

# Powell Financial, Inc. d/b/a Powell Wealth Client Brochure - ADV Part 2A

*This brochure provides information about the qualifications and business practices of Powell Financial, Inc. d/b/a Powell Wealth. If you have any questions about the contents of this brochure, please contact us at (704) 439-0027 or by email at: [david.powell@powellwealth.com](mailto:david.powell@powellwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Powell Financial, Inc. d/b/a Powell Wealth is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Powell Financial, Inc. d/b/a Powell Wealth's CRD number is: 144230*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

There are no material changes in this brochure from the last annual updating amendment of Powell Financial, Inc. on March 08, 2017. Material changes relate to Powell Financial, Inc. policies, practices or conflicts of interests only.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Powell Financial, Inc. was formed on October 15, 2007. This firm was approved to conduct business on September 19, 2007. Beginning April 2016, Powell Financial, Inc. is conducting advisory business as Powell Wealth. The principal owner is David L. Powell.

### **B. Types of Advisory Services**

Powell Financial, Inc. d/b/a Powell Wealth (hereinafter "PW") offers the following services to advisory clients:

#### ***Investment Supervisory Services***

PW offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. PW creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

PW evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. PW will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### ***Selection of Other Advisers***

PW may direct clients to third party money managers. This relationship will be disclosed in each contract between PW and each third party adviser. PW will be compensated via a fee share from the advisers to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. Before selecting other advisers for clients, PW will always ensure those other advisers are properly licensed or registered as investment advisers.

### ***Pension Consulting Services***

PW offers ongoing consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans) based on the demographics, goals, objectives, time horizon, and/or risk tolerance of the plan's participants.

### ***Financial Planning***

PW designs a comprehensive financial plan that takes into account many factors, and then provides output showing the various solutions to issues in which the client seeks answers. It uses Monte Carlo simulations, cash flow projections, and several "what if" scenarios. It encompasses goal planning, estate planning, debt reduction, college planning, retirement planning, tax concerns, investment planning, etc. These services are based on fixed fees or hourly fees and the final fee structure is documented in the Financial Planning Agreement.

### ***Services Limited to Specific Types of Investments***

PW limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, alternative investments, ETFs, real estate, third party money managers, REITs, insurance products including annuities and government securities. PW may use other securities as well to help diversify a portfolio when applicable.

## **C. Client Tailored Services and Client Imposed Restrictions**

PW offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the Client Profile which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent PW from properly servicing the client account, or if the restrictions would require PW to deviate from its standard suite of services, PW reserves the right to end the relationship.

## **D. Wrap Fee Programs**

PW does not participate in any wrap fee programs.

## **E. Amounts Under Management**

PW has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$107,309,669.00	\$0.00	December 2017

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### ***Investment Supervisory Services Fees***

Total Assets Under Management	Annual Fee
All Assets Under Management	0.50% - 1.50%

These fees are negotiable and the final fee schedule is attached in the Investment Advisory Contract. Fees are paid quarterly in advance. Clients may terminate their contracts with thirty days' written notice; termination is 30 days after written notice. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization, which is documented in the Investment Advisory Contract.

#### ***Selection of Other Advisers Fees***

PW may direct clients to third party money managers. This relationship will be disclosed in each contract between PW and each third party adviser. PW will be compensated via a fee share from the advisers to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency.



## ***Pension Consulting Services Fees***

### ***Fixed Fees***

The rate for pension consulting services is between \$2,500 and \$25,000, depending upon the complexity of the situation and the needs of the client. Fees are paid in advance, but never more than six months in advance.

### ***Hourly Fees***

The hourly fee for these services is between \$200 and \$400, depending upon the complexity of the situation and the needs of the client. Fees are paid in advance based on the estimated number of required hours, but never more than six months in advance.

The fees are negotiable and the final fee schedule will be attached in the client contract. Clients may terminate their contracts without penalty within five business days of signing the client contract.

## ***Financial Planning Fees***

### ***Fixed Fees***

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$2,500 and \$25,000. Fees are paid in advance, but never more than six months in advance.

### ***Hourly Fees***

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$200 and \$400. Fees are paid in advance based on the estimated number of required hours, but never more than six months in advance.

The fees are negotiable and the final fee schedule will be attached in the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the Financial Planning Agreement.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are invoiced, billed directly to the client, and withdrawn directly from the client's accounts with client written authorization. Payments are due thirty days from date of invoice. Fees are paid quarterly in advance.

### ***Selection of Other Advisers Fees***

The timing, frequency, and method of paying fees for selection of third party managers will depend on the specific third-party adviser selected and will be disclosed to the client prior to entering into a relationship with the third-party adviser.

### ***Payment of Pension Consulting Fees***

Pension Consulting fees are paid via check in advance, but never more than six months in advance.

### ***Payment of Financial Planning Fees***

Financial Planning fees are paid via check in advance, but never more than six months in advance.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by PW. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

PW collects fees in advance. Fees will be returned within fourteen days to the client via check or return credit to the client's account.

For all asset-based fees paid in advance, the fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee by 365.)

Fixed fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination.

For hourly fees that are collected in advance, the fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination.

## **E. Outside Compensation For the Sale of Securities to Clients**

David L. Powell in his role as a registered representative accepts compensation for the sale of securities to PW clients.

### ***1. This is a Conflict of Interest***

PW and its supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person and PW an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which PW receives compensation, PW will document the conflict of interest in the client file and inform the client of the conflict of interest.

### ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase PW recommended products through other brokers or agents that are not affiliated with PW.

### ***3. Commissions are not the Primary Source of Income for this RIA***

Commissions are not PW's primary source of compensation.

### ***4. Advisory Fees in Addition to Commissions or Markups***

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or investment products recommended to clients.

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

PW does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

PW generally provides investment advice and/or management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

### *Minimum Account Size*

There is an account minimum, \$500,000, which may be waived by the investment adviser, based on the needs of the client and the complexity of the situation.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

PW's methods of analysis include fundamental and cyclical analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

#### *Investment Strategies*

PW uses long term trading, short term trading, and margin transactions.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. Past performance is not a guarantee of future returns.**

## **B. Material Risks Involved**

### ***Methods of Analysis***

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

### ***Investment Strategies***

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading and margin transactions generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. Past performance is not a guarantee of future returns.**

## **C. Risks of Specific Securities Utilized**

PW generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, margin transactions and alternative investments generally hold greater risk of capital loss and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. Past performance is not a guarantee of future returns.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

David L. Powell is a registered representative of Purshe Kaplan Sterling Investments, Inc. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. PW always acts in the best interest of the client, including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of PW in their capacity as a registered representative.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Adviser**

Neither PW nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

David L. Powell is a licensed insurance agent with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. David L. Powell is also a registered representative of Purshe Kaplan Sterling Investments, Inc. Mr. Powell may offer clients advice or products from these activities. Clients should be aware that these services may pay a commission or other compensation and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. PW always acts in the best interest of the client. Clients are in no way required to utilize the services of any representative of PW in their outside capacities.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

PW directs clients to third party money managers. This relationship will be disclosed in each contract between PW and each third party adviser. PW will be compensated via a fee share from the advisers to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that PW has an incentive to direct clients to the third party money managers that provide PW with a larger fee split. PW will always act in the best interests of the client, including when determining which third party money managers to recommend to clients.

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

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

PW has a written Code of Ethics that covers the following areas:

- Prohibited Purchases, Sales and Practices
- Reporting
- Confidentiality
- Sanctions
- Duties of the Chief Compliance Officer

Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

PW does not recommend that clients buy or sell any security in which a related person to PW has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of PW may buy or sell securities for themselves that they also recommend to clients. PW will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

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

From time to time, representatives of PW may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of PW to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. PW will always transact clients' transactions before its own when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The custodians, primarily Fidelity Brokerage Services LLC (Fidelity), will be chosen based on relatively low transaction fees and access to mutual funds and ETFs. PW will

never charge a premium or commission on transactions, beyond the actual cost imposed by Fidelity. From time to time, PW may use other custodians outside of Fidelity as consistent with the client's best interest.

### ***1. Research and Other Soft-Dollar Benefits***

PW receives research, products, or other services from custodians in connection with client securities transactions ("soft dollar benefits"). There is no minimum client number or dollar number that PW must meet in order to receive free research from the custodian or broker/dealer. There is no incentive for PW to direct clients a particular broker/dealer over other broker/dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution.

### ***2. Brokerage for Client Referrals***

PW receives no referrals from custodians in exchange for using their services. PW's custodial relationships are not contingent upon client referrals.

### ***3. Clients Directing Which Broker/Dealer or Custodian to Use***

PW will not allow clients to direct PW to use a specific broker/dealer to execute transactions. Clients must use PW's recommended custodian. Not all investment advisers require their clients to direct brokerage. By requiring clients to use our specific custodian, PW may be unable to achieve most favorable execution of client transactions and this may cost clients money over using a lower-cost custodian.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

PW maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

# **Item 13: Reviews of Accounts**

## **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly by David L. Powell. Mr. Powell is the Chief Investment Officer and reviews all clients' accounts with regard to the specific client's investment policies and risk tolerance levels.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by David L. Powell.



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

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

## **C. Content and Frequency of Regular Reports Provided to Clients**

Investment advisory clients will receive from the custodian at least quarterly written reports detailing the client's account.

Financial planning only clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Aside from soft-dollar benefits as discussed herein, PW does not receive any economic benefit, directly or indirectly from any third party for advice rendered to PW clients.

## **B. Compensation to Non – Advisory Personnel for Client Referrals**

PW may compensate non-advisory personnel for client referrals.

# **Item 15: Custody**

PW does not take custody of client accounts at any time. Custody of client accounts is held primarily at Fidelity Brokerage Services LLC (or another custodian utilized by the client). Clients will receive account statements from the custodian and should carefully review those statements.

# **Item 16: Investment Discretion**

For those client accounts where PW provides ongoing supervision, PW maintains discretion over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. Buying and selling of securities is explained to clients in detail.

## **Item 17: Voting Client Securities (Proxy Voting)**

PW will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

PW does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

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

Neither PW nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

PW has not been the subject of a bankruptcy petition in the last ten years.