

## **Torch Wealth Management, LLC**

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March 7, 2017

### **Form ADV Part 2A - Firm Brochure**

This disclosure brochure provides information about the qualifications and business practices of Torch Wealth Management LLC (also referred to as we, us and Torch Wealth Management throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Irene Dake at 513-285-7080 or [dakei@torchwealth.com](mailto:dakei@torchwealth.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Torch Wealth Management is also available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Torch Wealth Management LLC or our firm's CRD number 168815.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## Item 2 Material Changes

Since the filing of our last Annual Updating Amendment dated February 2, 2016 we added disclosures regarding retirement rollovers noting that we have a conflict of interest when recommending an investor roll plan assets into an IRA that Torch Wealth Management will advise on or to engage Torch Wealth Management to monitor and/or advise on the account while maintained with the client's employer because we have an economic incentive to do so. However, no client is under any obligation to roll over plan assets to an IRA advised by Torch Wealth Management or to engage Torch Wealth Management to monitor and/or advise on the account while maintained with the client's employer.

Additionally, we added a disclosure in Item 12 to note that, although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Torch Wealth Management may receive from Schwab (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Torch Wealth Management to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Torch Wealth Management 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 Torch Wealth Management in furtherance of its investment advisory business operations.

Torch Wealth Management's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Torch Wealth Management to Schwab 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.

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## Item 4 Advisory Business

Torch Wealth Management is an investment adviser registered with the United States Securities and Exchange Commission ("SEC") and is a limited liability company (LLC) formed under the laws of the State of Ohio.

- Donald L. Keller, Jr. is a Member and Chief Investment Officer (CIO) of Torch Wealth Management. He owns 25.00% of Torch Wealth Management.
- Irene Dake is the Managing Member and Chief Compliance Officer (CCO) of Torch Wealth Management. She owns 25.00% of Torch Wealth Management.
- Edward M. Haberer is a Member and President of Torch Wealth Management. He owns 25.00% of Torch Wealth Management.
- Elizabeth A. Dayter is a Member and Director of Client Services of Torch Wealth Management. She owns 25.00% of Torch Wealth Management.
- Torch Wealth Management filed its initial application to become registered as an investment adviser in August 2013.

### Introduction

The investment advisory services of Torch Wealth Management are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative (IAR) of Torch Wealth Management (referred to as your investment adviser representative throughout this brochure). See our ADV Part 2B for the listing of our IAR's.

### Description of Advisory Services

The following are descriptions of the primary advisory services of Torch Wealth Management. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Torch Wealth Management before we can provide you the services described below.

**Asset Management Services** - Torch Wealth Management offers asset management services, which involves Torch Wealth Management providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and make decisions regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you periodically to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to

consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase or sell certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistently with the best interests of all accounts involved. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we may not disclose the information to any client or use it for any client's benefit or our own.

**Financial Planning & Consulting Services** - Torch Wealth Management offers financial planning services, which involve preparing a written financial plan covering specific or multiple topics. This financial plan may address the following topics: Insurance Planning, Tax Planning, Education Planning, Portfolios Review, and Asset Allocation. When providing financial planning and consulting services, the role of your investment adviser representative is to find ways to help you understand your overall financial situation and help you set financial objectives. Written financial plans from us do not include specific recommendations of individual securities.

We also offer consultations in order to discuss financial planning issues when you do not need a written financial plan. We offer a one-time consultation, which covers mutually agreed upon areas related to investments or financial planning. We also offer "as-needed" consultations, which are limited to consultations in response to a particular investment or financial planning issue raised or request made by you. Under an "as-needed" consultation, it will be incumbent upon you to identify those particular issues for which you are seeking our advice or consultation.

Our financial planning and consulting services do not involve implementing any transaction on your behalf. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent that you would like to implement any of our investment recommendations through Torch Wealth Management or retain Torch Wealth Management to actively monitor and manage your investments, you must execute a separate written agreement with Torch Wealth Management for our asset management services. We may use a third party to assist us in the creation of a financial plan at no additional cost to you.

#### **Limits Advice to Certain Types of Investments**

Torch Wealth Management provides investment advice on the following types of investments:

- Exchange Traded Funds (ETFs)
- Mutual Funds (MF)
- Exchange-listed Securities
- Securities Traded Over-the-Counter
- Corporate Debt Securities
- Certificates of Deposit
- Municipal Securities
- US Government Securities
- Option Contracts on Securities

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

*(Please refer to Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Miscellaneous**

#### **Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.**

Torch Wealth Management **does not** serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as same. Accordingly, Torch Wealth Management **does not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc). You are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Torch Wealth Management if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Torch Wealth Management's previous recommendations and/or services. Torch does not receive any compensation from anyone for recommending any professional and/or their product.

**PLEASE NOTE: RETIREMENT ROLLOVERS-No Obligation/Conflict of Interest:** A client leaving an employer typically has four options (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) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Torch Wealth Management may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) advised by Torch Wealth Management. As a result, Torch Wealth Management and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to Torch Wealth Management (unless you engage Torch Wealth Management to monitor and/or advise on the account while maintained with the client's employer). Torch Wealth Management has an economic incentive to encourage an investor to roll plan assets into an IRA that Torch Wealth Management will advise on or to engage Torch Wealth Management to monitor and/or advise on the account while maintained with the client's employer. There are various factors that Torch Wealth Management 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 those of Torch Wealth Management, 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 advised by Torch Wealth Management or to engage Torch Wealth Management to monitor and/or advise on the account while maintained with the client's employer. **Torch Wealth Management's Chief Compliance Officer, Irene Dake, remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement.**

**Client Obligations.** In performing our services, Torch Wealth Management 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. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify us if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

**Please Note: 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 Torch Wealth Management) will be profitable or equal any specific performance level(s).

#### **Tailor Advisory Services to Individual Needs of Clients**

Torch Wealth Management's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis to determine your investment objectives and suitability information. Our financial planning and consulting services are always provided based on your individual needs.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

#### **Client Assets Managed by Torch Wealth Management**

As of December 31, 2016 we manage \$241,487,536 in client assets on a discretionary basis, and \$1,180,915 in client assets on a non-discretionary basis.

### **Item 5 Fees and Compensation**

In addition to the information provided in *Item 4 - Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Torch Wealth Management. We are a "fee only" investment advisor.

#### **Asset Management Services**

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the prior quarter. If an account is opened at any time other than the beginning of a calendar quarter, fees are prorated based on the number of days service is provided during the initial billing period and are due upon receipt.



The asset management services continue in effect until terminated by either party (i.e., Torch Wealth Management or you) by providing written notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by Torch Wealth Management to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus fixed income), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

The following is our standard fee schedule for asset management services:

<b>Assets Under Management</b>	<b>Max Annual Fees</b>
\$0 - \$1,000,000	1.000%
\$1,000,001 - \$5,000,000	0.750%
\$5,000,001 and up	0.500%

Torch Wealth Management believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund/ETF level (e.g., advisory fees and other fund expenses).

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to Torch Wealth Management.

You should review your account statements received from the qualified custodian(s) and verify that the investment advisory fees are being calculated and deducted correctly. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Torch Wealth Management does not receive any portion of such commissions or fees from the qualified custodian. In addition, you may incur certain charges imposed by third parties other than Torch Wealth Management in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Torch Wealth Management are separate and distinct from the fees and expenses charged by investment



company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. Torch is a "fee only" advisor and does not receive compensation for the sale or purchase of any product and/or security.

### **Financial Planning & Consulting Services**

Fees charged for our financial planning and consulting services are negotiable based upon the type of client, the services requested, the complexity of the client's situation, the composition of the client's account and other advisory services provided. The following are the fee arrangements available for financial planning and consulting services offered by Torch Wealth Management.

#### ***Fees for Financial Planning Services***

Torch Wealth Management provides financial planning services under a fixed fee arrangement. Fees may range between \$500 and \$2,500 depending on the complexity of the plan. The amount of the fixed fee for your engagement will be specified in your financial planning agreement with Torch Wealth Management. At our sole discretion, you may be required to pay in advance the fixed fee at the time you execute an agreement with Torch Wealth Management. Upon completion and delivery of the financial plan, the fixed fee is considered earned by Torch Wealth Management and any unpaid amount is immediately due.

The fees for the financial planning services may be waived by Torch Wealth Management at our sole discretion.

#### ***Fees for Consulting Services***

Torch Wealth Management provides consulting services under an hourly fee arrangement of \$150 per hour or a fixed fee arrangement. Before providing consulting service on an hourly basis, Torch Wealth Management will provide an estimate of the approximate hours needed to complete the consulting services. If Torch Wealth Management anticipates exceeding the estimated amount of hours required, Torch Wealth Management will contact you to receive authorization to provide additional services. You may be requested to pay in advance a mutually agreed upon retainer that will be available for Torch Wealth Management to bill hourly fees against for our consulting services; however, under no circumstances will Torch Wealth Management require you to pay fees more than \$1,200 more than six months in advance. Any unpaid hourly fees will be due immediately upon completion of the consulting services.

Under a fixed fee arrangement, a mutually agreed upon fixed fee will be charged for consulting services. The minimum fixed fee for consulting services will be \$1,000 and maximum fixed fee for consulting services will be generally no more than \$10,000 dependent upon the complexity of the client's situation. The amount of the fixed fee for your engagement is specified in your consulting agreement with Torch Wealth Management. At our sole discretion, you may be required to pay in advance the fixed fee at the time you execute an agreement with Torch Wealth Management. The fixed fee will be considered earned by Torch Wealth Management and any unpaid amount immediately due from Client upon the completion of the consulting services.

At our discretion, Torch Wealth Management may offer to waive the fees for certain consulting services.

The one-time consulting services will terminate upon completion of the consultation or either party providing the other party with written notice. The "as-needed" consulting services will terminate upon either you or Torch Wealth Management providing written notice of termination to the other party.

If you terminate the consulting services after entering into an agreement with Torch Wealth Management, you will be responsible for immediate payment of any consulting work performed by Torch Wealth Management prior to the receipt by Torch Wealth Management of your notice of termination. For consulting services performed by Torch Wealth Management under an hourly arrangement, you will pay Torch Wealth Management for any hourly fees incurred at the rates described above. In the event that there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by Torch Wealth Management to you.

#### ***Other Fee Terms for Financial Planning & Consulting Services***

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly (for example, by check) or having the fee deducted from an existing investment account.

If you elect to pay by automatic deduction from an existing investment account, you will provide written authorization to Torch Wealth Management for such charge.

You should notify Torch Wealth Management within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

All fees paid to Torch Wealth Management for services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any disability insurance, life insurance and annuities subsequently acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance or annuity, you may also pay a commission and/or deferred sales charges in addition to the financial planning and consulting fees paid to Torch Wealth Management and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance and/or annuities.

All fees paid to Torch Wealth Management for financial planning and consulting services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by an investment adviser to implement such recommendations. It should be noted that lower fees for comparable services may be available from other sources.

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

Performance-based fees are defined as fees based on a share of capital gains or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

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

Torch Wealth Management generally provides investment advice to the following types of clients:

- Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

You are required to execute a written agreement with Torch Wealth Management specifying the particular advisory services in order to establish a client arrangement with Torch Wealth Management.

### **Minimum Investment Amounts**

Torch Wealth Management generally requires a minimum of \$500,000 in investible assets in order to open an account. To reach this account minimum, clients can aggregate all household accounts. Exceptions may be granted to this based on the type of client, the complexity of the client's situation, the potential for additional account deposits and/or the relationship of the client with the investment adviser representative.

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

### **Methods of Analysis**

Torch Wealth Management uses the following methods of analysis in formulating investment advice:

Fundamental - This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in determining the position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical - This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets may be indications of future performance.

There are risks involved in using any analysis method.

To conduct analysis, Torch Wealth Management gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

### **Investment Strategies**

Torch Wealth Management uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year. Typically we will keep a security longer than a year however market conditions or the direction of the particular company may cause us to sell sooner.

Short term purchases. Investments sold within a year for the above stated reasons

Option writing including cover options, uncovered options or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

We offer two strategies for utilizing options in portfolios.

One is for accounts that want to increase income and reduce risk. This will be accomplished by utilizing both "call - writes" and "put -writes". These strategies allow us to generate extra income while either reducing positions at a stated price or initializing positions at a stated level. These are conservative oriented strategies.

The other strategy is to buy protective puts on a portfolio to use a shield against a market downturn. This protection can be bought at the appropriate level and duration based upon client needs and risk tolerance. This is a strategy much like buying insurance

### ***Recommendation of Types of Securities***

We do not primarily recommend one type of security to clients. Instead, we recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk - Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk - Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an

investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

- **ETF and Mutual Fund Risk** - When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- **Management Risk** - Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

## Item 9 Disciplinary Information

*Item 9* is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

## Item 10 Other Financial Industry Activities and Affiliations

Torch Wealth Management is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent, fee only, registered investment adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure.

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

### Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Torch Wealth Management has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. Torch Wealth Management requires its supervised persons to consistently act in your best interest in all advisory activities. Torch Wealth Management imposes certain requirements on its supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required of our employees is higher than ordinarily required. .

This section is intended to provide a summary description of the Code of Ethics of Torch Wealth Management. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of our Code of Ethics to you.

### **Employee Personal Securities Transactions Disclosure**

Torch Wealth Management or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Torch Wealth Management that all persons associated in any manner with our firm must place clients' interests ahead of their own when implementing personal investments.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts 3 days prior to or the day of implementation of "global" transactions for client accounts.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider" and they have disclosed this to us.
- Associated persons are discouraged from conducting excessive personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the Chief Compliance Officer of Torch Wealth Management.

Any associated person not observing our policies is subject to sanctions up to and including termination.

## **Item 12 Brokerage Practices**

### **Brokerage Practices**

In the event that the client requests that Torch Wealth Management recommend a broker-dealer/custodian for execution and/or custodial services, Torch Wealth Management generally recommends that investment advisory accounts be maintained at Charles Schwab & Co., Inc. ("*Schwab*") or USBank if client prefers a bank. The client will be required to enter into a formal *Investment Advisory Agreement* with Torch Wealth Management setting forth the terms and conditions under which Torch Wealth Management shall advise on the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Torch Wealth Management considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Torch Wealth Management, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Torch Wealth Management's clients shall comply with Torch Wealth Management's duty to obtain best execution, a client may pay a commission or transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where 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 Torch Wealth Management 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, Torch Wealth Management's investment advisory fee. In addition, the internal fees charged by mutual funds and exchanged traded funds (i.e., fund expenses, including fund management fee), are separate, and in addition to, Torch Wealth Management's investment advisory fee.

#### **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, Torch Wealth Management may receive from *Schwab* (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Torch Wealth Management to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Torch Wealth Management 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 Torch Wealth Management 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 Torch Wealth Management in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Torch Wealth Management to manage and further develop its business enterprise.

Services we receive from Schwab that may not directly benefit you include but are not limited to assisting in back-office functions including recordkeeping, client reporting, facilitating fee payments, trade execution, reconciliation as well as providing pricing and market data.

Services that we receive from Schwab that benefit only us includes educational conferences and events, technology, compliance, legal and business consulting. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the service to us. Schwab may also discount or waive its fees for some of these service or pay all or part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Torch Wealth Management's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Torch Wealth Management to *Schwab* 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.

**Torch Wealth Management's Chief Compliance Officer, Irene Dake, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflict of interest such arrangements may create.**

**Directed Brokerage.** Torch Wealth Management recommends that its clients utilize the brokerage and custodial services provided by *Schwab*. In client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Torch Wealth Management 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 Torch Wealth Management. 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 Torch Wealth Management 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 Torch Wealth Management. 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.

**Order Aggregation:** Transactions for each client account generally will be effected independently, unless the Torch Wealth Management decides to purchase or sell the same securities for several clients at approximately the same time. Torch Wealth Management may (but is not obligated to) combine or "bunch" such orders to obtain better price execution, to negotiate more favorable commission rates, or to allocate equitably among the Torch Wealth Management'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. Torch Wealth Management shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Handling Trade Errors**

Torch Wealth Management has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Torch Wealth Management to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by Torch Wealth Management if the error is caused by Torch Wealth Management. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. Torch Wealth Management may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

Torch Wealth Management will not benefit or profit from trade errors.

### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

## **Item 13 Review of Accounts**

### **Account Reviews and Reviewers**

All accounts are under continuous review as we operate in a top-down manner. This means that we start with an economic outlook and from that ascertain the direction we believe interest rates will move and the potential for earnings. This allows us to make a call on the market. From that point we will over/under weight various sectors. The final decision is the security selection. Accounts will be viewed to make sure that they are in conformity with the above decisions as well as their own individual IPS. Our policies provide that based on market conditions we may vary your allocation by +/-15% in each

asset category. In extreme market conditions we may ask your approval for an even broader range. Account reviews include a review of your investment strategy and objectives. If any changes are necessary, they will be made at that time. Reviews are conducted by the CIO and are performed in accordance with your investment goals and objectives.

### **Statements and Reports**

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian. Additionally, Torch Wealth Management may provide position or performance reports to you quarterly and upon request.

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by Torch Wealth Management.

You are encouraged to always compare any reports or statements provided by us against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

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

Torch Wealth Management does not directly or indirectly compensate any person for client referrals.

The only compensation received from advisory services is the fees charged for providing investment advisory services as described in *Item 5* of this Disclosure Brochure. Torch Wealth Management receives no other forms of compensation in connection with providing investment advice.

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

*Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.*

## **Item 15 Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Torch Wealth Management is deemed to have custody of client funds and securities whenever Torch Wealth Management is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Torch Wealth Management maintains. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Torch Wealth Management is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified

custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Torch Wealth Management. When clients have questions about their account statements, they should contact Torch Wealth Management or the qualified custodian preparing the statement.

## Item 16 Investment Discretion

When providing asset management services, Torch Wealth Management maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Torch Wealth Management so long as the limitations are specifically set forth or included as an attachment to the client agreement.

## Item 17 Voting Client Securities

Torch Wealth Management does not vote proxies on behalf of Clients. Therefore, it is your responsibility to vote all proxies for securities held in the Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

### Class Action Lawsuits

You retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for you. Torch Wealth Management does not initiate such a legal proceeding on behalf of clients and does not provide legal advice to clients regarding potential causes of action against such a security issuer and whether the client should join a class-action lawsuit. We recommend that you seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Moreover, our services do not include monitoring or informing you of any potential or actual class-action lawsuits

against the issuers of the securities that were held, purchased or sold by or for you. However should a client decide to join in a class action suit our services will be limited to the research transactions placed through our firm within the last 5 years. Our standards hourly consulting fees may apply for services provided in this area. Please see *Item 5 - Fees and Compensation*.

## **Item 18 Financial Information**

This *Item 18* is not applicable to this brochure. Torch Wealth Management does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Torch Wealth Management has not been the subject of a bankruptcy petition at any time.

### **Client Privacy Policy Notice**

In November of 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA requires certain financial institutions, such as investment advisor firms, to protect the privacy of client information. In situations where a financial institution does disclose client information to nonaffiliated third parties, other than permitted or required by law, clients must be given the opportunity to opt out or prevent such disclosure. Torch Wealth Management does not share or disclose client information to non-affiliated third parties except as permitted or required by law.

Torch Wealth Management is committed to safeguarding the confidential information of its clients. Torch Wealth Management holds all personal information provided by clients in the strictest confidence and it is the objective of Torch Wealth Management to protect the privacy of all clients. Except as permitted or required by law, Torch Wealth Management does not share confidential information about clients with non-affiliated parties. In the event that there were to be a change in this policy, Torch Wealth Management will provide clients with written notice and clients will be provided an opportunity to direct Torch Wealth Management as to whether such disclosure is permissible.

To conduct regular business, Torch Wealth Management may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to Torch Wealth Management
- Information about the client's transactions implemented by Torch Wealth Management or others
- Information developed as part of financial plans, analyses or investment advisory services

To administer, manage, service, and provide related services for client accounts, it is necessary for Torch Wealth Management to provide access to client information within the firm and to non-affiliated companies with whom Torch Wealth Management has entered into agreements with. To provide the utmost service, Torch Wealth Management may disclose the information below regarding clients and former clients as necessary, to companies to perform certain services on Torch Wealth Management's behalf.

- Information Torch Wealth Management receives from the client on applications (name, social security number, address, assets, etc.)
- Information about the client's transactions with Torch Wealth Management or others (account information, payment history, parties to transactions, etc.)
- Information concerning investment advisory account transactions
- Information about a client's financial products and services transaction with Torch Wealth Management

Since Torch Wealth Management shares non-public information solely to service client accounts, Torch Wealth Management does not disclose any non-public personal information about Torch Wealth Management's clients or former clients to anyone, except as permitted by law. However, Torch Wealth Management may also provide client information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. In the event that Torch Wealth Management has a change to its client privacy policy that would allow it to disclose non-public information not covered under applicable law, Torch Wealth Management will allow its clients the opportunity to opt out of such disclosure.

We will provide all clients on an annual basis a copy of our Privacy Notice.

### **Item 19 Requirements for State-Registered Advisers**

This item is not applicable; our firm is federally registered.