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# THE PERSONAL WEALTH COACH<sup>®</sup>

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March 27, 2013

SEC file number: 68174

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## A. CONTACT INFORMATION

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|-----------------------|--|
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## B. WHAT THIS IS

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**This brochure provides information about the qualifications and business practices of The Personal Wealth Coach<sup>®</sup>. 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 The Personal Wealth Coach also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## C. REGISTRATION & CERTIFICATIONS

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*The Personal Wealth Coach<sup>®</sup>* ("TPWC") is an investment adviser registered and operating under *The Investment Advisers Act of 1940* ("the Act") as amended. Registration under the Act does not imply any specific level of skill or training. All TPWC advising members have one or more professional certifications awarded by widely recognized national certifying organizations. For specific professional designations representing skill levels or training, please refer to the Professional Certifications section at the end of this document.

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## WHY YOU SHOULD READ THIS BROCHURE

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Creating an effective, efficient investment portfolio designed to last you the rest of your life and on which your very well-being may depend is a complex and challenging task. We at *The Personal Wealth Coach* want to do it right. We want you to be happy with the result not only today, but for many, many years to come. *Our* well-being depends on you being satisfied and even enthusiastic about that long-term result. We think of this process as a journey.

The first step in this journey is for each of us to understand what the other wants and is willing to do to achieve the goals and objectives that brought us together. It is critical that we accurately understand your needs, your desires, and the standard you expect of us. It is equally important for you to understand what we do, what we will not do; who and what we are, and what we are not.

Our objective in writing this brochure is to disclose to you the critical elements of what we do and who we are here at The Personal Wealth Coach. Knowing those elements will allow you to use the services we offer far more effectively. If you have any questions about the contents of this brochure, please do not hesitate to contact us at the telephone numbers or email addresses listed above.

## ITEM 2: MATERIAL CHANGES

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### ANNUAL UPDATE

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We update the Material Changes section of this brochure annually or more frequently when material changes occur since the previous release of this Firm Brochure.

### MATERIAL CHANGES SINCE THE LAST UPDATE

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Since the last publication of our form ADV part II, published on March 22, 2012, Jacob A. McClure CIMA®, terminated his affiliation with NEXT Financial Group, Inc. ("NEXT"), a registered broker-dealer, as of December 31, 2012. Jeffrey McClure, CFP®, has submitted his letter of resignation from NEXT and that affiliation will terminate on March 31, 2013. Both Jeffrey and Jacob have not actively offered or sold securities to the public since 2007, and as the licenses and affiliation presented a potential conflict of interest, both elected to terminate the relationship and licensing. Dea Prall and Melissa Mikeska, non-advising, administrative members of our firm have retained their securities licenses and remain affiliated with NEXT to provide administrative, representative support to existing NEXT customers whom we serve. No member of our firm anticipates offering or selling new securities products to the public.

We have redefined our reviews into three types, an allocation review, which will be conducted at least once per billing cycle, a client review, which we will conduct annually, and an optimization review which will be triggered by a change in either your situation, goals, or objectives, or by a change in market or portfolio characteristics.

### FULL BROCHURE AVAILABLE

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Whenever you would like to receive a complete copy of this document, our Firm Brochure, please contact us at any of the addresses or telephone numbers listed on the cover page of this Brochure.

## ITEM 3: TABLE OF CONTENTS

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## ITEM 4: ADVISORY BUSINESS

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### A. OUR FIRM

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*The Personal Wealth Coach*® (“TPWC”) is a fiduciary investment advisory firm, solely compensated by fully disclosed fees paid by our clients. In plain terms, that means that as fiduciaries, to the best of our ability, we will operate in your best interest as our primary objective. It also means that we will avoid conflicts of interest whenever possible. If a conflict of interest exists, we will clearly reveal it to you as well as why we believe that we could not avoid that conflict. We do not receive compensation from the sale or recommendation of securities or securities products. Our recommendations and management are driven solely by our duty to act on behalf of our clients as objective, fiduciary managers and advisers.

We are organized as The Wealth Coach, LLC, a limited liability company domiciled in the State of Texas, doing business nationally. We have been operating as an investment adviser since July of 2007. Before 2007 that name and others were used going back to 1983 describing our operations as an independently contracting branch office of a series of investment advisers and securities broker-dealers.

The majority owner of The Personal Wealth Coach is Jeffrey W. McClure, CFP®. Minority ownership of the firm is held by individual advising member, Jacob A. McClure, CIMA, as well as the longer serving staff members at our Salado, Texas headquarters.

### B. INVESTMENT ADVISORY SERVICES OFFERED

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We primarily design and manage investment portfolios for individuals, families, trusts, pensions, and foundations. When requested, we will provide general personal financial planning and investment and or business advice if we believe we have the appropriate expertise in the specific area for which you have made the request.

TPWC does not offer specific tax advice. Professional tax advice is a specialty area requiring certification and ongoing continuing education. While we will provide limited advice on general tax planning issues, we strongly advise you to consult with a qualified tax adviser such as a Certified Public Accountant or a board certified tax attorney prior to authorizing or executing any tax-related transaction. We can provide no assurance that tax laws, rules, or regulations have not or will not change or that you will have the lowest possible taxation on any transaction.

We also do not offer legal advice. If we believe that a legal document you may be using is questionable, we will outline our questions and suggestions and advise you to consult with a qualified attorney. We strongly encourage you to consult with a qualified attorney before taking any action with regard to your estate or any transfer of property to or from a different status or entity.

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### INVESTMENT ADVICE AND ACCOUNT MANAGEMENT AGREEMENT

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Before we assess any fees or provide formal advice we will provide you with an Investment Advice and Account Management Agreement (“Agreement”) for your review and approval. The Agreement will set forth the terms and conditions under which your assets will be managed. Neither you nor we may assign the Agreement without the prior written consent of the other party with the exception of assignment by will, trust, or other estate or trust document. The Agreement will

remain in effect between you and us until terminated by either party in writing according to the terms contained in the Agreement. In the event a conflict exists between the Agreement and this form ADV, the provisions in this form ADV shall prevail.

The Agreement will include schedules of the investment accounts you wish us to manage, the specific fees we propose to charge and the specifics of how we propose to bill and collect those fees. We will also include a form as a part of the agreement allowing you to list any specific requirements, restrictions or objectives you may have. We will ask you to sign and return the agreement before we proceed.

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## WRITTEN DISCLOSURE

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We will provide a copy of this form ADV part II-A to you before or with the execution of the Agreement. If you did not receive this disclosure at least forty-eight (48) hours before executing the Agreement, then you will have five business days subsequent to executing the Agreement to terminate the Agreement without penalty or fees.

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## INVESTMENT PORTFOLIO DESIGN AND MANAGEMENT

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In our investment portfolio design and management, we will first create an asset allocation analysis for your portfolio. We will create your analysis from the current value of your portfolio, the amount and frequency of your planned future additions and/or withdrawals and your perception and attitude regarding market value variance (market risk). We will estimate the level of market risk that we believe you may be able to tolerate and would be prudent from our interview with you and from the responses you provide us on our Risk Tolerance Questionnaire.

As a primary fundamental of our philosophy, we attempt to eliminate non-systemic risk from your portfolio. That means that any investment custodian we use or recommend will hold your investments in positions that are exempt from creditor claims incurred by any affiliated or associated company or firm and audited regularly by a major auditing firm. Alternatively, in the case of brokerage custodial accounts, those accounts must be insured by the Securities Investors' Protection Corporation ("SIPC") for up to \$500,000 and by a highly rated insurance company for additional amounts. It also means that we will create a high level of diversification and liquidity in each account.

We will base your portfolio design analysis on the tenets of *Portfolio Selection*, by Harry Markowitz as published in the March 1952 edition of *The Journal of Finance* and for which Dr. Markowitz was awarded the Nobel Prize in Economics in 1990. That publication outlines a theory of portfolio construction based on the concept of using *asset classes* rather than individual security selection or industry emphasis as the primary foundation for portfolio selection.

Subsequent to the award of the Nobel Prize to Dr. Markowitz, peer-reviewed professional journals have published numerous studies indicating that between 65% and 95% of the market risk and total return produced by a broadly diversified portfolio of investments is solely attributable to *asset allocation*. In those studies, market timing, security selection, and even minimizing cost accounted for only between 5% and 35% of the total performance. As a result, *we believe the most critical decision we will make in designing and managing your portfolio is determining the appropriate asset allocation to meet your specified needs and objectives.*

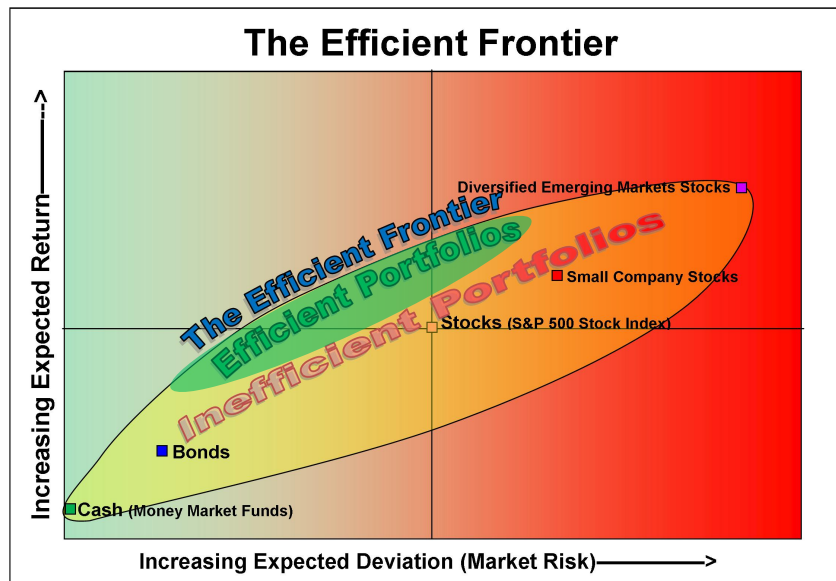
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## THE EFFICIENT FRONTIER

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One of the most important aspects of Portfolio Theory is that a portfolio's deviation from a straight-line return will rise as the expected return rises. That variance, expressed as a significant decline in market value, is what we refer to as "market risk." There is a line of possible portfolios at given expected returns that have the least variance. Dr. Markowitz identified that line as, "The Efficient Frontier." Our objective will be to position your long-term investment portfolio as close to that efficient frontier as is possible.

In the chart below, the area just below the upper-left boundary of the oval is where portfolios will be located that carry the least market risk for any given level of expected return. Inefficient portfolios will be located down and to the right of that area. Inefficient portfolios can reasonably be expected to drop further in declining markets and take longer to recover than would efficient portfolios. They can also be reasonably expected to rise further during so called "bubbles."



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## ASSET CLASSES DEFINED

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An *asset class* is a set of investment securities with similar characteristics and which over time demonstrates a distinct behavior pattern measurably different from other classes. We typically will consider twenty or more asset classes when designing a portfolio.

For example, domestic equity (stock) asset classes may be *value stocks*, those that trade at a relative discount to the underlying value of the company, or *growth stocks*, those which have a total market value higher than the break-up value of the company but which are believed to be destined for higher earnings in the future. Some companies are not clearly definable as either value or growth but have a blend of those characteristics and are *blend stocks*. A further division of domestic equity asset classes depends on size according to the companies' *capitalization* or total market value. We use the three size divisions of small-cap, mid-cap, and large-cap. Thus, within general domestic equities (stocks) traded in the United States, there are nine general equity asset classes. Further subdivisions we use in just domestic stocks include Real-Estate Stocks and Natural Resources Stocks.

| Examples of Domestic Equity (stock) Asset Classes |                 |                 |                  |
|---|-----------------|-----------------|------------------|
|   | Value           | Blend           | Growth           |
| Large-Capitalization Companies                    | Large-Cap Value | Large-Cap Blend | Large-Cap Growth |
| Mid-Capitalization Companies                      | Mid-Cap Value   | Mid-Cap Blend   | Mid-Cap Growth   |
| Small-Capitalization Companies                    | Small-Cap Value | Small-Cap Blend | Small-Cap Growth |

Studies, and more particularly the *Fama-French* Three-Factor Model, published by Eugene Fama and Kenneth French, have indicated that over the long term, value stocks tend to perform better than growth stocks and smaller-capitalization stocks tend to perform better than larger-capitalization stocks. Markowitz optimized portfolios will rarely contain growth or blend stock asset classes except in cases where the asset class choice is extremely limited. For those reasons it would be exceptional for us to include growth or blend asset classes in your portfolio. Because we are seeking not only a better rate of return, but also additionally a lower overall volatility, we will normally include mid-cap stock funds rather than large-cap or small-cap funds as a general domestic equity asset class. Additionally, we utilize multiple asset classes in non-U.S. stocks, including Diversified Emerging Markets stocks, and Foreign Value stocks

The credit quality of the issuer and the average length of time to maturity of the underlying set of securities, among other criteria define fixed-income asset classes. For example, we use short, intermediate, and long-term U.S. Treasury securities, and short and intermediate-term corporate bonds among others as fixed-income asset classes.

A critical point in understanding asset classes and general market behavior is that the higher the long-term return of an asset class, the greater will be its *variance* over the shorter term. In other words, the higher the expected long-term return of an asset class or portfolio, the greater will be the short-term loss of value in a declining market.

The objective of Markowitz portfolio selection as we use it in your portfolio is to create a combination of asset classes that historically have provided the least *variance* or *market risk* needed to achieve the expected return necessary to achieve your goals and objectives.

If an asset class is currently significantly above its historic average long-term return, then we will reduce the maximum allocation that the Markowitz model can assign to that class. We will additionally adjust the allocation in fixed income assets to reflect the average net yield to maturity of the funds we use.

We will periodically review, reanalyze, and reallocate your portfolio's asset classes to reflect the relative movement of asset classes within the portfolio and the resulting change in expected returns.

## INVESTMENT SELECTION – HOW WE DO IT



The individual funds we use to represent the asset classes selected in your portfolio allocation are chosen according to:

- Historic performance,
- Length of management tenure,
- Consistency of return, and
- Internal cost structure.

Our primary source of information for these elements is Morningstar, Inc., primarily the digital publication, Morningstar Principia. We also will use other sources including fund prospectuses, *The Wall Street Journal*, *Barron's*, and other financial publications.

We use only no-load or load-waived funds unless you have a pre-existing investment or investments which would impose penalties for liquidation prior to a maturity date or provide some benefit other than investment value which we believe and you agree would be in your best interest to retain.

If active management has not demonstrated a significant improvement in total long-term return for an asset class then, when possible, we will use low-cost index funds to represent that asset class. If active managers have consistently demonstrated a significantly better return over time in an asset class, then we will select one or more actively managed funds to represent the asset class in your portfolio.

When actively managed funds are used in your portfolio, we place an emphasis on the fund management. Our selection is based on the consistency with which those managers have created investment returns above that of their peers and the asset class in which they are investing. Typically we look for that consistently superior return to have been demonstrated over at least the last five to ten years.

If we are managing or advising on a portfolio for you in an employer sponsored retirement plan or some other set of limited investment choices, we will adjust the asset allocation model to fit those asset classes and funds available in your plan or investment product.

We will regularly and frequently review the individual funds used in your portfolio to detect changes in management or other indications that the investment may no longer be appropriate. When we discover information that causes us to no longer believe that the fund is likely to have a superior return into the future we will move your investment to what we consider to be a better selection or selections.

## TAX MANAGEMENT

If you have a regular tax-deferred retirement account, qualified under the Employee Retirement Income Security Act of 1974 (ERISA), such as an IRA, or employer-sponsored retirement plan managed by us, we will attempt to schedule your requested withdrawals from that account to provide you with the best tax position for any given year. We will also ask you to advise us of the appropriate level of withholding to be used in order to pay your taxes in a timely manner.

If we are managing investments in an account for you that is not an ERISA-qualified retirement account, we may recommend you position some or all of your investment value in a no-load, tax-deferred variable annuity. While we will provide you with the tax planning implications of such a move, we strongly encourage you to consult with a qualified tax-adviser before utilizing or transferring to or from a non-qualified variable annuity.

When we are managing a fully taxable investment account for you we will attempt to take into consideration the tax implications of investment liquidations; however, when we are faced with a potential risk to your investment value we will prioritize investment decisions over tax avoidance. Unfortunately, we can offer no assurance that we will provide you with the best tax avoidance in your accounts.

While we are willing to advise you on general tax planning issues, it is important that you recognize that the federal and state tax laws are complex and are a specialty area. We strongly recommend that you consult with a Certified Public Accountant or qualified tax attorney when determining the amount of taxes that you should withhold from any liquidation, sale, or stream of income. Investment portfolio taxation is a complex area with many tax rates and offsetting factors. Some of those factors will change from year to year as tax laws and IRS interpretations of those laws change. In our opinion, the advice and assistance of a qualified tax professional increases in criticality as the size of your portfolio grows.

We are willing to discuss basic estate tax issues, but if you believe that your estate is potentially at risk because of estate tax issues, we strongly recommend you consult with a qualified estate attorney. We will be glad to work with him or her to structure your portfolio to minimize estate taxes.

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## PERSONAL FINANCIAL PLANNING

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We will not routinely prepare a comprehensive financial plan as defined by the Certified Financial Planner® Board of Standards. Instead, we will address the specific areas that you request as well as other investment related areas that we believe might have a significant effect on your long-term standard of living or the viability of your investment portfolio.

If you wish us to prepare a formal, comprehensive financial plan for you, we may agree to do so; however, we may charge you an additional fee for that service. If we anticipate we may charge you an additional fee, we will reach an agreement with you in advance on the specific planning you would like to see and the amount of the fee we will charge you to provide that written plan.

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## BUSINESS PLANNING AND ADVICE

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We offer business planning and general advice to small businesses and to individuals who are considering starting a business. Fees for business planning and advice will be negotiated in advance and agreed to in writing prior to beginning the process. Our services in this area are limited to:

- Creating a business plan
- Measuring demand for products
- Setting prices for products
- Business valuation
- Efficiency evaluation of a given product to sales ratio (Equilibrium Price)

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## INVESTMENT TYPES ON WHICH WE OFFER ADVICE AND MANAGEMENT

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Our advice and management of securities will generally be limited to investments registered under the Investment Company Act of 1940. We have found no evidence that utilization of individual general securities (individual stocks), options, futures contracts, or so-called "alternative"

investments creates a better likelihood of increased return or reduced risk in an investment portfolio when compared with carefully selected funds registered under that act.

If requested we can offer specific advice concerning individual stocks; however, that advice will generally be limited to providing you with published reports and purchase or sale advice from services to which we subscribe. At your request, we will consider providing advice on other types of investments if we believe that we have the appropriate expertise to do so. Those types of investments include individual bonds and other debt securities, common stocks, partnerships, real estate, oil and gas interests, employee stock options, and the purchase or sale of a business or a portion of a business.

In our management of your portfolio we will recommend and use investment funds registered under the Investment Company Act of 1940, commonly known as *mutual funds*, or recommend savings positions such as Certificates of Deposit insured by the FDIC, or other federally chartered agency or individual securities backed by the full faith and confidence of the United States government. We do not provide advice on, nor do we recommend or utilize illiquid “alternate” investments, options, futures, currency, or other types of investments or securities other than to the degree that they are used as part of mutual funds we may recommend or use.

At your request, if we do not consider it significantly detrimental to the performance of your portfolio, we will accommodate your holding of a relatively small percentage of your total portfolio value in individual stocks, bonds, or other securities you have selected independently of us in accounts we manage or on which we provide advice to you. However, we believe that having significant amounts of undiversified individual securities in investment accounts may tend to increase the risk of loss. In the event that you choose to hold a significant portion of your portfolio in individual securities we will advise you of that risk and ask you to agree in writing that you understand the increased risk involved.

We may recommend variable universal life insurance, variable annuities, and/or term life insurance contracts. We are willing to manage or advise on existing variable investment contracts you may hold. If we determine that in our opinion it is not in your best interests to continue to hold a specific insurance contract, we may recommend a transfer to an alternative if we believe it is prudent for you to do so.

We offer investment advice and/or management of employer-sponsored, defined-benefit and defined-contribution retirement accounts such as those defined in Internal Revenue Code Section 401, 403, and other similar accounts. You will have the choice to either allow us to directly manage the account or to have us provide you with recommendations, which you will be responsible for implementing. We will provide our management or advice on active, employer-sponsored retirement accounts on the same basis as we use on retirement and other accounts held at custodians we recommend. We normally will not bill active employer-sponsored retirement plans directly for our fees. Instead, we will apply fees we may charge for retirement account management to your other accounts or you may elect to pay us via a monthly billing. Whenever possible we will draw our fees from your accounts where the tax effect is anticipated to be minimized; however, we can give you no assurance that we will in all cases apply fees in a manner that will result in the least taxation for you.

If you hold a defined-contribution employer-sponsored retirement account, such as a 401(k), 403(b), SIMPLE or similar account, and you are no longer employed by that employer, we will normally recommend that you roll-over the plan assets to an Individual Retirement Account (IRA)

at a custodian we recommend. We believe that an IRA normally offers less risk and greater ease of control than an employer-sponsored plan.

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### C. SERVICES TAILORED TO THE INDIVIDUAL NEEDS OF CLIENTS

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We focus on designing each investment portfolio to meet your specific needs. We do not have a proprietary set of investment portfolios or funds into which we will invest your money. In our ongoing research, we will have a set of mutual funds in each asset class that we have determined to be preferable; however, we may utilize funds you already hold in order to minimize taxes or other expenses that we believe may more than offset the investment advantage of moving to a new investment.

We will create an individual asset allocation analysis for your investment portfolio based on historically effective and widely accepted methods. Then, if we have the freedom to choose the investments in your portfolio, we will select from the best investment managers we can find to represent those asset classes. If you have restrictions on the asset classes and managers, such as in an employer-sponsored retirement account, we will base our analysis and fund selection on the asset classes and managers and/or funds you have available in that account.

The investments we use in your accounts may vary from those we use in other accounts. That variance may be the result of the size of your account, the length of time you intend to hold the account, your intended use and timing for the proceeds from the account, and/or your individual stated preferences.

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### INVESTMENT POLICY STATEMENT

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We will prepare an investment policy statement (“IPS”) for you and use it as the primary guide for our management or advice on your portfolio. At a minimum your IPS will include:

- Basic information about your age and time horizon as we understand it
- Your specific goals and objectives regarding your portfolio and your uses for it
- An assessment of your tolerance for market risk
- The specific accounts and their type with regard to tax treatment and restriction which you wish for us to manage or provide advice
- A set of statistical information describing the historic and expected performance of your prior and optimized asset allocations as well as the S&P 500 Stock Index for reference.

It is critical that you carefully review this information, as we believe the historic market declines we illustrate in your IPS are a good guide to the level of market declines you may see in the future. If you are uncomfortable with the degree of decline seen in the IPS illustrations, a less aggressive allocation with a lower expected return may be more appropriate for you.

While we will prepare an individual portfolio analysis for each portfolio before investing and will use that analysis to guide our investment policy, we may execute the asset allocation in appropriate investment positions before we receive your returned approved and signed IPS. You have the right to instruct us to *not* allocate and invest your money before your approval of the IPS; however if you exercise that right we will not be responsible for any lost value or missed opportunity that may occur while we are awaiting your approval. If we attempt to contact you for information that we consider important to your portfolio design and IPS and do not receive an answer in a reasonable

period of time we will invest your portfolio according to our best judgment based on the information we do have from you.

Supplemental information delivered with your IPS will include the specific investments we intend initially to use in your portfolio. You are encouraged to review the investments using one or more of the on-line information systems, e.g. Yahoo Finance, Google Finance, or Morningstar Mutual Funds. Both the specific investments and the asset allocation model for your portfolio will almost certainly be changed as time passes, but your initial positioning is a good example of the way we design and manage a portfolio. If you have questions or object to any aspect of this, please contact us using the addresses and telephone numbers listed on the cover page of this document.

We ask that you sign the IPS and return a copy to us for our records if you find it to be both accurate and satisfactory to you.

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#### D. WRAP FEE PROGRAM

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We are not the sponsors of a wrap fee program. Wrap fee programs include an arrangement whereby we would delegate the management of some of or all of your portfolio to another investment adviser, or include transaction costs and commissions charged by a custodial broker-dealer as part of our fees. Instead, we select the securities used for your portfolio ourselves and attempt to minimize your total expenses, including internal fund fees and transaction fees.

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#### AMOUNT OF CLIENT ASSETS UNDER MANAGEMENT

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As of February 28, 2013, we managed accounts on which we have discretionary trading authority totaling \$98,175,928 and on which we did not have discretionary trading authority totaling \$2,156,080 for a total value of assets under management of \$100,332,008. We provide continuous and regular supervisory or management services on those accounts for approximately 213 clients (households or corporate/trust entities).

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### ITEM 5: FEES AND COMPENSATION

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#### A. HOW WE ARE COMPENSATED FOR OUR ADVISORY SERVICES

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Fees charged directly to investment accounts that we manage primarily compensate us. Our annual portfolio management fees range from 0.25% to 1.5% of assets under management depending on the size of the portfolio and the complexity of the analysis, advice, and management required to address special situations. We additionally will commonly, but not always, charge a minimum annual retainer charge to compensate us for meetings, special requests, and general financial and investment advice. The annual management and retainer fees are negotiable and we will propose an agreement with you in advance on the level of those fees as part of your Investment Advisory Agreement.

If you wish to have a comprehensive financial plan prepared or desire other specialized advice not directly related to the management of your investment portfolio, we might charge you an additional fee. We will propose an agreement on any special fees we may charge you for special, individualized advice in advance and will ask you to agree, in writing, with the advising member of our firm who renders the advice as to the level and amount of those fees.

Our normal *maximum* portfolio management fees based on assets under management in your total portfolio are:

On the first \$250,000 of assets under management, 1.50%;  
On the next \$250,000 (\$250,000 to \$500,000), 1.30%;  
On the next \$500,000 (\$500,000 to \$1,000,000), 1.25%;  
On the next \$4,000,000 (\$1,000,000 to \$5,000,000), 1.10%;  
On the next \$5,000,000 (\$5,000,000 to \$10,000,000), 1.00%;  
On amounts over \$10,000,000, 0.50%.

Note that the fees listed above are the *maximum* normal fees for asset management. The advising member of our firm who is responsible for managing your portfolio may offer you lower fees and you are welcome to negotiate your fee level. The actual fees we propose to charge will be disclosed in detail in Schedule B of *The Personal Wealth Coach Investment Advisory Agreement*.

We offer individual portfolio design, custom portfolio management for accounts held away from the primary custodian (such as employer sponsored retirement plans).as well as a high level of personal, individualized service to our customers. We are unaware of any investment advisory and management firm that offers that level of service, at lower fees than us; however, it is possible that another adviser may offer lower fees for the same level of service.

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### SPECIAL FEE ARRANGEMENTS

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If you wish to have a special fee arrangement and your advising member agrees to that arrangement, we will normally describe the arrangement on Schedule B of our Agreement. If there is insufficient space on Schedule B for a complete description, we will complete or amend the description on Schedule C of the agreement. For example, you may have an employer-sponsored retirement account or contract in which there are a limited number of investment choices, but you wish us to manage those choices. You and your advising member may agree to a lower fee or no fee for the assets in that account if you have one or more other accounts on which we charge a fee. In other cases, you may wish us to manage an account which requires extra research and attention and for which you are willing to be charged a higher fee than in our regular custodial accounts.

Special fee arrangements will be reviewed by at least one other advising member of our firm and approved by that member and your advising member prior to implementation. Such arrangements will only be approved and implemented if it is clear that the arrangement has been fully disclosed to you and is in your best interest.

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### ERISA QUALIFIED RETIREMENT ACCOUNTS

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We manage retirement accounts that are qualified for treatment under the Employee Retirement Income Security Act of 1974 ("ERISA"), such as one or more IRA, 401(k), 403(b), or other ERISA qualified plan. If you have a defined contribution plan, such as those listed above, if you provide us with your permission, we may directly manage the account with discretion. Alternatively, we can provide you with our recommended allocation and fund choices and the responsibility to allocate and invest within the account will be yours.

We may distribute the charges billed to your retirement accounts so that in cases where it is not possible for you to pay for our management, advice, or services from, for example, your 401(k), we, with your authorization, may bill your IRA for the fees on other accounts we are managing on your



behalf. The specific accounts we will and will not bill to achieve the total overall fee on which we have agreed will be outlined in Schedule B of our Investment Advisory Agreement.

In addition to providing advice and management on defined contribution plans, such as those mentioned above, we may manage defined contribution plans in a comingled portfolio held at a qualified custodian.

## **B. FEES MAY BE DEDUCTED FROM ACCOUNTS OR BILLED**

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You may elect to have our total monthly or quarterly fees charged to one, some, or all of your accounts, or you may elect to pay us by check. We prefer to charge your accounts directly as it provides a less burdensome administrative procedure both for us and for you. We will record the account or accounts we propose to charge for our fees on Schedule B of your investment advisory agreement for your review and approval. The selection of which of your accounts we will charge will be based on the size of the account, the purpose of the account, and the estimated tax treatment of the fees.

For example, if you have accounts held on behalf of minors to whom you are gifting money, you may not want us to charge those accounts. In other cases, such as Section 529 education accounts or employer-sponsored ERISA qualified retirement accounts, it may not be possible to charge fees to those accounts. In those cases, with your written permission, our management and other fees would be levied against other accounts you may have under our management.

In some cases, it may be appropriate and more convenient to charge you a flat annual fee for our services and bill you quarterly. In such cases, we will reach an agreement with you in writing in advance of any charges and include the agreement in your Investment Advisory Agreement.

We will normally bill fees monthly in advance based on the annual rate we have listed in your schedule B. We calculate the fees according to the number of days in the month from the value of your portfolio on the last day of the preceding month. That means that we will bill you monthly at a rate of  $1/365$  ( $1/366$  in a leap year) of your annual fee percentage rate, multiplied times the number of days in the month. We then apply that percentage to the value of your portfolio on the last day of the preceding month. In individual cases where it would be inappropriate or you do not wish fees to be debited from your accounts we may send you a quarterly bill based on the balance of your account(s) on the last day of the previous quarter.

Fees for specific advice or financial planning services may be included in your annual fees, or you may pay at the time of delivery of the advice. You may pay up to \$500 in advance. We will agree with you in writing on the amount and method of charges you will pay before any fees are charged.

If we agree to manage or advise you on retail investment accounts which charge ongoing securities commissions or because of ongoing investments you are charged sales commissions, we may provide you with a discount on our fees to minimize your total costs. Neither The Personal Wealth Coach nor any of its advising members will at any time receive securities commissions. Securities licensed non-advising members of our firm may receive ongoing fees or commissions to compensate them for their administrative duties as the servicing representative on a securities product or account through a broker-dealer. The actions of a securities licensed member of our firm with regard to accounts or products being serviced is separate from any services or actions offered by The Personal Wealth Coach or its advising members.

## C. CUSTODIAL, TRANSACTION AND OTHER FEES

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Although investments we use through our primary custodians are “no-load” or “load-waved” the custodians we use may charge you a transaction or “ticket” charge per transaction. Those charges range from \$10 to as much as \$50. We receive no compensation from those charges. Many funds we use through our regular non-retail custodians have no transaction charges associated with them, but may charge you as much as 1% of the transaction if liquidation occurs within some minimum period of time after the investment date. Those funds typically have higher internal charges, typically in the form of a “12b-1” fee and have a compensation agreement to pay a small annual percentage of the invested value of your account to the custodian. We have no control over those fees and receive no compensation from them.

We will provide you with a schedule of charges from Pershing Advisor Solutions, LLC, our primary custodian. Additionally, we will provide a schedule of charges to you from any other company that we use as a custodian for your account or accounts.

We will make every reasonable effort to avoid unnecessary transaction charges; however, as with taxes, our primary concern is the appropriateness of the underlying investment portfolio. Generally, the higher the transaction charge you pay, the lower the internal expenses charged by the fund. In most cases, the funds with the higher transaction charges will more than make up the difference through lower internal costs in no more than a few months.

Mutual funds held in your portfolio each have their own internal fees. Although we will avoid using funds with “front-loads” unless it is clearly in your best interest to do so, so called “no-load” funds have internal fees, which vary greatly from fund to fund. Each fund describes the fees it charges in detail in its prospectus. The prospectus description is the only official disclosure document for fund fees; however we will be happy to review fund fee schedules as reported by Morningstar, Inc. or as disclosed in the fund prospectus.

When we select funds for your portfolio, whenever we are aware of the ability to utilize a lower cost share class we will do so unless a taxable event would be generated in moving to the new share class which we believe would be more costly than the likely savings generated from the internal fund fee savings. Our primary focus will be the overall performance of the fund management. That is to say that if we have a choice between a historically higher performing manager with higher internal costs and a historically lower performing manager with lower internal costs we will generally choose the higher net historical performance over the lower cost.

## D. PAYMENT IN ADVANCE FOR CERTAIN SERVICES

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If you request that a formal financial plan or a written business plan or analysis be prepared in addition to your investment policy statement we may charge you a separate fee. Depending on the size of your total portfolio invested under our management or advice, we may charge you up to \$500 in advance. If we do so we will deliver the written report to you within six months or we will refund the deposit.

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## TERMINATION OF ADVISORY AGREEMENT AND REFUND OF FEES

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In the event you wish to terminate your investment advisory agreement with us, you must inform us in writing at our address listed on the cover page of this document. Please advise us of the date you wish the agreement to terminate and what you want us to do with the investments at that time.



Specifically, you should inform us if you want the account liquidated to cash positions or to remain in the investments it currently holds.

If we have collected fees for the billing period during which you have requested termination or you have made a substantial withdrawal reducing your managed balance by more than 10%, any unearned fees we have charged will be refunded. We will calculate the refund by using the same formula we use for calculating the monthly billing using the number of days in the month following the termination.

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## E. COMPENSATION FROM SECURITIES SALES AND OTHER SOURCES

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1. Some non-advising members of our firm hold licenses to offer securities and insurance products to the public. This constitutes a potential conflict of interest in that, generally speaking, first-year commissions on retail, commissionable, investment and insurance products are substantially higher than we would charge under a fee-based arrangement.

As a matter of policy, no member of TPWC will sell a new, commission-paying insurance contract to any client of TPWC unless such a sale would be clearly in the best interest of the client and there is no practical way to otherwise meet the need of the client.

We primarily use mutual funds as the investment vehicles to represent the asset classes we have recommended. In the vast majority of cases, we will recommend you use or we will purchase on your behalf only “no-load” or “load-waived” funds. If we determine and you agree that the use of a fund or other investment product that charges you a commission or pays a fee through a registered broker-dealer is more appropriate and in your best interest to use or retain we may recommend the use or retention of the commission-paying fund or investment.

An example of this practice would be if your employer provided an ERISA-qualified retirement plan with matching contributions, but the plan was limited to the use of funds that charged a commission for purchase and/or for holding the investment. If the combination of the employer matching contribution, the tax deduction, and the tax deferral benefits exceeded the additional costs, we might recommend that you participate in the plan and purchase the commission paying, relatively expensive fund shares.

Another example might be if you currently held a life insurance contract in which the payment of premiums resulted in commissions being paid to a broker-dealer and/or agent. If because of costs or other circumstances, the replacement of that insurance policy with another, non-commission paying policy was inadvisable, we may recommend you continue to pay the premiums, or in some circumstances, increase your payments in order to keep the policy in force. The same practice would apply if at the death of a spouse, the other spouse had the right to purchase an insurance policy from the insurance company and the surviving spouse was unlikely to be able to purchase insurance for a lower cost elsewhere.

2. If we recommend you purchase or retain a security that may pay a commission, you are not obligated in any way to use a firm through which a member of our firm may be licensed or which pays a member commissions.
3. Although non-advising members of our firm hold licenses to offer retail, commission-based investment products, securities commissions earned by our members are not shared with or paid to our firm or any advising member of our firm. If and when circumstances change

and we no longer believe it is in your best interest to hold retail, commission-paying positions, we will recommend a transfer to a non-commission paying account or position.

An example where the continued holding of a fund that pays ongoing commissions might be in your best interest would be if you had purchased a fund or other investment that has a substantial charge for withdrawals or liquidation before a certain time has elapsed after purchase. If we determine that the charges associated with moving to a lower cost position would exceed the likely savings or investment advantage, we may recommend you retain the commission-paying product until after the liquidation charge period has expired.

Another example would be if you held a variable annuity or variable life insurance contract with a guaranteed minimum death benefit that was substantially higher than the liquidation value. If we determined and you agreed that the additional costs of the existing variable contract were reasonable fees to pay for the additional guaranteed death benefit, we may recommend you retain the higher-expense investment product.

## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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Neither we nor any member of our firm charge or receive performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of your assets –or conduct side-by-side management where a combination of asset-based and performance-based fees are collected.

*The Personal Wealth Coach®* does not use a performance-based fee structure because we believe that type of compensation structure creates a potential conflict of interest. An adviser compensated for increases in asset value may have a tendency to recommend higher risk investments in order to receive a greater fee in rising markets. As performance-based fee structures do not require the adviser to return money in a falling market; we believe there is an inherent incentive to create greater account value fluctuations.

We believe that the nature of our fee structure whereby we receive compensation according to the total value of your portfolio provides an incentive for us to minimize fluctuations. Our fees are structured so that we received an increase in our fees, as your accounts grow in value in direct proportion to that growth. Conversely, we will receive a decrease in compensation if your accounts decline.

## ITEM 7: TYPES OF CLIENTS

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We provide investment advice and portfolio management for individuals, families, trusts, foundations, and small companies. Our normal minimum initial portfolio size per new client relationship is normally \$1,000,000; however, we may authorize our advising members to waive the minimum after a review by our managing members. We routinely waive the minimum size for family members of existing clients. We may provide a more personalized and detailed level of portfolio management for clients with larger portfolios while providing a more standardized portfolio management regime for smaller portfolios.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

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- A. We use the method described in *Portfolio Selection* by Harry Markowitz as published in the March 1952 edition of *The Journal of Finance* and for which he received a Nobel Prize in Economics in 1990 as the basis for all portfolio design and management. We also modify the asset allocation selection created by Dr. Markowitz's formulas by limiting the use of asset classes that are currently significantly above their long-term mean trend line. We manage and allocate assets to fixed income asset classes based on the calculated average yield to maturity or *duration* in the bond portfolios we have selected to represent the asset classes.

We explain this process in detail in *Investment Portfolio Design and Management* beginning on page 5 of this brochure.

Using any investment or investment product that has the potential to achieve a long term rate of return higher than short-term United States Treasury Bills or FDIC insured certificates of deposit involves a risk of a decline in market value after purchase. Markowitz Portfolio Theory and all of the available evidence to date of which we are aware indicates that the higher the expected long-term return of an investment portfolio the greater will be the shorter-term market valuation losses in that portfolio in declining markets.

- B. It is in our opinion extremely important that you understand and seriously consider the degree of market valuation loss you will be able to tolerate in the shorter term. We will provide a *Risk Tolerance Questionnaire* to you to assist in determining your tolerance for market declines. We will additionally illustrate the percentage loss and length of decline that historically occurred in the asset allocation mix we recommend. If after considering the historic degree and length of market declines associated with your asset allocation, you believe that you would not be able to tolerate such an event, you should inform us immediately so that we may reallocate your portfolio to a lower expected return with the resultant reduced potential for short-term decline.
- C. We will primarily limit our investment choices to investment funds registered under the Investment Company Act of 1940 or securities backed by the full faith and confidence of the United States government or insured by a federally chartered agency such as the FDIC. In custodial accounts where the failure of the custodian might put your investments at risk, we will only use accounts insured by the Securities Investor Protection Corporation ("SIPC") and which have well-positioned private insurance coverage for securities valuations greater than the \$500,000 valuation covered by the SIPC.

The SIPC does not provide protection from market value variance, but does provide protection against the failure of the custodian for up to \$500,000 in securities including up to \$250,000 in cash positions. The SIPC does not insure the value of your securities but instead replaces missing stocks and other securities where it is possible to do so, even when the securities have increased in value. For more information on the SIPC, visit <http://www.sipc.org/how/brochure.cfm> or request an SIPC brochure from us.

In taking these precautionary steps, we believe that we have largely eliminated *non-systemic* risk from your portfolio. Non-systemic risk is the risk that your investments will suffer severe permanent decline or become worthless while the broad economy and relevant market indices do not permanently lose value.

An example of non-systemic risk loss would be if you had invested in a privately managed fund, one not registered under the Investment Company Act of 1940, and the company or person managing the fund became insolvent resulting in creditors seizing the fund values. Recent examples of non-systemic risk losses include the failure of Enron, hedge fund insolvencies, and Ponzi schemes such as those perpetrated by Bernard Madoff and Allen Stanford.

Although we believe we have largely eliminated the risk of loss due to financial failure and/or fraud, history demonstrates that market downturns can sometimes be severe and lengthy in nature. If you are taking a systematic withdrawal from your portfolio, the distinct possibility exists that in any investment portfolio utilizing securities there may be periods when reducing the withdrawal is the most prudent way to reduce your risk of failure. If such an event occurs and we believe that it would be in your best interest to reduce your withdrawal rate, we will recommend you do so.

Perhaps the greatest risk to your portfolio if it is invested in a prudent manner is that of unscheduled lump-sum liquidations or excessive frequent withdrawals. If you elect to take either a lump-sum withdrawal or a greater systematic withdrawal from your portfolio than we have agreed to in your investment policy statement, the probabilities of your portfolio failing to provide a long-term positive return will increase. If you make the withdrawal or withdrawals at a low point in a market cycle, the results could be catastrophic. In short, unscheduled and unplanned withdrawals could result in a collapse in your portfolio value and its inability to support your goals.

Another extraordinary risk factor in any investment portfolio is liquidation or a move to cash or guaranteed positions because of fear. Historically, the times of maximum fear that market-based investments will collapse or lose a large portion of their value coincide with the low points in market valuation. Liquidation at one of those points can create a loss in a portfolio that may be difficult or impossible to repair.

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## ITEM 9: DISCIPLINARY INFORMATION

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Neither our firm nor any person affiliated with our firm has ever had any disciplinary action taken against them by any regulatory agency.

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## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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- A. Two non-advising, non-management members of our firm are registered to act as representatives of NEXT Financial Group, Inc. ("NEXT") to offer and provide service for registered securities and securities accounts.
- B. No member of our firm is registered or has an application pending to register as a futures commission merchant, commodity pool operator, a commodity-trading advisor, or an associated person of the foregoing entities.
- C. Relationships that are material to our investment advisory business or to you.
  - 1. Deaone L. Prall and Melissa Mikeska each hold the FINRA Series 7 (general securities) license through NEXT. Holding a FINRA securities license enables a person to offer,

trade, sell, and provide service on publicly traded securities and securities products. NEXT Financial Group, Inc. ("NEXT") is a FINRA-registered broker-dealer and contractually will pay sales commissions to its registered representatives. This has the potential to be a conflict of interest in that, generally speaking, the sale of securities through a retail broker-dealer may provide a greater first-year compensation for the representative than the provision of investment advice as a representative of an investment advisory firm. Neither Ms. Prall nor Ms. Mikeska anticipate actively participating in the sale of securities products or securities, but are licensed and affiliated with NEXT primarily for the purpose of providing service to TPWC clients and to former customers of Jeffrey and Jacob McClure who are not investment advisory clients of TPWC. Their activities as registered representatives of NEXT are separate from those of TPWC, but may be taken in support of recommendations provided by us to you at your request.

*The Personal Wealth Coach* has a contractual relationship with Pershing Advisor Solutions, LLC ("PAS"), a wholly owned subsidiary of Pershing, LLC ("Pershing"), a member of the New York Stock Exchange and a wholly owned subsidiary of The Bank of New York-Mellon. The contract is purely to allow our clients to use Pershing as a custodian for our clients' advisory accounts and to enable us to see and manage those accounts. Members of TPWC are not representatives of PAS nor do they receive compensation from PAS other than the advisory fees we charge accounts held at PAS and incidental services used by TPWC and its members to serve or report to our clients.

TPWC has a contractual relationship with Jefferson National Life Insurance Company ("JNL") authorizing TPWC to directly manage sub-account allocation of our clients' variable contracts at JNL. Neither TPWC nor its members receive any compensation from JNL other than the advisory fees we charge client contracts held there. Additionally, members may have third-party management agreements with other custodians enabling the member to manage the account or accounts described in the agreement on behalf of our clients.

On an individual account basis, TPWC has third-party management agreements with other insurance and fund companies. Other than fees authorized by and billed to clients' accounts, TPWC receives no compensation from those companies.

2. Neither *The Personal Wealth Coach* nor any of its members or employees has a professional relationship with any investment company or other pooled investment vehicle.
3. Neither *The Personal Wealth Coach* nor any of its members or employees has a professional relationship with a futures commission merchant, commodity pool operator, or commodity-trading advisor.
4. Neither *The Personal Wealth Coach* nor any of its members or employees has a professional relationship with a banking or thrift institution.
5. Neither *The Personal Wealth Coach* nor any of its members or employees has a professional relationship with a lawyer or law firm other than as a paying client of that firm.
6. Dea Prall, an administrative member of our firm, is licensed to offer and service life insurance and annuity contracts, both fixed and variable and is appointed as an agent by

Western Reserve Life Insurance Company of Ohio and may be appointed by other companies. This constitutes a potential conflict of interest in that retail life insurance companies often pay very high commissions for the sale of their products.

7. Neither *The Personal Wealth Coach* nor any of its members or employees has a professional relationship with a pension consultant.
8. Neither *The Personal Wealth Coach* nor any of its members or employees has a professional relationship with a real estate broker or dealer.
9. Neither *The Personal Wealth Coach* nor any of its members or employees has a professional relationship with a sponsor or syndicator of limited partnerships.

The securities-licensed members of our firm hold their registrations and licenses in order to continue to provide service to our clients on accounts where it is clearly in the best interests of those clients to retain their accounts or investments which are commission-paying retail accounts.

There is a potential conflict of interest in that by holding an existing commission-paying securities product, even if it is clearly in your best interest to do so, you could invest an amount of money in that product that would generate significant annual commissions.

Our licensed members do not anticipate selling any new commissioned security, investment product, or insurance products to our advisory clients. If a situation arises where it clearly is in your best interest to use a commissioned product, a written explanation will be prepared by the advising member and approved prior to the sale by you and by another managing member of the firm.

- D. *The Personal Wealth Coach* is not affiliated with and will not recommend other investment advisers.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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### A. TPWC CODE OF ETHICS SUMMARY

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We have adopted the TPWC Code of Ethics ("Code") to comply with SEC Rule 204A-1 under the Investment Advisers Act of 1940.

The Code establishes rules of conduct for all members and affiliated persons of The Wealth Coach, LLC. We have designed it to, among other things; govern personal securities trading activities in the accounts of our members as well as employees of the firm and persons employed by our members. We have based the Code upon the principle that the firm and its employees, members, and affiliated persons owe a fiduciary duty our clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid TPWC, its members, employees, and related persons from:

- (i) Serving their own personal interests ahead of clients;
- (ii) Taking inappropriate advantage of their position with the firm and;
- (iii) Any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.



We have designed the Code to ensure that we continue to apply high ethical standards long maintained by our firm. The purpose of the Code is to preclude activities that may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The continued well-being of each member and affiliate of TPWC is, to a large degree, dependent on our maintaining and improving on the high level of esteem in which we are held in the local community. We recognize that any ethical or moral violation of ethical or legal standards would be highly destructive and reemphasize that to each other frequently.

Section 206 of the Advisers Act, prohibits The Wealth Coach, LLC, its members and affiliated persons from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that we as a firm and as individuals have an affirmative duty of utmost good faith to act solely in your best interests at all times.

If you have non-public, material information concerning a publicly traded company, which you share with any member of our firm; we will not buy or sell any security based on that information. If any member or related person of our firm becomes aware of insider information concerning a publicly traded company, he or she will immediately inform the Chief Compliance Officer and he will prohibit the buying or selling of that security by all members and related persons in our firm. Additionally, we will not divulge any such information to any person outside of our firm other than for legitimate regulatory or other lawful inquiries, requests, or demands.

We will provide a complete copy of our Code of Ethics to you or anyone else who requests it.

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## B. MATERIAL FINANCIAL INTEREST IN INVESTMENTS

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Neither *The Personal Wealth Coach* nor any of its members will recommend or purchase on behalf of an advised client any investment in which TPWC or any of its members have a material financial interest.

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## C. TPWC RELATED PERSONS INVESTING IN SAME SECURITIES AS CLIENTS

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Members and other related persons of The Personal Wealth Coach will routinely be invested in some or all of the same mutual funds we recommend to our clients. We do not believe that a conflict of interest will arise from this practice. We also believe that no conflicts arise from the timing of such investments.

You may choose to hold or purchase investments in specific individual securities such as publicly traded stocks or bonds. The possibility exists that a conflict could arise if a member or related person at our firm holds or invests in the same issue. Our Chief Compliance Officer will monitor and approve all individual equity investments by members and related persons to prevent such a conflict.

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## D. PURCHASING SECURITIES AT OR ABOUT THE SAME TIME AS A CLIENT

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Again, because of the restrictions we have placed on the investments we recommend or purchase on behalf of our clients, no conflict should arise from the timing of a member's investment purchase or sale. Our Chief Compliance Officer will monitor the investment purchases and sales of securities by our members and employees to ensure that no conflict arises.

## ITEM 12: BROKERAGE PRACTICES

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### E. FACTORS CONSIDERED IN SELECTING OR RECOMMENDING A BROKER-DEALER

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*The Personal Wealth Coach* primarily utilizes Pershing Advisors Solutions, LLC (“PAS”) as the custodian for our clients’ accounts. PAS is a wholly owned subsidiary of Pershing LLC, a member of the New York Stock Exchange. Pershing, LLC is a wholly owned subsidiary of The Bank of New York – Mellon. PAS is an introducing broker-dealer and the actual custodial activity will be at Pershing, LLC.

PAS provides the clients of *The Personal Wealth Coach* with a discount on transaction charges based on the total value of assets held at PAS. It additionally provides us with access to institutional share classes and load-waived classes of funds. Such funds have a significantly reduced expense to our clients’ accounts. PAS through its parent company, Pershing, LLC, provides unlimited account insurance against its financial insolvency. PAS also provides us with software for their trading platform and data downloads to Albridge Solutions, Inc., our third-party reporting service, without additional charges to you or us.

PAS additionally has agreed to provide partial funding for the Albridge reporting system our firm uses to monitor and report on our clients’ investment positions and history. This is, in effect, a discount provided us on the retail cost of purchasing the Albridge reporting service and creates a conflict of interest concerning the use of custodial, discount broker-dealers. We have examined the fees charged by PAS in comparison with those charged by other custodial broker-dealers and have determined that PAS charges are comparable and in some cases less than other available custodians.

We consider it important that neither Pershing nor PAS manages or offers proprietary management account nor conducts trading activities for its own profit. We believe that either of those activities constitute a serious conflict of interest and provide an incentive for self-dealing and placing the interests of the financial firm ahead of its clients. For those reasons we have elected to primarily utilize PAS as our custodian for our clients’ accounts.

While we will recommend PAS for accounts for which PAS qualifies as a custodian, we do not require you to use PAS. If you choose to use another custodian we may impose an extra administrative charge to cover our additional time and expense to access, monitor, and conduct billing for a custodian you elect to use for accounts that otherwise might be held at PAS. Additionally, if you elect to use a custodian other than PAS we may not be able to achieve most favorable execution or lowest costs on securities transactions.

We have advice and billing arrangements with multiple variable contract insurance companies where we have client accounts on which we advise and manage assets. We will not impose any extra charges for the use of those companies as custodians.

We commonly utilize Jefferson National Life Insurance Company (“JNL”) as a custodian for non-ERISA qualified, tax-deferred accounts. We have chosen JNL because of the very low internal cost to our clients, the absence of commission charges on most transactions, and the relatively large number of internal asset class and fund choices available. Neither *The Personal Wealth Coach* nor its members are agents of JNL, nor do we receive any compensation from JNL for our activities there other than fees we charge to client contracts held at JNL. If you have an existing account or accounts



from which we believe it would not be in your best interest to move your investments, we will advise you on the fees for management of those accounts in advance and generally will not impose an extra charge. If you or the custodian holding your account is willing to establish a relationship recognizing us as your investment adviser, we will establish that relationship and exercise discretionary management on your behalf with your written permission.

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## 1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS

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Other than the software and services used to facilitate trading and account reporting, we receive no soft-dollar or other benefits from PAS except that PAS may choose to pay our managing members' registration fee for the Pershing, LLC annual conference. No member or employee of our firm will accept entertainment or guest accommodations from PAS or any other firm. Pershing, LLC holds classes at their conferences providing an attending member the opportunity to obtain continuing education credits toward their professional certifications as well as regulator mandated continuing education classes. The member cost of attendance at the conference may be less than the cost of separately purchasing on-line or written courses to meet those requirements. We believe there is no significant conflict of interest in our relationship with PAS or Pershing, LLC.

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## 2. BROKERAGE FOR CLIENT REFERRAL

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Neither *The Personal Wealth Coach* nor its members direct client accounts to any broker-dealer in return for client referrals.

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## 3. DIRECTED BROKERAGE

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*The Personal Wealth Coach* does not require you to utilize the broker-dealers we recommend; however, if you chose to utilize a broker-dealer other than the ones we recommend you may not receive *best execution*. That is to say that you may have higher expenses and not have the choice of asset classes and managers that we consider optimum.

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### A. AGGREGATED PURCHASES OR SALES

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Because *The Personal Wealth Coach* exclusively uses Investment Company Act of 1940 and FDIC insured or U.S. government guaranteed investments, there is no advantage to aggregating purchases or sales for your accounts. As a result no purchase aggregation is anticipated. The discounts we receive for transactions at PAS are based on our assets under management there and as such could be considered an aggregation of purchases or sales to achieve a lower client account expense.

For accounts held at Pershing Advisor Solutions our use of institutional fund shares, which generally have a lower internal cost than other shares, is the result of Pershing's aggregating the value of all shares held through them as a custodian and thereby is an advantage to our clients. A similar reduction in cost is provided for accounts held in custody at Jefferson National Life Insurance Company for non-ERISA-qualified tax-deferred accounts.

## ITEM 13: REVIEW OF ACCOUNTS

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Review of your accounts may be done internally by a member of our firm or may be done in coordination with an appointment, either by phone or in person. Additionally, if it is more convenient for you, we can prepare a summary and consolidated report on your portfolio to be delivered to you by physical or electronic mail.

### A. PERIODIC REVIEWS

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We group periodic reviews into three categories, allocation review, client review, and optimization review. We will conduct an allocation review of your accounts at least once per billing cycle, which is normally monthly but at least quarterly. In the allocation review we compare your existing asset allocation to that outlined in your investment policy statement. If your asset allocation has drifted so that an imbalance equal to or greater than 10% of the total portfolio value has occurred, the reviewer will refer your entire portfolio to your assigned advising member for a new optimization or rebalancing action.

At least once per year we will attempt to contact you for a client review. A client review may be conducted by mail, email, by phone, or in person. The purpose of a client review is to determine if your situation has changed and to give you the opportunity to ask questions or make comments about our management or service. Additionally, in the client review, we validate that you are receiving the appropriate documents and notices from your custodian(s).

An optimization review may be triggered by your annual client review or by a change in either market conditions, a reported asset allocation drift, or by a change in your goals or current situation. In an optimization review, we will review the factors in your investment policy statement, which will be validated or changed. From that analysis, we will determine and implement an allocation and fund choices for your portfolio

### B. OTHER THAN PERIODIC REVIEWS

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If we determine that a significant market shift has occurred or is occurring which either changes our allocation model or has created a significant imbalance in a large number of portfolios we will review and potentially reallocate any portfolio that is, in our opinion, at risk.

When we determine that a fund or fund manager is no longer the most appropriate to be used in that asset class in your portfolio, we will normally liquidate that fund and substitute one or more funds in its place. This may be done on a generalized basis in all client portfolios where it is appropriate, or in cases where the fund is marginally less appropriate than another fund, it may be done on a case-by-case basis in conjunction with client reviews. In some circumstances we may elect to retain an asset class or fund in your portfolio that we have or are removing from others if we determine that the transaction would be more disadvantageous to you than the retention of the asset class or fund. An example of this would be if the taxable event created by the sale of the fund or asset class would create a greater loss than would probably be incurred by holding the position.

Any time we become aware of a change in your risk tolerance, goals, or objectives for your portfolio, we will schedule a review and conduct a new analysis of your portfolio. Such changes may also generate a new investment policy statement for your review and signature. If there has been a significant change in your circumstances or objectives, it is your responsibility to contact us as soon as you can to advise us of any change that will affect your goals, objectives, risk tolerance, or

significantly impact your current financial situation so that we can properly adjust your portfolio to accommodate your new situation or objectives.

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## C. REPORTS

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We will provide quarterly reports on the value and performance of your portfolio produced by Albridge Solutions, Inc., a third-party data gathering and reporting firm, if you indicate to us that you want us to do so. At any time you may request a special report be prepared and delivered to you either electronically or by physical mail.

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## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

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We do not provide compensation for clients referred to us nor do we receive compensation from any person or organization if we refer a client to them.

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## ITEM 15: CUSTODY

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A qualified independent custodial institution such as a broker-dealer, mutual fund company, insurance company, or bank will hold all client investments and funds. We are considered to have custody of your funds in that we may bill your accounts for our agreed-upon fees; however, we will not at any time take physical possession of your investments nor your money, nor will we direct either your investments or the proceeds from your investment to any account, location, or person other than those which you have authorized in writing. All custodians we use will send you a statement showing all transactions in your accounts at least quarterly. You should review that statement carefully to detect any unauthorized transactions.

Statements may be delivered by the United States Postal Service, delivery service, or digitally via electronic communication, depending on the instructions you provided to the custodian. **If you do not receive a statement within a reasonable period after the end of any calendar quarter from any custodian holding securities or funds on your behalf, please notify us immediately so that we may request the custodian to provide you with a statement. Your custodial statements are the only official notification of your holdings and the dated value of those holdings. Reports you receive from us are compiled from sources that we consider reliable, but are not official statements.**

If you elect to receive a quarterly report from us, you should compare the holdings and values listed on the statement to the holdings and values listed on the report. If there are any discrepancies, please contact us as soon as possible.

Your custodian or custodians will hold each of your accounts separately and will not pool your accounts with others. We will not pool your accounts together, nor will we co-mingle your funds or investments with other clients' assets.

You will retain full rights of ownership in your account(s). That is to say that you will have the right to withdraw securities or cash, exercise or delegate proxy voting, receive transaction confirmations, to transfer funds and to effect transactions.

If you exercise your right to individually conduct trading or transactions in an investment advisory account without consulting with us, we may terminate our advisory agreement for that account or

for the entire portfolio. We are not responsible for any activity in the account directed by you unless we have consulted and agreed in advance and provided you with our written recommendations.

## ITEM 16: INVESTMENT DECISIONS

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We normally have *discretionary authority* in your accounts if you hold them at Pershing Advisor Solutions (“PAS”), Jefferson National Life (“JNL”), or one of the other custodians with which we have third-party management agreements. With your specific permission, we may directly manage other accounts where you give us access and authority to do so. Your authorizations to use our discretion to manage your investments in each account will be listed on Schedule B or our Investment Advice and Account Management Agreement. Your signature on that Schedule will constitute your delegation of discretionary management authority to us for the accounts so marked.

In our Investment Advice and Account Management Agreement, you have the right to decline our direct management and elect to instead receive written recommendations from us and act upon those recommendations yourself. In some accounts, such as company-sponsored retirement plans, you may choose to not give us access or not have the ability to do so. In accounts where you have not given us the authority to make changes you will have the responsibility to implement the advice we provide.

You may restrict our portfolio design. For example, you may have an investment or investments in your portfolio that you wish to retain without regard to our opinion of the appropriateness of that security. We will provide you with an opportunity to indicate your restrictions and special requests on Schedule C of our Agreement.

For our primary custodians, Pershing Advisor Solutions, LLC, and Jefferson National Life, your account application and agreement that you sign in order to open your account(s) has a limited power of attorney authorizing us to have discretionary authority to buy, sell, and transfer funds internally within your accounts. For other custodians, we will typically utilize a third-party management agreement which, when signed by you authorizes us to execute transactions and transfers internally to the account. In accounts where a third-party investment advisory agreement is not provided by the custodian, you may provide us access to the account for the purpose of assigning and managing asset allocations and selecting the specific investments by authorizing discretionary management on Schedule B and providing us with your log-on identification and password.

We do not have the authority to transfer funds out of your accounts other than the fees you have authorized us in writing to charge your accounts. If you wish us to facilitate the transfer of funds from your accounts to you or to another account which you own, you will need to do so in writing in a form acceptable to the custodian.

In accounts where you have direct access and authorize us to manage your fund choices and allocations, your authorization to do so is in our Investment Advice and Account Management Agreement.

## ITEM 17: VOTING CLIENT SECURITIES

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We will not vote on your behalf with regard to shareholder actions in your securities. You will receive your proxies directly from your custodian and commonly we will not have seen them before you receive them. At your request, we will conduct reasonable research into the action or actions on which you have been asked to vote and respond to your questions on issues of fact, however; we will not provide advice on how you should vote. You may contact us at any of the addresses or numbers listed on the cover sheet of this document.

## ITEM 18: FINANCIAL INFORMATION

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- A. We will not require or solicit prepayment of more than \$500 in fees from you six months or more in advance and are thereby not required to provide you with an audited financial statement on our firm.
- B. There are no financial conditions that we are aware of which are likely to impair our ability to meet contractual commitments to our clients.

Neither *The Personal Wealth Coach* nor any of its advising members have ever been the subject of a bankruptcy petition.

## PROFESSIONAL CERTIFICATIONS

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Advising members of *The Personal Wealth Coach*® have earned certifications and credentials that are required to be explained in further detail.

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### CERTIFIED FINANCIAL PLANNER™ CFP®

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The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To obtain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

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### CERTIFIED INVESTMENT MANAGEMENT ANALYST<sup>SM</sup> ("CIMA<sup>®</sup>")

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The CIMA certification signifies that an individual has met initial and on-going experience, ethical, education, and examination requirements for investment management consulting, including advanced investment management theory and application. Prerequisites for the CIMA certification are three years of financial services experience and an acceptable regulatory history. To obtain the CIMA certification, candidates must pass an online Qualification Examination, successfully complete a one-week classroom education program provided by a Registered Education Provider at an AACSB accredited university business school, pass an online Certification Examination, and have an acceptable regulatory history as evidenced by FINRA Form U-4 or other regulatory requirements. CIMA designees are required to adhere to IMCA's *Code of Professional Responsibility, Standards of Practice*, and *Rules and Guidelines for Use of the Marks*. CIMA designees must report 40 hours of continuing education credits, including two ethics hours, every two years to maintain the certification. The designation is administered through Investment Management Consultants Association (IMCA).

The CIMA certification has earned ANSI® (American National Standards Institute) accreditation under the personnel certification program. The American National Standards Institute, or ANSI, is a private non-profit organization that facilitates standardization and conformity assessment activities in the United States. CIMA is the first financial services credential to meet this international standard for personnel certification.