

# Lowe WealthAdvisors, LLC

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ADV Part 2A, Brochure

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This Brochure provides information about the qualifications and business practices of Lowe Wealth Advisors, LLC. If you have any questions about the contents of this Brochure, please contact Greg Lowe at 443-766-7160 or [greg@lowefs.com](mailto:greg@lowefs.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 Lowe Wealth Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Lowe Wealth Advisors, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes to this Brochure since a previous Annual Update filing on March 20, 2015. However, this Brochure has been amended since that time to enhance various disclosures and to refine the descriptions, fees, and conflicts of interest that may arise with respect to various service offerings.

Since the most recent Annual Update filing on February 12, 2016, this Brochure has been materially amended throughout to change the name of this investment advisory firm from “Lowe FS, LLC” to “Lowe Wealth Advisors, LLC”.

**ANY QUESTIONS: Lowe Wealth Advisors, LLC’s Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that an existing or prospective client may have regarding any of these changes or any other aspect of this Brochure.**

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#### **Item 4            Advisory Business**

- A. Lowe Wealth Advisors, LLC (“Registrant”) is a limited liability company formed in Maryland in March 2011 under the original name of “Lowe FS, LLC”. The Registrant changed its name to “Lowe Wealth Advisors, LLC” in May 2016. The Registrant became registered as an Investment Adviser with the Securities and Exchange Commission on June 22, 2011. Registrant is principally owned by: Harold Lowe, who is also the Registrant’s President; KAWG&F Financial Planning Group, LLC, a Maryland state-registered Investment Adviser; and Lowe & Associates Financial Services, LTD.
- B. As discussed below, Registrant offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, etc.) investment management services, wealth management services, financial planning and consulting services, and retirement plan consulting services as described below.

#### **INVESTMENT ADVISORY SERVICES**

The client can engage Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Registrant’s management. Before engaging Registrant to provide investment advisory services, clients are required to enter into a Wealth Management Agreement, Investment Management Agreement, or Retirement Plan Consulting Agreement (as applicable) with Registrant, setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

#### **Wealth Management Services**

Clients can engage Registrant to provide Wealth Management Services, which include financial planning services in addition to investment management services on a discretionary or non-discretionary *fee* basis.

To commence the Wealth Management Services engagement, a representative will first ascertain each client’s investment objectives (including risk tolerance, time horizon, and other similar factors) that affect the client’s current and anticipated financial status. The Registrant will then perform initial financial planning services that typically include data gathering, development of financial goals, and the determination of anticipated and acceptable risk based upon a review of cash flow, assets, debts, insurance needs, market volatility, and inflation.

Thereafter, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives and the financial plan. The Registrant primarily allocates investment assets among mutual funds and exchange traded funds (“ETFs”) generally following the parameters of one or more similarly managed investment allocation models described in Item 8.C. below. However, Registrant typically adjusts its trading strategies within the models on an individualized client basis depending upon each client’s investment objectives and/or tax consequences. When consistent with client investment objectives, the Registrant may also allocate

investment assets among individual debt and equity securities, options, and unaffiliated private funds (on a non-discretionary basis) for certain qualified clients.

Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and rebalances the account on a discretionary or non-discretionary basis.

The Registrant will also provide limited financial planning services that typically include the review of account performance as compared to established financial goals and risks, and any changes that could affect the achievement of those goals as part of its ongoing Wealth Management Services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services pursuant to a stand-alone Financial Planning Agreement (see below).

### **Investment Management Services**

Clients who choose not to receive financial planning services as part of the investment advisory process may engage Registrant to provide Investment Management Services on discretionary or non-discretionary *fee* basis. To commence the Investment Management Services engagement, a representative will first ascertain each client's investment objectives (including risk tolerance, time horizon, and other similar factors) that affect the client's current and anticipated financial status. The Registrant will then allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The Registrant primarily allocates investment assets among mutual funds and ETFs generally following the parameters of one or more similarly managed investment allocation models described in Item 8.C. below. However, Registrant typically adjusts its trading strategies within the models on an individualized client basis depending upon each client's investment objectives and/or tax consequences. When consistent with client investment objectives, the Registrant may also allocate investment assets among individual debt and equity securities, options, and unaffiliated private funds (on a non-discretionary basis) for certain qualified clients

Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and rebalances the account on a discretionary or non-discretionary basis.

### **Retirement Plan Consulting Services**

The Registrant also provides non-discretionary retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a Retirement Plan Consulting Agreement between the Registrant and the plan sponsor.

## **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant may also provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, retirement planning, educational planning, business planning, and tax / cash flow planning, etc.) on a stand-alone separate fee basis.

Prior to engaging the Registrant to provide planning or consulting services, clients are required to enter into a Consulting Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as licensed insurance agents and/or the services of Katz, Abosch, Windesheim, Gershman, & Freedman, P.A. ("KAWG&F"), an affiliated CPA firm for tax preparation and accounting-related services discussed in Item 10.C. below. The client is under no obligation to engage the services of any such recommended professional or entity. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing / evaluating / revising Registrant's previous recommendations and/or services.

**Please Note:** If the client engages any such recommended professional or entity, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional or entity. **Please Also Note-Conflict of Interest:** The recommendation by Registrant that a client purchase an insurance commission product from firm representatives in their individual capacities as licensed insurance agents, and/or engage KAWG&F for tax preparation or accounting-related services presents a **conflict of interest**. No client is under any obligation to purchase any insurance commission products from Registrant's representatives or engage KAWG&F for tax preparation or accounting-related services. Clients are reminded that they may purchase insurance products or accounting services recommended by Registrant through other insurance agents or CPA firms. **Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

## **MISCELLANEOUS**

**Unaffiliated Private Investments Funds** Registrant, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) (or such other investment vehicle) shall generally be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in any private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to the potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each private investment fund's offering documents that will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will generally be required to complete a Subscription Agreement (or such other document), pursuant to which the client shall establish that he/she is qualified for investment in the investment fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that Registrant references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If no subsequent valuation post-purchase is provided by the Fund Sponsor, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date), or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than original purchase price. The client's advisory fee shall be based upon reflected fund value(s).

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by a client, Registrant shall provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. under the terms and conditions of a separate written agreement with the client. Registrant does not serve as an attorney or accountant, and no portion of Registrant's services should be construed as legal or accounting services. Accordingly, Registrant does not prepare estate planning documents or tax returns. To the extent requested by a client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as licensed insurance agents and/or the services KAWG&F, an affiliated CPA firm for tax preparation and accounting-related services discussed in Item 10.C. below. The client is under no obligation to engage the services of any such recommended professional or entity. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing / evaluating / revising Registrant's previous recommendations and/or services.

**Please Note:** If the client engages any such recommended professional or entity, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional or entity. **Please Also Note-Conflict of Interest:** The recommendation by Registrant that a client purchase an insurance commission product from firm representatives in their individual capacities as licensed insurance agents, and/or engage KAWG&F for tax preparation or accounting-related services presents a **conflict of interest**. No client is under any obligation to purchase any insurance commission products from Registrant's representatives or engage KAWG&F for tax preparation or accounting-related services. Clients are reminded that they may purchase insurance products or accounting services recommended by Registrant through other insurance agents or CPA firms. **Registrant's Chief Compliance Officer,**

**Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Principal Lenders Group-Conflict of Interest.** Registrant may recommend that certain clients consider making a private mortgage loans (each, a “Loan”) in conjunction with the loan programs established by Principal Lenders Group (the “Group”). The President of the Group, Richard K. Stanton, Esq., is a related-family member of Registrant’s principal, Gregory A. Lowe, CFP®. Neither the Group, nor Mr. Stanton shall provide any compensation to Registrant, Gregory A. Lowe, CFP®, or any other of Registrant’s principals or employees with respect to this recommendation. However, the relationship between Gregory A. Lowe and Richard K. Stanton creates a **material conflict of interest**. Clients must therefore carefully consider this **conflict of interest** when determining to make a Loan, including discussion with professional advisors of their choosing other than Registrant. Clients are further reminded they are under absolutely no obligation to consider or make a Loan.

**Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis must be willing to accept that Registrant cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client’s account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client’s consent.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. It remains each client’s responsibility to promptly notify Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant’s previous recommendations and/or services.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

**ByAllAccounts.** Registrant, in conjunction with the services provided by ByAllAccounts, Inc, may also provide periodic comprehensive reporting services which can incorporate all of the client’s investment assets, including those investment assets that are not part of the assets managed by Registrant (the “Excluded Assets”). The client and/or their other advisors that maintain trading authority, and not Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed in writing, Registrant’s service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if Registrant’s is specifically engaged to monitor and/or allocate the assets within the client’s 401(k) account maintained away at the custodian directed by the client’s employer. As such, except with respect to the client’s 401(k) account (if applicable), Registrant does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client’s designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If Registrant is

asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Registrant provide investment advisory services for the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of the Wealth Management Agreement or Investment Management Agreement between Registrant and the client.

**Retirement Plan Rollovers-No Obligation/Conflict of Interest.** A client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in his/her former employer's plan, if permitted, (ii) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). The Registrant may recommend an investor roll over plan assets to an IRA managed by the Registrant. As a result the Registrant and its representatives may earn an asset-based fee (see **Please Note** below). In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to the Registrant (unless clients engage the Registrant to monitor and/or manage the account while maintained at his/her employer). The Registrant has an economic incentive to encourage a client to roll plan assets into an IRA that the Registrant will manage **or** to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. There are various factors that the Registrant may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus the Registrant's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. **No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. Please Note:** If Registrant's engagement will include the management of the client's retirement account per the same fee schedule set forth in Item 5 below, regardless of custodian or the client's decision to process a rollover, the above economic incentive to recommend a rollover is generally not present. **Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

**Disclosure Statement.** A copy of Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement.

- C. Registrant shall provide investment advisory services specific to the needs of each client. To commence investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Registrant's services.



- D. Registrant does not sponsor a wrap program or offer investment advisory services on a wrap-fee basis.
- E. As of December 31, 2015, Registrant had \$253,185,906 in assets under management on a discretionary basis and \$5,648,600 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

### **A. INVESTMENT ADVISORY SERVICES**

#### **Wealth Management Services**

The client can engage the Registrant on a negotiable *fee* basis to provide discretionary and/or non discretionary Wealth Management Services as described above. The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management, generally between 0.75% and 1.25% as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
The First \$1,000,000	1.25%
Additional Assets between \$1,000,001 and \$3,000,000	1.00%
Additional Assets exceeding \$3,000,000	0.75%

#### **Investment Management Services**

The client can engage the Registrant on a negotiable *fee* basis to provide discretionary and/or non discretionary Investment Management Services as described above. The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management, generally between 0.75% and 1.00% as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
The First \$3,000,000	1.00%
Additional Assets exceeding \$3,000,000	0.75%

#### **Options Strategies Overlay Fee**

When consistent with a client's investment objectives, the Registrant may recommend that clients utilize option strategies intended to serve as an overlay to the Registrant's existing investment advisory services. Clients that choose to engage Registrant to manage investment assets utilizing options strategies will pay an additional 0.25% on the first \$1,000,000 of investment assets, with no additional fee applied to investment assets exceeding \$1,000,000.

### **Retirement Plan Consulting Services**

If a client determines to engage the Registrant to provide retirement plan consulting services, the terms and conditions of the engagement shall be set forth in a Retirement Plan Consulting Agreement between the Registrant and the plan sponsor. The Registrant charges a negotiable annual fee for retirement plan consulting services, which generally ranges between 0.50% and 1.00% of plan assets depending on the level and scope of services requested, the individual(s) rendering the service, and the size of the plan.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

The Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's financial planning and consulting fees are negotiable depending upon the level and scope of the service(s) required, and the individual(s) rendering the services. Such fees generally range between \$3,000 and \$10,000 on a fixed-fee basis (which may be billed on a recurring basis for certain ongoing engagements), or \$250 on an hourly rate basis. Annual updates to any financial plan typically range between \$1,500 and \$3,750 on a fixed-fee basis, or \$250 on an hourly rate basis.

- B. Clients may elect to have Registrant's fees deducted from their custodial accounts. The applicable form of Agreement and the custodial / clearing agreement may authorize the custodian to debit the account for the amount of Registrant's fees and to directly remit that fee to Registrant in compliance with regulatory procedures. In the limited event that Registrant bills the client directly, payment is due upon receipt of Registrant's invoice. Registrant generally deducts or bills clients for its fees quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. However, for certain retirement plans, Registrant bills its advisory fee quarterly in arrears based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Registrant generally recommends that Fidelity Institutional Wealth Services, an SEC-registered and FINRA member broker dealer ("Fidelity") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Fidelity charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers, in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by the account custodian (typically, Fidelity).

- D. Registrant generally deducts or bills clients for its fees quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. However, for certain retirement plans, Registrant bills its advisory fee quarterly in arrears based upon the market value of the assets on the last business day of the previous quarter. Upon termination of the investment advisory engagement, Registrant will either: refund the pro-rated portion of the advanced unearned advisory fee based upon the number of days that services were provided during the billing quarter; or debit the account / bill the client for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter (as applicable).
- E. Neither Registrant, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

Neither Registrant, nor any supervised person of Registrant, accepts performance-based fees.

## **Item 7            Types of Clients**

Registrant's clients generally include individuals, high net worth individuals, pension and profit sharing plans, trusts and estates. Registrant generally requires a minimum annual fee of \$2,500 for investment advisory services. Therefore, in certain limited cases, clients will pay a higher percentage annual fee than referenced in Item 5 above. The Registrant, in its sole discretion, may charge a lesser investment advisory fee or reduce / waive its minimum annual fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts);
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices); and

Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year);
- Short Term Purchases (securities sold within a year);
- Trading (securities sold within thirty (30) days); and
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time).

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

- B. Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Registrant must have access to current / new market information. Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also recommend the use of options transactions, which, as an investment strategy, involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

For detailed information on the use of options and option strategies, clients are encouraged to carefully review the Option Clearing Corp.'s Option Disclosure Document, which can be found at the following link: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>. Hard copies may be ordered by calling 1-888-678-4667, or by writing OCC, 1 North Wacker D. STE 500 Chicago, IL 60606.

Subject to the fee schedule provided in Item 5 above, Registrant may employ "Covered Call Writing" and "Long Put Option Purchase" strategies when consistent with a client's investment objectives.

**Covered Call Writing.** Covered call writing is the sale of in, at, or out-of- the money call option against a long security position held in a client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs, and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

**Long Put Option Purchase.** Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

**Please Note:** Although the intent of the options-related transactions that may be implemented by Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Currently, Registrant primarily allocates investment assets among mutual funds and ETFs. When consistent with client investment objectives, the Registrant may also allocate investment assets among individual debt and equity securities, options, and certain unaffiliated private funds (on a non-discretionary basis) for certain qualified clients.

**Similarly Managed Asset Allocation Models.** Registrant may also allocate client assets, on a discretionary basis, among one or more asset allocation models that have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Registrant’s asset allocation models, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Registrant’s management of client assets through the asset allocation models:

1. **Initial Interview** – at the opening of the account, the Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client’s financial situation and investment objectives;
2. **Individual Treatment** - the account is managed on the basis of the client’s financial situation and investment objectives;
3. **Quarterly Notice** – at least quarterly the Registrant shall notify the client to advise the Registrant whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. **Annual Contact** – at least annually, the Registrant shall contact the client to determine whether the client’s financial situation or investment objectives have

- changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – the Registrant shall be reasonably available to consult with the client relative to the status of the account;
  6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
  7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Registrant not to purchase certain mutual funds;
  8. No Pooling – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
  9. Separate Account - a separate account is maintained for the client with the Custodian;
  10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Registrant believes that its annual investment advisory fee is reasonable in relation to: (1) the advisory services provided under the Investment Advisory Agreement; and (2) the fees charged by other investment advisers offering similar services/programs. However, Registrant’s annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant’s annual investment advisory fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses). **Please Note:** Registrant’s investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

A brief description of each of Registrant’s asset allocation models follows. Please note that all allocations and model compositions are subject to change at the Registrant’s discretion based upon market conditions:

**Conservative:** This model emphasizes generation of stable current income, with generation of future capital appreciation as a secondary objective. Modest annual principal fluctuation is expected and acceptable. This model will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on fixed income. It is generally comprised of 60% fixed income securities (cash, cash equivalents, bonds and bond funds) and 40% equity securities (mutual funds, ETFs, and individual equities).

**Balanced:** This model emphasizes generation of current income and future capital appreciation. Principal risk and fluctuation is expected to be dampened in exchange less substantial return potential over the intended investment time horizon (at least 5 years). This model will consist of a determined allocation among equities, fixed income, and cash. It is generally comprised of: 40% fixed income (cash, cash equivalents, bonds and bond funds); and 60% equity securities (mutual funds, ETFs, and individual equities).

**Moderate Growth:** This model emphasizes future capital appreciation, with generation of income as a secondary objective. Principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon (in excess of 5 years). This model will consist of a determined allocation among equities, fixed income, and

cash, with a primary emphasis on equities. It is generally comprised of: 30% fixed income (cash, cash equivalents, bonds and bond funds); and 70% equity securities (mutual funds, ETFs, and individual equities).

**Growth:** This model purely emphasizes future capital appreciation. Principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon (in excess of 5 years). This model will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on equities. It is generally comprised of: 20% fixed income (cash, cash equivalents, bonds and bond funds); and 80% equity securities (mutual funds, ETFs, and individual equities).

**Balanced - Indexed:** This model is a simplified allocation of the Balanced strategy, utilizing only mutual funds and ETFs, with an emphasis on both current income and future capital appreciation. Principal risk and fluctuation is expected to be dampened in exchange for substantial return potential over the intended investment time horizon (at least 5 years). This model will consist of a determined allocation among equities, fixed income, and cash. It is generally comprised of: 40% fixed income (cash, cash equivalents, bonds and bond funds); and 60% equity securities (mutual funds, ETFs, and individual equities).

**Moderate Growth- Indexed:** This model is a simplified allocation of the Moderate Growth strategy utilizing only mutual funds and ETFs. The primary emphasis is on future capital appreciation, with income generation serving as the secondary objective. Principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon (in excess of 5 years). This model will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on equities, including private investment funds. It is generally comprised of 30% fixed income (cash, cash equivalents, bonds and bond funds); and 70% equity securities (mutual funds and ETFs).

**Growth- Indexed:** This model is a simplified allocation of the Growth strategy utilizing only mutual funds and ETFs. The emphasis is entirely on future capital appreciation. Principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon (in excess of 5 years). This model will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on equities. It is generally comprised of 20% fixed income (cash, cash equivalents, bonds and bond funds); and 80% equity securities (mutual funds and ETFs).

## **Item 9            Disciplinary Information**

Registrant has not been the subject of any disciplinary actions.

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

- A. Neither Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

- B. Neither Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Other Financial Planner.** KAWG&F Financial Planning Group, LLC, a state-registered investment adviser firm that provides financial planning, consulting, and tax-related services (CRD # 131318) is one of Registrant's principal owners.

**Conflict of Interest:** The recommendation by Registrant or its representatives that a client seek financial planning, consulting, and tax-related services from KAWG&F Financial Planning Group, LLC presents a potential **conflict of interest**, as Registrant could have the incentive to make such a recommendation based on fees received from that client, rather than on a particular client's need. Registrant therefore strives to ensure that any such recommendation is based on the respective client's best interests. Clients are also reminded that they are not under any obligation to pursue such services from KAWG&F Financial Planning Group, LLC, and that they can obtain such services from other, non-affiliated providers. **Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Accounting Firm.** The Registrant may recommend that clients engage Katz, Abosch, Windesheim, Gershman, & Freedman, P.A ("KAWG&F"), an affiliated CPA firm to provide accounting and tax preparation services.

**Conflict of Interest:** The recommendation by Registrant or its representatives that a client seek accounting and tax preparation services from KAWG&F presents a potential **conflict of interest**, as Registrant could have the incentive to make such a recommendation based on fees received from that client, rather than on a particular client's need. Registrant therefore strives to ensure that any such recommendation is based on the respective client's best interests. Clients are also reminded that they are not under any obligation to pursue accounting and tax preparation services from KAWG&F, and that they can obtain such services from other, non-affiliated providers. **Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Insurance Agents.** Certain representatives of the Registrant are also licensed insurance agents in their separate and individual capacities, who may recommend the purchase of certain insurance-related products on a commission basis as referenced in Item 4.B above. However, when recommending an insurance product, Registrant generally refers the client to an unaffiliated insurance professional for insurance policy considerations and prospective purchase. In such an event, and if the client purchases a policy, the unaffiliated professional shall share a portion of the commission with the one of Registrant's representatives who is a licensed insurance agent in a separate and individual capacity.

**Conflicts of Interest:** The recommendation by Registrant's representatives that a client purchase an insurance commission product presents **conflicts of interest**, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from Registrant's



representatives or from any recommended unaffiliated professional. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated or non-recommended licensed insurance agents. **The Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

**Principal Lenders Group.** Registrant may recommend that certain clients consider making a private mortgage loans (each, a "Loan") in conjunction with the loan programs established by Principal Lenders Group (the "Group"). The President of the Group, Richard K. Stanton, Esq., is a related-family member of Registrant's principal, Gregory A. Lowe, CFP®.

**Conflict of Interest:** While neither the Group, nor Mr. Stanton shall provide any compensation to Registrant, Gregory A. Lowe, CFP®, or any other of Registrant's principals or employees with respect to this recommendation. However, the relationship between Gregory A. Lowe and Richard K. Stanton creates a **material conflict of interest**. Clients must therefore carefully consider this **conflict of interest** when determining to make a Loan, including discussion with professional advisors of their choosing other than Registrant. Clients are further reminded they are under absolutely no obligation to consider or make a Loan. **Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Registrant or any person associated with Registrant.

- B. Neither Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which Registrant or any related person of Registrant has a material financial interest.
- C. Registrant and/or representatives of Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Registrant and/or representatives of Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit

upon the rise in the market price which follows the recommendation) could take place if Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Registrant’s clients) and other potentially abusive practices.

Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Registrant’s “Access Persons”. Registrant’s securities transaction policy requires that an Access Person of Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Registrant selects; provided, however that at any time that has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Registrant and/or representatives of Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Registrant and/or representatives of Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment advisory accounts be maintained at Fidelity. Prior to engaging Registrant to provide investment advisory services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant’s clients shall comply with the Registrant’s duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant’s investment advisory fee. The Registrant’s best execution

responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from Fidelity (or another broker-dealer/custodian, investment manager, vendor, platform, or fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Registrant to manage and further develop its business enterprise. There is no corresponding commitment made by Registrant to Fidelity or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Registrant does not receive referrals from broker-dealers.

3. **Directed Brokerage:** Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed

accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Registrant decides to purchase or sell the same securities for several clients at approximately the same time. Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Registrant on an annual basis.
- B. Registrant may conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A above, the Registrant receives indirect economic benefits from Fidelity including support services and/or products without cost (and/or at a discount).

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as a result of this arrangement. There is no corresponding commitment made by the Registrant to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

## **Item 15 Custody**

Registrant shall have the ability to have its investment advisory and planning fee for each client debited by the custodian on a monthly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Registrant's investment advisory and planning fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage Registrant to provide investment advisory services on a discretionary basis. Prior to Registrant assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming Registrant as the client's attorney and agent in fact, granting Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Registrant's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18      Financial Information**

- A. Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Registrant's Chief Compliance Officer, Gregory A. Lowe, CFP®, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**