

**Item 1 – Cover Page**

Walpole Financial Advisors, LLC

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March 1, 2017

This Brochure provides information about the qualifications and business practices of Walpole Financial Advisors, LLC (“WFA”). If you have any questions about the contents of this Brochure, please contact us at (805) 845-6587. 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.

WFA 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 WFA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for WFA is 135834.

## Item 2 – Material Changes

This Item of the Brochure will discuss only specific material changes that are made to the Brochure since the last annual update and provide clients with a summary of such changes. The last annual update of our Brochure was January 27, 2016.

Our current Brochure contains no Material Changes.

Additionally, please note that we have updated the Assets Under Management information in Item 4 in accordance with the filing of our Annual Updating Amendment.

Historical changes made to our brochure on September 7, 2016:

- Item 4 was amended to reflect that the Smith Family Trust is now a Member/Owner of WFA.

(Brochure Date: 03/01/2017)

(Date of Most Recent Annual Updating Amendment: 02/01/2017)

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Kirk B. Stovesand at (805) 845-6587.

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## **Item 4 – Advisory Business**

WFA is owned by one individual Member, Mr. Kirk Stovesand and the Smith Family Trust. WFA has been providing advisory services while registered under the SEC since 2014, prior to that while registered with the State of California.

As of December 31, 2016, WFA managed \$128,934,845 on a discretionary basis and \$72,393,728 on a nondiscretionary basis. The total amount of assets under management for participant directed retirement plans is \$1,157,123.

### **Investment Management Services:**

WFA manages investment portfolios for individuals, qualified retirement plans, trusts, charitable organizations, corporations and small businesses. WFA will work with a client to determine the client's investment objectives and investor risk profile and will design a written investment policy statement. WFA uses investment and portfolio allocation software to evaluate alternative portfolio designs. WFA evaluates the client's existing investments with respect to the client's investment policy statement. WFA works with new clients to develop a plan to transition from the client's existing portfolio to the portfolio recommended by WFA. WFA will then continuously monitor the client's portfolio holdings and the overall asset allocation strategy and hold review meetings with the client regarding the account as necessary.

WFA will typically create a portfolio of no-load mutual funds, and may use model portfolios if the models match the client's investment policy. WFA will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. WFA primarily recommends portfolios consisting of passively managed asset class and index mutual funds. WFA primarily recommends mutual funds offered by Dimensional Fund Advisors (DFA). DFA sponsored mutual funds follow a passive asset class investment philosophy with low holdings turnover.

Client portfolios may also include some individual equity securities in situations where disposition of these securities would present an overriding tax implication or the client specifically requests they be retained for a personal reason. These situations will be specifically identified in the client's Investment Policy Statement (IPS).

WFA manages mutual fund and equity portfolios on a discretionary basis according to the investment policy selected by the client.

A client may impose any reasonable restrictions on WFA's discretionary authority, including restrictions on the types of securities in which WFA may invest client's assets and on specific securities, which the client may believe to be appropriate.

WFA may also recommend fixed income portfolios to investment management clients, which consist of managed accounts of individual bonds. WFA will request discretionary authority from investment management clients to manage fixed income portfolios, including the discretion to retain a third party fixed income manager. WFA will prepare a Fixed Income Investment Policy Statement for any client qualifying for separate fixed income portfolio services.

Pursuant to its discretionary authority, WFA will retain a fixed income securities manager. The fixed income securities manager will be provided with the discretionary authority to invest client assets in fixed income securities consistent with the client's Fixed Income Investment Policy Statement. The manager will also monitor the account for changes in credit ratings, security call provisions, and tax loss harvesting opportunities (to the extent that the manager is provided with cost basis information). The manager will obtain WFA's consent prior to the sale of any client securities.

WFA may also utilize for certain lower asset balance clients the Digital Advisory Service platform sponsored by Envestnet Asset Management, Inc. Envestnet Asset Management, Inc., ("Envestnet") is an unaffiliated SEC registered third party service provider which offers an electronic algorithms platform which ensures client portfolios are aligned with the client's investment objective and risk tolerance via model portfolios. Under this automated investment advisory program, trading and rebalancing is determined via an algorithm based on model portfolios created by WFA, with cash flows and dividends used to keep the portfolio in balance. Also referred to as "robo-advisory services", Envestnet Asset Management, Inc. provides WFA with the technology platform to automate the management of portfolios of ETFs and mutual fund securities, provides sub-advisory services and acts in a discretionary capacity to the client's account.

On an ongoing basis, WFA will answer clients' inquiries regarding their accounts and review periodically with clients the performance of their accounts. WFA will periodically, and at least annually, review clients' investment policy, risk profile and discuss the re-balancing of each client's accounts to the extent appropriate. WFA will provide to investment manager any updated client financial information or account restrictions necessary for investment manager to provide sub-advisory services.

In addition to managing the client's investment portfolio, WFA may consult with clients on various financial areas including income and estate tax planning, business sale structures,

college financial planning, retirement planning, insurance analysis, personal cash flow analysis, establishment and design of retirement plans and trust designs, among other things.

### **Employee Benefit Retirement Plan Services:**

WFA also provides advisory services to participant-directed retirement plans through third party administration services, which are online bundled service providers offering an opportunity for plan sponsors to provide their participants with daily account access, valuation, and investment education.

WFA will analyze the plan's current investment platform, and assist the plan in creating an investment policy statement defining the types of investments to be offered and the restrictions that may be imposed. WFA will recommend investment options to achieve the plan's objectives, provide participant education meetings, and monitor the performance of the plan's investment vehicles.

WFA will recommend changes in the plan's investment vehicles as may be appropriate from time to time. WFA generally will review the plan's investment vehicles and investment policy as necessary.

For certain retirement plans, WFA also works in coordination and support with BAM Advisor Services, LLC ("BAM"). Retirement plan clients will engage both WFA and BAM. BAM will provide to the client additional discretionary investment management services and will exercise discretionary authority to select the plan investments made available to the plans' participants by selecting and maintain the plans' investments according to the goals and investment objectives of the plan.

WFA will continue to work with plans to monitor plan investments, provide fiduciary plan advice including regular considerations of the goals and objectives of the plan, and provide participant education services to the plan.

### **Financial Planning Services:**

WFA also provides advice in the form of a Financial Plan. Clients purchasing this service will typically receive a written financial report, providing the client with a detailed financial report designed to achieve their stated financial goals and objectives.

In general, the financial plan will address any or all of the following areas of concern:

- PERSONAL: Family records, budgeting, personal liability, estate information and financial goals.
- TAX & CASH FLOW: Income tax and spending analysis and planning for past, current and future years. WFA may illustrate the impact of various investments on a client's current income tax and future tax liability.
- DEATH & DISABILITY: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- RETIREMENT: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- INVESTMENTS: Analysis of investment alternatives and their effect on a client's portfolio.

WFA gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed and a written report is typically prepared. Should a client choose to implement the recommendations in the plan, WFA suggest the client work closely with his/her attorney, accountant or insurance agent. Implementation of financial plan recommendations is entirely at the client's discretion.

### **Consulting Services:**

Clients can also receive investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. WFA also provides specific consultation and administrative services regarding investment and financial concerns of the client.

Additionally, WFA provides advice on non-securities matters. Generally, this is in connection with the rendering of estate planning and/or income tax planning advice.

## **Item 5 – Fees and Compensation**

In certain circumstances, all fees, account minimums and their applications to family circumstances may be negotiable.

WFA has contracted with BAM Advisor Services, LLC (BAM), for services including trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. WFA pays a fee for BAM services based on management fees paid to WFA on accounts that use BAM Advisor Services. The fee paid by WFA to BAM consists of a portion of the fee paid by clients to WFA and varies based on the

total client assets participating in BAM Advisor Services through WFA. These fees are not separately charged to advisory clients.

The specific manner in which fees are charged by WFA is established in a client's written agreement with WFA. Investment Management and Employee Benefit Retirement Plan Services clients will be invoiced in advance at the beginning of each calendar quarter based upon the value (market value based on independent third party sources or fair market value in the absence of market value; client account balances on which WFA calculates fees may vary from account custodial statements based on independent valuations and other accounting variances, including mechanisms for including accrued interest in account statements) of the client's account at the end of the previous quarter. New accounts are charged a prorated fee for the remainder of the quarter in which the account is incepted (date of first trade). For clients participating in the software based Digital Advisory Services program, Envestnet calculates and processes all client billing in advance on a quarterly basis. Envestnet shall calculate and deduct the fee directly from the clients' portfolio maintained at the qualified custodian.

For Investment Management and Employee Benefit Retirement Plan Services, WFA will request authority from the client to receive quarterly payments directly from the client's account held by an independent custodian. Clients may provide written limited authorization to WFA or its designated service provider, BAM, to withdraw fees from the account. Clients will receive custodial statements showing the advisory fees debited from their account(s). Certain third party administrators will calculate and debit WFA's fee and remit such fee to WFA.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

WFA's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These fees will generally include a management fee and other fund expenses. All fees paid to WFA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders.



Such charges, fees and commissions are exclusive of and in addition to WFA's fee, and WFA shall not receive any portion of these commissions, fees, and costs.

### **Advisory Fees**

#### **Investment Management Services:**

The annual fee for investment management services will be charged as a percentage of assets under management, according to the schedule below:

| <b>Assets under management</b>  | <b>Annual Fee (%)</b> |
|---------------------------------|-----------------------|
| First \$500,000                 | 1.25%                 |
| Next \$500,001 - \$1,000,000    | 0.90%                 |
| Next \$1,000,001 - \$5,000,000  | 0.60%                 |
| Next \$5,000,001 - \$10,000,000 | 0.40%                 |
| Balance above \$10,000,000      | 0.25%                 |

All accounts for members of the client's family (husband, wife and dependent children) or related businesses may be assessed fees based on the total balance of all accounts.

#### **Digital Advisor Solution Services:**

The annual fee for investment management services provided through the Digital Advisor Solutions program will be charged as a percentage of assets under management at a fee rate of 0.60%.

#### **Employee Benefit Retirement Plan Services:**

The annual fee for plan services will be charged as a percentage of assets within the plan.

| <b>Assets Under Management</b>    | <b>BAM's Annual Fee</b> | <b>WFA's Annual Fee</b> | <b>Total Fee</b> |
|-----------------------------------|-------------------------|-------------------------|------------------|
| On the first \$1,000,000          | 0.20%                   | 0.70%                   | 0.90%            |
| On the next \$4,000,000           | 0.15%                   | 0.45%                   | 0.60%            |
| On the next \$5,000,000           | 0.08%                   | 0.25%                   | 0.33%            |
| On all amounts above \$10,000,000 | 0.05%                   | 0.15%                   | 0.20%            |

### **Financial Planning Services:**

Financial planning fees will be charged as follows: As a fixed fee, typically ranging from \$1,500 - \$5,000, depending on the nature and complexity of each client's circumstances and upon mutual agreement with the client.

### **Consulting Services:**

WFA charges an annual fee of 0.15% for consulting services. The annual fee applied will include assets where WFA is providing consulting, ongoing advisory and reporting services, but does not have trading discretion.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

WFA 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). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

## **Item 7 – Types of Clients**

WFA provides services to individuals, qualified retirement plans, trusts, charitable organizations, corporations and small businesses.

WFA generally requires a minimum account size of \$250,000 for Investment Management and Employee Benefit Retirement Plan Services. A minimum account size of \$5,000 is required for the Digital Advisor Solution platform.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### *Methods of Analysis and Investment Strategy*

WFA's services are based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. WFA's investment approach is firmly rooted in the belief that markets are "efficient" over periods of time and that investors' long-term returns are determined principally by asset allocation decisions, rather than market timing or stock picking. WFA recommends diversified portfolios, principally through the use of passively managed, asset class mutual funds. WFA selects or recommends portfolios of securities,

principally broadly-traded open end mutual funds or conservative fixed income securities to implement this investment strategy.

Although all investments involve risk, WFA's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients the investment directly in conservative fixed income securities to represent the fixed income class. WFA's investment philosophy is designed for investors who desire a buy and hold strategy. Frequent trading of securities increases brokerage and other transaction costs that WFA's strategy seeks to minimize.

In the implementation of investment plans, WFA therefore primarily uses mutual funds and, as appropriate, portfolios of conservative fixed income securities. WFA may also utilize Exchange Traded Funds (ETFs) to represent a market sector.

Clients may hold or retain other types of assets as well, and WFA may offer advice regarding those various assets as part of its services. Advice regarding such assets will generally not involve asset management services but may help to more generally assist the client.

WFA's strategies do not utilize securities that we believe would be classified as having any unusual risks, and we do not recommend frequent trading, which can increase brokerage and other costs and taxes.

WFA receives supporting research from BAM Advisor Services and from other consultants, including economists affiliated with Dimensional Fund Advisors ("DFA"). WFA utilizes DFA mutual funds in client portfolios. DFA mutual funds follow a passive asset class investment philosophy with low holdings turnover. DFA provides historical market analysis, risk/return analysis, and continuing education to WFA.

#### *Analysis of a Client's Financial Situation*

In the development of investment plans for clients, including the recommendation of an appropriate asset allocation, WFA relies on an analysis of the client's financial objectives, current and estimated future resources, and tolerance for risk. To derive a recommended asset allocation, WFA may use a Monte Carlo simulation, a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into the future, there are several risks associated with this method, which may result in the client not being able to achieve their financial goals. They include:

- The risk that expected future cash flows will not match those used in the analysis
- The risk that future rates of return will fall short of the estimates used in the simulation

- The risk that inflation will exceed the estimates used in the simulation
- For taxable clients, the risk that tax rates will be higher than was assumed in the analysis

### Risk of Loss

#### **Investing in securities involves risk of loss that clients should be prepared to bear.**

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and ETFs utilized by WFA may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in WFA's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds, emerging markets funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds utilized by WFA may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

## **Item 9 – 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 WFA or the integrity of WFA's management. WFA has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### Affiliated Accounting & Consulting Firms

Associated persons of WFA are also associated with Walpole & Co, LLP, a certified public accounting and consulting firm. WFA will also share facilities, equipment and clerical personnel as needed with the affiliated accounting firm. Jean Smith is the owner of Jean Smith CPA. Jean Smith CPA acts as an independent contractor of Walpole & Co., LLP. Walpole & Co, LLP (hereinafter "W&C") may recommend WFA to accounting clients in need of advisory services. WFA may recommend W&C to advisory clients in need of accounting services. Accounting services provided by W&C are separate and distinct from the advisory services of WFA, and are provided for separate and typical compensation. There are no referral fee arrangements between WFA and W&C for these recommendations. No WFA client is obligated to use W&C for any accounting services as no W&C client is obligated to use WFA for advisory services. The WFA personnel will spend a significant portion of their business time on the accounting practice during tax season.

### BAM Advisor Services, LLC

As described above in Item 4, WFA may exercise discretionary authority provided by a client to select an independent third party investment manager for the management of portfolios of individual fixed income securities. WFA selects BAM Advisors Services, LLC for such fixed income management. WFA also contracts with BAM Advisor Services, LLC for back office services and assistance with portfolio modeling. WFA has a fiduciary duty to select qualified and appropriate managers in the client's best interest, and believes that BAM Advisor Services, LLC effectively provides both the back office services that assist with its overall investment advisory practice and fixed income portfolio management services. The management of WFA continuously makes this assessment. While WFA has a contract with BAM Advisor Services, LLC governing a time period for back office services, WFA has no such fixed commitment to the selection of BAM Advisor Services, LLC for fixed income management services and may select another investment manager for clients upon reasonable notice to BAM Advisor Services, LLC.

### Envestnet Asset Management, Inc.

As described in Item 4 above, WFA may utilize the digital advisory services of Envestnet Asset Management, Inc. for sub-advisory and digital platform services. Envestnet will

provide the platform services in order to facilitate the implementation of client's investments in model portfolios and automated rebalancing. By participating in this platform, Client acknowledges the sub-advisory service offerings of Envestnet and will receive Envestnet's Form ADV Part 2A disclosure statement further describing the platform.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

WFA has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. WFA's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth WFA's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with WFA may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of WFA that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, WFA requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holding reports and quarterly transaction reports to the firm's principal. WFA also requires such access persons to receive approval from the Chief Compliance Officer prior to investing in any IPO's or private placements (limited offerings).

WFA's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. WFA requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

WFA will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

It is WFA's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. WFA will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an

investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

WFA arranges for the execution of securities transactions with the assistance of BAM Advisor Services or in the case of the Digital Advisor Solutions platform, through Envestnet. Through BAM Advisor Services, WFA participates in the Schwab Advisor Services (SAS) program offered to independent investment advisers by Charles Schwab & Company, Inc. (“Schwab”), member FINRA/SIPC. Schwab is an unaffiliated SEC-registered broker dealer and FINRA member broker dealer. For clients participating in the Digital Advisor Solutions platform, clients will utilize the brokerage services of TD Ameritrade Institutional (“TDA”) offered to independent investment advisers. TDA is also FINRA member and member of SIPC.

The Schwab and TDA brokerage program will generally be recommended to advisory clients for the execution of mutual fund, ETFs and equity securities transactions. WFA regularly reviews these programs to ensure that its recommendation is consistent with its fiduciary duty. These trading platforms are essential to WFA’s service arrangements and capabilities, and WFA may not accept clients who direct the use of other brokers. As part of this program, WFA receives benefits that it would not receive if it did not offer investment advice (See the disclosure under Item 14 of this Brochure).

As WFA will not request the discretionary authority to determine the broker dealer to be used or the commission rates to be paid in these situations, clients must direct WFA as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that WFA will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. Not all investment advisers require clients to direct the use of specific brokers.

WFA will not exercise authority to arrange client transactions in fixed income securities. Clients will provide this authority to a fixed income manager retained by WFA on client’s behalf by designating the portfolio manager with trading authority over client’s brokerage account. Clients will be provided with the Disclosure Brochure (Form ADV Part 2) of portfolio manager.

SAS does not generally charge clients a custody fee and is compensated by account holders through commissions or other transaction related fees for securities trades that are executed

through the broker or that settle into the clients' accounts at the brokers. Trading client accounts through other brokers may result in fees (including mark-ups and mark-downs) being charged by the custodial broker and an additional broker. While WFA will not arrange transactions through other brokers, the authority of the fixed income portfolio manager includes the ability to trade client fixed income assets through other brokers.

WFA does not have any arrangements to compensate any broker dealer for client referrals.

WFA does not maintain any client trade error gains. WFA makes client whole with respect to any trade error losses incurred by client caused by WFA.

WFA generally does not aggregate any client transactions in mutual fund or other securities. Client accounts are individually reviewed and managed, and transaction costs are not saved by aggregating orders in almost all circumstances in which WFA arranges transactions. BAM Advisor Services, LLC, in the management of fixed income portfolios, will aggregate certain transactions among client accounts that it manages, in which case a WFA client's orders may be aggregated with an order for another client of BAM Advisor Services, LLC who is not a WFA client. See BAM Advisor Services, LLC Form ADV Part 2.

#### **Employee Benefit Retirement Plan Services:**

WFA does not arrange for the execution of securities transactions for plans as a part of this service. Transactions are executed directly through employee plan participation.

#### **Financial Planning/ Consulting Services:**

WFA's financial planning/consulting practice, due to the nature of its business and client needs, does not include blocking trades, negotiating commissions with broker dealers or obtaining volume discounts, nor necessarily obtaining the best price. Clients will be required to select their own broker dealers and insurance companies for the implementation of financial planning recommendations. WFA may recommend any one of several brokers. WFA clients must independently evaluate these brokers before opening an account. The factors considered by WFA when making this recommendation are the broker's ability to provide professional services, WFA's experience with the broker, the broker's reputation, and the broker's financial strength, among other factors. WFA's financial planning/consulting clients may use any broker or dealer of their choice.



## **Item 13 – Review of Accounts**

### **Reviews:**

#### **Investment Management Services:**

Formal reviews are generally conducted at least annually or more or less frequently depending on the needs of the Client.

Account assets are supervised continuously by an Investment Advisor Representative of WFA. The review process contains each of the following elements:

- a. assessing client goals and objectives;
- b. evaluating the employed strategy(ies);
- c. monitoring the portfolio(s); and
- d. addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- a. a specific client request;
- b. a change in client goals and objectives;
- c. an imbalance in a portfolio asset allocation; and
- d. market/economic conditions.

For fixed income portfolios, certain account review responsibilities are delegated to a third party investment manager as described above in Item 4.

#### **Digital Advisor Solutions Services:**

Automated, electronic reviews of drift is performed daily on client accounts to maintain the intended risk level and asset allocation. Accounts are rebalanced back to its original targets periodically to minimize drift. Additionally, periodic reviews may be performed by WFA due to cash-flow needs or changes in client circumstances.

#### **Employee Benefit Retirement Plan Services:**

Retirement plan assets are reviewed no more than quarterly, and according to the standards and situations described above for investment management accounts.

**Financial Planning / Consulting Services:**

Financial Planning and Consulting Services accounts will be reviewed as contracted for at the inception of the advisory relationship.

**Reports:**

All clients will receive quarterly performance reports, prepared by BAM and reviewed by WFA, that summarize the client's account and asset allocation. Clients will also receive at least quarterly statements from their account custodian, which will outline the client's current positions and current market value.

**Employee Benefit Retirement Plan Services:**

Plan sponsors are provided with quarterly information and annual performance reviews from WFA. In addition, plan participant education information may also be provided to the Plan Sponsor or Administrator for distribution to the participants of the plan.

**Financial Planning Services:**

Financial Planning clients will receive reports as contracted for at the inception of the advisory relationship.

**Digital Advisor Solution Services:**

Client participating in this platform will only receive monthly or quarterly statements from the qualified custodian.

**Consulting Services:**

Consulting Services clients for which WFA does not have any trading discretion will receive reports for accounts which WFA is provided access through the Total Account Solution platform or other acceptable medium.

**Item 14 – *Client Referrals and Other Compensation***

As indicated under the disclosure for Item 12, SAS provides WFA with access to services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them.

These services benefit WFA but may not benefit its clients' accounts. Many of the products and services assist WFA in managing and administering clients' 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 WFA's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of WFA's accounts. Recommended brokers also make available to WFA other services intended to help WFA manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. WFA does not, however, enter into any commitments with the broker for transaction levels in exchange for any services or products from brokers. While as a fiduciary, WFA endeavors to act in its clients' best interests, WFA's requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to WFA of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

WFA also receives software from DFA, which WFA utilizes in forming asset allocation strategies and producing performance reports. DFA also provides continuing education for WFA personnel. These services are designed to assist WFA plan and design its services for business growth.

## **Item 15 – Custody**

Investment Management and Employee Benefit Retirement Plan Services Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. WFA 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.

## **Item 16 – Investment Discretion**

WFA requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. For fixed income securities, this authority

will include the discretion to retain a third party money manager for fixed income accounts. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

When selecting securities and determining amounts, WFA observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to WFA in writing.

## **Item 17 – Voting *Client* Securities**

Proxy Voting: As a matter of firm policy and practice, WFA does not accept the authority to and does not vote proxies on behalf of advisory client. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive applicable proxies directly from the issuer of securities held in clients' investment portfolios. WFA, however, may provide advice to clients regarding the clients' voting of proxies.

Class Actions, Bankruptcies and Other Legal Proceedings: Clients should note that WFA will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct WFA to transmit copies of class action notices to the client or a third party. Upon such direction, WFA will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about WFA's financial condition. WFA 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.