

## **Insight Private Advisors, LLC ("IPA")**

Aspire, Institutional Intelligent Portfolios<sup>®</sup>  
Wrap Fee Program

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of Insight Private Advisors, LLC ("IPA"). This Brochure also describes IPA's wrap fee investment advisory plan (all the "Plan Programs") and contains information that should be considered before becoming a client of one of the Plan Programs. If you have any questions about the contents of this brochure, please contact us at 908-788-1799.

The Plan Programs may cost more or less than purchasing investment advisory, brokerage, and custodial services separately, depending upon the separate costs of such services and the trading activity in the client's account.

Additional information about Insight Private Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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## **Item 2 Material Changes**

The purpose of this Item 2 is to disclose material changes that have been made to this Wrap Fee Program Brochure since the last annual update of this Brochure.

There have been no material changes made to this wrap fee brochure since the the initial filing in May 2016.

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## Item 4 Services, Fees and Compensation

### Introduction

IPA utilizes Schwab Wealth Investment Advisory, Inc.'s ("SWIA") Institutional Intelligent Portfolios™ (the "Program") automated investment management service that is sponsored by IPA and Schwab Wealth Investment Advisory, Inc. ("SWIA"). The Program is available through IPA for our clients who open or maintain brokerage accounts at Charles Schwab & Co., Inc. ("CS&Co"), an affiliate of SWIA. IPA is independent of and not owned by, affiliated with, or sponsored or supervised by SWIA, CS&Co or their affiliates (together, "Schwab"). Please see the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure for more information.

For this program IPA provides clients with a range of investment strategies. Each investment strategy consists of a diversified portfolio of exchange-traded funds ("ETFs"), as well as an FDIC insured cash allocation (the "Cash Allocation"). IPA has contracted with SWIA to provide the technology platform and related trading and account management services for the Program. This platform enables IPA to make the Program available to clients online and includes a system that automates certain key parts of IPA's investment process (the "System"), such as determining the client's investment objectives, risk tolerance, an appropriate investment strategy, and managing the client's portfolio through automated rebalancing. IPA creates investment strategies by choosing from among hundreds of ETFs that meet certain criteria established by SWIA.

This Disclosure Brochure provides information about IPA's and Schwab's respective and separate roles in the Program. As discussed below, IPA, not Schwab, are responsible for advising clients on the Program, including recommending, selecting and managing the client's investment strategy. IPA offers other services as described in IPA's ADV Part 2A and in other wrap fee brochure(s).

### Services

The Program is sponsored by IPA and SWIA, both are registered as an investment advisor under the Investment Advisers Act of 1940, as amended. SWIA is a wholly owned subsidiary of The Charles Schwab Corporation ("CSCorp").

Through the Program, IPA selects investment strategies on behalf of our clients that consist of diversified portfolios of ETFs and the Cash Allocation in a single account that is managed on a discretionary basis by IPA.

SWIA provides administration and related services for the Program. CS&Co acts as the qualified custodian and provides trade execution and related services for Program accounts. Clients enter into an agreement with CS&Co that establishes the brokerage account for their Program assets.

The Program is provided online through an interactive website and mobile application (collectively, the "Program Website"). Clients are invited to enroll in the Program directly upon a recommendation from IPA. Clients are asked a series of questions to determine their investment risk profile and receive a recommended strategy from IPA through the Program Website based on their answers. Clients may communicate to IPA through the Program Website their interest in having IPA consider a strategy that is one level more conservative or aggressive than the recommended strategy. IPA then makes a final decision and selects a strategy based on all the information IPA has about the client. Until IPA communicates the final investment instructions to SWIA through the System, a client's account will not be invested or rebalanced, and uninvested cash will be held in a sweep program at Charles Schwab Bank (the "Sweep Program"). IPA designs investment strategies for our clients by selecting from hundreds of ETFs chosen for the Program by SWIA (see "Selection of ETFs" below). In creating their

investment strategies, IPA can choose from among various asset classes. IPA has the option to create separate investment strategies designed for taxable accounts (including strategies with municipal bond ETFs) and tax-deferred accounts (such as IRAs), as well as strategies for clients who want some level of income generation. IPA is responsible for determining the percentage asset allocations for each ETF and asset class in each investment strategy. The portfolio for each investment strategy is designed to be consistent with a certain combination of investment objectives and risk tolerance. Clients may consult IPA for information about how IPA creates investment strategies.

IPA is able to view, select and modify sample target asset allocations for their investment strategies (the "Sample Asset Allocations") that are made available to IPA by SWIA. The Sample Asset Allocations consist of percentage allocations of the different asset classes for the investment strategies, and are provided by Charles Schwab Investment Advisory, Inc. ("CSIA"), another Schwab affiliate, based on criteria established by SWIA. CSIA also provides portfolio management services for Schwab Intelligent Portfolios™, another ETF program sponsored by SWIA.

IPA determines which investment strategies, and may add or remove investment strategies at any time without prior notice to clients. Clients should consult IPA for information about how IPA creates investment strategies.

The Program Website allows clients to review information about the Program and monitor their portfolio's allocation, activity, and performance. Clients may also initiate deposits to and withdrawals from existing Program accounts or open new Program accounts.

To be initially invested in an investment strategy, clients must fund their accounts with a minimum of \$5,000, although IPA may establish higher minimum requirements at any time.

Clients can request that IPA change their investment strategy in the future by going to the Program Website and completing a new investment profile, which IPA Advisor will review and approve or change as described above.

When clients enroll in the Program, they grant trading authority over their accounts to IPA and SWIA as described in the following paragraphs. Clients are not allowed to make trades in their accounts.

Clients authorize IPA, and SWIA as agent of the Advisor, to use the System to generate trading instructions to CS&Co. The System enables IPA to automatically generate and send instructions to CS&Co to buy and sell ETFs for our clients' accounts based on the investment strategies that IPA has chosen for our clients. The System will initiate trading instructions to CS&Co when IPA chooses an investment strategy for our clients, as well as when rebalancing is necessary to restore clients' accounts to the asset allocation for their investment strategy due to market fluctuations, withdrawals or contributions. For more information about rebalancing, see "Rebalancing" below.

The Program allows IPA to choose a tax-loss harvesting feature for our clients. If IPA has elected to make the tax-loss harvesting feature available, the client may request that IPA use a tax-loss harvesting strategy so that tax losses are generated to offset potential capital gains in their account, subject to meeting minimum balance requirements (currently \$50,000, which is subject to change). If a client has tax-loss harvesting on the account, the System will generate trades based on a tax-loss harvesting algorithm—see "Tax-Loss Harvesting" below.

Clients authorize IPA to suspend trading in their accounts if IPA believes it necessary due to market conditions or other reasons and to reactivate trading when IPA decides it is appropriate to do so. Clients also authorize SWIA to suspend trading in their accounts if SWIA believes it necessary for reasons related to the System and to reactivate trading when SWIA decides it is appropriate to do so.

Clients may request that certain ETFs be excluded from their accounts. SWIA, as Program administrator, is not required to accept account restrictions that it deems unreasonable. A request to exclude certain ETFs from a client's account may result in delays in the management of the account. If SWIA believes that the requested restrictions are unreasonable, SWIA will notify the Advisor that the account cannot be managed with the requested investment restrictions. This could happen, for example, if a client requests the restriction of all ETFs IPA has elected to use to represent a single asset class.

Accounts in the Program are not margin accounts, meaning clients cannot borrow money to buy securities in their Program account and use the securities in the account as collateral for a margin loan.

During the online application process, clients agree that Schwab documents and disclosures for the Program will be delivered, and agreements will be signed, electronically. This is a requirement both now and in the future. This includes the disclosure brochures, supplements, and other documents relating to clients' accounts. Each client has an obligation to maintain an accurate and up-to-date email address with SWIA and CS&Co and to ensure that the client has the ability to read, download, print, and retain documents the client receives from Schwab. If a client is unable or unwilling to accept electronic delivery after enrolling in the Program, the client may be terminated from the Program. If a client is terminated from the Program, the client will be required to transfer the client's account assets to another account at CS&Co or another custodian; otherwise, the client's account assets will be liquidated and proceeds will be sent to the client. Client accounts are closed after termination from the Program.

Clients should carefully consider whether their participation in the Program is appropriate for their investment needs and goals.

### **Selection of ETFs**

SWIA has selected over 450 ETFs for use in the Program by IPA based on research and recommendations from CSIA. Under SWIA's criteria, any ETF is eligible for inclusion in the Program that (i) corresponds to one of the available asset classes for investment strategies in the Program (as determined by CSIA); (ii) has been in operation for a certain period of time; (iii) has a certain minimum level of assets; and (iv) has a relatively small difference between the "bid" (the price a buyer is willing to pay for a share of the ETF) and the "ask" (the price a seller wants for that ETF share; this difference is known as the "bid-ask spread," and a narrow bid-ask spread usually means that the ETF has a large trading volume). Exceptions to these criteria may be considered upon Advisor request and review by SWIA. SWIA will consider making changes to the ETFs that are available in the Program on a quarterly basis.

ETFs that are eligible for selection by IPA include Schwab ETFs™, which are managed by Charles Schwab Investment Management, Inc. (CSIM), another Schwab affiliate. Schwab ETFs pay fees to CSIM that are described in "Participation or Interest in Client Transactions" below.

The percentage of a client account invested in Schwab ETFs can vary significantly depending on the ETFs that IPA chooses to construct their investment strategies and the percentage allocations that IPA chooses for each ETF position within their investment strategies. IPA has discretion to allocate any portion, up to 100%, of an investment strategy into Schwab ETFs (excluding the portion in the Cash Allocation). IPA does not receive any compensation from CS&Co or SWIA for investing client assets in Schwab ETFs.

## **Rebalancing**

The System will rebalance a client's Program account periodically by generating instructions to CS&Co to buy and sell shares of ETFs and depositing or withdrawing funds through the Sweep Program considering the asset allocation for the investment strategy chosen by IPA. Rebalancing trade instructions will be generated by the System when the percentage allocation of an ETF varies by a set parameter agreed to by SWIA and IPA. The System will also generate trading instructions to CS&Co when IPA decides to change the ETFs or their percentage allocations for an investment strategy or when IPA decides to change a client's investment strategy, which could occur, for example, when a client makes changes to their investment profile or imposes or modifies restrictions on the management of their Program account.

Currently, any rebalancing activity in a Program account is subject to meeting a minimum balance requirement of \$5,000—this includes activity based on changes a client makes to their investment profile or when a client requests to impose or modify restrictions on the management of their Program account. To rebalance an account, the System must be able to purchase or sell one or more shares of an ETF in the impacted asset classes.

It is anticipated that later in 2016, all Program accounts will be automatically rebalanced, even if the account value drops below \$5,000. This includes implementing changes based on a client making changes to their investment profile or when a client requests to impose or modify restrictions on the management of their Program account. Accounts below \$5,000 may deviate farther than the set parameters as well as the target allocation of the selected investment profile. Rebalancing below \$5,000 may impact the ability to maintain positions in selected asset classes due to the inability to buy or sell at least one share of an ETF. For example, withdrawal requests may require entire asset classes to be liquidated to generate and disburse the requested cash.

## **Tax-Loss Harvesting**

IPA has elected to make the tax-loss harvesting feature available to their clients, clients may, subject to meeting the minimum balance requirement of \$50,000, direct IPA to employ a tax-loss harvesting strategy in managing their taxable accounts. SWIA maintains the portfolio management software in the System that IPA uses to implement the tax-loss harvesting strategy. IPA's use the System software to send trading instructions to CS&Co to sell ETFs in the client's account at a loss to offset potential capital gains, although the System software will not monitor the type and amount of capital gains for this purpose. To replace the sold ETF, IPA will use this software to send trading instructions to CS&Co to buy shares of another ETF designated by IPA which IPA reasonably believes is not substantially identical to the sold ETF. Each Advisor, and not SWIA, is responsible for (i) choosing the replacement ETF from among the multiple ETFs in each asset class available to IPA in the Program and (ii) making a determination that the replacement ETF is not substantially identical to the sold ETF. The performance of the new ETF may be better or worse than the performance of the ETF that is sold for tax-loss harvesting purposes.

The utility of tax losses harvested through the strategy will depend upon the recognition of capital gains in the same or a future tax period, and in addition may be subject to limitations under applicable tax laws. Losses harvested through the tax-loss harvesting strategy that are not used in the tax period when recognized generally may be carried forward to offset future capital gains, if any.

Clients should consult with their professional tax advisors or check the Internal Revenue Service ("IRS") website at [www.irs.gov](http://www.irs.gov) about the consequences of tax-loss harvesting in light of their particular circumstances and its impact on their tax liability. Neither the tax-loss harvesting strategy for the

Program, nor any discussion herein, is intended or may be relied upon as tax advice, and neither IPA nor SWIA represents that any particular tax consequences, benefits or outcomes will be obtained through the use of the tax-loss harvesting strategy.

The System software only monitors accounts within the Program managed by IPA for tax-loss harvesting purposes. The client is responsible for monitoring their and their spouse's non-Program accounts (at CS&Co or with another firm) or Program accounts with another Advisor to ensure that transactions in the same ETF or a substantially identical security do not create a "wash sale." A wash sale is the sale at a loss of a security followed by the purchase of the same or a substantially identical security within 30 days of each other. If a wash sale transaction occurs, the IRS may disallow or defer the loss for current tax reporting purposes. More specifically, the wash sale period for any sale at a loss consists of 61 calendar days: the day of the sale, the 30 days before the sale, and the 30 days after the sale. The wash sale rule postpones losses on a sale if replacement shares are bought around the same time.

The effectiveness of the tax-loss harvesting strategy to reduce the tax liability of the client will depend on the client's entire tax and investment profile, including purchases and dispositions in a client's (or client's spouse's) non-Program accounts, as well as on the type of investments (e.g., taxable or non-taxable) and the holding period (e.g., short-term or long-term) of those investments held by the client (and the client's spouse). Except as set forth below, SWIA's software will monitor only a client's (or a client's spouse's) Program accounts to determine if there are unrealized losses for purposes of determining whether to harvest such losses. Transactions outside the Program may affect whether a loss is successfully harvested and, if so, whether that loss is usable by the client in the most tax-efficient manner.

If a client chooses to have tax-loss harvesting for the client's taxable Program account, IPA will use the System software to seek to avoid the wash sale disallowance rule in any other Program account managed by IPA with the client's Social Security number as the primary account holder. A client may also request that IPA use the System software to monitor the client's spouse's accounts or their IRAs in the Program to avoid the wash sale disallowance rule. A client may request spousal monitoring for Program accounts through the Program Website. If the System software is monitoring multiple accounts to avoid the wash sale disallowance rule, the first taxable account to trade an ETF will block the other account(s) from trading in that same ETF for 30 days.

## **Sweep Program**

Each investment strategy involves the Cash Allocation to the Sweep Program. The Cash Allocation will be a minimum of 4% of an account's value to be held in cash, and may be higher, depending on which investment strategy IPA chooses and the amount of the Cash Allocation IPA has set for that investment strategy.

The Cash Allocation will be accomplished through enrollment in the Sweep Program, a program sponsored by CS&Co. By enrolling in the Program, clients consent to having the free credit balances in their brokerage accounts at CS&Co swept into deposit accounts ("Deposit Accounts") at Charles Schwab Bank ("Schwab Bank") through the Sweep Program. Schwab Bank is an FDIC-insured depository institution that is a Schwab affiliate.

The Sweep Program is a required feature of the Program. If the Deposit Account balances exceed the Cash Allocation for their selected investment strategy, the excess over the rebalancing parameter will be used to purchase securities as part of rebalancing. If clients request cash withdrawals from their



accounts, this likely will require the sale of ETF positions in their accounts to bring their Cash Allocation in line with the target allocation for their chosen investment strategy. If those clients have taxable accounts, those sales may generate capital gains (or losses) for tax purposes.

The terms and conditions of the Sweep Program and CS&Co's ability to make changes to the Sweep Program or move balances to a new sweep product are set forth in the Schwab Intelligent Portfolios™ Sweep Program Disclosure Statement (the "Sweep Program Disclosure Statement") that is made available to clients when they open their accounts. Clients should read this document carefully and retain a copy for their records. Clients grant to SWIA the authority to change the cash investment allocation from the Sweep Program to another cash savings or investment product or vehicle offered by a Schwab entity or a third party. If this occurs, Advisors and clients will be notified.

In accordance with an agreement with CS&Co, Schwab Bank has agreed to pay an interest rate to depositors participating in the Sweep Program that will be determined by reference to an index. Currently, that index is the national average of money market deposit account rates at the \$10,000 level as calculated by RateWatch. The current rate and RateWatch's methodology can be found at [www.rate-watch.com/national-averages](http://www.rate-watch.com/national-averages).

Under the agreement between CS&Co and Schwab Bank, Schwab Bank may change the method of determining the interest rate upon 30 days' notice to CS&Co or upon a regulatory requirement. CS&Co will notify clients if it receives such notice from Schwab Bank. This indexed rate may be higher or lower than the interest rates available on other deposit accounts at Schwab Bank or on comparable deposit accounts at other banks. It may also be higher or lower than other cash-equivalent investments, such as money market funds, that are available through CS&Co. CS&Co does not intend to negotiate for rates that seek to compete with other capital preservation investment options that involve market risk, such as money market funds.

Schwab Bank's revenue from the Cash Allocation in the Deposit Accounts is dependent upon the difference, or "spread," between the interest rate it pays on such deposits and the amount it earns from the investment of such deposits less the FDIC insurance premiums it pays. Therefore, Schwab Bank's ability to earn revenue from the Deposit Accounts is affected by the interest rate negotiated with its affiliated broker-dealer, CS&Co. This revenue is a component of the overall revenue to Schwab in connection with the Program. Schwab Bank intends to use the assets in the Deposit Accounts to fund current and new lending activities and investments.

A portion of the revenue contributed to the Schwab entities from the Program is the revenue earned by Schwab Bank in offering the Deposit Accounts. Schwab Bank will pay CS&Co a fee for administrative services provided in support of the Deposit Accounts as disclosed in the Sweep Program Disclosure Statement and below in "Participation or Interest in Client Transactions."

## **Fees**

Clients do not pay a Program management fee to SWIA. IPA charges clients 25 basis points (.0025%) for IPA's services. This fee paid monthly in advance and is not negotiable.

IPA's fee covers IPA's discretionary management, asset allocation and account monitoring. See Portfolio Selection and Evaluation for more information.

The Program also includes the following services: (i) SWIA's Program administration and trading services and (ii) CS&Co's trade execution, custody and related services. SWIA does not and will not charge clients a Program fee for these services.

Clients do not pay brokerage commissions or any other fees in the Program to CS&Co. To execute certain large orders, CS&Co may use another broker-dealer that is acting as principal (for its own account) to buy or sell ETF shares for clients. In a principal trade, the broker-dealer accepts the risk of market price and liquidity fluctuations when executing customer orders. The broker-dealer adds a fee, called a "spread," to compensate for this risk. The spread is not shown separately on a client's trade confirmation or account statement. CS&Co does not act as principal for ETF trades in the Program and does not receive any part of the spread.

Clients may incur sales charges, redemption fees and other costs, as well as tax consequences, if they redeem or make other transactions in ETFs, mutual funds or other investments in order to fund Program accounts.

Each ETF, including a Schwab ETF, pays investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses, as set forth in the ETF prospectus. An ETF pays these fees and expenses, which ultimately are borne by its shareholders. Therefore, CSIM will earn fees from Program clients who invest in Schwab ETFs™.

SWIA has an agreement with CS&Co whereby CS&Co pays SWIA's expenses.

Schwab Bank will pay CS&Co a fee for administrative services provided in support of the Deposit Accounts in an amount up to a \$20 annual flat fee for each brokerage account that sweeps into a Deposit Account. This fee is more fully described in the Sweep Program Disclosure Statement.

The fees that clients pay directly and indirectly in the Program may be more or less than they would pay if they purchased separately the types of services in the Program. Clients may be able to obtain some or all of the types of services available through the Program on a stand-alone basis from other firms. Factors that bear upon the cost of the Program in relation to the cost of the same services purchased separately include, among other things, the type and size of the account (and other accounts that clients may be able to combine to determine fee breakpoints), the historical and expected size or number of trades for an account, and the number and range of supplementary advisory and other services provided to an account.

### **Fee Debit**

Clients generally provide IPA with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. CS&Co acts as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to IPA.

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

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

### **Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to IPA's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to IPA, subject to the usual and customary securities settlement procedures. However, IPA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. IPA may consult

with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final billing period is prorated through the effective date of the termination and the unearned portion is refunded to the client, as appropriate.

### **Benefits to Schwab Affiliates**

Schwab earns revenue from the underlying assets in client accounts. This revenue comes from: (i) revenue earned by Schwab Bank, a Schwab affiliate, on the Cash Allocation in the investment strategies; (ii) advisory fees received by CSIM from Schwab ETFs™ held in client accounts; (iii) fees received by CS&Co from third-party ETFs in client accounts for services CS&Co provides to them as participants in Schwab ETF OneSource™ ("ETF OneSource"); and (iv) remuneration CS&Co may receive from the market centers where it routes ETF trade orders for execution. More information about these revenues and their benefits to Schwab affiliates is set forth above under "Sweep Program" and "Fees," and below under "Participation or Interest in Client Transactions."

### **Potential Conflicts of Interest and How They Are Addressed**

SWIA, not Schwab Bank, sets the minimum Cash Allocation in the Program. IPA may adjust the Cash Allocation for each investment strategy, but not below 4%. Schwab Bank earns income on the Cash Allocation for each investment strategy, thereby creating a potential conflict of interest for SWIA, as a Schwab affiliate, in setting the minimum Cash Allocation. This risk is mitigated by the fact that Advisors are responsible for determining the suitability of the Program and the investment strategies for their clients.

The interest rate paid to depositors participating in the Sweep Program was determined by agreement between CS&Co and Schwab Bank. Since they are affiliates, any potential conflict in determining the interest rate has been mitigated by having the rate determined by reference to an index. For more information about the Cash Allocation in the investment strategies and the revenue earned by Schwab Bank, see "Sweep Program" above.

## **Item 5 Account Requirements and Types of Accounts**

Clients will complete an investment profile, open their account, and sign agreements with Schwab electronically. Clients of the Program may include individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), are not eligible for the Program.

Clients must agree to accept electronic delivery of contracts, disclosure documents, prospectuses, statements, and other materials. Deposits to the account must be made by wire transfer, mobile check deposit, or transfer from another account, or through the Schwab MoneyLink service, which allows clients to make electronic transfers of funds to and from their brokerage accounts.

Clients may be provided the option to fund Program accounts with securities. Clients authorize IPA, and SWIA as agent of the Advisor, to use the System or other means to liquidate any securities used to fund Program accounts. Securities may be liquidated at the client's risk and expense and without taking into account the realization of a taxable gain or a loss that may result. Neither SWIA nor IPA will have responsibility for the performance of those securities pending their liquidation.

To be invested in an investment strategy, clients must meet all requirements of CS&Co and SWIA to open their Program account and fund it with a minimum of \$5,000. There is also a minimum balance requirement to employ a tax-loss harvesting strategy, and a minimum balance requirement to maintain a tax-loss harvesting strategy.

Clients who terminate their brokerage agreements with CS&Co relating to the Program must also close their Program accounts and instruct CS&Co to either (i) liquidate their account assets and send the proceeds to them or to an account specified by them or (ii) transfer their account assets to another account (at CS&Co or another custodian). If a client transfers their assets to another account at CS&Co, the Sweep Program will not apply to that account. That account will have its own sweep feature, which may have terms that are more favorable or less favorable than the Sweep Program.

SWIA may terminate a client from the Program for failure to fund their account with the initial required minimum, for failure to maintain a valid email address or for any other reason in SWIA's sole discretion. Before terminating a client from the Program, SWIA will provide at least 30 days' notice. Depending on the reason for the termination, the client may have the opportunity to resolve the reason for their termination. If the client is unable to remedy the reason for their termination and does not make arrangements to transfer the assets in the client's account to another brokerage account at CS&Co or another custodian, then the following will occur: (i) the ETFs in the client's account will be sold by CS&Co; (ii) the client's enrollment in the Sweep Program will terminate; (iii) funds will be disbursed to the client and (iv) the client's Program account will be closed by SWIA and CS&Co.

IPA may terminate a client from the Program as described in the agreement with the client. It is also possible that the Program Agreement between IPA and SWIA may be terminated by IPA or SWIA without terminating the Service Agreement between IPA and CS&Co. In both cases, the client will need to direct CS&Co to either sell the ETFs in the client's account or transfer the assets in the client's account to another brokerage account at CS&Co or another custodian. After that, the client's enrollment in the Sweep Program will terminate and the client's Program account will be closed by SWIA and CS&Co. If the Service Agreement between IPA and CS&Co is terminated by IPA or CS&Co: (i) the Program Agreement will be terminated, (ii) the client's enrollment in the Program will be terminated and (iii) the client will need to direct CS&Co to either sell the ETFs in the client's account or transfer the assets in the client's account to another brokerage account at CS&Co or another custodian. After that, the client's enrollment in the Sweep Program will terminate and the client's Program account will be closed by SWIA and CS&Co.

## **Item 6 Portfolio Manager Selection and Evaluation**

IPA provide portfolio management services to clients for the Program. IPA constructs the investment strategies made available, recommend and select the investment strategy for each client, and direct SWIA to apply the rebalancing process of the System to clients' accounts. SWIA provides limited portfolio management services to IPA by providing them with the Sample Asset Allocations and the asset classifications for the eligible ETFs from which IPA can choose to construct their investment strategies and select replacement ETFs for tax-loss harvesting. SWIA uses CSIA as a research provider for the Sample Asset Allocations and the ETF classifications. SWIA may in the future use another firm as a research provider, which may or may not be affiliated with Schwab, or SWIA may elect to provide the Sample Asset Allocations and ETF classifications to IPA without the assistance of another firm.

At the time clients enroll in the Program, they provide IPA with information about the investment strategy chosen by them as well as any reasonable restrictions they wish to impose on their Program account. Clients are urged to provide updated information on the Program Website and to their Advisor as necessary thereafter in order for their Advisor to provide portfolio management services under the Program. This information forms the basis for the selection & diversification of investments.

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

IPA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### **Additional Information**

#### **Risks**

Investing in securities, whether through the Program or otherwise, involves the risk of loss that clients should be prepared to bear. The significant risks associated with the ETFs comprising the Program portfolios, as well as the risks associated with securities held in those ETFs, are set out below. Clients are urged to read an ETF's prospectus or product description for more information.

When clients enroll in the Program, they give IPA the authority to choose their investment strategies for them based on, among other things, a client's risk tolerance. There is no limitation in the System on which investment strategy IPA may choose for their clients. Whichever strategy IPA chooses for a client, there can be no guarantee that the strategy will produce the desired results.

#### **Investment Risks**

Investments in securities, including ETFs and the securities that they in turn invest in, involve various risks, including those summarized below. In addition, each ETF has its own investment style, which may involve risks different from those described below. Clients and prospective clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear.

#### **ETF General Risks**

ETFs in which the strategy may invest involve certain inherent risks generally associated with investments in a portfolio of securities, including the risk that the general level of security prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of securities held. ETFs in which the strategies invest have their own fees and expenses as set forth in the ETF prospectuses.

ETFs may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contract terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so.

Some ETFs available in the Program, including Schwab ETFs™, are less than 10 years old. Accordingly, there is limited data available for Advisors to use when assessing the investment risk of some of these ETFs. As a result, one or more of the following may occur: (i) poor liquidity in or limited availability of the ETFs, or (ii) lack of market depth causing the ETFs to trade at excessive premiums or discounts.

### **Market/Systemic Risks**

Equity and fixed income markets rise and fall daily. The performance of client investments is, to varying degrees, tied to these markets. When markets fall, the value of a client's investments will fluctuate, which means a client could lose money.

### **Asset Allocation/Strategy/Diversification Risks**

The asset classes represented in each investment strategy can perform differently from each other at any given time (as well as over the long term), so the investment strategy will be affected by its allocation among the various asset classes. The asset allocation decisions can result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform the Advisor's expectations. The more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.

### **Investment Strategy Risks**

There are risks associated with the long-term core strategic holdings for each of the investment strategies. The more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.

### **Trading/Liquidity Risks**

A particular ETF may be difficult to purchase or sell or may become difficult to sell after being purchased for a client account. SWIA may be unable to sell ETFs on behalf of a client at an advantageous time and/or price due to then-existing trading market conditions.

### **Underlying Securities Risks Equity-Related Risks**

#### **General Risks**

The prices of equity securities, and thus the value of ETFs that invest in them, will rise and fall. These price movements may result from factors affecting individual companies, industries, or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

### **Large- and Mid-Cap Risks**

ETFs that focus on large- and/or mid-cap segments of the stock market bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies.

During a period when large- and mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

### **Small-Cap and International Risks**

Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks (see the "Foreign Investment-Related Risks" section below for additional information). During a period when small-cap and/or international stocks fall behind other types of investments—U.S. large- and mid-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

## **Fixed Income-Related Risks**

### **General Risks**

Bond markets rise and fall daily, and fixed income investments, which generally also include instruments with variable or floating rates, are subject to various risks. As with any investment whose performance is tied to bond markets, the value of a fixed income ETF will fluctuate, which means that clients could lose money.

### **Interest Rate Risks**

When interest rates rise, bond prices usually fall, and with them the value of an ETF holding the bonds. A decline in interest rates generally raises bond prices, and with them potentially the value of an ETF share, but could also hurt the performance of an ETF by lowering its yield. The longer the duration of the investments held by an ETF, the more sensitive to interest rate movements its value is likely to be.

### **Credit Risks**

A decline in the credit quality of a fixed income investment could cause the value of a fixed income ETF to fall. The ETF could lose value if the issuer or guarantor of a portfolio investment fails to make timely principal or interest payments or otherwise honor its obligations. The emphasis of a fixed income strategy on quality and preservation of capital also could cause an ETF to underperform certain other types of bond investments, particularly those that take greater maturity and credit risks.

### **High-Yield Risks**

High-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks. High-yield securities and the ETFs that invest in them may be considered speculative.

### **Government Securities Risks**

Many U.S. government securities are not backed by the full faith and credit of the United States government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks, maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks

Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

### **Foreign Risks**

Investments in securities of foreign issuers or securities with credit or liquidity enhancements provided by foreign entities may involve certain risks such as adverse changes in foreign economic, political, regulatory, and other conditions; differing accounting, auditing, financial reporting, and legal standards and practices; differing securities market structures; and higher transaction costs. In addition, sovereign risk, or the risk that a government may become unwilling or unable to meet its loan obligations or guarantees, could increase the credit risk of financial institutions connected to that particular country.

## **Foreign Investment-Related Risks**

### **General Risks**

Investments in securities of foreign issuers may involve certain risks that are greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory, and other conditions; changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); differing accounting, auditing, financial reporting, taxes, and legal standards and practices; differing securities market structures; and higher transaction costs.

### **Emerging Markets Risks**

These and other risks (e.g., nationalization, expropriation, or other confiscation of assets of foreign issuers) are greater for those ETFs investing in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

### **Frontier Markets Risks**

The risks associated with investing in foreign or emerging markets generally are magnified in frontier markets, also known as "next emerging" markets. Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption-of-markets risks.

### **Geopolitical/Disruption-of-Markets Risks**

Geopolitical events may adversely affect global economies and markets and thereby decrease the value of and/or the ease of trading the ETFs invested in those affected markets. Those events as well as other changes in foreign and domestic economic and political conditions could adversely affect the value of an investment strategy's investments.

### **Currency Risks**

Fluctuations in exchange rates may adversely affect the value of a strategy's foreign currency holdings and investments denominated in foreign currencies.

## **Risks Related to Other Asset Classes**

### **Commodities Risks**

Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing.



**Hard Asset Risks**

The production and marketing of hard assets, such as precious metals, oil and gas, real estate and/or agricultural commodities, may be affected by geopolitical and environmental factors and are cyclical in nature. During periods of economic or financial instability, hard asset securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. Hard asset securities, hard asset companies, and other instruments may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities or instruments may rise at a faster rate; conversely, in times of falling hard asset prices, such securities may suffer a greater price decline.

**Real Estate Risks**

Real estate-related investments may be adversely affected by factors affecting the real estate industry, which may include changes in interest rates and social and economic trends. Real estate investment trusts (REITs) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs' managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, for U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under the Internal Revenue Code and/or to maintain exempt status under the Investment Company Act.

**Limitations of Disclosure**

The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in ETFs. As an Advisor's investment strategies develop and change over time, clients may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

**Voting Client Securities**

When they enroll in the Program, clients designate SWIA to vote proxies for the ETFs held in their accounts. In the agreement between SWIA and IPA, IPA directs SWIA to vote those proxies in accordance with the recommendations from the vendor SWIA has retained for this purpose. SWIA has retained Glass, Lewis & Co. as the vendor for proxy voting, but SWIA reserves the right to retain a different vendor in the future. Clients who do not wish to designate SWIA to vote proxies may retain the ability to vote proxies themselves by using a special form for this purpose available from CS&Co.

Program clients can get a copy of the Procedures and information about how SWIA has voted their securities in a particular proxy vote by contacting their Advisors or calling SWIA at (877) 805-3399.

**Item 7 Client Information Provided to Portfolio Managers**

At the time clients enroll in the Program, the client provides IPA with information about any reasonable restrictions they wish to impose on their Program account. Clients are urged to provide updated information on the Program Website and to IPA as necessary thereafter in order for IPA to provide portfolio management services under the Program.

**Item 8 Client Contact with Portfolio Managers**

Client questions regarding their portfolios, should be addressed with IPA. IPA is responsible for determining the ETFs and percentage allocations in their clients' accounts.

## Item 9 Additional Information

### Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of or the integrity of IPA.

### Other Financial Industry Activities and Affiliations

#### Registered Representatives of Broker Dealer

Certain of IPA's *Supervised Persons* are registered representatives of Purshe Kaplan Sterling Investments ("PKS"), an affiliated FINRA member broker dealer. Associated persons of IPA are also insurance agents or brokers with one or more insurance agencies.

In their separate capacities as registered representatives and/or insurance agents, the principals and associated persons of IPA may effect securities transactions and/or purchase insurance and insurance-related investment products for advisory clients, for which they will receive separate and customary compensation. In addition, certain of these individuals may, from time to time, receive incentive awards for the recommendation/introduction of insurance products. While These individuals endeavor at all times to put the interest of the clients first as part of IPA's fiduciary duty, clients should be aware that the receipt of additional compensation creates a conflict of interest, as the firm's representatives have an incentive to recommend investment products based on the compensation received rather than on the client's needs. All investment advisory representatives of the Firm base their recommendations on the specific needs of the individual client, including the client's stated investment objective, risk tolerance, and investment history, as well as any restrictions on investing imposed by the client, without regard to expected compensation. For this program IPA registered representatives do not act in the capacity of a registered representative nor do they receive compensation from CS&Co or any other broker dealer other than a portion of the investment management fee (.0025%).

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

#### Code of Ethics

The *Code of Ethics* also requires certain of IPA's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, IPA *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

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 IPA to request a copy of its *Code of Ethics*.

## **Participation or Interest in Client Transactions**

### **ETF Trade Execution**

CS&Co, as broker for Program accounts, routes ETF orders for execution to third-party broker-dealers, which may act as market maker or manage execution of the orders in other market venues. CS&Co may also route orders directly or indirectly to all major exchanges and alternative trading systems, including electronic trading networks (ECNs). CS&Co may receive remuneration such as liquidity or order flow rebates from a market or firm to which orders are routed, but at all times is committed to best execution.

CS&Co considers a number of factors in evaluating execution quality among markets and firms, including execution price and opportunities for price improvement, market depth and order size, the trading characteristics of the security, speed and accuracy of executions, the availability of efficient and reliable order handling systems, liquidity and automatic execution guarantees, and service levels and the cost of executing orders at a particular market or firm. Price improvement occurs when an order is executed at a price more favorable than the displayed national best bid or offer. CS&Co regularly monitors the execution quality provided by the various markets and firms to ensure orders are routed to market venues that have provided high-quality executions over time.

### **ETFs**

The ETFs that are eligible for inclusion in the Program are described above under "Selection of ETFs."

Each ETF pays investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses, as set forth in the ETF prospectus. An ETF pays these fees and expenses, which ultimately are borne by its shareholders. Therefore, CSIM (a Schwab affiliate) will earn fees from Schwab ETFs that are held in Program accounts.

ETFs in the Schwab ETF OneSource™ program are eligible to be selected for inclusion in the Program. CS&Co has established the ETF OneSource program under which ETFs can be traded without a commission on buy and sell transactions. CS&Co receives payments from the third-party ETF sponsors or their affiliates participating in ETF OneSource for recordkeeping, shareholder services and other administrative services that CS&Co provides to participating ETFs. In addition, CS&Co promotes the ETF OneSource program to its customers, and a portion of the fees paid to CS&Co offsets some or all of CS&Co's costs of promoting and administering ETF OneSource. CS&Co does not receive payment to promote any particular ETF to its customers.

ETF sponsors or their affiliates pay a fixed ETF OneSource program fee to CS&Co each year for each ETF participating in ETF OneSource. The program fees vary, but can range up to \$250,000 per year for each participating ETF. ETF sponsors or their affiliates also pay CS&Co an asset-based fee based on a percentage of total ETF assets purchased by CS&Co customers after the ETF was added to ETF OneSource. The amount of the asset-based fee can range up to 0.20% annually. Schwab ETFs do not pay any program or asset-based fees to participate in ETF OneSource.

Assets in Program accounts are included in the calculation of the asset based ETF OneSource fee to be paid to CS&Co by an ETF sponsor or its affiliates. CS&Co may exclude other assets or other types of transactions from the asset-based ETF OneSource fee paid by an ETF sponsor or its affiliates.

### **Products and Services Provided to IPA**

Schwab may provide IPA, at no fee or at a discounted fee, or pay all or a part of a third party's fees with research, software and other technology, information and consulting services, and other products and services that benefit IPA. Schwab's provision of these products and services to IPA may be based upon clients of IPA placing a certain amount of assets in their brokerage accounts at Schwab (i.e., custodial assets at Schwab) within a certain period of time. IPA may be influenced by this commitment in recommending the Program to their clients. These products and services may not necessarily benefit clients' Program accounts.

### **Review of Accounts**

IPA contacts their Program clients at least once a year to ask them to update their information on the Program Website (or contact IPA) if there have been any material changes. Clients who have experienced material changes to their financial circumstances or investment objectives, or who wish to impose or modify restrictions on the management of their Program accounts, should promptly update their information on the Program Website or contact IPA. SWIA will not implement changes to a client's portfolio selection unless the requested change has been reviewed and confirmed by IPA.

Program clients receive electronically a separate confirmation of each transaction and an account statement (at least quarterly) detailing positions and activity in their accounts. The statement includes a summary of all transactions made on the client's behalf, all contributions and withdrawals made to or from the account, all fees and expenses charged to the account, and the account value at the beginning and end of the period.

### **Client Referrals and Other Compensation**

IPA is required to disclose any direct or indirect compensation that it provides for client referrals. IPA does not have any required disclosures to this Item.

### **Financial Information**

IPA is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.