

# River Source Wealth Management, LLC

## Client Brochure

*This brochure provides information about the qualifications and business practices of River Source Wealth Management, LLC. If you have any questions about the contents of this brochure, please feel free to contact us at (828) 452-1288 or by email at: [banderson@balsamcapitalgroup.com](mailto:banderson@balsamcapitalgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about River Source Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). River Source Wealth Management, LLC's CRD number is: 150852*

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

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## **Item 2: Material Changes**

There are no material changes in this brochure from River Source Wealth Management, LLC's last annual update filing on January 19<sup>th</sup>, 2010. Material changes relate to River Source Wealth Management, LLC's policies, practices or conflicts of interests only.

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## **Item 4: Advisory Business**

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

This firm has been in business since August 18<sup>th</sup>, 2009, and the principal owners are Stephen Brandon Anderson and Timothy Francis Phelan.

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

River Source Wealth Management, LLC (hereinafter "RSWM") offers the following services to advisory clients:

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

##### **Fee-Based Wealth Management**

RSWM provides ongoing due diligence, advice and asset management for clients investments based upon your goals and objectives. RSWM will tailor client's Investment Policy Statement, outlining client's preferences and timelines for effective management of their portfolio. Investment Supervisory Services include, but are not limited to, the following:

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

Portfolios created by RSWM may include any or all of the following types of investments: Individual equities, no-load mutual funds, ETF's (Exchange Traded Funds), municipal and corporate bonds, government securities, alternative investments and insurance products. A comprehensive detail of clients assets is taken into consideration in developing any plan to insure proper asset allocation, risk management and tolerance levels, time horizons, and the objectives set forth to meet and exceed client's stated goals. RSWM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

##### **Comprehensive Wealth Solutions**

RSWM offers a total wealth management solution for each client allowing them to focus on the core areas of their personal lives with greater security and peace of mind. RSWM holistic approach to Financial Planning includes:

- Extensive analysis and consultation
- Establishment of financial goals and objectives
- Development of a detailed written plan or "roadmap" to meet stated objectives
- Implementation and monitoring of the plan utilizing a process of rebalancing to maintain effective portfolio optimization.

In working with clients, RSWM's comprehensive approach allows it to focus on all areas of concern and may include but is not limited to:

- Current Investment portfolio analysis
- Taxation
- Risk assessment
- Estate planning and tax analysis including legacy planning and multi-generational transfer
- In-depth retirement income planning and distribution strategies in a tax-aware process
- Life insurance and current needs analysis
- Business consulting
- Escrow agency and management
- Education planning and funding

### ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; estate planning and elder law; college planning; and debt/credit planning. These services are based on fixed fees or hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

**Retirement Income Planning:** RSWM specialize in retirement income planning. RSWM's comprehensive analysis of clients' income needs and desires in retirement ensures a careful distribution of the assets clients have worked hard to save. Retirement income planning can be a complex process to many individuals as they work toward retirement and beginning the second act of their lives enjoying the fruits of their labor. According to a study in May of 2009, Kiplinger's Personal Finance found that 70% of retirees overestimate how much they can safely withdrawal from their retirement savings. RSWM ensures that client's money outlives them rather than them outliving their money. RSWM goal is to help client's enjoy a happy, healthy retirement and leave a lasting legacy.

**Retirement Plans:** If you currently have a pension, 401(k), profit sharing plan or money purchase plan, RSWM offer a comprehensive analysis of client's existing plan and objective solutions tailored to fit client's needs. RSWM works with many professionals and corporations to offer retirement plans for their employees as a key benefit to maintain a competitive advantage.

**Estate Planning and Elder Law:** Even if clients have taken all of the steps they feel are important to leave their estate in good order, the environment we live in continues to change. Financial Planning and Estate Planning are integral parts of client's life - especially in retirement - to ensure proper transfer of their assets and the legacy they wish to leave. RSWM works closely with skilled professional attorneys, both locally and regionally, specializing in Estate Planning and Elder Law. If client chooses, RSWM will work with their current attorney or assist in any necessary transition. RSWM encourages clients to review their existing plan if they live in North Carolina or have moved to

another state. Always review your beneficiaries or plans when a major life event takes place such as: marriage, divorce or a death in the family.

**Insurance Services:** RSWM offers a host of insurance services and solutions. Whether clients are looking to provide for loved ones in the event of an untimely passing, increase their legacy they're able to leave their beneficiaries, utilize conservative strategies for asset accumulation, or simply protect the savings they have spent a lifetime building, RSWM have a wide array of products to meet client's needs.

#### **Life Insurance**

- Term Life
- Whole Life
- Single Premium Life
- Universal Life
- Fixed Index Universal Life

#### **Annuities**

- Single Premium Immediate Annuities
- Traditional Fixed Annuities
- Fixed Index Annuities
- Multi-Year Guarantee Annuities

#### **Asset Protection Solution**

- Individual Long Term Care Insurance (LTCI) Policies
- Group LTCI Policies
- Home Health Care Coverage

#### **Long Term Care Protection**

Long Term Care costs can quickly deplete one's life savings. The average cost for care in a round-the-clock skilled nursing facility is over \$76,000 in the United States. Yet, long term care protection is an often overlooked component of individuals' overall financial plans. RSWM works closely with local Long Term Care specialists to find the best coverage within your budget to protect your hard-earned assets.

#### ***Selection of Other Advisors***

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

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

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

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

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

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

### **D. Wrap Fee Programs**

RSWM does not participate in any wrap fee programs.

### **E. Amounts Under Management**

RSWM has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$61,297,000	\$46,312,000	12/31/2010



## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
\$50,000 - \$1,000,000□	1.00%□
\$1,000,001 - \$3,000,000□	0.75%□
\$3,000,001 - \$5,000,000□	0.50%□
Above \$5,000,000□	Negotiable

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in advance and in arrears, and clients may terminate their contracts with thirty days' written notice. Because fees are charged in arrears, no refund policy is necessary. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

#### *Financial Planning Fees*

##### *Fixed Fees*

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$1,500 and \$3,500. Fees are paid in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

##### *Hourly Fees*

The hourly fee for these services is \$150. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid in advance based on the estimated number of required hours but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

### ***Selection of Other Advisors Fees***

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

## **B. Payment of Fees**

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

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in arrears and in advance.

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

**Hourly** Financial Planning fees are paid via check in advance based on the estimated number of required hours but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

**Fixed** Financial Planning fees are paid via check in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

### ***Payment of Selection of Other Advisor Fee***

Selection of Other Advisor fees are withdrawn directly from the client's accounts with client written authorization.

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

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

## **D. Prepayment of Fees**

Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check or will be deposited back into client's account.

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

Neither RSWM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

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

## **Item 7: Types of Clients**

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

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

### ***Minimum Account Size***

There is an account minimum, \$50,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### **A. Methods of Analysis and Investment Strategies**

RSWM's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting analysis** involves the use of patterns in performance charts. RSWM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

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

**Technical analysis** involves the analysis of past market data; primarily price and volume.

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

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

RSWM uses Long Term Trading, Short Term Trading, Margin Transactions, and Options Writing (including covered options, uncovered options, or spreading strategies).

RSWM utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Margin transactions and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

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

RSWM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. RSWM normally recommend the use of ETF's, mutual funds, corporate and government bonds.

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

## **Item 9: Disciplinary Information**

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

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

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

Neither RSWM nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

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

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

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

Stephen Brandon Anderson, Timothy Francis Phelan, and Francis Herbert are licensed insurance agents in the state of North Carolina. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. RSWM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of RSWM in their capacity as an insurance agent.

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

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

## **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

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

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

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

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

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

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

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

From time to time, representatives of RSWM may buy or sell securities for themselves at or around the same time as clients. RSWM will not trade non-mutual fund or non-ETF securities 5 days prior to or 5 days after trading the same security for clients.

## **Item 12: Brokerage Practices**

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

The Custodian was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. RSWM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

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

There is no minimum client number or dollar number that RSWM must meet in order to receive free research from the custodian or broker/dealer. There is no incentive to for RSWM to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution.

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

RSWM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

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

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

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

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

## **Item 13: Reviews of Accounts**

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

Client accounts are reviewed monthly only by Stephen Brandon Anderson, Managing Member. Stephen Brandon Anderson is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at Investment Advisor (IA) are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Stephen Brandon Anderson, Managing Member. There is only one level of review and that is the total review conducted to create the financial plan.

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

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

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

Each client will receive a quarterly written report detailing the clients account performance. Clients will also receive quarterly statements directly from RSWM.

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

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

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

RSWM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to RSWM clients.

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

RSWM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.



## **Item 15: Custody**

RSWM does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the custodian. Clients will receive account statements from the custodian and should carefully review those statements. RSWM urges clients to compare the account statements they receive from the custodian with those they received from RSWM.

## **Item 16: Investment Discretion**

For those client accounts where RSWM provides ongoing supervision, RSWM maintains limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

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

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

## **Item 18: Financial Information**

### **A. Balance Sheet**

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

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

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

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

Neither RSWM nor its management have been the subject of a bankruptcy petition in the last ten years.