

# Wrap Fee Program Disclosure Brochure

October 2016

## **WealthPLAN Partners**

*CRD# 158935*

*A Registered Investment Adviser*

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This Disclosure Brochure provides information about the business and practices of WealthPLAN Partners. The purpose of the brochure is to provide information to you so that you can understand and use our services more effectively. Please call us at our main office number listed above if you have questions about the content of this brochure.

WPP is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The investment advisory services that are described within this brochure are not insured or otherwise protected by the U.S Government, the FDIC, the Federal Reserve Board, or any other government agency. All investments involve risk, including the possible loss of principal.

The information in the brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Additional information about WealthPLAN Partners is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), by searching for WealthPLAN Partners or using CRD number 158935.

**WealthPLAN Partners, a Registered Investment Adviser**

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This Item discusses material changes that have been made to our wrap brochure since the date of our last annual updating amendment. Our firm does not have any material changes to disclose about our wrap brochure.

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## **Item 4: Services, Fees & Compensation**

Our firm manages assets for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary it is our duty to always act in the client's best interest. This is accomplished in part by knowing the client. Our firm has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

Our wrap fee program allows clients to pay a single fee for investment advisory services and associated custodial transaction costs. Because our firm absorbs client transaction fees under a wrap arrangement, an incentive exists to limit trading activities in client accounts. Custodial transaction costs are not included in the advisory fee charged by our firm for non-wrap services, and are to be paid by the client to their chosen custodian. Depending on the client's account or portfolio trading activity, clients may pay more for using our wrap fee services than they would for using our non-wrap services. This conflict of interest is mitigated by our fiduciary responsibility to always act in our client's best interest, and as such we do not manage wrap accounts in any different manner from non-wrap accounts.

### **Our Wrap Advisory Services**

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Clients can engage our wrap fee program to manage all or a portion of their assets on a discretionary basis. Clients can establish accounts at either LPL Financial, Charles Schwab & Co., or TD Ameritrade (TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC "TD Ameritrade" an unaffiliated SEC-registered broker-dealer and FINRA member). for the custody of assets, with our assistance.

We primarily allocate clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, managed futures, real estate partnerships and/or options, as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. In addition, we may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. We also provide advice about any type of investment held in clients' portfolios.

We may also render non-discretionary investment advisory services to clients relative to their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, we either direct or recommend the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

We tailor our advisory services to the individual needs of clients. We consult with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the client's investment needs. We strive to ensure that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance based on information provided by the client on the Client Profile form, the Fact Finder, and during a one on one meeting with the client(s) initially and at least annually. Clients are advised to promptly notify the firm if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon our management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds).

We provide investment management services for an annual fee based upon a percentage of the market value of the assets being managed. Our annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. We do not, however, receive any portion of these commissions, fees, and costs. Our annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by us on the last day of the previous quarter. The annual fee is negotiable and varies (between 0.01% and 2.50%) depending upon the market value of the assets under management and the type of investment management services to be rendered. The client will receive full disclosure and details of all arrangements in the agreement.

Our firm will occasionally utilize the sub-advisory services of a third party investment advisory firm or individual advisor to aid in the implementation of an investment portfolio designed by our firm. Before selecting a firm or individual, our firm will ensure that the chosen party is properly licensed or registered.

For the sub-advisory services rendered to our clients, our firm compensates third party investment advisory firms or individual advisors a percentage of the overall investment advisory fee charged by our firm. The advisory fee paid shall not exceed the fee published for this service. The terms and conditions under which the client shall engage the third party investment advisory firm or individual advisors shall be set forth in a separate agreement between the client and the designated third party.

#### **Referrals to Third Party Money Managers**

The total annual advisory fee for this service shall not exceed 1.50%. A portion of this fee will be paid to our firm and will be outlined in the third party money manager's advisory agreement to be signed by the client. Clients will be provided with a copy of the chosen third party money manager's Form ADV Part 2, all relevant Brochures, a solicitation disclosure statement detailing the fees to be paid to both firms and the third party money manager's privacy policy. All fees that our firm receives from the third party money

managers and the written separate disclosures made to clients regarding these fees comply with applicable state statutes and rules.

**Other Types of Fees & Expenses:**

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The fees not included in the advisory fee for our wrap services are charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

**Wrap Fee Program Recommendations:**

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Our firm does not recommend or offer the wrap program services of other providers.

## **Item 5: Account Requirements & Types of Clients**

We do not require a minimum account size to open or maintain an account. The types of clients we provide our services to include; individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities, and state or municipal government entities.

## **Item 6: Portfolio Manager Selection & Evaluation**

**Selection of Portfolio Managers**

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Our firm utilizes our in-house portfolio managers as well as a selection of outside portfolio managers. In-house accounts are managed by licensed investment adviser representatives ("IAR"s) of our firm. Prior to becoming licensed with our firm, each IARs industry experience, licensure, outside business activities, client complaints (if any), disciplinary or regulatory history (if any) and financial well-being will be reviewed. Each IAR will then have a Form U4 and ADV Part 2B on file with our firm. Outside portfolio managers, either individually or firm-wide, are selected based on past performance, investment philosophy, market outlook, experience of associated portfolio managers and executive team, disciplinary, legal and regulatory histories of the firm and its associates, and/or whether compliance procedures are in place to address at a minimum, insider trading, conflicts of interest, and/or anti-money laundering.

Performance returns of wrap portfolios are reviewed at least annually. The nature of these reviews is to learn whether client accounts are in line with their investment objectives and appropriately positioned based on market conditions. If these standards fall below the client objectives, our firm will discuss the review with the portfolio manager for proactive action to realign the investment strategy.

**Advisory Business:**

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Information about our wrap fee services can be found in Item 4 of this brochure. Our firm offers individualized investment advice to our Wrap Investment Management clients.

Each Wrap Investment Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

**Participation in Wrap Fee Programs:**

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Our firm does not manage wrap fee accounts in a different fashion than non-wrap fee accounts. All accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

**Performance-Based Fees & Side-By-Side Management:**

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Our firm does not charge performance-based fees.

**Methods of Analysis, Investment Strategies & Risk of Loss:****Investment Strategies**

Our philosophy represents an evolution of investment thought that moves beyond simple "Buy and Hold" and basic Asset Allocation to that of Strategy Diversification. It focuses more directly on how investments interact and relate to each other, looking closely at how investments are managed, how they seek to gain their returns, how they address risk exposures, and perhaps most importantly, what their correlations are to one another.

We believe that Strategy Diversification can more effectively address portfolio volatility than basic Asset Allocation across stock and bond asset classes by utilizing strategies with defensive mechanisms, and low or uncorrelated strategies that have return characteristics unrelated to the stock and bond markets. Strategy Diversification is designed to recognize that investments have different characteristics to achieve return and address risk. By diversifying and actively allocating across these various strategies, we strive to build portfolios to address each client's long-term financial plan with more consistent returns and lower portfolio volatility.

With respect to our Retirement Plan Consulting Services, we strive to recommend diversified investment alternatives that plan sponsors may consider for investment or to make available to participants.

## **Risk of Loss**

### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a significant portion of our recommendations or selections may depend to a great extent upon correctly assessing the future course of price movements of various securities in which it invests. There can be no assurance that we will be able to predict those price movements accurately.

### *Management through Similarly Managed Accounts*

For most clients, we generally manage portfolios by allocating portfolio assets among various mutual funds/securities on a discretionary basis using one or more of its proprietary investment strategies (collectively



referred to as “investment strategy”). In so doing, we buy, sell, exchange and/or transfer shares of mutual funds, ETFs and other securities based upon the investment strategy.

Our management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

The investment strategy may involve an above-average portfolio turnover that could negatively impact the net after-tax gain experienced by an individual client. Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to clients may be limited. As further discussed in response to Item 12B (below), we allocate investment opportunities among clients on a fair and equitable basis.

#### *Options*

Options allow investors to buy or sell a security at a contracted “strike” price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### **Voting Client Securities**

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We do not and will not accept the proxy authority to vote client securities. Clients retain the right to vote all proxies. Proxy information for any securities which are held in your accounts will be sent to you by the account's custodian. We will not be providing you with this information. However, if you have any questions about a particular situation, you may contact us for general information.

Third party money managers selected or recommended by our firm may vote proxies for clients. Except in the event a third party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially 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. Therefore (except for proxies

that may be voted by a third party money manager), our firm and/or the client shall instruct the qualified custodian to forward to copies of all proxies and shareholder communications relating to the client's investment assets.

## **Item 7: Client Information Provided to Portfolio Manager(s)**

For accounts managed by our in-house licensed IARs, the IAR selected to manage the client's account(s) or portfolio(s) will be privy to the client's investment goals and objectives, risk tolerance, restrictions placed on the management of the account(s) or portfolio(s) and relevant client notes taken by our firm. Please see our firm's Privacy Policy for more information on how our firm utilizes client information.

For those managed by outside portfolio managers, our firm communicates with your portfolio manager(s) on a regular basis as needed to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, our firm will communicate such information as part of our regular investment management duties. Nevertheless, our firm will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

## **Item 8: Client Contact with Portfolio Manager(s)**

Clients are always free to directly contact their portfolio manager(s) with any questions or concerns about their portfolios or other matters.

## **Item 9: Additional Information**

### **Disciplinary Information**

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We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures to add to this Item.

### **Financial Industry Activities & Affiliations**

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### **Receipt of Securities Commission**

We participate in LPL Financial's hybrid RIA program. As such, some of the investment advisory representatives are also registered representatives of LPL. In such capacity, those advisory representatives may receive commissions for recommending the purchase or sale of securities. As a result of this relationship, LPL may have access to certain confidential information (e.g., financial information, investment

objectives, transactions and holdings) about our clients, even if the client does not establish any account through LPL. Any client who would like a copy of the LPL privacy policy may contact the firm.

### **Receipt of Insurance Commission (Agency or No Agency)**

Certain of the firm's advisory representatives, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. Although we do not sell such insurance products to our investment advisory clients, we do permit the advisory representatives, in their individual capacities as licensed insurance agents, to sell insurance products to our investment advisory clients. A conflict of interest exists to the extent that we recommend the purchase of insurance products where its advisory representatives receive insurance commissions or other additional compensation.

### **Receipt of LPL Shares**

LPL's parent company, LPL Investment Holdings, Inc., is a publicly traded company with shares listed on The NASDAQ Global Select Market under the trading symbol "LPLA". Certain advisory representatives of WPP are shareholders and/or option holders of LPLA.

### **Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

We recognize that the personal investment transactions of the associated persons of the firm necessitates the implementation and strict adherence to a robust set of values, or Code of Ethics. The firm has adopted such a Code that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by the firm or any of its associated persons. The Code of Ethics also requires that certain of firm personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in the firm's Code of Ethics, none of our Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold on behalf of any of WPP's clients.

When the firm is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the firm is selling or considering the sale of any

security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact us to request a copy of our Code of Ethics.

LPL's parent company, LPL Investment Holdings, Inc., is a publicly traded company. We do not recommend or solicit orders of LPL Investment Holdings Inc. stock in our accounts.

### **Review of Accounts**

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For those clients engaged in our wrap investment management services the firm monitors those portfolios as part of an ongoing process while regular account reviews are conducted periodically as needed but at least annually. Such reviews are conducted by one of our investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with us and to keep us informed of any changes thereto. We contact ongoing investment advisory clients at least annually to review our previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian for the client accounts.

Clients receiving wrap investment management services will also receive a quarterly performance report issued either by the firm or the selected custodian on behalf of the firm.

### **Other Compensation**

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As a result of our relationship with LPL, we may receive production bonuses, stock or stock options to purchase shares of LPL's parent company, and other things of value such as free or reduced-cost attendance at LPL's national sales conference or top producer forums and events. Such compensation may be based on overall business produced and/or the amount of assets serviced through LPL. Thus, there is a financial incentive for us to recommend that you select LPL as the custodian for your investment management account so that we will be compensated. We take our responsibilities to clients very seriously and we will only recommend that clients hire us for management services if we believe it is appropriate and in the client's best interests.

In addition, we may receive an economic benefit from LPL Financial in the form of a loan, which is forgiven if we meet certain conditions in terms of maintaining a relationship with LPL Financial. We also receive payments from LPL to reimburse for marketing related expenses, technology costs, and to pay for transitioning new advisory representatives to the firm. Please see detailed discussion of the conditions and potential conflicts of interest in Item 12 Brokerage Practices of the Form ADV Part 2A.

We receive an economic benefit from Schwab and TD Ameritrade in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab and TD Ameritrade. These products and services, how they benefit us, and the related conflicts of interest are described above (see Form ADV Part 2A Item 12- Brokerage Practices). The availability to us of Schwab and TD Ameritrade's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Here is a more detailed description of Schwab's support services:

Services that Benefit You. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services that May Indirectly Benefit You. Schwab also makes 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 investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Our Firm. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
  - technology, compliance, legal, and business consulting;
  - publications and conferences on practice management and business succession; and
  - access to employee benefits providers, human capital consultants and insurance providers.
- Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

We do not use client brokerage commissions to obtain research or other products or services. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving these services, we may have an incentive to continue to use or expand the use of Schwab services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Schwab and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Schwab charges brokerage commissions and 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 debt securities transactions). Schwab enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Schwab commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by Schwab may be higher or lower than those charged by other custodians and broker-dealers.

### **Client Referrals**

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WPP compensates other persons or firms for client referrals. WPP enters into an agreement with such referral agents and pays them a portion of the advisory fee. The referral agent discloses to the client at the time of the solicitation the arrangement and the compensation to be received by the referral agent. The compensation for these services is paid completely by the firm from the investment advisory fees earned, which are not increased or passed along to a client in any way, therefore there is no increase in the advisory fees you will pay to the Investment Adviser.

WPP will also occasionally act as a third party manager for client accounts. In such instances a portion of the advisory fee agreed to and paid by the client will be remitted to our firm for the asset management services provided.

#### **Financial Information**

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We do not require nor do we solicit the prepayment of more than \$1,200 in fees per client, six months or more in advance when providing advisory services. As a result, we are not required to include a financial statement with this brochure. WPP is not and has never been the subject of a bankruptcy petition.