

Practical Portfolios™

Practical Portfolios LLC
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Firm Brochure

(Part 2A of Form ADV)

December 31, 2010

This brochure provides information about the qualifications and business practices of Practical Portfolios LLC. If you have any questions about the contents of this brochure, please contact us at (920) 682-7680, or by email at: info@practicalportfolios.com. The information contained 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 Practical Portfolios LLC is available on the SEC's website at www.adviserinfo.sec.gov. This document is also incorporated by reference as part of the *Practical Portfolios LLC Client Agreement*.

Material Changes

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 annual update include:

1. 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. We have revised our ADV Part 2 form to reflect this new rule.
2. We have changed the fee schedule for some of our services to reflect updates to our contracts for new clients.
3. The *Operating Summary: Assets, Clients, Accounts and Services* has been revised to reflect actual operational information during the prior calendar year reporting period.

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (920) 682-7680 or by email at: info@practicalportfolios.com.

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Firm Brochure for Practical Portfolios LLC

1. Firm Description

Practical Portfolios LLC (“Advisor”, “Our”, “Practical”, “Us”, “We”, “Firm”) is a Wisconsin Limited Liability Corporation registered in 2007 that provides investment management and financial planning services to individuals, pension and profit sharing plans, trusts and estates, charitable organizations and small businesses. All services are provided on a fee-only basis.

2. Principal Office

Main office: 901 York Street, Manitowoc, WI 54220-4632. Phone (920) 682-7680

Hour of operation: Monday through Friday, 8:30 am to 5:00 pm.

Primary contact: John E. Cress

Email: jcress@practicalportfolios.com

Website: www.practicalportfolios.com

Fax: (920) 482-5650

3. Branch Office

Branch office: 103 W. College, Suite 803, Appleton, WI 54911, Phone (920) 733-7444

Hour of operation: By appointment only.

4. Registered Investment Adviser

Practical Portfolios LLC (US Securities and Exchange Commission File No. 801-67975) is registered as an investment adviser in the states of Wisconsin and Illinois, due to the amount of assets under management and the number of clients residing in those states. It is important to note that registrations with federal and state authorities are not endorsements of Practical Portfolios LLC or its business practices.

5. Ownership Interests

Practical Portfolios LLC is owned 100% by John E. Cress. There are no other direct or indirect ownership interests.

7. Officers and Key Personnel

John E. Cress is the Managing Member, Chief Compliance Officer and Chief Investment Officer of Practical Portfolios LLC

8. Other Financial Industry Activities or Affiliations of Officers

Officers and Key Personnel have *no* other financial industry activities or affiliations.

9. Education and Business Background of Officers and Key Personnel

The education and business backgrounds of Officers and Key Personnel are located in *Appendix A*, on page 10 of this document.

10. Qualifications of Investment Advisor Representatives:

Practical Portfolios LLC Investment Advisor Representatives must successfully pass the Uniform Investment Advisor Law Exam and obtain their CERTIFIED FINANCIAL PLANNER® designation before rendering any investment advice, financial planning advice, or becoming eligible to serve as a member of the Investment Committee. The CERTIFIED FINANCIAL PLANNER® designation separately requires a college degree and five years of related work experience prior to certification.

11. Code of Ethics

Practical Portfolios LLC employees must adhere to a Code of Ethics which details our fiduciary duty to clients, including the protection of non-public information (See our *Notice of Privacy in Appendix AC on page 12*), and our standards of professional and personal conduct. A copy of our Code of Ethics is available on request.

12. No Solicitors or Payments for Client Referrals

Practical Portfolios LLC does not employ paid solicitors. Additionally, the firm *does not pay* compensation to third parties for client referrals and the firm *does not accept* compensation for referrals we make to other professionals.

13. No Regulatory and Disciplinary Actions or Complaints

Practical Portfolios LLC has no regulatory and disciplinary actions or complaints.

14. Operating Summary 2010

Assets under management:

\$21,618,626 (Accounts: 149, Clients: 89)

Clients:

Investment Management (80%), Investment Advice (10%), Financial Planning (10%)

Client profiles:

Individuals (80%), Qualified Plans (10%), Other (10%),

Financial Planning Services

15. Financial Planning Services

Comprehensive financial planning is a process that requires a thorough examination of a client's personal situation, financial resources, financial objectives, and any challenges or threats that they may encounter. This process enables us to develop impartial, integrated plans that serve as a *road map* for taking action, utilizing investment assets efficiently, monitoring progress and making corrective changes along the path to our client's desired destination.

Practical Portfolios LLC offers *Comprehensive Financial Plans* that provide analysis and recommendations in these areas: goal and objective setting; budgeting; cash management; investment analysis; tax planning; insurance needs; education funding; retirement planning; estate planning, and charitable giving. We also offer *Modular* financial plans, that concentrate on only one or more of the elements listed above. All work is done on an hourly, fee-only basis.

16. Financial Planning Fees

Advisors: \$180 per hour Clerical and Administrative: \$75 per hour

The estimated cost of a financial plan is directly affected by its complexity. Most comprehensive financial plans with average complexity typically cost \$1,200 to \$2,400. However, costs can be considerably higher for complex situations. *Modular* financial plans (Retirement Planning *only* for example) are estimated to cost \$450 to \$750 per completed module.

Investment Management Services

17. Investment Management Services

Our investment advisory services begin with the development of an *Investment Policy Statement*—a document and working body of information that defines all client investment assets; specific investment objectives; risk tolerance; investment time horizon; expected deposits and withdrawals; potential tax consequences from sales and withdrawals, and special guidelines for the inclusion or exclusion of certain assets from a portfolio. It describes both where and, most importantly, *how* a client should invest to achieve their investment goals. Please see *Appendix B* on page 11 for a sample *Investment Policy Statement*

After receiving our initial investment recommendations and Investment Policy Statement some clients will prefer to implement our recommendations and manage their investments without our assistance. Other clients who may not have the time, interest, desire or capacity to manage their own investments may choose to have Practical Portfolios LLC supervise and monitor their investment accounts.

Unlike do-it-yourself approaches, managing investment accounts on a continuous basis requires that we have *discretionary powers*—express written authorization to perform our duties in each client account. There are also additional fees for the time and resources to render these services.

18. Investment Discretion

Investment accounts managed by Practical Portfolios LLC must be *discretionary*. This means we have the authority to determine, without obtaining specific client consent in advance, the securities to be bought and sold in a managed account, including the amount, time, method and venue where the securities transactions take place

19. Brokerage Discretion

Practical Portfolios LLC also has the authority to determine the *broker or dealer* used for any securities transactions within a managed account.

20. No Custody of Investment Assets

Practical Portfolios LLC does not have custody of investment assets at any time. It will necessary to appoint a *Custodian* for this purpose. The custodian is a bank or registered broker-dealer who creates the actual account used to take possession of cash, securities and other assets. The firm's authorities will be limited to the aforementioned *discretionary powers*, and Practical Portfolios LLC will have no access to the assets or the income produced by any account.

21. Broker Dealer (Custodian) Selection

The Practical Portfolios LLC Investment Committee reviews and approves broker dealers using, among others, the following criteria: reputation and integrity, financial conditions, knowledge of market securities and industries, trading support personnel, order entry/execution and confirmation systems, compatible record keeping systems, ability to obtain best prices, and commission rates. The actual *commission rates are set by the respective broker dealers—not Practical Portfolios LLC*.

22. Investment Strategy:

The primary investment strategy used by Practical Portfolios LLC is *asset allocation* utilizing a *core and satellite approach*.

Core holdings are the foundation of a portfolio. These investments are index mutual funds and exchange traded funds (ETFs) that provide broad exposure to multiple asset classes, in multiple markets, for optimal diversification.

Satellite holdings are individual stocks, individual bonds and actively-managed mutual funds, that are added to reduce overall portfolio volatility, increase income, or take advantage of potentially favorable market conditions

23. Investment Analysis Methodology

The Practical Portfolios LLC Investment Committee uses an investment selection methodology commonly referred to as *Fundamental Analysis* that searches for investments and business enterprises that have healthy balance sheets; budgets with positive cash flow; talented management, and business conditions favoring profitability. Sources of information used during this process include: financial periodicals, research prepared by others (Morningstar's Workstation and Charles Schwab's Advisor Center), corporate rating services, annual reports, prospectuses, SEC filings, and company press releases.

24. Investment Selection Criteria

The Practical Portfolios LLC Investment Committee reviews and approves investments for consideration using, among others, the following criteria:

- *Suitability*: or compatibility with a client's investment objectives, including: capital appreciation, controlling taxes, controlling volatility, current income, diversification, inflation protection, liquidity, safety of principal,
- *Financial strength*.
- *Consistency*: meaning the investment performance regularly meets or exceeds the investment objectives and performs well relative to peers and benchmarks
- *Efficiency*: meaning low or reasonable overall costs.
- *Value*: an investment with a high intrinsic value relative to its current price.

25. Investments are Not Risk Free

All investments managed by Practical will have some elements of risk, including:

- *Interest-rate Risk*: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk*: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk*: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk*: 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.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

26. Investments managed by Practical Portfolios LLC:

Practical Portfolios LLC will monitor and supervise accounts containing bonds (corporate, government and municipal), certificates of deposits; commercial paper; money market funds; exchange traded funds (ETFs); real estate investment trusts (REITs); stocks (US, Non-US, options and warrants) ; most non-proprietary mutual funds; and, on a case-by-case basis, some limited partnerships and variable annuities. The firm does not engage in transactions involving private placements, commodity futures, hedge funds, or the short-selling of securities.

27. No Participation or Interest in Client Transactions

Under no circumstance does Practical Portfolios LLC recommend, own or participate financially in *client sponsored* or *client managed* investments.

28. Personal Trading by Advisor

The investments Practical Portfolios LLC and its employees buy and sell for themselves — primarily stocks, bonds, mutual funds and exchange trades funds—are also recommend to our clients. Client transactions in those same securities are always given priority before the firm's advisors and employees buy and sell any or their own securities.

29. No Proxy Voting

Practical Portfolios LLC does not take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a managed account. Clients expressly retain the authority and responsibility for the voting of all proxies.

30. Ongoing Supervision and Reviews

Managed accounts are reviewed quarterly, or more frequently as market conditions dictate. They are rebalanced, when necessary, based on tolerances that have been established for the portfolio. In addition, taxable portfolios are reviewed for realized gain/loss balancing in the fourth calendar quarter to reduce the tax impact of transactions made during the year and to offset capital gains and losses that may be realized on other transactions involving assets outside the scope of our management.

Individual investment holdings are monitored for changes in financial ratings or significant price fluctuations automatically each market day. These same positions are also evaluated quarterly by members of the Practical Investment Committee using criteria established by both

the advisor and the client to assess the overall performance relative to the stated investment objectives and other benchmarks.

31. Reports

Portfolio Reports are produced quarterly and delivered to clients in electronic and print formats. Current positions are displayed along with performance information detailing net (after fees and expenses) rates of return for the recent quarter, trailing 12 months, and since inception of our management. Graphic reports depict the net performance of the portfolio against established benchmarks, net deposits and portfolio market value. A sample *Portfolio Report* will be provided on request.

An *Investment Policy Statement* is also created when we initially establish a client account. This report is also revised periodically when clients reach scheduled financial milestones or when significant personal or financial changes have occurred. Please see *Appendix B* on page 11 for a sample *Investment Policy Statement*

Investment Management Fees

32. Fees and Conditions for Investment Management:

Investment management fees for ongoing account monitoring and supervision are based on a percentage of *assets under management* (the market value of the investment accounts we manage for each client). This fee is calculated *at the beginning* of each calendar quarter. There is no minimum account size requirement.

Model Portfolios are accounts that hold only exchange traded funds and indexed mutual funds selected by Practical Portfolios LLC. Model Portfolios have a \$400 minimum annual fee.

All <i>Model Portfolio</i> assets	0.25 % (Annual fee percentage)
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Custom Portfolios are accounts that hold multiple types of investment assets. Custom Portfolios have a \$1000 minimum annual fee. Fees may be negotiated (lower or higher) when account holdings require significantly lower or higher levels of ongoing service.

First	\$500,000	0.80 % (Annual fee percentage)
Next	\$500,000	0.50 %
Next	\$500,000	0.40 %
Next	\$500,000	0.30 %
Over	\$2 million	0.25 %

33. No Commissions or Additional Compensation

Practical Portfolios LLC receives no commissions or “soft dollar” compensation from broker dealers or other third parties.

34. Other Expenses

Some expenses are separate from and not included in the calculation of the annualized management fee charged by Practical Portfolios LLC, such as: brokerage commissions, transaction charges, or separate management fees for mutual funds or exchange traded funds. A detailed description of these expenses can be found the prospectus for each investment holding and the broker-dealer's disclosure statement regarding account-level fees and expenses.

Appendix A:

Education and Business Background of Practical Portfolios LLC Officers and Key Personnel

John E. Cress:

Managing Member and Chief Compliance Officer

Residence:

Manitowoc, Wisconsin, since 1993

Education and Credentials:

BBA Finance and Information Systems,
University of Wisconsin-Madison, 1981

General Securities Exam 7, 1982

Certified Financial Planner, 1985

Chartered Life Underwriter, 1988

Chartered Financial Consultant, 1991

Uniform Investment Advisor Law Exam, 1996

Certified Financial Planner® designation requires 30 CE hours every 2 years

Experience:

Practical Portfolios LLC, Managing Member and Owner, 2007 to present

Access Investment Advisors Inc., President and Co-Owner, 1996 to 2007

Access Financial Services Corp., President and Owner, 1993 to 1996

John Cress, Registered Investment Advisor, 1989 to 1993

Continuous, related professional employment since 1982

Regulatory and Disciplinary Actions or Complaints:

None.

Background:

John is currently serving as the YMCA Wisconsin and Upper Michigan State Alliance Chairman, the Manitowoc International Relations Association (MIRA) as executive committee member. He is a past Board President of the Manitowoc-Two Rivers YMCA, and a past Treasurer of the Wisconsin Maritime Museum. John is married to Jennifer, a physician, has 2 children, Mackenzie and Johnny, and they all enjoy art, food, music, skiing, swimming, and travel.

Appendix B:

Investment Policy Statement (SAMPLE)

Current Assets

Investment accounts managed by Practical Portfolios LLC
Other investment accounts and assets

Systematic Investments and Withdrawals

Schedule of deposits or withdrawals from investment accounts

Objectives

Income required for current and future expenses
Investment asset accumulation objectives
Investment management objectives:

Capital appreciation, controlling taxes, controlling volatility, current Income,
diversification, inflation protection, liquidity, performance
Relative to peers and performance benchmarks, safety of principal

Asset sales, gifts and other capital transfers

Risk Assessment

Establish market volatility tolerances

Recommended Portfolio Allocation

<i>Asset Classes:</i>	<i>Asset Types:</i>
Stocks (%)	US and Non-US stocks, stock mutual funds, Stocks held in exchange traded funds
Bonds (%)	US and Non-US Bonds, bond mutual funds Bonds held in exchange traded funds
Cash (%)	Money market funds, certificates of deposits, Cash equivalents

Tax Considerations

Controlling income taxes on retirement plan distributions and asset sales.
Optimizing realized capital gains and losses
Controlling gift and transfer taxes

Appendix C:

Notice of Privacy Practices

Revised January 1, 2011

Practical Portfolios LLC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

Practical Portfolios LLC does not provide your personal information to any unaffiliated third parties without your express written permission.

With your permission, Practical Portfolios LLC shares a limited amount of information about you with your brokerage firm and our service bureaus in order to execute and report securities transactions on your behalf.

With your permission, Practical Portfolios LLC discloses limited information to attorneys, accountants, and mortgage lenders with whom you have established relationships.

Practical Portfolios LLC requires strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our company records and your personal records as permitted by law.

The categories of nonpublic information that Practical Portfolios LLC collects from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process and information about transactions between you and third parties. This information is used to help you meet your personal financial goals.

Personally identifiable information about you will be maintained by Practical Portfolios LLC while you are a client, and for the required period thereafter as mandated by federal and state securities laws. During that time, Practical Portfolios LLC maintains secure office and computing environments to ensure that your information is not placed at unreasonable risk. After that time, your information will be destroyed.

Practical Portfolios LLC will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Notice of Privacy Practices* to you annually, in writing.

Practical Portfolios LLC