additional information is needed. TD Ameritrade provides these reports on a monthly basis and Vanguard and TIAA-CREF provide the reports on a quarterly basis.

The Advisor prepares quarterly investment appraisals and performance reports for Clients. Wealth Engineering spends a significant amount of time maintaining the data to produce these reports. As with custodian statements and confirmations, Clients should review the data and contact Wealth Engineering if any additional information or explanations are needed.

At the mid-point of each quarter, Wealth Engineering writes a quarterly article. In "normal" economic times, Wealth Engineering discusses the investment markets twice a year and various financial planning topics twice a year. With the current economic environment, however, the discussions in this quarterly article have been more investment related. These investment related articles specify some of the expected future investment changes to the Client's portfolio that are planned in the coming months or quarters.

## **Client Referrals**

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### **Incoming Referrals**

Wealth Engineering has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, and other similar sources. The firm does not compensate these particular referring parties for these referrals.

The principal of Wealth Engineering is a member of the Paladin Registry ([www.paladinregistry.com](http://www.paladinregistry.com)). According to the company's promotional information, investors use Registry services to learn about financial advisors, to learn how to avoid bad financial advice, to learn how to select quality advisors, to search for new or replacement advisors, and to view documentation for Registry advisors' credentials, ethics and business practices. The Registry also matches Wealth Engineering professionals with investors who use its search and documentation services. Wealth Engineering pays fixed monthly fees to Paladin for membership in the Registry. The fixed fees are paid whether or not any referrals are made and irrespective of the number of referrals. Paladin has relationships with websites and companies (Partners) whose members, clients, users, or customers have linked access to Registry services. Paladin uses these relationships with Partners and provides free public services to investors.

Wealth Engineering also has executed a referral agreement with AllFinancialAdvisors ([www.allfinancialadvisors.com](http://www.allfinancialadvisors.com)). Under the terms of the agreement, Wealth Engineering may pay AllFinancialAdvisors for qualified referrals made via the firm's online directory of financial advisors, personal financial planners and wealth managers.

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**Referrals Out**

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

## Custody

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**Account Statements**

All assets are held at third party custodians, which means the custodians provide account statements directly to Clients at their address of record at least quarterly. TD Ameritrade provides statements on a monthly basis.

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**Performance Reports**

Clients are directed to compare the account statements received directly from their custodians to the appraisal report statements provided by Wealth Engineering.

## Investment Discretion

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**Discretionary Authority for Trading**

Clients provide Wealth Engineering the authority to determine, without obtaining specific Client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. This Discretionary Authority does not provide Wealth Engineering the ability to take possession of any of Client's assets. As previously noted, most investments that are purchased within Client portfolios are mentioned in our quarterly newsletter, but occasionally investment purchases or sales will be made without prior discussion. Clients of Wealth Engineering are requested to be intimately involved in the current allocation and investment changes within their portfolio. It is Wealth Engineering's belief that if the Client invests one hour per month reviewing their quarterly reports, quarterly article and emails and letters, the Client will be relatively up to speed as to their current investment affairs and current investment and financial strategy.

Wealth Engineering predominately utilizes TD Ameritrade as our custodian. It is not feasible for Wealth Engineering to utilize another custodian for just one Client, thus in the hiring process the Client needs to understand that TD Ameritrade will be recommended to the Client. Wealth Engineering strongly believes in the cost benefit to the Client in utilizing TD Ameritrade and will happily discuss these benefits with Clients. Wealth Engineering does not receive any portion of the transaction fees or commissions paid by the Client to the custodian.

One of the unique attributes of Wealth Engineering is our level of communication with Clients as to our beliefs on the macro worldwide market and the anticipated portfolio changes to be expected in the coming quarters. It is our goal for Clients to be up to date on our beliefs and we fully understand that we can fairly easily communicate with all of our Clients via email at any time. The Client must be somewhat engaged in the process to digest this level of communication and information.

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**Limited Power of Attorney**

The Client provides Wealth Engineering with a Limited Power of Attorney to implement purchase and sale transactions within the Client's portfolio. This Limited Power of Attorney provides Wealth Engineering with the discretionary authority to make the necessary alterations in the Client's portfolio.

## **Voting Client Securities**

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**Proxy Votes**

Wealth Engineering does not vote for Clients on proxy votes. If there was a specific situation where Wealth Engineering wanted clients to vote a particular way, we would contact clients via email or U.S. mail. It is Wealth Engineering's belief that Proxy Voting is predominately not a worthwhile use of time. If Wealth Engineering disagrees with a vote outcome, we will sell the investment and reinvest the Client's funds with an entity who takes their fiduciary responsibility seriously. Wealth Engineering does not recommend separate stocks. The vast majority of proxy requests are related to separate stocks that the Client purchased prior to engaging Wealth Engineering.

## **Financial Information**

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**Financial Condition**

Wealth Engineering does not have any financial impairment that will preclude the firm from meeting contractual commitments to Clients.

A balance sheet is not required to be provided because Wealth Engineering does not serve as a custodian for Client funds or securities and does not require prepayment of fees of more than \$1,200 per Client, and six months or more in advance.

## **Business Continuity Plan**

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**General**

Wealth Engineering has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications and services.

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### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable.

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### **Loss of Key Personnel**

Wealth Engineering has put together a structure of three like minded firms to provide coverage if Dave Fernandez should become disabled or die. Clients will note disclosure language in Wealth Engineering's Privacy Notice as to these two other firms. The two firms that would provide temporary coverage to Wealth Engineering are Camden Financial Management and Continuum Wealth Management.

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### **Privacy Notice**

Wealth Engineering, LLC, an independent financial planning and investment management firm, is committed to safeguarding the confidential information of its Clients. We hold all personal information provided to our firm in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services provided by the firm. We have never disclosed non-public personal information to nonaffiliated third parties without your prior permission (**see below disclosure on Randy Oldenburg and Craig Ritter**), except as permitted by law, and do not anticipate doing so in the future. If we were to anticipate such a change in firm policy, we would be prohibited under the law from doing so without advising your first. As you know, we use health and financial information that you provide to us to help you meet your personal financial goals while guarding against any real or perceived infringements of your rights of privacy. Our policy with respect to personal information about you is listed below:

- We limit employee and agent access to information only to those who have a business or professional reason for knowing. We limit the information provided to nonaffiliated parties to that to which you have consented in the Client Agreement, or as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or so that our firm can discuss your financial situation with your accountant or lawyer.)
- We make every effort to maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- The categories of nonpublic personal information that we collect from a Client depend upon the scope of the Client engagement. It will include information about your personal finances, information about your health to the extent that it is needed for the planning process, information about transactions between you and third parties, and information from consumer reporting agencies.
- For nonaffiliated third parties that require access to your personal information, including financial service companies, consultants, insurance

agents and auditors, we also require strict confidentiality with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.

- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a Client, and at least for the required time thereafter that such records are required to be maintained by federal and state securities laws, and consistent with the CFP Board Code of Ethics and Professional Responsibility. This information will not be disclosed to third parties except as agreed to in the Client Agreement and this Privacy Notice.
- **Dave Fernandez of Wealth Engineering, Randy Oldenburg of Camden Financial Management, and Craig Ritter of Continuum Wealth Management share office space and share computer systems. Dave, Randy and Craig have access to each others Clients' information. We take the confidentiality of this information very seriously and jointly take numerous steps to keep this information secure.**

**Opt-Out Provision.** You have a right not to permit us to share your nonpublic personal information with anyone else. If you do not want us to share your nonpublic personal information with others, as we deem necessary to perform the service you've engaged us for, then it is unlikely that we will be able to fulfill our duties outlined in the Client Agreement. If you intend to exercise this right, please notify the firm immediately by calling us at 480-296-2042 or e-mailing us at [Dave@Wealth-Engineering.Com](mailto:Dave@Wealth-Engineering.Com).



## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

Wealth Engineering requires that advisors have a bachelor's degree and a CFP® license. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

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### Professional Certifications

Advisors have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
  - Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
  - Successful completion of the 10-hour CFP® Certification Exam.
  - Three-year qualifying full-time work experience.
  - Successfully pass the Candidate Fitness Standards and background check.
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### Employee Education and Business Background

#### David John Fernandez

Birth Year: 1969

Educational Background:

- Bachelor of Science, Finance, Arizona State University, 1994
- Certificate in Financial Planning, College for Financial Planning, 1999
- Certified Financial Planner Licensee, 2000

Business Experience:

- 9/2003 – Present – Wealth Engineering, LLC, Scottsdale, AZ
- 10/1995 – 9/2003 – Investment Manager, The Vanguard Group, Scottsdale, AZ

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None