



**Item 1: Cover Page**

## **Satovsky Asset Management, LLC**

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March 31, 2017

This Brochure provides information about the qualifications and business practices of Satovsky Asset Management, LLC ("**SAM**"). If you have any questions about the contents of this Brochure, please contact Christine Lucero, our Chief Compliance Officer, at 212-584-1900 or [christine@satovsky.com](mailto:christine@satovsky.com). Additional information about SAM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SAM is registered with the U.S. Securities and Exchange Commission ("**SEC**") as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended ("**Advisers Act**"). Registration with the SEC as an investment adviser under the Advisers Act does not imply a certain level of skill or training. Further, the information in this Brochure has not been approved or verified by the SEC, any state securities authority, any other governmental authority or any regulatory or self-regulatory organization, nor has any of the foregoing approved or disapproved of our qualifications.

## **Item 2      Material Changes**

There have been no material changes since the other-than-annual update filed on May 23, 2016 announcing the appointment of Christine Lucero as Chief Compliance Officer.

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## **Item 4      Advisory Business**

### **A.      Our Ownership and Structure**

Satovsky Asset Management, LLC (“**SAM**”, the “**Adviser**”, “**we**”, “**us**” or “**our**”) is a New York City based wealth management firm. SAM is a limited liability company, organized in Delaware on March 5, 2007. Jonathan M. Satovsky is the Founder, Chief Executive Officer, and principal owner of the firm. Prior to starting SAM, Mr. Satovsky was a Senior Investment Adviser at Satovsky & Associates, a franchisee of Ameriprise Financial, Inc. (formerly American Express Financial Advisors, Inc.) since April 1994, during which time he provided financial planning and investment advisory services for individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations. This background was the foundation for the continuation of these services for clients for which the Adviser serves.

The Adviser provides financial planning, investment management and advisory services to separately managed accounts of high-net worth individuals, trusts and estates, retirement plans, businesses and charitable organizations (collectively referred to as the “**Client**”, “**Clients**”, “**Client Account**” or “**Client Accounts**”) on both a discretionary and non-discretionary basis.

### **B.      Our Services**

For discretionary accounts, SAM tailors its investment strategy in accordance to a specific Client’s investment objectives. We provide the Client Accounts with advice and guidance around the structure of their balance sheet, statement of cash flows, and implement an asset allocation model based on each Client’s needs, financial goals, and risk tolerance. As a fiduciary, we seek out solutions with the aim of increasing both the probability of our Clients’ long term success and the sustainability of their withdrawals from their portfolio. Client investment guidelines or risk profiles may be amended by agreement with the Client and SAM, based upon changing market conditions or the needs of the Client. The portfolios may deviate significantly from stated risk profile based on SAM discretion, market conditions and our proprietary research seeking to improve risk/return characteristics of the portfolios. We have a preference to create a passive structure with the goal of minimizing trading to reduce taxes and behavioral risk.

For non-discretionary Client Accounts, the same process will occur as outlined above, except that Clients must approve the initial implementation and all subsequent changes to the asset allocation and trades. Within our non-discretionary capacity, we may purchase or sell securities to meet the cash needs of the Client (including without limitation the payment of our management fee). These purchases and sales will be executed in a manner such that the resulting allocations will generally match the allocation and target range for asset classes in the account prior to the purchase or sale. Our advisory services are tailored to the objectives and strategies of each of Client.

We provide services in setting and implementing allocations for outside accounts such as 401(k), 403(b), 457(b), Variable Universal Life Insurance and other long term saving vehicles (“**Outside Accounts**”). While such services may include discretionary authority over purchases or sales within the account, the Adviser does not accept authority to transfer assets in or out of the account.

We also may provide certain Client Accounts with financial planning services as well as financial advice on non-investment related matters such as mortgage refinancing, estate planning and executive benefits. Generally speaking, to the extent we provide any financial consulting services beyond the management of assets, such services are provided as part of, and incidental to, our management services.

In addition, we engage with various endowments, charitable gift trusts, and ERISA plans in a wide range of capacities. For ERISA plans, this includes serving as a 3(21) fiduciary providing investment recommendations to the plan sponsor and/or trustee, or as a 3(38) investment manager, relieving the plan sponsor or trustee of their fiduciary responsibility and assuming the investment management decision making for the plan. In addition to allocating plan assets and portfolio management, these services may include assistance in setting up an Investment Policy Statement for the portfolio, right-fitting assets to the liability stream of the institution, managing cash and liquidity needs, selecting professional record-keepers, administrators and custodians, and providing in depth quarterly or annual review with the portfolio's performance and our outlook on financial market conditions.

Recently, SAM has partnered with Betterment for Advisors, a digital wealth management platform, and has entered into an advisory agreement with Betterment LLC and Betterment Securities, (collectively referred to as "**Betterment**"). With this agreement, Betterment serves as a sub-advisor to certain SAM Client Accounts to provide access to Betterment's automated investment allocation platform as well as Betterment's brokerage and custodial institutional services. In this relationship, SAM and the Client must execute a separate discretionary investment advisory agreement that outlines the terms and fees of the relationship.

In addition, SAM also provides sub-advisory services to clients referred to it by Betterment LLC, a registered investment adviser. SAM provides the services set forth above to such referred clients on the fee terms negotiated by all parties. SAM and the Client must execute a separate discretionary investment advisory agreement that outline the terms and fees of the respective relationship.

With respect to any financial planning/consulting services provided as part of the management services SAM performs, each Client must acknowledge to us that: (i) such Client is free at all times to accept or reject any of our recommendations, and such Client acknowledges that such Client has the sole authority with regard to the implementation, acceptance, or rejection of any recommendation or advice from us; (ii) our recommendations (i.e., estate planning, retirement planning, insurance, etc.) may be discussed and/or implemented, at such Client's sole discretion, with the corresponding professional adviser(s) (i.e., broker, accountant, attorney, etc.) of such Client's choosing; (iii) in respect to estate planning and tax planning matters, our role shall be that of a facilitator between such Client and his/her corresponding professional adviser(s); (iv) we are not an attorney or accountant, and no portion of our services should be interpreted by such Client as legal or tax advice (rather, such Client should defer to such Client's attorney and/or accountant with respect to all legal or tax matters); and (v) such Client will maintain sole responsibility to notify us if there is a change in such Client's financial situation or investment objective(s) for the purpose of reviewing/evaluating/revising our previous recommendations and/or services and/or to address new planning or consulting matters.

### **C. Regulatory Assets Under Management**

SAM provides investment management services on a discretionary and/or non-discretionary basis to each of our Client Accounts. As of March 7, 2017, we provided investment management services to \$428,290,060 of regulatory assets under management of which \$414,322,775 is managed on a discretionary basis and \$13,967,285 is managed on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **A. General**

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

The annual fee for the investment management services provided to Client Accounts based on the market value of the Client's Account at the beginning of the calendar quarter and billed in advance, is as follows:

| <u>Asset Value (millions)</u> | <u>Fees</u> |
|-------------------------------|-------------|
| First \$1.....                | 1.5%        |
| Next \$9.....                 | 1.0%        |
| Next \$15 .....               | 0.5%        |
| Next \$25 .....               | 0.4%        |
| Thereafter.....               | 0.3%        |

The fee schedule above excludes any brokerage commissions, transaction costs, custody or any other costs and expenses which shall be incurred by the Client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers and other third parties which may include fees such as deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, exchange traded funds and private investments (e.g., private equity and hedge funds) are subject to their own respective expenses.

#### **Outside Accounts:**

Our services for developing and implementing allocations for Outside Accounts incur a flat fee equal to an annualized 0.4% of the market value of the client's account as determined at the beginning of the calendar quarter.

#### **Other Services:**

Certain Clients may request additional financial planning services, in which case we may determine to provide financial planning services and advice on an hourly or fixed fee basis separate and apart from our investment management of assets. In the event we so determine, the provision of such financial consulting services (including the dollar amount of any hourly or fixed fee therefor) shall be set forth and described in a separate agreement between us and such Client (including, for example, a Financial Planning Agreement and/or Limited Consulting Agreement setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the Client prior to our commencing services). Our financial planning fees are negotiable, depending upon the level and scope of the services required and the professional rendering the service(s). We may determine to provide financial consulting services beyond the management of assets in our sole discretion at any time, regardless of any prior provision of such chargeable services without charge. Any prior provision of such services without charge shall not be construed as a waiver or relinquishment of our right to provide such services on an hourly or fixed fee basis.

### **Betterment for Advisors:**

The total annual fee to a Client engaged in a Betterment relationship is generally 0.75% investment management fee to SAM and 0.25% platform fee to Betterment. The actual fee due is calculated based on the average daily portfolio value of Client assets managed by Betterment payable on the last business day of the quarter in arrears. Betterment remits payment to SAM on behalf of Clients.

With the exception of the Betterment for Advisors platform and Outside Account fees, our minimum fee is generally \$10,000 per year. Related client accounts may be aggregated for purposes of calculating fees.

We, in our sole discretion, may charge a lesser annual investment management fee, a lesser Betterment fee, or a lesser Outside Account allocation fee, based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, type of management services required, related accounts, account composition, negotiations with Clients, etc.).

We do not independently value any securities held in Client Accounts. That is, with respect to the Client Accounts advised by the Adviser, the Adviser and its Clients rely on the independent, third party qualified custodian that holds the assets in such Client Accounts, to value these assets. For certain Client Accounts holding private securities, the quarterly financial information provided by the private funds themselves will be used as the basis for client reporting and fee billing.

### **B. Fee Payments**

Fees for Client Accounts are generally debited by the qualified custodian from each Client Account in advance on a quarterly basis. Fees for Outside Account services are generally debited by the qualified custodian from each Client Account in advance on a quarterly basis. The fees are calculated by the Adviser pursuant to the terms of each Client's investment management agreement and based on the market value of each Client Account at the beginning of the calendar quarter.

For Client Accounts on the Betterment for Advisors platform, Betterment calculates and deducts the Client fees quarterly in arrears from the Client Account, and remits to SAM its negotiated fee.

### **C. Other Fees**

Commissions and/or transaction fees are the responsibility of the Client and may be charged to each Client Account for effecting securities transactions; provided, that we may bear such commissions and/or transaction fees on behalf of a Client Account in our sole discretion. In the event commissions and/or transaction fees are borne by us on behalf of an account, any such prior action or conduct shall not be deemed a waiver at any time of our right to charge such account for such commissions and/or transaction fees on a going forward basis.

For a discussion of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, please see "Item 12 Brokerage Practices".

### **D. Advance Payment of Fees**

Client Accounts are generally charged in advance (at the beginning) of each calendar quarter based upon the value of each Client Account at the beginning of the calendar quarter.

To the extent that a Client engages us during a quarter, such Client's fee will be prorated from the date

of engagement through the end of the quarter; provided, that we, in our sole discretion, may be paid such first quarter prorated fee in arrears rather than in advance for ease of administration.

Except with respect to new engagements during a quarter, and cancellations of existing agreements during a quarter, we do not prorate fees paid at the beginning of each calendar quarter based upon inflows and outflows in or from an account during a quarter. That is, the fee for the entire calendar quarter is based upon the value of a Client Account at the beginning of the calendar quarter. If existing agreements are cancelled during a quarter, unearned fees will be refunded, the amount of which will be determined on a pro rata basis depending upon the number of days remaining in the applicable quarter.

Client agreements may be canceled at any time, by either party, for any reason upon written notice. In the event either party terminates a Financial Planning Agreement, Limited Consulting Agreement and/or similar agreement, if applicable, prior to completion of the financial planning services, unearned fees paid in advance, if any, shall be refunded to the Client.

#### **E. Fees and Compensation from the Sale of Securities or Mutual Funds**

Mr. Satovsky, in his individual capacity, is a licensed insurance agent with various insurance companies and a registered representative with Purshe Kaplan Sterling, a FINRA member broker-dealer. Mr. Satovsky holds Series 7, 63 and 65 licenses with FINRA. These affiliations and licenses are maintained in order to effectuate certain 529 plans, insurance policies, annuity contracts, limited partnerships, and certain retirement and deferred compensation plans that may only be offered through an insurance company and/or FINRA member broker-dealer. These transactions are typically commission paid transactions that may not otherwise be accessible directly. Any fees and/or commissions (to the extent received) by Mr. Satovsky in his individual capacity, are independent from the investment management fee paid to the Adviser. This practice presents a potential conflict of interest and gives us or our supervised persons an incentive to recommend investment products based on compensation received, rather than on a Client's needs. We address these conflicts by disclosing these transactions to the Client prior to or at the time of purchase. To the extent that certain mutual fund companies pay 12b-1 fees, a portion of these fees are passed on to Mr. Satovsky directly as a registered representative of Purshe Kaplan Sterling (to the extent received) and are separate from our investment management fee.

Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us. We do not reduce our advisory fees to offset commissions received. When Mr. Satovsky sells an investment product on a commission basis, the Adviser does not charge an advisory fee in addition to the commissions paid by the Client for such product. With respect to mutual fund purchases that we recommend, since April 2010 we have utilized institutional share classes of such funds on behalf of our Clients, when available. Notwithstanding the foregoing, we may add to certain legacy positions not utilizing institutional shares, and in such case, Clients do not benefit from the lowest expense ratio and pay full 12b-1 fees. These institutional share classes often have minimum eligible purchases of \$1,000,000 and provide the lowest expense ratio share class available to investors. We elect these share classes when available as an institutional purchaser which enables us to allocate smaller dollar amounts for Clients to funds that would otherwise be inaccessible. Institutional share classes do not typically pay 12b-1 fees.



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

SAM does not charge performance-based fees. Our advisory fees are only charged as disclosed in Item 5 above.

**Item 7      Types of Clients**

Our Clients are individuals and high net worth individuals, typically with a net worth of \$2,100,000 or more. The minimum account size necessary to open and maintain a separately managed account with us is based on the trading strategy employed. The minimum initial investment for a separately managed account is generally \$1,000,000, subject to negotiation. We also provide advisory services to pension and profit sharing plans, trusts, estates, endowments, charitable organizations, and corporations that are generally referrals from our existing Clients and their related entities and affiliations.

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

### **A.      Description of Analysis and Strategy and General Risk Disclosure**

The investment recommendations for asset allocation generally will be developed taking into account each Client's risk tolerance, financial goals, individual circumstances, time horizon and implemented through our in-house proprietary models. The portfolios may deviate significantly from stated risk profile based on SAM discretion, market conditions and our proprietary research seeking to improve risk/return characteristics of the portfolios. We have a preference to create a passive structure with the goal of minimizing trading to reduce taxes and behavioral risk.

We utilize a combination of quantitative analysis and qualitative analysis when determining the underlying assets that are owned by our Clients. We may use charting, fundamental, technical and cyclical methods at times to analyze securities. We obtain our research information from a variety of sources including but not limited to financial research providers such as Bloomberg, Morningstar, Standard & Poor's, financial newspapers and magazines, inspections of corporate activities, filings with the SEC, corporate press releases, timing services and other various research materials. Additionally, we may use Kwanti Portfolio Lab to analyze and stress test our Client portfolios under various market environments. SAM may also utilize the Betterment for Advisors platform which is a digital wealth platform using algorithms to allocate assets according to Client investment objectives. SAM does not engage in soft dollar transactions.

In addition, Mr. Satovsky, and/or other research analysts on our staff, will review each person/firm that manages a privately placed pooled investment vehicle through one or more of the following methods of due diligence: meetings/ongoing conference calls with such persons and his or her staff; verification of references; background reviews with respect to regulatory matters, education and/or professional history; reviews of audited financial statements; and verification of performance claims. Electronic files are created to store and maintain all materials reviewed. With respect to third party managers of publicly traded vehicles such as mutual funds and exchange traded funds, we review publicly available information. Given the breadth of third party managers, investment vehicles and the material differences between and among similarly classified pooled investment vehicles that utilize third party managers (including, without limitation, mutual funds, exchange traded funds, hedge funds and private equity funds), we believe that it is impossible to capture in a single list what we may determine to be an appropriate level of due diligence for any given manager or vehicle.

There can be no assurance that the investment objective of our Clients will be achieved and that Clients will not incur losses. The risks described below are not meant to be a comprehensive collection of all risks with which our Clients may be confronted. In addition to the risks listed below, Clients should review the respective offering or similar documents of each mutual fund, ETF and/or other security or instrument in its portfolio or recommended for purchase by us, for a detailed description of risk factors associated with a particular investment or portfolio. Each Client is also encouraged to consult with the Adviser to review the specific risk parameters of, and assets that comprise, the Client's account at any given time and from time to time.

Investing in securities involves risk of loss and there is no assurance that any investment strategy will be successful in avoiding loss or achieving investment objectives. Clients should be prepared to bear the risk of loss of some or all of their investment. Our investment portfolios seek to achieve Clients' long-term financial plans and goals. Therefore, the material risks that exist in building a portfolio for a Client include the following:

- Misalignment of timing relative to Client needs: It is extremely important to maintain open and ongoing communication with us to keep us informed of your changing cash flow needs to ensure liquidity is available when needed. Often times, a Client's liquidity needs arise at unexpected and inopportune times when asset prices may not be optimal to liquidate, and therefore may cause significant loss of principal.
- Spending rates: We spend a considerable amount of time with each Client working to educate individuals on the importance of providing a buffer for emergencies, opportunities and to increase the likelihood of sustainability of a portfolio to reach each individual's goals subject to numerous factors and Client characteristics. It is generally recommended that a spending/withdrawal rate from a portfolio should be no more than 3-5% of one's assets in order to insulate them from inflation, taxes and longevity risk (outliving one's money). Clients with higher spending rates have a greater risk of outliving their assets; therefore, such Clients may seek more speculative investments than they are comfortable taking.
- Behavioral risk: Volatility is inherent in virtually all investment strategies, so we spend time educating Clients about historical volatility of each asset class and/or the underlying strategies that we deploy based on Clients' risk tolerance or preferences. Our experience has shown that most investors overstate their appetite for risk. Therefore, when asset prices decline, the tendency is for investors to contract their risk appetite and when asset prices rise, the tendency is for investors to expand their risk appetite. The behavioral gap in investor returns versus actual returns has historically been higher when strategies with greater volatility are utilized in an investment plan.
- Key man risk: As the principal owner of the Adviser, Mr. Satovsky is critical to the Adviser's management of Client accounts and the management of the firm. However, as discussed herein, the Adviser does not maintain possession of Client assets. Accordingly, any succession plan implemented by the Adviser or any termination of a Client's agreement with the Adviser after the departure of Mr. Satovsky would not affect the maintenance of Client assets at the relevant custodian in the name of the Client.
- Cybersecurity risk: SAM's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although SAM has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, SAM may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in SAM's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Client accounts. Such a failure could harm SAM's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Any failure of SAM's information, technology or security systems could have an adverse impact on its ability to manage the Client accounts referred to herein.

## **B. Material Risk of Strategy**

- An investment strategy that we construct on behalf of Clients seeks to meet an individual's goals throughout his or her lifetime. Since financial markets are volatile and due to the nature of our investment strategies, there can be no assurances that a Client will reach their targeted returns or realize any return on their investment during a specific period of time. It is uncertain as to when profits, if any, will be realized and Client goals may not be realized during his or her lifetime. Losses on unsuccessful investments may be realized before gains are realized on successful investments. The return of capital and realization of gains, if any, from an investment may not occur for a substantial period of time. Historical correlations and returns are not indicative of future performance or relationship of asset prices. We also allow for portfolio drift, wherein certain positions may become more concentrated over time, resulting in increased volatility and changes to the risk/return characteristics of the portfolio.
- We typically invest in a broad range of investment strategies from cash, fixed income, US equity, foreign equity, and alternative investments. Specifically, we may utilize a combination of individual securities, mutual funds, exchange-traded funds and/or pooled investment vehicles. Although we typically utilize a wide range of asset classes, there are no requirements imposed on us with respect to diversity among strategies or individual securities. We may invest in a limited number of strategies or with a limited number of individual securities, mutual funds, ETFs and/or pooled investment vehicles. In addition, underlying funds with which we invest may all invest in the same or similar securities, further limiting the diversification of managed accounts. To the extent that Clients have concentrated positions, portfolio gains or losses may be more extreme.
- We may invest in strategies or markets that underperform other strategies or general securities markets or relative benchmarks. Independent research studies have shown that even the most successful long-term active management strategies will have extended periods of underperformance relative to their peer group and/or indices. This may cause Client accounts to underperform other investment vehicles that invest in different asset classes. Different types of securities (for example, large, mid- and small-capitalization stocks or growth or value stocks) tend to go through cycles of performing better—or worse—than the general securities markets. In the past, these periods have lasted in excess of several years.
- Changes in interest rates will affect the value of fixed income investments. In general, as interest rates rise, bond prices fall, and as interest rates fall, bond prices rise. Interest rate risk is generally greater for high yield securities, however, higher-rated fixed income securities are also subject to this risk. Increased interest rate risk is also a factor when investing in fixed income securities paying no current interest (such as zero coupon securities and principal-only securities), interest-only securities and fixed income securities paying non-cash interest in the form of other securities.
- The trading prices of equity securities fluctuate in response to a variety of factors. These factors include events impacting a single issuer, as well as political, market and economic developments that affect specific market segments and the stock market as a whole. The value of Client accounts, like stock prices generally, will fluctuate within a wide range in response to these factors. As a result, Clients could lose money over

short or even long periods.

- The value of assets or income from investments may be less in the future as inflation decreases the value of money. As inflation increases, the value of fixed assets can decline. This risk is greater for fixed-income securities with longer maturities.
- The issuer or guarantor of a fixed income security may be unable or unwilling to make timely payments of interest or principal. This risk is magnified for lower-rated debt securities, such as high yield securities. High yield securities are considered predominantly speculative with respect to the ability of the issuer to make timely payments of interest or principal. In addition, funds that invest in fixed income securities issued in connection with corporate restructurings by highly leveraged issuers or in fixed income securities that are in default may be subject to greater credit risk because of such investments.
- Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect a security's or instrument's value or liquidity. The value of securities or instruments of smaller, less-well-known issuers can be more volatile than that of larger issuers. Issuer-specific events or broader social-economic events can have a negative impact on the value of Client accounts.

### **C. Material Risk of Securities**

- We invest in a blend of liquid, publicly traded individual securities, mutual funds, ETFs and pooled investment vehicles and, at times, some illiquid investments, which may, in turn, invest in or be comprised of a variety of securities focused on various strategies ranging from fixed income, U.S. equities, foreign equities and alternative investments. Many strategies are subject to both specific market risk related to the market which they represent as well as liquidity risk that may prevent securities from being sold at the quoted market price within a reasonable period of time. A managed account holding such securities may experience substantial losses if required to liquidate these holdings.
- Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the United States, and foreign governments may afford less legal protection to the pooled investment vehicles as investors. Investments in private funds are illiquid and do not have the protection of SEC regulations. Generally no market for such interests exists and liquidity is subject to fund terms including lock ups, redemption penalties or gates. There is no assurance that private fund interests can be liquidated upon demand.
- Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which have less stability than those of more developed countries. Investments in securities in developing market countries are also generally more volatile and less liquid than investments in securities in markets of developed countries. Emerging market securities may be subject to currency transfer restrictions and may experience delays and disruptions in securities settlement procedures. Certain emerging markets are

closed in whole or part to the direct purchase of equity securities by foreigners. In addition, a fund that invests in foreign securities or securities denominated in foreign currencies may be adversely affected by changes in currency exchange rates, exchange control regulations, foreign country indebtedness and indigenous economic and political developments.

- High yield securities, also known as “junk bonds,” are below investment grade quality and may be considered speculative with respect to the issuer’s continuing ability to make principal and interest payments. Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. Yields on high yield securities will fluctuate. The secondary markets in which lower-rated securities are traded may be less liquid than the markets for higher-rated securities. A lack of liquidity in the secondary trading markets could adversely affect the price at which Clients or the funds they own could sell a particular high yield security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause fluctuations in the value of Client accounts. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities generally.
- Real estate investment trusts (**REITs**) may be subject to certain risks associated with the direct ownership of real property, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses and variations in rental income.
- Value stocks: Certain strategies we invest in on behalf of Clients focus in “value” stocks, or stocks they believe are inexpensive either on a relative or absolute basis. Investing in value stocks presents the risk that the stocks may never reach what the strategy believes are their full market values, either because the market fails to recognize what our strategies judge to be the companies’ true business values or because our strategies misjudge those values. In addition, value stocks may fall out of favor with investors underperform growth stocks during given periods.
- Short Sale Risk: Certain strategies we invest in on behalf of Clients may engage in short sales. This involves selling a borrowed security with the expectation that the value of the security will decline so that it may be purchased at a lower price when returning the borrowed security. The risk for loss on short selling is greater than the original value of the securities sold short because the price of the borrowed security may rise, thereby increasing the price at which the security must be purchased. Although the potential gain of a short sale is limited to the price at which the security was sold short, the potential loss is limited only by the maximum attainable price of the security, less the price at which the security was sold and may, theoretically, be unlimited. In addition, certain strategies may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with open short positions. These types of short sale expenses negatively impact the performance of certain strategies, since these expenses tend to cause losses on short sales even in instances where the price of the underlying security sold short does not change over the duration of the short sale. Finally, strategies that short may not be able to borrow a security that they need to deliver or they may not be able to close out a short position at an acceptable price and may have to sell long positions earlier than they

had expected.

- **Leverage:** Certain strategies we invest in on behalf of Clients may utilize leverage in their investment programs. The use of leverage allows these strategies to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their total capital. However, leverage also magnifies the volatility of changes in the value of these strategies. The effect of the use of leverage in a market that moves adversely to a strategies investments could result in substantial losses, which would be greater than if the strategy were not leveraged.
- **Micro and Small Cap Company Stock Risk:** Certain strategies we invest in on behalf of Clients may invest in Micro and small cap sized companies. Micro and small cap company stocks may be very sensitive to changing economic conditions and market downturns. Micro-cap and small-cap companies' earnings and revenues may be less predictable, their share prices may be more volatile, and markets less liquid than companies with larger market capitalizations. There may be less publicly available information about these companies, which can affect the pricing of their shares or an investor's ability to dispose of those shares. Liquidity risk exists when it would be difficult to purchase or sell these securities, possibly preventing strategies that invest in them from selling at an advantageous time or price, and possibly requiring these strategies to dispose of other investments at unfavorable times or prices in order to satisfy their obligations.
- **Derivative risk:** Certain strategies we invest in on behalf of Clients may invest in derivatives. In general, a derivative instrument typically involves leverage, i.e., it provides exposure to potential gain or loss from a change in the level of the market price of the underlying security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative instrument. Adverse changes in the value or level of the underlying asset or index, which strategies we invest in may not directly own, can result in a loss to the these strategies substantially greater than the amount invested in the derivative itself. The use of derivative instruments also exposes an investor to additional risks and transaction costs. These instruments come in many varieties and have a wide range of potential risks and rewards, and may include futures contracts, forward contracts and swaps. A risk of using derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. Additionally, to the extent that certain strategies are required to segregate or "set aside" (often referred to as "asset segregation") liquid assets or otherwise cover open positions with respect to certain derivative instruments, they may be required to sell portfolio instruments to meet these asset segregation requirements. There is a possibility that segregation involving a large percentage of a strategy's assets could impede portfolio management or the strategy's ability to meet redemption requests or other current obligations.
- **Counterparty risk:** Certain strategies we invest in on behalf of Clients may enter into various types of derivative contracts. These derivative contracts may be privately negotiated in the over-the-counter market. These contracts also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty. If a privately negotiated over-the-counter contract calls for payments by a strategy that we invest in, the strategy must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the strategy may not receive payments owed under the contract, or such payments may



be delayed under such circumstances and the value of agreements with such counterparty can be expected to decline, potentially resulting in losses to the strategy.

- Gold risk: Certain strategies we invest in on behalf of Clients may invest in both physical gold and the securities of the companies in the gold mining sector. Prices of gold related issues are susceptible to changes to U.S. and foreign taxes, currencies, mining laws, inflation, and various other market conditions.

**Item 9      Disciplinary Information**

There are no legal or disciplinary events that would be considered material to our Clients' or our prospective Clients' evaluation of our advisory business or the integrity of our management.

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

Mr. Satovsky, in his individual capacity, is a licensed insurance agent with various insurance companies and a registered representative with Purshe Kaplan Sterling Investments, a FINRA member broker-dealer. Mr. Satovsky holds Series 7, 63 and 65 licenses with FINRA. This affiliation is primarily an accommodation to help service our existing Client base. Certain products and services cannot be purchased without registration through a broker-dealer or other licensing. Products typically utilized in this capacity include 529 plans, corporate retirement plans, annuity products and insurance contracts. No advisory Clients are under any obligation to retain us for services related to the recommendation of such insurance-related products and commissions-based securities. We do not reduce our advisory fees to offset commissions received. When Mr. Satovsky sells an investment product on a commission basis, SAM does not charge an advisory fee in addition to the commissions paid by the Client for such product. However, given the availability of compensation in the form of commissions, a conflict of interest between Mr. Satovsky and our Clients is apparent. When offering these types of instruments to Clients, we address the conflicts by providing disclosure that the products and services are being offered through a broker-dealer and commission is being paid directly to Mr. Satovsky as a registered representative, separate and apart from ongoing advisory work that is provided through the Adviser.

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

### **A. Code of Ethics**

SAM has adopted a Code of Ethics and Insider Trading Policy (**Code**) to comply with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which sets forth procedures and limitations governing the business conduct and personal securities trading of persons associated with SAM. The Code is based upon the principle that SAM's Access Persons (as defined in the Code) owe a fiduciary duty to Clients and to conduct their affairs, including their personal securities transactions, in a manner to avoid: (i) placing their own personal interests ahead of Clients; (ii) taking inappropriate advantage of their position with the firm; and (iii) any actual or potential conflicts of interest or any abuse of their position of responsibility. Personal securities transactions of SAM's Access Persons are reported quarterly and account holdings are reported annually. Both are monitored, in an attempt to limit potential conflicts of interest. SAM maintains a Restricted Securities List and a Watch List in the case a single name security will be purchased in Client Accounts. Employees must obtain pre-clearance from the CCO prior to any personal trading. A copy of SAM's Code is provided to any Client or prospective Client upon request by contacting the Chief Compliance Officer.

### **B. Participation or Interest in Client Transactions and Personal Trading**

We believe in aligning our investments with the Clients. In other words, we would invest for ourselves securities and assets that we recommend to our Clients. Therefore, our Access Persons may invest in many of the same securities or assets as our Clients. Employees must obtain pre-clearance from the CCO prior to any security transactions in their personal accounts.

## **Item 12 Brokerage Practices**

### **A. Selection of Broker-Dealers and Reasonableness of Compensation**

If there are multiple broker-dealers making a market in a particular security, SAM is responsible for choosing the broker-dealer to use for the transaction. SAM selects the broker-dealer that it believes can execute the transaction in a manner that achieves the most favorable execution for the Client under the circumstances. In making this determination, SAM takes into account such factors as price, likelihood of execution (within a desired timeframe), liquidity, market conditions, volume, confidentiality, minimum market effect, creditworthiness, willingness and ability of a counterparty to make a market in particular securities, operational coordination including communication and ability to settle trades reliably and quickly, reputation for ethical and trustworthy behavior, use of automation, willingness of the counterparty to commit capital, market knowledge and ability of counterparty to execute difficult transactions in unique and complex securities.

For our Client Accounts that utilize the Betterment platform, Betterment Securities does not charge Clients separately for custody/brokerage services, but is compensated as part of the Betterment platform fee discussed in Item 5, which is charged for a suite of platform services, including custody, brokerage, and sub-advisory services provided by Betterment and access to the Betterment for Advisors platform. The platform fee is an asset-based fee charged as a percentage of assets in Client's Betterment account. Clients utilizing the Betterment for Advisors platform may pay a higher aggregate fee than if the investment management, brokerage and other platform services are purchased separately. Nonetheless, for those Clients participating in the Betterment for Advisors platform, we have determined that having Betterment Securities execute trades is consistent with our duty to seek best execution of your trades.

SAM does not participate in any formal soft dollar arrangements, earn soft dollar credits or pay specific additional brokerage commissions for research or other types of soft dollar benefits. SAM does receive a non-economic benefit from Betterment by way of various support services, back-office functions, recordkeeping, pricing, consulting on technology and access to publications and conferences on practice management and business succession. To the extent the receipt of research or brokerage by the Adviser are deemed to be soft dollar benefits, such benefits fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

### **B. Directed Brokerage**

SAM does not engage in directed brokerage transactions.

### **C. Allocation**

Transactions for each Client Account generally will be effected independently, unless we decide to purchase or sell the same securities for several Clients at approximately the same time. We may (but are not obligated to) combine or "batch" such orders to seek to obtain best execution, to negotiate potentially more favorable commission rates or to allocate equitably among our Clients differences in prices and commissions or other transaction costs that might have been incurred had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our Clients in proportion to the purchase and sale orders placed for each Client account on any given day. We shall not receive any additional compensation or remuneration as a result of the aggregation. There is no assurance that batching orders will in all cases result in lower execution costs than would have been the case had the orders been entered separately.

SAM manages numerous Client Accounts, therefore, SAM utilizes an established methodology for allocating securities. Because investment decisions frequently affect more than one account and sometimes more than one type of account (e.g. a particular stock may be considered a good investment for several Client accounts), it is inevitable that at times it will be desirable to acquire or dispose of the same security for more than one Client account at the same time. SAM's policy is to equitably allocate buy and sell executions among Client Accounts when feasible and appropriate over time.

On occasion, through our clearing/custodial firm relationships, we may have limited access to IPO shares and, in limited circumstances, we may purchase and/or recommend for purchase IPOs for Client Accounts. In the circumstance for those of our Clients who, on a completely unsolicited basis, contact us to request that we purchase a specific IPO for his/her/their/its account, we will attempt to implement to the extent same has been made available to us. Generally, in the event one or more Clients request that we purchase a specific IPO, we may, after first determining that such Client(s) is qualified for such specific IPO (i.e., suitable for the Client(s) relative to the Client's(s') investment objective(s), financial situation(s) and current asset allocation(s)), to the extent possible under the circumstances, purchase such IPO on a pro-rata basis (among multiple requesting Clients) in accordance with assets under management. To the extent possible and applicable under the circumstances, we will use reasonable efforts to allocate available IPO shares on a fair and equitable basis in accordance with the terms and conditions of the aforementioned policy and applicable laws, rules and regulations (including Rule 5130 and Rule 5131 as adopted by FINRA).

## **Item 13    Review of Accounts**

### **A.      Description and Frequency of Reviews**

For those managed account Clients to whom we provide investment supervisory, financial planning, and/or investment consulting services, account reviews are based on asset allocation and position targets determined by the Firm and are managed on an ongoing basis by members of the investment management team. Different Client portfolios may differ from risk targets, allocation models, and other investors in the same model based on each individuals' unique circumstances, requests, tax circumstances, and portfolio drift from varied deposit and/or withdrawal timing. Actual portfolio allocations may differ significantly from the model targets. All investment advisory and financial planning Clients are encouraged to discuss with us his/her/their/its investment objectives, needs and goals and to keep us informed of any changes regarding same. All Clients are encouraged to meet, at least annually, with us to comprehensively review investment objectives and account performance. We will monitor the performance of each individual security, mutual fund, alternative investment strategy and investment manager implemented by us.

In performing any of its services and in providing reports, we are not required to verify any information received from the Client or from the Client's other professionals, and we are expressly authorized to rely thereon. Moreover, each Client is advised that it remains his/her/its responsibility to promptly notify us if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

### **B.      Non-Periodic Reviews**

Other than on a periodic basis, the following factors trigger a review: (i) a change in a Client's risk designation; (ii) a change in a Client's goals; (iii) notification that a Client is in need of cash; and (iv) if, in the judgment of a member of the investment management team, a review would be beneficial for the Client Account.

### **C.      Content and Frequency of Regular Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/ qualified custodian for the Client Accounts and/or applicable mutual fund companies or partnerships. We provide access to daily updates on all performance of discretionary and non-discretionary managed accounts (and outside held assets, if desired by Client) directly accessible through our website, [www.satovsky.com](http://www.satovsky.com), which links to a third party performance reporting vendor. SAM reminds Clients to check their brokerage statements received directly from their qualified custodians on a monthly or quarterly basis, as the case may be.

In addition, quarterly PDF summaries covering Client assets managed by us and all Client assets elected for reporting by us are available electronically in the same manner described in the foregoing sentence. Reports which review the performance of each investment made for a Client and/or chosen asset manager are available upon request and are issued to the Client through various outside technology vendors. Examples of such reports include, but are not limited to, reports generated through proprietary software of Morningstar, Inc. or its related entities and affiliates, and reports generated through independent research companies. Clients are encouraged to contact us to discuss ongoing access to account information for their account(s).

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

Except as otherwise described in this brochure, we do not receive an economic benefit for providing investment advice or other advisory services to our Clients from someone who is not a Client.

SAM receives a non-economic benefit from Betterment for Advisors and Betterment Securities in the form of the support products and services it makes available to us. The availability to us of Betterment for Advisors' and Betterment Securities' products and services is not based on us giving particular investment advice, such as buying particular securities for our Clients.

We do not engage in cross trading nor do we currently compensate any person for Client referrals. In addition, we currently do not maintain any related party referral arrangements by which we receive benefits for Client referrals. However, if requested by the Client, we may as a courtesy recommend the services of other professionals for implementation purposes. The Client is under no obligation to engage the services of any such recommended professional. We cannot and do not guarantee the services of any such recommended professional, and shall not be liable for any action, omission, recommendation/decision or loss resulting from or in connection with the services of any such recommended professional.



**Item 15 Custody**

Pursuant to Rule 206(4)-2, we are deemed to have custody of our Client Account's funds and securities solely because we may debit fees directly from the accounts of such Clients. The qualified custodian of each Client Account sends or makes available, on a quarterly basis or more frequently, account statements directly to each Client.

We urge Clients to carefully review these account statements from their qualified custodians, and compare the information therein with any financial statements or information received or made available to Clients through us or any other outside vendor.

**Item 16 Investment Discretion**

For discretionary Client Accounts, we receive trading authorization from the Client prior to implementing a trading strategy.

For non-discretionary Client Accounts, Clients must approve the initial implementation and all subsequent changes to the asset allocation and trades.

## **Item 17    Voting Client Securities**

We do not exercise proxy voting authority over Client securities. The obligation to vote Client proxies shall at all times rest with the Client those specific Client assets over which an independent investment manager has assumed proxy voting authority. Clients shall in no way be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy voting authority solely as a result of providing such advice to a Client.

As to all matters (other than proxies) for which shareholder action is required or solicited with respect to securities beneficially held by the Client Account, such as (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganizations, we affirmatively disclaim responsibility for voting (by proxies or otherwise) on such matter and will not take any action with regard to such matters.

**Item 18   Financial Information**

SAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its Clients and has not been the subject a bankruptcy proceeding.