

# Investment Advisor Brochure

Form ADV Part 2A

March 21, 2012



## **Welz Financial Services, Inc.**

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This Form ADV Part 2A provides information about the business practices of Welz Financial Services, Inc. and is for the use of clients and prospective clients. If you have any questions about the contents of this brochure, please contact us during normal business hours (8:00 a.m. to 4:30 p.m. Monday through Friday). The information in this brochure has not been approved or verified by any state securities authority. Welz Financial Services, Inc. is a registered investment advisor. Registration of an advisor does not imply a level of skill or training.

## **Item 2 - Summary of Material Changes**

**I**n this “Summary of Material Changes” we discuss only the material changes since the last annual update of this brochure on March 18, 2011.

1. **SEC to State Securities Registration:** This change was made because of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law on July 21, 2010. This change created a new category of “mid-sized advisers” and shifts primary responsibility for our regulatory oversight from the SEC to the State of California. Welz Financial Services, Inc. is considered a “mid-sized adviser”, with annual assets under management as of 12-31-2011 at \$78,330,419.
2. The switch will be taking place during the first and second quarters of 2012.

We intend this to be a summary that identifies and broadly discusses the material changes. We will provide a separate document to clients who have received previous versions of this brochure.

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## Item 4 - Advisory Business

### Advisory Firm

Welz Financial Services, Inc. (“WFS”) is a privately held company, founded in 2007 by Taylor M. Welz who is also the sole owner, President and Chief Compliance Officer. WFS was formed as a spin-off of the Investment Advisory Services Department of Bowman & Company, LLP which Taylor founded in 1993.

### Advisory Services

Welz Financial Services, Inc. provides investment advisory services to long-term investors seeking a personalized approach to portfolio management. Our clients include individuals, trusts, estates, IRA’s, pension and profit sharing plans, and other business entities.

We are committed to providing quality service to our investment clientele. We believe that strong client relationships develop from quality service, consistently delivered over many years. We pride ourselves on having a high client retention rate. We are responsive to our clients and believe responsiveness, reliability and communication are important to providing quality service.

Welz Financial Services, Inc. may provide services that are not related to our investment management; such as tax planning, retirement planning or investment consultation for portfolios which we do not manage.

As of December 31, 2011, WFS has \$78,330,419 of assets under management on a discretionary basis and zero dollars on a non-discretionary basis.

### Investment Philosophy

Several fundamental beliefs form the foundation of our investment philosophy:

- We believe no single organization possesses the best expertise in every investment category. We rely heavily on no-load mutual funds to construct our portfolios. By using mutual funds, we are able to build and closely monitor an investment management team which draws on some of the most successful investment minds in the business. Our approach of “**managing the managers**” allows us to incorporate more world class expertise in a single portfolio than is available through any single organization.
- We believe a long-term time horizon greatly increases the odds of a successful investment program and that **time in the market** is a significantly better strategy than **timing the market**.

- We believe investing should be approached on a rational basis. Although investing can be an emotional experience, it is necessary to develop and maintain a **rational discipline** that may at times run counter to emotions.
- We believe **diversification** done in an intelligent manner is the single most powerful risk reduction tool. We view diversification alternatives broadly to include U.S. and foreign equity investments, U.S. and foreign bonds, real estate, commodities, and other special situation investments.
- We believe a **value-based approach** to investing produces better risk-adjusted returns than a growth or momentum-based approach. Although we invest with some mutual fund managers who have a growth mandate, we tend to favor those managers and funds that have a fundamental value-based investment approach.
- We believe an investment plan should have **realistic expectations**. According to *Ibbotson Associates* equity investments have historically provided 9% to 12% average annual investment returns from 1926 through 2010. There is no reason to expect that equity returns will be greater than this over the long-term.

Although the relative performance of the mutual funds we use in our portfolios is important to us over the long-term, and a critical factor in our fund selection process, we do not focus on beating the market. Risk is a paramount consideration in our portfolios. **We focus on meeting our clients' goals while managing investment risk.**

### Our Mission Statement

*“Our primary goal is to assist our clients in improving the quality of their lives by facilitating financial peace of mind” – Taylor M. Welz*

## **Item 5 - Fees and Compensation**

Our Investment Advisory Service fees range from 0.80% -1.5% of the assets managed, computed on an annual basis. Our typical minimum portfolio size is \$400,000 for which the annual fee is 1%. These fees are billed in arrears on a quarterly basis (0.25% of average assets managed for the quarter). We will consider managing portfolios under \$400,000 on an exception basis. These accounts will be billed at 1.5% annually and may be invoiced on a semi-annual or annual basis. The first quarter's fees are prorated for the actual days of management.

The table below reflects our standard fee schedule. In some cases this fee schedule is negotiable.

<u>Assets Under Management</u>	<u>Annual Fee</u>
0 to \$399,999	1.50%
\$400,000 to \$2,000,000	1.00%
Over \$2,000,000	0.80%

The fees for Welz Financial Services, Inc. advisory services do not include any transaction fees which may be charged separately by the broker/dealer custodial firm. (See Item 12 - *Brokerage Practices* for more information.)

In addition to fees paid for advisory services with respect to clients' investments in mutual funds, clients pay fees on the mutual fund investments because the mutual funds also pay advisory and/or management fees to an investment advisor. All mutual funds purchased for our clients are no-load (no sales commission); however, certain mutual funds charge a short-term redemption fee, if the fund is sold before the redemption period has lapsed. Typically, the redemption period is 30 to 90 days from the date of purchase. We consider these short-term redemption fees to be a positive for our clients as they discourage market timers and short-term trading which can be disruptive to a fund's long-term performance.

A billing statement will be sent to the client each quarter detailing the calculation that was used to determine the advisory services fee. Payment may be made by check, or the client may authorize WFS to deduct the advisory fee directly from their accounts in accordance with the statement submitted by initialing the appropriate section of the custodian's account application.

The billing statement will be mailed to the client. The custodian will provide periodic account statements that will report all fee withdrawals by WFS; however, the custodian does not determine if the fee is properly calculated.

Welz Financial Services, Inc. investment fees for services that are not related to our investment management; such as personal financial planning, retirement planning or investment consultation for portfolios which we do not manage, are billed on an hourly basis at a rate of between \$75 and \$250 per hour. Payment is due on completion of such service.

Prior to implementing the investment plan, the client will be provided a written Investment Advisory Service Contract (“the Agreement”). Clients may terminate the Agreement without penalty within five business days of signing. After the first five days WFS investment advisory services will continue until either party terminates the agreement upon three days’ written notice.

If termination occurs prior to the end of a calendar quarter, the fee will be assessed on a pro-rata basis for the number of days managed during the quarter.

California Code of Regulations 260.238 (j) requires us to furnish the following statement: Lower fees for comparable services may be available from other sources.

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

**W**elz Financial Services, Inc. does not charge performance-based fees.

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

**W**elz Financial Services, Inc. provides investment advisory services for individuals, trusts, estates, IRAs, pension and profit sharing plans, and other business entities. Our typical minimum account size is \$400,000; however, exceptions may apply at the discretion of WFS.

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

Welz Financial Services, Inc. designs and implements each client's portfolio based upon his or her unique investment goals, time horizon, and risk tolerance. Each of our clients receives a written Investment Policy Statement, a document which sets forth our recommended strategic asset allocation designed specifically for their portfolio. Our primary goal is to meet our clients' investment objectives while subjecting their assets to as little investment risk and volatility as is practical.

### **Methods of Analysis**

Welz Financial Services, Inc. relies heavily upon no-load mutual funds in the planning and implementation of our client portfolios. The primary sources of information we use to select the mutual funds in our portfolios include; *Advisor Intelligence*, *Morningstar Mutual Funds*, and *The No-Load Fund Analyst*, along with fund prospectuses, and annual and quarterly reports from selected mutual funds. WFS also contacts fund representatives on a periodic basis, and participates in quarterly conference calls with several mutual fund companies.

Welz Financial Services, Inc. spends a significant amount of time monitoring the overall market climate and economic conditions that effect our portfolios. We utilize research from *Standard and Poor's*, *Goldman Sachs*, *JPMorgan Asset Management* and *Morgan Stanley*, as well as other investment resources that are commonly available to investment advisors. Other sources of information include financial newspapers and journals, academic white papers and periodicals, prospectuses, statements of additional information, and other issuer prepared information. WFS subscribes to the following monthly periodicals: *Financial Advisor*, *Journal of Financial Planning*, *Investment Advisor*, *Financial Planning*, and the *Journal of Accountancy*. WFS advisors also attend various investment and financial planning conferences.

Through his thirty years of experience in the financial services industry, Taylor M. Welz has established a network of investment resources and contacts we believe are among the best available to investment advisors. These resources are instrumental in providing us with the information and research we use to analyze, implement and monitor our portfolios.

We have found that historical performance is not always a good predictor of future performance. ***We do not base our investment decisions solely on performance history.*** (Many technology funds that no longer exist today had performance records that looked great at the top of the tech bubble in early 2000.)



## Fund Selection Process

Our mutual fund selection process involves several steps intended to help us locate funds with an identifiable and sustainable edge:

- We evaluate qualitative factors in addition to quantitative factors. We analyze the fund's track record relative to an appropriate benchmark and consider factors that contributed to the record and whether or not they are repeatable.
- We understand the fund manager's investment process with an emphasis on assessing their level of discipline. We prefer managers who make decisions based on a consistently applied discipline as opposed to those relying heavily on intuition.
- We assess the fund management's business model and whether it is aligned with fund shareholders. Their management of growth is of particular interest, as we favor funds which are neither too large nor too small. Managers that are willing to close their funds when assets reach an optimum level exhibit emphasis on investor returns, not on management revenues. We also prefer funds which do not advertise or use gimmick type promotions.

We favor managers who exhibit specific characteristics including:

- Clear passion for the business
- Intelligence and honesty
- Obsession for gaining an edge
- Focus on stock picking with limited non-investment responsibilities
- High level of conviction and the ability to think independently
- Material portion of their personal net worth invested in the fund
- Business interests that are aligned with shareholders' interests

Mutual funds which meet our strict criteria become part of our **Select Funds**. These funds are used to construct our portfolios. Our **Select Funds** are consistently monitored and periodically reported on to our clients.

## Investment Strategies and Investment Process

Our investment strategy and process is summarized as follows:

- We meet with our clients to establish their **investment goals, time horizon and risk tolerance**. Our clients' most common goal is investing for retirement. Other goals include leaving an estate for family/relatives, meeting educational needs, funding charitable causes, and providing a current source of income for living expenses.
- We establish an **Investment Policy Statement (IPS)**, a written document that provides guidelines designed to achieve the objectives outlined for the portfolio. The IPS will consider tax issues, cash flow needs and other items specific to each client. The IPS provides a frame of reference to keep focused on long-term objectives. This focus is especially valuable during periods of market volatility when there may be temptation to react to short-term factors. We refer to the IPS to ensure client investments are managed according to the client's objectives.
- The **asset allocation decision** has the biggest effect on both investment return and investment risk expectations. Several studies have concluded that the asset allocation decision is responsible for as much as 85% of the expected investment return. In other words, the decision to invest in stocks, bonds or real estate is more important than the decision of which stock fund, bond fund, or real estate fund to purchase.
- The design phase includes establishing a **Neutral Asset Allocation** for each portfolio using some or all of the asset classes below.

U.S. Equities \* Foreign Equities \* Fixed Income Investments  
Real Estate Investment Trusts \* Emerging Markets \* Equity Income  
Commodities \* Special Situations

- Once the asset allocation has been determined, we then choose the appropriate mutual funds from within the various asset classes to construct our portfolios. Our fund selection process is based on years of research and experience in selecting among the best managers in the investment business. (see Item 8 - Fund Selection Process)
- The client will have the opportunity to impose reasonable restrictions on the management of their account. They will also have the ability to leave standing instructions to refrain from investing in particular securities or types of securities or to invest in limited amounts of securities.

- After the portfolio has been designed, the next step is implementation. We use only no-load mutual funds and we typically use the services of Charles Schwab for custody of our clients' portfolios. We attempt to keep transaction costs to a minimum. The implementation phase can involve selling current holdings such as individual stocks while transitioning to our fund investments, and dollar-cost averaging into a designed portfolio over a period of months.
- Clients will receive trade confirmations from the custodian/brokerage firm in a timely manner. The custodian/brokerage firm will also send statements at least quarterly containing a description of all transactions and account activity. The client will retain the rights of ownership of all securities and funds in the account to the same extent as if the client held the securities and funds outside of the advisory services of WFS.

We monitor our portfolios and the funds we recommend on a continuous basis and we communicate on a regular basis with our clients. Portfolio performance reports are sent to each client on a quarterly basis. We also provide a quarterly report, ***Market Commentary and Select Funds Review***, which highlights investment results over the quarter and provides updates on the funds we utilize in our portfolios.

We encourage meetings with our clients and we are available via phone and email to quickly respond to any investment questions or concerns our clients may have. This ongoing communication with our clients is very important, as we need to be aware of any changes in a client's goals, time horizon, risk tolerance, tax situation, or cash flow needs which will have an impact on portfolio design and fund selection.

We continually encourage our clients to **notify us any time there are changes to the client's financial situation or investment objectives**. Clients may call any time during normal business hours to discuss their account, financial situation or investment needs.

Monitoring the funds and fund managers is a continuous process. We review fund prices on a daily basis. We have established contacts and resources at each fund family, and we review the information and reports we receive regarding each of our **Select Funds**. We also utilize independent outside rating services to assist us in keeping abreast of developments within the funds we use, as well as other funds that we may consider for use in the future.

## Tax Considerations

We strive to maximize the **after-tax investment returns** for the portfolio. Steps we take to improve the tax efficiency of the portfolio include:

- We consider the tax efficiency of each investment with a focus on its potential after-tax return relative to competing investment options.
- We avoid selling investments that have large built-in gains, unless the sale is justified by the incremental expected return from an alternative investment, or is necessary to maintain the portfolio's asset allocation objective.
- When the markets are volatile, we consider opportunities to harvest capital losses by selling funds that have unrealized losses.
- When considering the sale of an investment, we also consider the pros and cons of holding the investment until it qualifies for long-term capital gains treatment.
- When a portfolio contains both taxable and tax deferred accounts, we consider the appropriate investment for each account.

## Risk of Loss

There is risk in all investments and it is a paramount consideration in constructing our portfolios. We believe diversification done in an intelligent manner is the single most powerful risk reduction tool. We view our diversification alternatives broadly to include; both U.S. and foreign equity investments, U.S. and foreign bonds, real estate investment trusts, commodities and other no-load mutual fund investments. We also believe time horizon greatly impacts investment risk and equity investors should have at least a five-year time horizon.

There is no guarantee the investment strategy selected for our clients will result in the client's goals being met, nor is there any guarantee of profit or protection from loss. For those investments which are sold by prospectus, we strongly encourage our clients to read the prospectus in full.

## Item 9 - Disciplinary Information

**A**n investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. Welz Financial Services, Inc. does not have any disclosure items.

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

Taylor M. Welz is an independent trustee of Litman Gregory Funds Trust (“the Trust”). The Trust includes the Litman Gregory Masters Equity Fund, Litman Gregory Masters International Fund, Litman Gregory Masters Value Fund, Litman Gregory Masters Smaller Companies Fund, Litman Gregory Masters Focused Opportunities Fund, and Litman Gregory Masters Alternative Strategies Fund, each a registered mutual fund. Mr. Welz receives a fee for his services as an independent trustee, as reported in the Trust’s Prospectus and Statement of Additional Information. Mr. Welz is paid the same fee as the other independent trustees who are not Investment Advisor Representatives. Mr. Welz has a personal investment of more than \$700,000 in the combined funds of the Trust.

The recommendation to invest in the Litman Gregory Funds is made only when suitable for our clients and if it meets their investment objectives. The relationship between Mr. Welz and the Trust is fully disclosed to WFS clients before any client’s assets are invested in the Trust’s funds. Clients are not obligated to invest in the Litman Gregory Funds Trust and may request to invest in alternatively suitable funds.

Welz Financial Services, Inc and Mr. Welz are not sub advisors to the Litman Gregory Funds. Welz Financial Services, Inc and Mr. Welz are not compensated in any way for client investments in the Litman Gregory Funds. Welz Financial Services, Inc. is a fee-only investment advisory firm, and as such, we do not accept commissions, fees, or other compensation from any third parties for the implementation of your portfolio.

Mr. Welz maintains his license as a Certified Public Accountant. He is a member of the American Institute of Certified Public Accountants (AICPA), having joined in 1983. Mr. Welz does not practice accounting.

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

### **Code of Ethics**

Welz Financial Services, Inc. has adopted a detailed Code of Ethics expressing the firm’s commitment to ethical conduct. This Code of Ethics is utilized to guide the personal conduct of our employees.

The key components of our Code of Ethics are:

Welz Financial Services, Inc. and its Investment Advisor Representatives and employees shall always:

- Act in the best interests of each and every client
- Act with integrity and dignity when dealing with clients, prospective clients, fellow employees, and others
- Strive to maintain and continually enhance our high degree of professional education in investment related topics

- Seek at all times to preserve our firm's independence and to maintain our objectivity with respect to our advisory services and each recommendation made to our clients

In addition to the key components above, the detailed Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth our practices of supervising the personal securities transactions of all employees. WFS will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

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

It is the expressed policy of our firm that no WFS employee will prefer his or her own interest over that of an advisory client. We will not violate our fiduciary responsibilities to our clients. All employees of WFS are required to report personal securities transactions to the WFS Chief Compliance Officer or its designee at the end of each quarter.

## **Item 12 - Brokerage Practices**

### **Our Selection of Broker/Dealers**

Welz Financial Services, Inc. does not maintain custody of client assets we manage; however, we may be deemed to have custody of client assets if we are given authority to withdraw assets from the clients' account (see Item 15 – Custody, below). Client assets must be maintained in an account at a “qualified custodian,” generally a broker/dealer or bank.

In our selection of broker/dealers, we look for a broker/dealer who will hold client assets and process transactions on terms that are overall most advantageous when compared to other available providers and their services. In evaluating brokers/dealers or custodians, we consider a wide range of factors, including:

- Capability to make transfers and payments between accounts (wire transfers, check requests, etc.)
- Available investment products (mutual funds, exchange-traded funds)
- Available investment research and tools that assists us in making investment decisions
- Quality of services and support
- Competitive pricing (transaction fees, margin rates)
- Reputation, financial strength and stability
- History of excellent service to us and our clients

Welz Financial Services, Inc. utilizes the services of Schwab Advisor Services (“Schwab”), a registered broker/dealer, member SIPC. WFS is independently owned and operated and is not affiliated with Schwab. WFS employees are not registered representatives of Schwab and do not receive any commissions or fees

for recommending their services. If clients do not want to place their assets with Schwab, we will consider on an exception basis, utilizing the custodian/broker the client chooses.

### **Client Brokerage and Custody Costs**

Schwab generally does not charge the client for custody services but is compensated by charging transaction or other fees on trades it executes in the client's Schwab account. We have determined that having Schwab execute trades for client accounts is consistent with our duty to seek "best execution" of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above in *Our Selection of Broker/Dealers*.

### **Products and Services Available from Schwab**

Schwab provides us and our clients with access to its institutional brokerage services (i.e. trading, custody, reporting and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services, some of which help us manage our clients' accounts. Schwab's support services generally are available on an unsolicited basis and at no charge to us, as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets.

The investment products available through Schwab's institutional brokerage services include some to which we might not otherwise have access, or that would require a significantly higher minimum initial investment by our clients.

Schwab also makes available other products and services that benefit us, but may not directly benefit our clients or their accounts. These services include investment research, both Schwab's own and that of third parties. Schwab may discount or waive its fees for some of these services, or pay all or part of a third party's fees. In addition to investment research, Schwab also makes available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and statements)
- Facilitates trade execution and aggregated or block trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitates payment of our fees from our clients' accounts
- Assists with back-office functions such as recordkeeping and client tax reporting

Schwab also provides:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs

- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for many of Schwab's services, so long as our clients collectively keep a total of at least \$10 million of assets in accounts at Schwab. This could be seen as a potential conflict of interest because the \$10 million minimum may give us incentive to recommend clients maintain their account with Schwab, based on our best interest in receiving Schwab's services rather than based on their best interest in receiving the best value in services.

We believe our selection of Schwab, as custodian and broker, is in the best interest of our clients. Our selection is primarily supported by the scope, quality and price of Schwab's services (see Item 12 - *Our Selection of Broker/Dealers*), and not Schwab's services that benefit us. We have over \$78 million in client assets under management at Schwab and we do not believe recommending our clients collectively maintain at least \$10 million of assets at Schwab in order to avoid paying certain fees presents a material conflict of interest.

Welz Financial Services, Inc. subscribes to research and other web-based services published by *Litman/Gregory Analytics*, and may receive a discount on its subscription fee based on the amount of its clients' assets it invests in investment products managed or advised by affiliated Litman/Gregory companies. These investment products include Litman Gregory Funds Trust, which are advised by Litman/Gregory Fund Advisors, and various third-party turnkey asset management platforms through which Litman/Gregory Asset Management investment strategies are offered. Because Litman/Gregory affiliates earn revenue from other advisors' investments in Litman/Gregory investment products, Litman/Gregory discounts the subscription fees those advisers pay for Litman/Gregory Analytics publications. These discounts may create a conflict of interest for WFS because the potential to reduce its own operating expenses gives WFS a financial incentive to invest its clients' assets in Litman/Gregory products.

### **Trade Aggregation-block trade (Bundling trades to obtain volume discounts on execution costs)**

While individual advice is provided for each client's account, on rare occasions client trades may be executed as a block trade. A block trade involves more than one client account buying or selling the same security at the same time. The shares are combined or "aggregated" and bought or sold in the name of the Advisor. Schwab is informed that the trades are for the accounts of WFS clients and is informed of the allocation of shares for each account. Each account will participate in the aggregated order at the average share price and receive the same commission rate. The aggregation may on average, reduce slightly the costs of execution. WFS will not aggregate a client's order if at any time that aggregation would cause the client's cost of execution to be increased.



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

**W**elz Financial Services, Inc. monitors our client portfolios and the funds that we recommend on a continual basis. Taylor M. Welz reviews the client portfolios on a weekly basis. Portfolio performance is reviewed on at least a monthly basis. WFS provides a written report to our clients following the end of each quarter detailing performance during the quarter. We also provide information updates on the funds we utilize in our portfolios. Welz Financial Services, Inc. offers to meet with clients in person or on the telephone to conduct portfolio review meetings, on at least an annual basis.

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

**W**e receive an economic benefit from Schwab in the form of the support products and services made available to us. These products and services, how they benefit us and the related possible conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. **We do not compensate anyone, directly or indirectly, for client referrals.**

### **Item 15 – Custody**

**W**elz Financial Services, Inc. is deemed to have custody of client assets under government regulations if clients have authorized us to instruct Schwab to deduct our advisory fees directly from their account. Schwab maintains actual custody of client assets and clients will receive account statements directly from Schwab at least quarterly. The statements will be sent to the client’s postal mailing address or email address according to what they have instructed. We urge our clients to carefully and promptly review those statements when received and compare them each quarter to the portfolio reports that clients receive from us. The custodial statement is the official record of client accounts for tax purposes.

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

**W**elz Financial Services, Inc. maintains discretion under a limited power of attorney as to the securities and amount of securities to be bought and sold for client accounts. WFS does not have authority to withdraw funds or to take custody of client funds or securities, other than under the terms of the Fee Payment Authorization clause in the custodian account application that is initialed by the client.

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

**W**elz Financial Services, Inc. does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian (Charles Schwab). We will be pleased to assist our clients with any questions regarding proxy voting. Questions about proxies may be made via the contact information on the cover page.

## **Item 18 - Financial Information**

**A**s a registered investment advisor, we are required to provide you with certain financial information or disclosures about our financial condition. WFS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

WFS will have discretionary trading authority, under a limited power of attorney, to include the securities to be bought and sold, and the amount of securities to be bought and sold. This trading authorization is limited to executing trades effected through the brokerage firm designated by the client. We do not have discretion as to the brokerage firm.

WFS does not have authority to withdraw funds or to take custody of client funds or securities, other than under the terms of the Fee Payment Authorization clause in the custodian account application that is initialed by the client. WFS does not require or solicit prepayment of fees.

## **Item 19 – Requirements for State-Registered Advisers**

### **A. Principal Executive Officers**

Taylor M. Welz, CPA/PFS, CFP®  
President

Stacey J. Houston, CFP®, CFS  
Vice President

Please see **Brochure Supplement Form ADV Part 2B** for additional information.

## **B. Business Activities**

Taylor M. Welz is an independent trustee of Litman Gregory Funds Trust (the Trust). The Trust includes the Litman Gregory Masters Equity Fund, Litman Gregory Masters International Fund, Litman Gregory Masters Value Fund, Litman Gregory Masters Smaller Companies Fund, Litman Gregory Masters Focused Opportunities Fund, and Litman Gregory Masters Alternative Strategies Fund, each a registered mutual fund. Mr. Welz attends quarterly trustee meetings and spends approximately 140 hours annually in his duties as an independent trustee. He receives a fee for his services as an independent trustee, as reported in the Trust's Prospectus and Statement of Additional Information.

Stacey J. Houston is not involved in any other business activities, and receives no additional compensation.

## **C. Performance-Based Fees**

Welz Financial Services, Inc. does not charge performance-based fees.

## **D. Legal and Disciplinary Events**

Welz Financial Services, Inc. must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. Welz Financial Services, Inc. has not been involved in any legal or disciplinary event and does not have any disclosure items.

## **E. Other Financial Industry Affiliations**

Welz Financial Services, Inc. and its management persons have no relationship or arrangement with any issuer of securities that is not listed in Item 10 of Part 2A. Welz Financial Services, Inc. and its employees do not have any material conflict of interest that could be reasonably expected to impair the rendering of unbiased or objective investment advice.