

**Firm Brochure  
Part 2 of Form ADV**

**SCHWALLIER WEALTH MANAGEMENT, LLC  
DBA**

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This brochure provides information about the qualifications and business practices of Schwallier Wealth Management. If you have any questions about the contents of this brochure, please contact us at: 616-855-2051, or by email at: adam@swmadvisor.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 the Adviser is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

3/15/2011

**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.

**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 narrative “plain English” format. The new final rule specifies mandatory sections and organization.

**Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 616-855-2051 or by email at: [adam@swmadvisor.com](mailto:adam@swmadvisor.com).

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# ADV PART 2A

## Item 4-Advisory Business

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### Firm Description

Schwallier Wealth Management, hereinafter (“the Adviser/we and/or us”) was founded in 2007 and is an SEC registered investment adviser.

The Adviser is a fee-only investment management and financial planning firm. The firm does not sell securities on a commission basis.

The Adviser does not act as a custodian of client assets and the client always maintains asset control.

### Principal Owners

Adam Schwallier is a 100% owner.

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### Types of Advisory Services

The Adviser provides investment supervisory services, also known as asset management services and furnishes investment advice through consultations.

The Adviser provides investment supervisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations. The Adviser meets with each client to learn about its financial circumstances, needs, objectives, and risk tolerance. The Adviser carefully reviews documentation supplied by each client, including a questionnaire that we ask each investment supervisory services client to complete. Based upon the information provided to us, we will recommend appropriate investments and strategies for the client’s account.

We allocate the client’s assets among the various investments that are available through the broker-dealer selected by the client. We select investments using many criteria including:

- performance history;
- industry sector;
- track record;
- investment objective;
- management style and philosophy; and
- management fee structure.

Portfolio weighting between investments and market sectors will be determined by each client's individual needs and circumstances.

#### Third-Party Asset Management Providers

We offer our clients the services of unaffiliated third-party asset management providers ("TAMP"). We have entered into a master agreement with each TAMP that governs our relationship with the TAMP with respect to our clients. Under a TAMP program, we will develop an overall asset allocation mix for a client and then implement the strategy using prescreened managers, or managers that we have screened ourselves, and models developed by the TAMP. The TAMP provides account reports on a periodic basis, and we review those reports with the clients to evaluate performance and discuss strategy. We currently have a master agreement with Charles Schwab & Co., Inc. ("Schwab") as a TAMP and may enter into additional agreements with other TAMPs in the future. Clients who choose a TAMP enter into a direct agreement with the TAMP and a separate direct client agreement with us, and pay separate compensation directly to the TAMP and directly to us. Clients who engage TAMP services will be provided with the TAMP disclosure brochure prior to the time of engagement.

#### Financial Planning

We also provide financial planning advice to clients. Clients purchasing this service will receive a detailed written financial plan designed to achieve his or her stated financial goals and objectives. The financial plan, and our analysis reflected by the plan, is based upon in-depth personal interviews during which we gather information regarding the client's current financial status, future goals and attitudes toward risk. Before creating the financial plan, we carefully review documentation supplied by each client, including a questionnaire completed by the client. 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. We will illustrate the impact of various investments on the clients' 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 her or his retirement goals.
- Investments: Analysis of investment alternatives and their effect on the client's portfolio.

Should a client choose to implement the recommendations contained in the plan, we encourage the client to work closely with her or his attorney, accountant, insurance agent, stockbroker and/or other appropriate professional. Implementation of financial plan recommendations is entirely at the client's discretion.

## **Consulting**

We also provide investment advice to clients on one or more isolated areas of concern such as estate planning, retirement planning, insurance, annuities, and other topics. We encourage each of our consulting clients to work closely with his or her attorney, accountant, insurance agent, stockbroker and/or other appropriate professional.

As of February 28<sup>th</sup>, 2011 the Adviser manages approximately \$29,200,000 in assets for approximately 127 clients on a discretionary basis.

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### **Assignment of Investment Management Agreements**

Agreements may not be assigned without client consent.

## **Types of Agreements**

The following agreements define the typical client relationships.

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### **Investment Management Agreement**

As part of the investment management service, all aspects of the client's financial affairs are reviewed and realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis. The Adviser periodically reviews a client's financial situation and portfolio through regular contact with the client which often includes an annual meeting with the client. The Adviser makes use of portfolio rebalancing software to maintain client allocations according to the Investment Policy Statement in effect.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. The agreement sets forth the services to be provided, the fees for the service and the agreement may be terminated by either party in writing at any time.

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### **Financial Planning Agreement**

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations. The financial planning may be the only service provided to the client and does not require that the client use or purchase the investment advisory services offered by the Advisor. There is an inherent conflict of interest for the Advisor whenever a financial plan recommends use of professional investment management services.



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### Hourly Engagements

The Adviser provides hourly services for clients who need advice on a limited scope of work.

### Asset Management

We offer advice about a wide variety of investment types, including equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, United States government securities, securities option contracts and variable annuities.

Variable annuities are highly complex financial products offered by insurance companies. Investment in a variable annuity contract is subject to both general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses.

### Termination of Agreement

A client's agreement with us may be canceled at any time, by either party, for any reason, upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be refunded promptly, and any earned, unpaid fees will be due and payable. The client has the right to terminate his/her agreement with us without penalty within five business days after entering into the agreement.

Our investment advisory fee is exclusive of, and in addition to brokerage commissions, transactions fees, custodial fees and other related costs and expenses which are paid by the client.

Furthermore, all fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, exchange-traded funds, variable annuities, and separate account programs that are managed by TAMPs. These fees and expenses are described in the specific fund's and the specific variable annuity's prospectuses and the specific separately managed account program's contract. These fund fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or a deferred sales charge. Like other types of investments, commissions are paid for the purchase of variable annuities and there may be substantial surrender charges. These commissions, surrender charges, and other expenses are disclosed in the prospectus of the specific the variable annuity.

A client could invest in a mutual fund or variable annuity directly without our services. In that case, the client would not receive our services, which are designed among other considerations, to assist the client in determining which investments are most appropriate to the client's financial condition and objectives.

Clients should review both the fees charged by the funds, variable annuities, and separate accounts and the fees charged by us to fully understand the total amount of fees to be paid by the client, and to thereby evaluate the advisory services being provided, as well as whether such services are the most suitable for that client.

## Item 5-Fees and Compensation

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### Investment Management

The Adviser bases its fees on a percentage of assets under management, hourly charges and fixed fees (not including subscription fees).

#### Investment Management Fees

The fees charged for investment supervisory services are based upon a percentage of the client's assets under management. Clients will be billed in arrears after each calendar quarter, based upon the quarter's ending value (market value or fair market value in the absence of market value). In general, our quarterly fees for investment supervisory services are as follows:

Quarterly Investment Management Fees		
Account Value From	Account Value To	Quarterly Percentage Fee
\$0	\$250,000	.375%
\$ 250,001	\$500,000	.325%
\$500,001	\$750,000	.275%
\$750,001	\$1,000,000	.250%
Over \$1,000,000		.225%

When a client makes a contribution or withdrawal of at least \$50,000 during the quarter, we prorate the client's quarterly advisory fee. However, no pro ration occurs for contributions or withdrawals of \$50,000 or less that a client makes prior to the end of the quarter.

#### Financial Planning Fees

Fees for financial planning services are flat fees based upon the extent and complexity of the individual client's personal circumstances, the client's gross income and the amount of assets in the client's account that we manage. Fees for financial planning services will typically range from \$500 to \$2,000, with a minimum fee of \$500. One-half of the total fee for our financial planning services will be due and payable at the time the client enters into the financial planning agreement and the

balance of such fee will be due and payable at the time the financial plan is delivered to the client.

### **Consulting Fee**

Fees for specific consulting services will be billed at an hourly rate of \$150 per hour and shall be due and payable as earned.

### **Other General Information on Fees**

All of our fees and account minimums are negotiable, agreed upon at the time of engagement and based upon the individual circumstances of the client, pre-existing relationship, and at our discretion. All fees are paid either directly by the client or through a debit directly to the client's account by the qualified custodian holding the client's funds and securities, as provided by the client's investment management agreement with us.

If a financial planning or consulting client opts to contract with us for investment supervisory services, we may in our sole discretion offer to offset the financial planning or consulting fee, up to the value of \$500, against the initial fee for investment supervisory services.

### **Item 6-Performance Fees**

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#### **Performance Fees**

Fees are not based on a share of the capital gains or capital appreciation of managed securities. The Adviser does not use a performance-based fee structure.

### **Item 7-Types of Clients**

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#### **Description**

The Adviser generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, and corporations or business entities. Client relationships vary in scope and length of service.

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#### **Account Minimums**

We require a minimum account of \$50,000 for our investment supervisory services clients, and a minimum fee of \$500 for our financial planning clients. However, under certain circumstances, these minimums may be negotiable.

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

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### Methods of Analysis

Security analysis methods may include charting, fundamental analysis and technical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

In addition to those sources noted above, we will utilize commercially available software and/or databases to obtain additional information on companies, funds, and managed accounts that we may recommend to clients.

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### Investment Strategies

Strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

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### Market, Security and Regulatory Risks

Any investment with the Adviser involves significant risk, including a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor which are described below:

#### Market Risks:

**Competition**. The securities industry and the varied strategies and techniques to be engaged in by the Adviser are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

**Market Volatility**. The profitability of the Adviser substantially depends upon it correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Adviser cannot

guarantee that it will be successful in accurately predicting price and interest rate movements.

**Schwallier Wealth Management's Investment Activities.** The Adviser's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Adviser. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Adviser to realize profits. Additionally, specific investments under the Adviser's strategy may require significant time to realize the expected return and may experience a pricing correction in a faster-than-expected time, subjecting the Adviser to reinvestment risk. Likewise, the investment strategy of the Adviser is partially dependent on its ability to correctly identify and assess technology's impact on a company's business. As a result of the nature of the Adviser's investing activities, it is possible that its financial performance may fluctuate substantially over time and from period to period.

**Material Non-Public Information.** By reason of their responsibilities in connection with other activities of the Adviser and/or its affiliates, certain principals or employees of the Adviser and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Adviser will not be free to act upon any such information. Due to these restrictions, the Adviser may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

**Accuracy of Public Information.** The Adviser selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

**Small Companies.** The Adviser may invest a portion of its assets in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many

instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Adviser may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

**Volatility of Currency Prices.** The profitability of the Adviser's portfolios depends, in part, upon the Adviser correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Adviser cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements.

**Market or Interest Rate Risk.** The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If the Adviser holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Adviser's performance; however, if the Adviser has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Adviser.

**Fixed Income Call Option Risk.** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Adviser is exposed to reinvestment rate risk – the Adviser will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

**Maturity Risk.** In certain situations, the Adviser may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Adviser will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve

or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

**Inflation Risk.** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Adviser purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the Adviser is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

**Risk of Default or Bankruptcy of Third Parties.** The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, the Adviser could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Adviser does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if the Adviser's prime broker and custodian were to become insolvent or file for bankruptcy, the Adviser could suffer significant losses with respect to any securities held by such firm.

Regulatory Risks:

**Strategy Restrictions.** Certain institutions may be restricted from directly utilizing investment strategies of the type in which the Adviser may engage. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions may apply and whether an investment in the Adviser is appropriate.

**Trading Limitations.** For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Adviser to loss. Also, such a suspension could render it impossible for the Adviser to liquidate positions and thereby expose the Adviser to potential losses.

**Tax Risk.** The tax aspects of an investment in the Adviser are complicated and each investor should have them reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles as applicable.

**Conflicts of Interest:** In the administration of client accounts, portfolios and financial reporting, the Adviser faces inherent conflicts of interest which are described in this brochure. Generally, the Adviser mitigates these conflicts through its Code of Ethics which provides that the client's interest is always held above that of the Firm and its associated persons.

**Supervision of Trading Operations.** The Adviser, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the portfolio accounts to ensure compliance with firm and client objectives. Despite the Adviser's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in portfolio accounts.

Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

Security Specific Risks:

**Liquidity:** Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.

**Currency:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Limited Liquidity of Interests.** An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for these interests and no market should be expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion.

#### **Item 9-Legal and Disciplinary**

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



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

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### **Affiliations**

The Adviser at this time does not have any other financial industry activities and or affiliations to disclose.

## **Item 11-Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

We have adopted a Code of Ethics in order to ensure that we satisfy our fiduciary obligations to our clients. Our Code of Ethics sets forth high ethical standards of business conduct required of our employees, including compliance with applicable federal securities laws. Our Code of Ethics also includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by our access persons. In addition, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering, such as a private placement offering, or an initial public offering. The Code also includes oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients upon request to our Chief Compliance Officer at our principal office address, which is 5075 Cascade Road SE, Grand Rapids, Michigan 49546. We will provide our Code of Ethics to any client or prospective client upon request.

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

We, and individuals associated with us, may buy or sell for their own accounts securities that are identical or similar to those we and they recommend to clients. Related persons may also have an existing interest or position in a security that we and they recommended to a client. Neither we nor any of our related persons are permitted to enter into or have an interest in an investment transaction that would create a conflict between our interests and our clients' interests without fully disclosing the conflict to affected clients. Neither we nor our related persons are permitted to benefit, directly or indirectly, from transactions made for the accounts of clients. Our accounts and the accounts of individuals associated with us may benefit on the same basis and to the same extent as clients' accounts when each holds the same investment.

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### Personal Trading

The Chief Compliance Officer of the Adviser is Adam Schwallier. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## Item 12-Brokerage Practices

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### Brokerage Selection and Soft Dollars

The Adviser does not have the authority over the selection of the broker to be used and the commission rates to be paid without obtaining specific client consent. The Adviser may however, recommend brokerage firms as qualified custodians and for trade execution.

We generally recommend that our investment supervisory service clients use Schwab for brokerage and custodial services and Jefferson National Life Insurance Company for variable insurance products and related custodial services. Both Schwab and Jefferson National are nationally recognized companies whose financial products and services are used by most of our clients. We recommend these companies because of our experience and familiarity in working with them, their staff, and their operating systems. We believe the fees and charges of these companies are competitive with other firms based on our periodic investigations and comparisons. We are not affiliated with, nor do we receive referral fees from, either of these companies for recommending them to our clients.

Our clients may pay higher commissions to Schwab than commissions charged by other brokerage firms, such as discount brokers, in recognition of the value of research and brokerage services provided to us by Schwab and Jefferson National. These research and brokerage services may include, for example, research reports analyzing the performance of a particular company or its stock, specialized publications directed to readers with specialized interests in particular industries, products or issues, clearance, settlement or custody services, or trading software used to route orders. Please see the discussion of the benefits we receive from Schwab as mentioned below. We will only accept research and brokerage services that satisfy the requirements of Section 28(e) of the Securities Exchange Act of 1934 as interpreted by the Securities and Exchange Commission. Research services furnished by brokerage firms to us as a result of the securities transactions for one client's account may also benefit other clients' accounts. We are not, however, under an obligation to use, or to continue to use, a brokerage firm as a result of receiving research services from that firm.

When recommending or choosing a broker-dealer, we fulfill our duty of best execution by periodically considering, comparing and evaluating a number of factors including the broker-dealer's ability to provide professional services, our experience with the broker-dealer, the broker-dealer's reputation, size, and position in the in-

dustry, the broker-dealer's quality of execution services, and the cost of the broker-dealer's services.

We participate in the Schwab Institutional Service Program (the "SI Program"). We receive economic benefits as a result of our participation in the SI Program, which include, for example, access to a trading desk exclusively serving SI Program participants, access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts, access (for a fee) to an electronic communication network for client order entry and account information, and receipt of compliance publications. The benefits received through participation in the SI Program may or may not depend upon the amount of transactions that we direct to Schwab or amount of assets in our clients' accounts that are in the custody of Schwab. We do not receive any commission or referral payments from Schwab. We do not receive client referrals from Schwab by virtue of our participation in the Program.

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#### Order Aggregation

We may aggregate orders for securities transactions for more than one client based on our trade aggregation and allocation policy. In doing so, we strive to treat each client fairly and will not favor one client over another client. When executed, we will allocate the aggregated order in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is to expedite the placement and processing of trade orders, for our administrative convenience, and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately.

Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by our Firm in that security on a given business day. If permitted by the broker-dealer effecting the transaction, transaction costs will be shared on a pro rata basis. Some broker-dealers charge brokerage commissions to each participating client in accordance with the size of that client's part of the aggregated order, regardless of the total size of the aggregated order. If an aggregated order is not filled in its entirety, it will be allocated among participating accounts on a pro rata basis.

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#### Directed Brokerage

Clients generally direct us to a specific broker-dealer to execute securities transactions and to act as custodian for their accounts. Most often, that broker-dealer is Schwab for securities and Jefferson National for variable insurance products because of our existing working relationships. When so directed, however, clients should recognize that we cannot effectively negotiate brokerage commissions because

we cannot simply take the orders to a different broker-dealer even if lower commissions or fees may be available in particular transactions. This could result in a client paying substantially higher fees or charges in one or more transactions for the clients' accounts than may be available through other broker-dealers, especially in particular transactions such as where it may be less expensive to work directly with a securities market-maker.

### **Item 13-Review of Accounts**

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#### **Reviews**

For our investment supervisory services, account reviews are conducted on a regular basis, not less than quarterly, and more frequent reviews may be triggered by market or economic news or events, or new personal or financial information provided by the client. Furthermore, at least annually, we conduct a review with each investment supervisory service client usually in person or by telephone. The purpose of all these account reviews is to ensure each client's investment plan continues to be implemented in a manner which matches the client's financial situation, objectives and risk tolerance. Adam Schwallier, our firm's President, is the only individual who will review client accounts.

### **Item 14-Client Referrals and Other Compensation**

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#### **Incoming Client Referrals**

The Adviser receives client referrals which may come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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#### **Referrals to Third Parties**

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

### **Item 15-Custody**

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#### **Custody Policy**

The Adviser does not accept or permit the Firm or its associated persons from obtaining custody of client assets including cash, securities, acting as trustee, provide bill paying service, have password access to control account activity or any other form of controlling client assets. All checks or wire transfer to fund client accounts are required to be made out to/sent to the account custodian.

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#### Account Statements

All assets are held at qualified custodians and the custodians provide account statements not less than quarterly to clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies.

#### **Item 16-Investment Discretion**

We, at the client's direction, actively manage the client's assets on either a discretionary or non-discretionary basis. If we manage the client's assets on a discretionary basis, then we request that the client provide us with written authority to determine which securities are bought and sold and the amounts of securities that are bought or sold. We do not maintain custody of client accounts. We prohibit ourselves from withdrawing funds and/or securities from client accounts. Any additional limitations on this discretionary authority must be included in the written statement in which the client authorizes us to manage the client's funds on a discretionary basis. Clients may change these limitations at any time but such amendments must be submitted in writing.

#### **Item 17-Voting Client Securities**

The Adviser will not vote nor advise clients how to vote proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. The Adviser does not give any advice or take any action with respect to the voting of these proxies. For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. The Adviser promptly passes along any proxy voting information to the clients or their representatives.

#### **Item 18-Financial Information**

The Adviser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The Adviser meets all net capital requirements that it is subject to and the Adviser has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a balance sheet as it 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**

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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### **Summary of Business Continuity Plan**

A summary of the business continuity plan is available upon request to the Adviser's Chief Compliance Officer.

## **Information Security Program**

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### **Information Security**

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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### **Privacy Practices**

#### **Privacy Policy**

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is contained in your client advisory agreement and may be obtained by contacting the Compliance Officer of the Adviser.

The Adviser:

Collects non-public personal information about its clients from the following sources:

Information received from clients on applications or other forms;

Information about clients' transactions with the Adviser, its affiliates and others;

Information received from our correspondent clearing broker with respect to client accounts;

Medical information submitted as part of an insurance application for a traditional life or variable life policy; and

Information received from service bureaus or other third parties.

The Adviser will not share such information with any affiliated or nonaffiliated third party except:

When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;

When required to maintain or service a customer account;

To resolve customer disputes or inquiries;

With persons acting in a fiduciary or representative capacity on behalf of the customer;

With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;

In connection with a sale or merger of The Adviser's business;

To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;

To comply with federal, state or local laws, rules and other applicable legal requirements;

In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;

In any circumstances with the customer's instruction or consent.

Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.

Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.

**ADV PART 2B**  
**SCHWALLIER WEALTH MANAGEMENT, LLC**  
**DBA**  
**SCHWALLIER WEALTH MANAGEMENT**  
**ADDRESS**  
**5075 CASCADE RD SE, STE. B**  
**GRAND RAPIDS MI, 49546**  
**PHONE**  
616-855-2051  
**FAX**  
616-855-2242  
**WEBSITE**  
**WWW.SWMADVISOR.COM**  
**EMAIL**  
adam@swmadvisor.com

This brochure provides information about the qualifications and business practices of Schwallier Wealth Management. If you have any questions about the contents of this brochure, please contact us at: 616-855-2051, or by email at: adam@swmadvisor.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 the Adviser is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

3/15/2011



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

### **Education and Business Standards**

Schwallier Wealth Management investment adviser representatives may have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning.

Examples of acceptable coursework may include: an MBA, a CFP, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

### **Professional Certifications**

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

### **Adam David Schwallier, CFP (Certified Financial Planner)**

Educational Background:

Date of birth: March 30, 1973

Bachelor of Science in Mathematics of Finance, 1996  
University of Michigan, Ann Arbor, MI

Business Experience:

President, Schwallier Wealth Management LLC, Grand Rapids, Mich., 2007-present

Financial Consultant, AG Edwards & Sons, Grand Rapids, Mich., 2005-2007

Financial Advisor, Morgan Stanley DW Inc., Grand Rapids, Mich., 2001-2005

Actuarial Associate, Lincoln Financial National Life Insurance Company, Fort Wayne, Ind., 1997-2001

Other Business Activities: None

Additional Compensation: None

Supervision:

Adam Schwallier is self supervised.

Phone: 616-855-2051 Email: adam@swmadvisor.com.

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

