



FERRELL WEALTH MANAGEMENT, INC.  
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FORM ADV, PART II DISCLOSURE BROCHURE  
ANNUAL AMENDMENT

*Information provided as of March 2014*

This Brochure provides information about the qualifications and business practices of Ferrell Wealth Management Inc. ("ADVISER"). If you have any questions about the contents of this Brochure, please contact us at (407) 629-7008 and/or [info@ferrellwm.com](mailto:info@ferrellwm.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.

Ferrell Wealth Management Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Ferrell Wealth Management Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **MATERIAL CHANGES**

Ferrell Wealth Management periodically updates the Form ADV, Part II Disclosure Brochure with information relating to the types of services offered, fees, types of clients served, types of investments generally recommended, and methods of analysis. As of this filing date, there are no material changes to note.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Elaine Kirchner, Compliance Officer at (407) 629-7008 or [ekirchner@ferrellwm.com](mailto:ekirchner@ferrellwm.com).

Additional information about Ferrell Wealth Management Inc. is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Ferrell Wealth Management Inc. who are registered, or are required to be registered, as investment adviser representatives of Ferrell Wealth Management Inc.

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## **ADVISORY BUSINESS**

Ferrell Wealth Management Inc. is a private Investment Advisor, established in 1996 and registered with the Securities and Exchange Commission (SEC) and the state of Florida. The principle owner is James W. Ferrell, MBA, CPA, CFP®, PFS, CIMC, who is the President and Chief Executive Officer. We offer fee-based consulting for individuals, trusts, and estates. Services are strictly tailored to each client and include the following:

- Development of unique and personalized investment portfolios and policy statements based on client goals and objectives
- Preparation of Strategic Asset Allocations based on modern portfolio theory
- Evaluation and due diligence of style specific Separate Money Managers for tax-efficient and customized portfolios of individual securities
- Performance evaluation and monitoring of Separate Account Money Managers and Mutual Fund Money Managers
- Investment Management using no-load mutual funds at institutional pricing
- Comprehensive Financial and Estate Planning

We provide investment advisory services for managed accounts on a discretionary basis and have full authority to determine which securities are purchased and sold. However, you may have assets that are not managed by us (these assets are considered non-discretionary). We do not maintain actual custody of your assets. However, Mr. Ferrell may act as Trustee on some friends and family trusts which by SEC rules is considered to have custody.

As of December 31, 2013, we managed over \$301,183,845 for individuals, trusts and estates. Out of this total, \$253,038,520 of client assets is managed on a discretionary basis and \$48,145,325 on a non-discretionary basis.

## **FEES AND COMPENSATION**

The specific manner in which we charge fees is established in your written agreement with us. Fees are expressed annually and billed quarterly. Calculation of the fee is based upon the value of the portfolio (including cash or its equivalents) at the end of the prior quarter to which the fee relates. The fee schedule for investment advisory services is as follows:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Up to \$2,000,000	1.00%
\$2,000,000 to \$5,000,000	0.80%
\$5,000,000 to \$10,000,000	0.60%
\$10,000,000 and above	0.25%

You may elect to be billed directly for fees or to authorize us to directly debit fees from your accounts. We will prorate management fees for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of nominal contributions and

withdrawals). We will charge a prorated fee for accounts initiated or terminated during a calendar quarter. Upon termination of any account, we will promptly refund any prepaid, unearned fees, and any earned, unpaid fees will be due and payable. You have the right to terminate an agreement without penalty within five business days after entering into the agreement.

It is your responsibility to determine if our fees are suitable for you. Our fees may be higher than other investment advisors offering similar services. Management fees are sometimes subject to negotiation. Fees cover our investment advisory, reporting, and account related services. We will provide pro-rata refunds.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which you will incur. You may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These charges, fees and commissions are exclusive of and in addition to our fee. We will not receive any portion of these commissions, fees, and costs. Refer to Item 12 in the Brochure for additional information on our brokerage practices.

Triad Advisors, a registered broker-dealer may pay us compensation related to the selection and purchase of private securities such as Real Estate Investment Trusts (REITs). We will exclude these private securities from our annual asset based fee structure.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **TYPES OF CLIENTS**

We provide portfolio management services for individuals, trusts, estates, non-profit organizations, professional and religious organizations, corporations, pension plans, and private pooled funds. For our clients, the minimum account size is \$500,000. We may increase or decrease the account minimums for normal business reasons and considerations.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

We look at quantitative and qualitative information to select the products and securities that will be used in your portfolio. Each portfolio that we construct involves the use of modern portfolio theory. This method attempts to maximize the expected return of portfolios relative to the amount of risk taken. This is achieved by combining different investments to form an efficient allocation of assets.

We develop your asset allocation model based on your desired rate of return and risk tolerance level. In general, mutual funds, ETFs, and separate account managers are utilized for managing assets in the portfolio. We use computer-based asset allocation software to construct your asset allocation model.

Our objective is to create an investment policy with a well-diversified asset mix that can be expected to generate acceptable long-term return at a level of risk suitable to you. Fluctuating rates of return are characteristic of the securities markets, so our greatest concern will be long-term behavior of the assets and consistency of portfolio returns. To achieve these investment objectives, you must be willing to accept the usual risks and volatility that accompany a properly balanced and diversified portfolio.

## **DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information applicable to this Item.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

James W. Ferrell, President and Chief Executive Officer serves on the Board of Directors of New Traditions Bank and Old Florida BancShares, Inc. He is licensed as a Certified Public Accountant and is the President and Managing Partner of Ferrell & Kelly, LLC, which provides tax and accounting services to a limited number of Ferrell Wealth Management's clients. Ferrell & Kelly, LLC shares supervised persons and premises with us but we have no reason to believe that this relationship with the firm otherwise creates a conflict of interest. Mr. Ferrell also holds an Insurance and Real Estate Broker License, and is a registered representative of Triad Advisors. We use Triad Advisors for brokerage services relating to private investments, such as Real Estate Trusts (REITs).

In addition to providing investment advice to clients, we offer personal financial planning services. On behalf of our financial planning clients, we may occasionally review insurance alternatives pertaining to a client's estate plan. As part of this process, we may perform due diligence on insurance companies and recommend strategies utilizing insurance policies to meet client goals and objectives. On occasion, we may receive insurance commissions for this service on a fully disclosed basis.

## **CODE OF ETHICS**

We have adopted a Code of Ethics for all employees that describe our high standard of business conduct and fiduciary duty to you. The Code of Ethics includes provisions relating to the confidentiality of your information, our expectations and laws governing conduct, and ways to guard against violations of securities laws.

The general rules of the Code of Ethics include the following:

1. The duty at all times to place your interests first
2. The requirement that all personal securities transactions be conducted in a manner that is consistent with the Code of Ethics and to avoid actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility
3. That employees should not take inappropriate advantage of their position
4. The fiduciary principle that information concerning the identity of your security holdings and financial circumstances is confidential
5. The principal that independence in the investment decision-making process is paramount.

All employees must acknowledge the terms of the Code of Ethics annually, or as amended. On occasion, our employees may buy or sell securities that we recommend to you. If an employee holds the same securities as you, purchasing and/or selling will occur first in your account so that you will not be disadvantaged. We generally do not buy securities from or sell securities to any investment Advisory client. In order to start a new product line, we (or an affiliate) may establish an account with funds provided by us (or the affiliate). This account will be managed along with other client accounts in such a way that our account does not receive favorable treatment over other client accounts. No one account will be favored over another including the personal accounts of our personnel. We have adopted Personal Trading Policies and Procedures to address potential conflicts of interest and trading issues related to providing investment advisory services to you. The procedures describe the appropriate actions necessary when addressing a trade error in your account. We consider a trade error to be an unintentional mistake, such as purchasing instead of selling a security, purchasing (or selling) an incorrect amount of a security, or purchasing (or selling) a security in contravention of an applicable guideline. Our Compliance Officer is responsible for ensuring that any such trade error is corrected in accordance with procedures designed to ensure that such error is promptly identified, corrected and documented. In correcting a trade error, we will generally reimburse your account for any losses arising from the error and any profits related to the error will generally remain in your account.

## **BROKERAGE PRACTICES**

Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer or bank. We may recommend that our clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, or TD Ameritrade Institutional, a division

of TD Ameritrade Inc. (TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and NASD member, to maintain custody of your assets and to effects trades for your accounts.

We seek to recommend a custodian/broker who will hold your assets and execute transactions that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Capability to execute, clear, and settle trades (buy and sell securities for your account), as well as facilitate transfers and payments to and from your accounts (wire transfers, check requests, bill payment, etc.)
- Competitiveness of the price of those services (commission rates, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, etc.)
- Reputation, financial strength, stability, and quality of services
- Availability of investment research and tools that assist us in making investment decisions

Schwab/TD Ameritrade Institutional provide us and our clients with access to their institutional brokerage – trading, custody, reporting, and related services – many of which are not typically available to their customers. Schwab/TD Ameritrade Institutional also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include software and other technology that provide access to your account data, facilitate trade executions, provide research, pricing information and other market data, facilitate payment of our fees from our clients’ accounts, and assist with back office support, record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab/TD Ameritrade Institutional. Schwab/TD Ameritrade Institutional may also provide us with other services intended to help us manage and further develop our business enterprise. Schwab/TD Ameritrade Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. However, the availability of the forgoing products and services is not contingent upon committing any specific amount of business to Schwab/TD Ameritrade Institutional.

We use Triad Advisors for brokerage services related to any private investments such as Real Estate Trusts (REITs). We do not receive soft dollar benefits from this relationship. Refer to Item 5 for an explanation of the compensation we receive from Triad Advisors.

### **REVIEW OF ACCOUNTS**

We offer an initial review of your accounts and assist you with the development of an investment advisory policy statement. We determine an appropriate asset allocation based on your objectives and risk tolerance level. Our Financial Advisors review and monitor managed accounts at least quarterly. We review your investment goals and objectives as the need arises.



We provide quarterly written portfolio evaluation reports for managed accounts. We prepare reports for you according to your individual circumstances/preferences. All clients receive account statements from their broker/dealers, mutual funds, and other portfolios as appropriate.

We review and modify portfolios on a periodic basis. Based on the output of our evaluation methods, analysis of fundamental variables, portfolio optimization process based on risk tolerances, and portfolio constraints, the portfolio managers make any necessary changes to each individual portfolio.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

We receive an economic benefit from Schwab/TD Ameritrade Institutional in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts there. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to us of Schwab/TD Ameritrade Institutional products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

#### **CUSTODY**

We do not take custody of client assets. Your designated custodian holds all of your assets in custody for you. However, if you authorize us to instruct your custodian to deduct our advisory fees directly from your accounts (or if you grant us authority to move your money to another person's account), we are considered to have limited custody of such assets due to this ability to deduct fees.

You will receive account statements directly from your custodian at least quarterly. You should carefully review those statements promptly when you receive them. We also urge you to compare them to the account statements that we may give you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **INVESTMENT DISCRETION**

We usually receive discretionary authority from you at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for your particular account. When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the clients for whom we advise. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to us in writing.

## **VOTING CLIENT SECURITIES**

We may at times vote proxies for you when you have individual securities in your portfolio. Our voting policies and procedures adhere to SEC requirements and uphold the fiduciary standard for all ERISA accounts under our management.

Our policy with respect to voting proxies is as follows:

- All proxies in accounts where we maintain proxy voting authority will be voted promptly.
- We will make an effort to vote each proxy in your best interests, with your objectives and preferences in mind.
- A Proxy Committee helps resolve any conflicts of interest that may arise.
- We maintain records in accordance with SEC regulations. This includes a complete copy of our Policies and Procedures, proxy statements received, each vote cast, and all of your written requests for proxy voting records and our response to each inquiry.

Upon your written request, we can send you a complete copy of our Proxy Voting Policies and Procedures and/or a report showing how we voted your proxies.

## **FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you, and have not been the subject of a bankruptcy proceeding.