



Practical Portfolios LLC
901 York Street, Manitowoc, WI 54220
(920) 682-7680 info@practicalportfolios.com
www.practicalportfolios.com

Part 2A of Form ADV Firm Brochure

December 31, 2010

Item 1: Cover Page

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, CRD file number: 144213

Item 2: Material Changes

2A. Annual Update

This brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

2B Material Changes

Material Changes since the last annual update include:

- 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. We have revised our ADV Part 2 form to reflect this new rule.
- We have changed the fee schedule for some of our services to reflect updates to our contracts for new clients.
- Firm financial information has been updated to reflect data from the prior calendar year reporting period.

2C Full Brochure Available

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

Item 3: Table of Contents

	Page
Item 4: Advisory Business	4
Item 5: Fees and Compensation	5
Item 6: Performance-Based Fees and Side-By-Side Management	7
Item 7: Types of Clients	7
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss	7?
Item 9: Disciplinary Information	9
Item 10: Other Financial Industry Activities and Affiliations	9
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	9
Item 12: Brokerage Practices	10
Item 13: Reviews of Accounts	10
Item 14: Client Referrals and Other Compensation	11
Item 15: Custody	11
Item 16: Investment Discretion	12
Item 17: Voting Client Securities	12
Item 18: Financial Information	12
Item 19: Requirements For State Registered Advisers	12

Item 4: Advisory Business

4A. Description of the Advisory Firm

Practical Portfolios LLC was founded in 2007 by John Cress. The firm is a Wisconsin Limited Liability Corporation owned 100% by John Cress. There are no intermediate subsidiaries or indirect owners.

Practical Portfolios LLC provides personal financial planning and investment management to individuals, families and their related entities, trusts, estates, and small businesses.

Practical Portfolios LLC is strictly a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. Additionally, the firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted.

4B. Types of Advisory Services

All personal consultations, analyses, recommendations, reports and ongoing support services are provided on a fee-only basis. Copies of our *Investment Advisory Agreement* and *Financial Planning Agreement* are available on request and initial consultations are provided at no charge. Practical Portfolios LLC offers these following services:

Investment Supervisory Services

Practical Portfolios LLC provides advice to clients on matters involving securities and investment supervisory services, also known as asset management services.

Our investment advisory services begin with the development of an Investment Policy Statement—a document and working body of information that defines a client's: investment assets; specific investment objectives; risk tolerance; investment time horizon; budget and cash flow; potential tax consequences from securities sales, and special guidelines for the inclusion or exclusion of certain assets from a portfolio.

After receiving our initial investment recommendations and Investment Policy Statements Clients may authorize Practical Portfolios LLC to supervise and monitor their investment accounts in their behalf. Client assets under the direct management of Practical Portfolios LLC will be held by independent custodians, including Charles Schwab, FolioFN Investments, Vanguard, or others, in the client's name. Practical Portfolios LLC does not have custody of client assets.

Clients may also choose to implement our recommendations and manage their investments without our assistance.

Investment Supervisory Services Limited to Specific Types of Investments

Practical Portfolios LLC will monitor and supervise accounts containing bonds (corporate, government and municipal), certificates of deposits; commercial paper; money market funds; mutual funds; exchange traded funds (ETFs); real estate investment trusts (REITs); and stocks. The firm does not engage in transactions involving initial public offerings, private placements, commodity futures, hedge funds, or short-selling.

Financial Planning

Practical Portfolios LLC also provides advice to clients on matters not involving securities, such as comprehensive financial planning and modular financial plans.

Comprehensive financial planning is a process that requires a thorough understanding of a client's financial objectives, financial resources and potential challenges they may encounter. This process enables us to develop an impartial, integrated plan for taking action, utilizing investment assets efficiently and making corrective changes. The elements, or modules, of the comprehensive financial planning process include: Goal and Objective Setting, Budgeting, Record Keeping, Cash Management, Investment Analysis, Tax Planning, Insurance Needs, Education Funding, Retirement Planning, Estate Planning, and Charitable Giving.

Modular financial plans that focus on a partial number of these elements are also available.

4C. Client Tailored Services and Client Imposed Restrictions

At Practical Portfolios LLC, our advisory services are tailored to the individual needs of each client, and implemented according to the specifications developed in each client Investment Policy Statement.

Clients may impose restrictions on investing in certain securities or types of securities by providing written and signed requests to that effect. However, if any restrictions prevent us from properly servicing an account or deviate from our standard services, Practical Portfolios LLC reserves the right to end the relationship.

4D. Wrap Fee Programs

Practical Portfolios LLC does not participate in any wrap fee programs.

4E. Managed Assets

As of December 31, 2010, Practical Portfolios LLC managed approximately \$21,600,000 in assets for about 149 accounts for around 89 client households. All Client assets are managed on a discretionary basis.

Item 5: Fees and Compensation

5A. Fee Schedules

Investment Supervisory Services Fees

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). Practical Portfolios does not require a minimum account size.

There are two types of managed accounts—Model Portfolios and Custom Portfolios.

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 that is non-negotiable.

All <i>Model Portfolio</i> assets	0.25 % (annually)
-----------------------------------	-------------------

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 % (annually)
Next	\$500,000	0.50 %
Next	\$500,000	0.40 %
Next	\$500,000	0.30 %
Over	\$2 million	0.25 %

Financial Planning Fees

The estimated cost of a financial plan is directly related to its complexity and the amount of advisor time and resources that are required for completion. The actual number of advisor hours and the costs of additional resources will vary for each client. At Practical Portfolios LLC most financial plans of average complexity will cost, approximately, \$1,200 to \$2,400. Fees for comprehensive plans will be higher for more complex financial situations.

Modular financial plans (Retirement Planning *only* for example) are also available and are estimated to cost \$450 to \$750 per completed module.

Hourly Fees for Financial Planning and Investment Advice

Hourly fees for all financial planning services, and any ancillary investment advisory services performed on an hourly basis, are offer at these non-negotiable rates:

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

5B. Payment of Fees

Payment of Investment Supervisory Fees

The investment management fee is calculated *at the beginning* of each calendar quarter and withdrawn directly from the client's account(s) with the client's written authorization. The final management fee schedule is specified in the client's *Investment Advisory Agreement*.

Payment of Financial Planning and Investment Advisory Fees

Fees for comprehensive financial planning services are paid 50% in advanced, but never more than six months in advance, are based on the fees specified in the client's *Financial Planning Agreement*. The remainder is due upon completion. Hourly fees for miscellaneous financial planning and investment related advice are payable and due upon completion.

5C. Clients Are Responsible For Third Party Fees

In addition to the management fee charged by Practical Portfolios LLC, clients are responsible for all third party fees and expenses, such as: brokerage commissions, transaction charges, or separate management fees for mutual funds or exchange traded funds. A detailed description of investment expenses can be found the prospectus for each respective investment holding. A detailed description of brokerage fees and other charges can be found in the broker-dealer's disclosure statement regarding account-level fees and expenses.

5D. Prepayment of Fees

Practical Portfolios LLC collects fees in advance, but never more than six months in advance.

Clients may terminate their *Investment Advisory Agreement* without penalty, for a full refund, within 5 business days of signing the advisor contract. After 5 business days, clients may terminate their contracts, without a refund, by providing written notice at any time.

Clients may terminate their *Financial Planning Agreement* notice at any time. Fees will be refunded based on the prorated amount of work completed at the time of termination.

5E. Outside Compensation For the Sale of Securities to Clients

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.

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

Practical Portfolios LLC does not accept performance-based fees or other fees based on a share of capital gains or capital appreciation of managed assets.

Item 7: Types of Clients

Practical Portfolios LLC provides investment management to individuals, families and their related entities, trusts, estates, and small businesses. There is no minimum account size.

Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss

8A. Methods of Analysis and Investment Strategies

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

Fundamental Analysis

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, such as Morningstar's Workstation and Charles Schwab's Advisor Center; corporate rating services, annual reports, prospectuses, SEC filings, and company press releases.

The Practical Portfolios LLC Investment Committee also 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: solid budgets and balance sheets; profitability.

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.

Past performance is never a guarantee of future returns and investing in securities involves risk, including the risk of loss that you, as a client, should be prepared to bear.

8B. Material Risks Involved

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.

8C. Risks of Specific Securities Utilized

Practical Portfolios LLC generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic or international equities markets. Again, investing in securities involves risk, including the risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

10A. Registration as a Broker/Dealer or Broker/Dealer Representative

None. Practical Portfolios LLC is not a broker/dealer or a representative of a broker/dealer.

10B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

None. Practical Portfolios LLC does not trade commodities or futures.

10C. Registration Relationships Material to this Advisory Business and Possible conflicts of Interests.

None. Practical Portfolios LLC has no material business conflicts of interest.

10D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

None. No compensation is received or paid to other outside advisors or managers.

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

11A. 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 and our standards of professional and personal conduct. Copies of our *Code of Ethics* and *Notice of Privacy Policy* are available on request.

11B. Recommendations Involving Material Financial Interests

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

11C. Investing Personal Money in the Same Securities as Clients

Practical Portfolios LLC and its employees buy and sell for themselves —primarily stocks, bonds, mutual funds and exchange trades funds. We also recommend these to our clients.

11D. Trading Securities At/Around the Same Time as Clients' Securities

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.

Item 12: Brokerage Practices**12A. Factors Used to Select Custodians and/or Broker/Dealers**

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

1. Research and Other Soft-Dollar Benefits

Practical Portfolios LLC pays for its own research and accepts no “soft dollar” compensation.

2. Brokerage for Client Referrals

Practical Portfolios LLC does not receive referrals from broker-dealers or third parties in exchange for using that broker-dealer or third party.

3. Client Directed Brokerage

Practical Portfolios LLC allows clients to direct brokerage. However, this may be more expensive for clients due to potential trading system and operational incompatibilities that may conflict with our own best execution practices.

12B. Aggregating (Block) Trading for Multiple Client Accounts

Practical Portfolios LLC has the ability to aggregate trade purchases across multiple client accounts, also known as *block trading*. While block trading may reduce transaction cost for large block purchases it may not be appropriate for all clients in all situations.

Item 13: Reviews of Accounts**13A. Frequency and Nature of Periodic Reviews and Who Makes Those 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 and 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.

13B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Non-periodic reviews are triggered by material investment market changes; economic and tax policy changes; political events, and changes in the client's financial profile.

13C. Content and Frequency of Regular Reports Provided to Clients

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.

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.

Item 14: Client Referrals and Other Compensation

14A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients

None. Practical Portfolios LLC receives no commissions or "soft dollar" compensation from broker dealers or other third parties.

14B. Compensation to Non-Advisory Personnel for Client Referrals

None. No compensation is paid to non-advisory personnel for client referrals

Item 15: Custody

Practical Portfolios LLC does not have custody of investment assets—a *Custodian* must be appointed 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. Clients will receive account related statements directly from the custodian.

Item 16: 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

Item 17: Voting Client Securities

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.

Item 18: Financial Information

18A. Balance Sheet

Practical Portfolios LLC does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance, and, therefore, does not need to include a balance sheet as part of this disclosure statement.

18B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither Practical Portfolios LLC nor its management have any financial condition that is likely to reasonably impair our ability to meet contractual commitments to clients.

18C. Bankruptcy Petitions in Previous Ten Years

No bankruptcies—ever.

Item 19: Requirements for State Registered Advisers

19A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background

Practical Portfolios LLC has one executive officer and manager—John Cress. His education and business background is found in *Part 2B of Form ADV, Brochure Supplement*.

19B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those

No other business activities.

19C. How Performance Based Fees are Calculated and Degree of Risk to Clients

Practical Portfolios LLC does not accept performance-based fees or other fees based on a share of capital gains or capital appreciation in managed accounts.

19D. Material Disciplinary Disclosures for Management Persons of this Firm

No disciplinary disclosures.

19E. Material Relationships That Management Persons Have With Issuers of Securities

No material relationships with issuers of securities.