

**Item 1: Cover Page**

**Part 2A of Form ADV  
Firm Brochure**

February 5, 2015

**Ruedi Wealth Management, Inc.**

SEC File No. 801-80415

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This brochure provides information about the qualifications and business practices of Ruedi Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at 217-356-1400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any State regulatory authority. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

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

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Effective January 9, 2015, the firm moved its offices from 3007 Village Office Place, Champaign, IL 61822, to 2502 Galen Drive, Suite 102, Champaign, IL 61821.

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## **Item 4: Advisory Business**

### **A. Ruedi Wealth Management, Inc.**

Ruedi Wealth Management, Inc. ("Ruedi Wealth" and/or "the firm"), an Illinois corporation, is an investment adviser governed under the Investment Advisers Act of 1940. Ruedi Wealth has been offering investment advisory and financial planning services since September 2014. The firm is principally owned by Paul Ruedi.

### **B. Advisory Services Offered**

Ruedi Wealth's clients include individuals and high-net-worth individuals, trusts and estates, pension and profit sharing plans, pooled investment vehicles, charitable organizations, corporations, and other legal entities. Ruedi Wealth's advisory services may include investment strategy, portfolio management, insurance, financial planning, and estate planning. All investment advisory services are provided on a discretionary basis.

#### **B.1. Investment Advisory Services**

Ruedi Wealth's investment advisory services consist of its management of client accounts on a discretionary basis and investing in securities the firm determines are appropriate for each client's account based upon the client's investment objectives and risk tolerance. Ruedi Wealth's plan-based approach utilizes a customized investment plan and/or investment policy statement for clients that elect Ruedi Wealth to manage their money. Once client goals, values, and objectives are determined, Ruedi Wealth will

- assess the information the client provided
- identify client challenges
- recommend solutions
- implement the investment policy
- provide ongoing monitoring
- conduct periodic progress meetings to review and update the investment policy

As part of its plan-based investment advisory services, Ruedi Wealth also uses "Monte Carlo" simulations to illustrate to clients how small changes in various factors can impact their chances of meeting financial goals. Monte Carlo simulations are problem-solving techniques used to approximate the probability of certain outcomes by running multiple trial runs using random variables.

Ruedi Wealth performs ongoing monitoring and realignment of each client's portfolio. As part of its investment advisory services, Ruedi Wealth requires each client to grant the firm ongoing and continuous discretionary authority to execute its investment recommendations in conformity with the client's target asset allocation and investment advisory services agreement without the client's prior approval of each specific transaction. Each client will execute instructions regarding Ruedi Wealth's trading authority as required by each custodian of client assets. Pursuant to this grant of discretionary authority, the client allows Ruedi Wealth to

purchase and sell shares of securities in the client's account(s), to arrange for delivery and payment in connection with the foregoing, and to act on behalf of the client in most matters necessary or incidental to the handling of the account, including monitoring certain assets.

Ruedi Wealth recommends securities transactions to its clients that include securities and strategies as described in Item 8 of this Brochure. In addition, pursuant to the terms of its investment advisory agreement with clients, Ruedi Wealth will remind clients of their obligation to inform the firm of any changes to their personal financial circumstances, investment objectives or risk tolerance, as well as modifications or restrictions that should be imposed on the management of their accounts. Ruedi Wealth will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives, and tolerance for risk.

#### **B.1.a. Hourly Fee-Based Investment Consulting**

Ruedi Wealth's hourly fee-based investment consulting consists of its providing investment evaluations and recommendations for the client's accounts on an hourly fee basis. Ruedi Wealth's hourly fee-based investment consulting includes the firm's assessment of each client's financial risk preferences by determining the extent to which a client would choose to risk experiencing a less favorable outcome in pursuit of a more favorable outcome. Based upon the client's financial situation and risk tolerance, Ruedi Wealth makes a recommendation of a target asset allocation. Ruedi Wealth also performs an evaluation of the client's current investment holdings and makes recommendations, if appropriate, to bring the client's current investments into alignment with his or her risk tolerance and agreed-upon target asset allocation.

Unlike Ruedi Wealth's investment advisory services, however, its hourly fee-based investment consulting does not include any execution of the recommendations in the client's account(s) nor any ongoing monitoring or realignment of the client's investments. The hourly fee-based investment consulting arrangement terminates upon Ruedi Wealth's presentation of its recommendations to the client. The client is responsible for determining whether he or she would like to implement the recommendations made by Ruedi Wealth and for the actual implementation of the recommendations (by executing his or her own securities transactions). The client is also responsible for any monitoring and/or realignment of his or her account(s) after the investment consulting arrangement is completed.

#### **B.2. Ruedi Wealth Life Planning Services**

In addition to its investment advisory services, Ruedi Wealth offers financial life planning services. Representative services include the following.

##### **Discovery and Planning Process**

- Information and document discovery
- Identification of major life changes and events with significant financial impact
- Analysis of client's financial condition in regard to client's life goals and objectives
- Development of financial life plan including:

- Financial strategy for major life events such as retirement, wealth transition, health needs of a loved one, charitable giving, and other important concerns of the client
- Investment strategy
  - Development of Investment Policy Statement
  - Asset Allocation, Investment Selection, Implementation
  - Ongoing Reporting
  - Rebalancing
  - Tax loss harvesting
- Providing assistance with implementation

#### **Monitoring and Plan Updating**

- Meeting regularly with client and review plan progress
- Updating and providing assistance with implementation of any required changes
- Providing ongoing investment management
- Providing tax planning assistance
- Coordinating with third-party advisors such as accountants, lawyers, insurance agents, etc.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Clients' accounts will be managed on the basis of their financial situation and investment objectives and in accordance with any reasonable restrictions they have imposed on the management of their account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

Ruedi Wealth does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2014, Ruedi Wealth has \$158,054,202 in discretionary assets under management and \$2,828,896 in non-discretionary assets under management.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fee Schedule

Compensation to the firm for investment advisory services will be calculated in accordance with the terms of the investment advisory services agreement, which may be amended from time to time by Ruedi Wealth upon five days' prior written notice to the client. No fees are required to be paid before investment advisory services are provided. Ruedi Wealth's investment advisory services basic fee schedule is calculated based upon the client's assets under management as follows:

<u>Market Value of Assets</u>	<u>Annual Fee Rate</u>
Less than or equal to \$1,000,000	1.00% on assets
Greater than \$1,000,000 but less than \$2,000,000	0.75% on assets
Greater than or equal to \$2,000,000	Negotiable

Ruedi Wealth generally requires a minimum fee of \$5,000 for advisory services. Ruedi Wealth, in its sole discretion, may waive the required minimum fee.

Fees are paid on a quarterly basis in arrears. The quarterly fee will be equal to the applicable annual percentage rate (%) divided by 4 ("period effective rate"), multiplied by the net asset value of the client's account(s) on the last business day of the quarter being billed. Ruedi Wealth will mail a billing statement to the client detailing the computation of quarterly fees. The client and the client's custodian or broker-dealer will be invoiced at the end of each calendar quarter. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due, with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Ruedi Wealth may modify the fee at any time upon written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

A client investment advisory agreement may be canceled at any time by either party upon written notice. Upon termination any earned, unpaid fees will be due and payable.

#### A.2. Hourly Fee-Based Investment Consulting

Ruedi Wealth estimates that a representative simple plan for its hourly fee-based investment consulting services can be expected to take four to six hours to prepare. Therefore, projected fees for a simple investment consulting plan are generally expected to be between \$1,000 and \$1,500. Fees are billed monthly in arrears as services are performed.



If, during Ruedi Wealth's provision of the hourly fee-based investment consulting services and prior to the firm's providing the plan to a client, the client decides that he or she no longer wishes to obtain the hourly fee-based investment consulting plan, the client must inform Ruedi Wealth that he or she no longer wishes to receive the hourly fee-based investment consulting plan.

At the time Ruedi Wealth receives notice from the client that the client no longer wishes to receive the hourly fee-based investment consulting plan, Ruedi Wealth shall determine the number of hours of hourly fee-based investment consulting services it has performed to that point and charge the client its standard hourly rate for any remaining unbilled services.

### A.3. Financial Life Planning Fees

#### Net Worth Fee Schedule – Initial Retainer Fee

<u>Assets</u>	<u>Annual Fee Rate*</u>
First \$1 Million	0.90%
\$2 Million - \$3 Million	0.70%
\$3 Million - \$5 Million	0.50%
\$5 Million - \$10 Million	0.30%
\$10 Million+	0.10%

\*Fees are negotiable.

Ruedi Wealth generally requires a minimum fee of \$5,000 for life planning services. Ruedi Wealth, in its sole discretion, may waive the required minimum fee.

Retainer fees will be based on the initial net worth statement provided by the client and calculated based upon the financial life planning fee schedule above. Fees will be billed and collected quarterly in arrears and reset every three years based upon a new net worth statement provided by the client.

Net Worth includes all tangible assets for which the client provides a value and includes on the net worth statement at the onset of the relationship and every three years thereafter. Please be advised that assets included on a net worth statement may have appreciable change (positive or negative) during any particular three year period and therefore the client may be paying significantly more or less than would otherwise be required if the assets were revalued on a more frequent basis.

#### Sample Client Fee Schedule: \$2 Million Net Worth

<u>Assets</u>	<u>Fee Applied</u>	<u>Fee</u>
\$1,000,000	0.90%	9000.00
\$1,000,000	0.70%	7000.00
<b>Total Fee (Annual)</b>		<b>\$16,000.00</b>
<b>Quarterly Retainer Fee</b>		<b>\$4,000.00</b>
<b>Weighted Average Fee</b>		<b>0.80%</b>

## **B. Client Payment of Fees**

### **B.1. Payment of Asset-Based Fees**

Ruedi Wealth will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **B.2. Payment of Financial Life Planning Fees**

Ruedi Wealth will deduct financial life planning fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Ruedi Wealth may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. Prepayment of Client Fees**

Ruedi Wealth does not require the prepayment of fees. Ruedi Wealth bills in arrears for its investment advisory and financial life planning services.

### **E. External Compensation for the Sale of Securities to Clients**

Ruedi Wealth financial advisors are compensated solely through a salary and bonus structure. Ruedi Wealth is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.

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

Ruedi Wealth does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

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

Ruedi Wealth offers its investment services to various types of clients, including individuals and high-net-worth individuals, trusts and estates, pension and profit sharing plans, pooled investment vehicles, charitable organizations, corporations, and other legal entities. Although Ruedi Wealth provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by the firm for each of the investment programs it offers.

Ruedi Wealth generally requires a minimum fee of \$5,000 for advisory or life planning services. Ruedi Wealth, in its sole discretion, may waive the required minimum fee.

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

### **A. Methods of Analysis and Investment Strategies**

Ruedi Wealth relies heavily on the research from Dimensional Fund Advisors (“DFA”), a registered investment company under the Investment Company Act of 1940. DFA provides extensive research into the operation and nature of the equity markets as well as extensive investment data and academic research, which Ruedi Wealth uses to formulate recommendations to clients.

Ruedi Wealth generally uses a “buy and hold” strategy, utilizing index and similar funds for its clients’ investment portfolios, primarily DFA funds. Ruedi Wealth does not receive any cash payments for recommending DFA funds. Ruedi Wealth does, however, receive research material from DFA that it uses to formulate investment recommendations for all of its clients. A potential conflict of interest may be deemed to exist because of this arrangement.

Ruedi Wealth’s methods of analysis also may include fundamental and technical analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. In addition, Ruedi Wealth reviews research material prepared by others, corporate filings, corporate rating services, and a variety of financial publications.

Ruedi Wealth may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Exchange Traded Funds, Equity and Fixed Income Securities**

Ruedi Wealth may recommend mutual funds and individual securities (including fixed income instruments). Such investments may represent a variety of asset classes that may include, among others, large-, mid- and small-cap value, growth and core; international and emerging markets; and alternative investments. Ruedi Wealth may on occasion recommend exchange-traded funds, primarily those that move inverse to the general market (i.e., funds that carry short positions in underlying securities that realize positive gains through a decline in the market value of the underlying security positions). A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, and individual securities (including fixed-income securities) is set forth below.

Ruedi Wealth has formed relationships with third-party vendors that

- prepare performance reports
- perform due diligence monitoring of mutual funds
- perform billing and certain other administrative tasks

Ruedi Wealth may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and exchange-traded funds as appropriate under the circumstances.

Ruedi Wealth reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund and exchange-traded fund evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund's fee structure
- the relevant fund manager's tenure

Qualitative criteria used in recommending mutual funds include the investment objectives and/or management style and philosophy of a mutual fund, a mutual fund's consistency of investment style, and employee turnover and efficiency and capacity. Ruedi Wealth will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to their determination to retain a mutual fund or exchange-traded fund.

Quantitative and qualitative criteria related to mutual funds and exchange-traded funds are reviewed by Ruedi Wealth on a quarterly basis or such other interval as mutually agreed upon by the client and the firm. In addition, mutual funds and exchange-traded funds are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed by Ruedi Wealth (both of which are negative factors in implementing an asset allocation structure). Based on its review, Ruedi Wealth will make recommendations to clients regarding the retention or discharge of a particular mutual fund or exchange-traded fund.

Ruedi Wealth will regularly review the activities of fund managers utilized by the client. Clients that invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

## **A.2. Material Risks of Investment Instruments**

Ruedi Wealth typically invests in mutual funds and exchange-traded funds; however, Ruedi Wealth may recommend or utilize individual equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities

- U.S. government securities
- Option contracts on securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

#### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.2.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain



exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

Certain ETF's may be inverse funds which borrow securities that are then sold. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the fund is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the borrowed security.

#### **A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal

level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.2.h. Options on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates.

#### **A.2.i. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **A.2.j. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must

repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, Ruedi Wealth may invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.2.k. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Ruedi Wealth may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **A.2.l. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a

monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

## **B. Investment Strategy and Method of Analysis Material Risks**

Ruedi Wealth utilizes a long-term investment strategy for clients through recommendation of a diversified portfolio of mutual funds, exchange-traded funds, and in certain instances individual equity securities (including fixed income securities). Although equity securities carry risk as described in Item 8.A.2. above, Ruedi Wealth tries to mitigate such risk through recommending diversified portfolios of securities.

### **B.1. Leverage**

Although Ruedi Wealth as a general business practice does not utilize leverage, there may be instances in which exchange traded funds and, in very limited circumstances, Ruedi Wealth will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor.

### **B.2. Short-Term Trading**

Although Ruedi Wealth, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Short Selling**

Ruedi Wealth generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to

decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the borrowed security.

#### **B.4. Option Strategies**

Depending on the client's needs and risk tolerance, Ruedi Wealth may utilize various option strategies as further defined below.

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Ruedi Wealth as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

##### **B.4.a. Covered Call Writing**

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

##### **B.4.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.4.c. Long Put Option Purchases**

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

#### **B.4.d. Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; clients may contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### **B.4.e. Short Call Option Strategy**

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

#### **B.4.f. Short Put Option Strategy**

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

#### **B.4.g. Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on a amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

#### **B.4.h. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

### **C. Concentration Risk**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

Ruedi Wealth is required to disclose any legal or disciplinary events for ten years following the event's resolution that are material to a client or prospective client's evaluation of our advisory business or the integrity of our management.

### **A. Criminal or Civil Actions**

Ruedi Wealth has nothing to disclose for this item.

### **B. Administrative Enforcement Proceedings**

Ruedi Wealth has nothing to disclose for this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

Ruedi Wealth has nothing to disclose for this item.



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

### **A. Broker-Dealer or Representative Registration**

Neither Ruedi Wealth nor its affiliates are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither Ruedi Wealth nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Dimensional Fund Advisors**

Ruedi Wealth relies heavily on the research from Dimensional Fund Advisors ("DFA"), a registered investment company under the Investment Company Act of 1940. DFA provides extensive research into the operation and nature of the equity markets as well as extensive investment data and academic research that Ruedi Wealth uses to formulate recommendations to clients. Ruedi Wealth generally uses a "buy and hold" strategy utilizing index and similar funds for its clients' investment portfolios, primarily DFA funds. Ruedi Wealth does not receive any cash payments for recommending DFA funds. Ruedi Wealth does, however, receive research material from DFA that it uses to formulate investment recommendations for all of its clients. A potential conflict of interest may be deemed to exist because of this arrangement.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Ruedi Wealth does not recommend separate account managers or other investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Ruedi Wealth has adopted policies and procedures designed to detect and prevent insider trading. In addition, Ruedi Wealth has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of the firm's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of the firm. Ruedi Wealth will send clients a copy of its Code of Ethics upon written request.

Ruedi Wealth has policies and procedures in place to ensure that the interests of its clients are given preference over those of the firm, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Ruedi Wealth does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Ruedi Wealth does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Ruedi Wealth, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Ruedi Wealth specifically prohibits. Ruedi Wealth has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and

- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Ruedi Wealth's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Ruedi Wealth, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other of the firm's clients. Ruedi Wealth will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is Ruedi Wealth's policy to place the clients' interests above those of the firm and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Ruedi Wealth may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Ruedi Wealth may recommend that clients establish brokerage accounts with Schwab, Ruedi Wealth is independently owned and operated and not affiliated with Schwab.

Schwab does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through or that settle into Schwab accounts.

In certain instances and subject to approval by the firm, Ruedi Wealth will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Ruedi Wealth will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

Ruedi Wealth seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services

- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Soft Dollar Arrangements**

Ruedi Wealth does not utilize soft dollar arrangements. Ruedi Wealth does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.c. Institutional Trading and Custody Services**

Schwab provides Ruedi Wealth with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at Schwab. These services are not contingent upon Ruedi Wealth committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

#### **A.1.d. Other Products and Services**

Schwab also makes available to Ruedi Wealth other products and services that benefit Ruedi Wealth but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Ruedi Wealth's accounts, including accounts not maintained at Schwab. Schwab also makes available to Ruedi Wealth its managing and administering software and other technology that

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

Schwab also offers other services intended to help Ruedi Wealth manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

Schwab may also provide other benefits, such as educational events or occasional business entertainment of Ruedi Wealth personnel. In evaluating whether to recommend that clients custody their assets at Schwab, Ruedi Wealth may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### **A.1.e. Independent Third Parties**

Schwab may make available, arrange, and/or pay third-party vendors for the types of services rendered to Ruedi Wealth. Schwab may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Ruedi Wealth.

#### **A.1.f. Additional Compensation Received from Custodians**

Ruedi Wealth may participate in institutional customer programs sponsored by broker-dealers or custodians. Ruedi Wealth may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Ruedi Wealth's participation in such programs and the investment advice it gives to its clients, although Ruedi Wealth receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Ruedi Wealth participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Ruedi Wealth by third-party vendors

The custodian may also pay for business consulting and professional services received by Ruedi Wealth's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Ruedi Wealth's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Ruedi Wealth but may not benefit its client accounts. These products or services may assist Ruedi Wealth in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made

available through the programs are intended to help Ruedi Wealth manage and further develop its business enterprise. The benefits received by Ruedi Wealth or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Ruedi Wealth also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Ruedi Wealth to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Ruedi Wealth will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Ruedi Wealth's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Ruedi Wealth's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Ruedi Wealth endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Ruedi Wealth or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Ruedi Wealth's recommendation of broker-dealers such as Schwab for custody and brokerage services.

## **A.2. Brokerage for Client Referrals**

Ruedi Wealth does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. Ruedi Wealth Recommendations**

Ruedi Wealth currently recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Ruedi Wealth to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Ruedi Wealth derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Ruedi Wealth loses the ability to aggregate trades with other Ruedi Wealth advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

Ruedi Wealth, pursuant to the terms of its investment advisory agreement with clients, may have discretionary authority to determine the nature and type of securities to be bought and sold, and the amount of such securities. All security transactions will be effected through the client's custodian unless as otherwise directed by the client. Ruedi Wealth recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Ruedi Wealth will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Ruedi Wealth seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Ruedi Wealth's knowledge, these custodians provide high-quality execution, and Ruedi Wealth's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Ruedi Wealth believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **B.2. Security Allocation**

Since Ruedi Wealth may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Ruedi Wealth in



the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Ruedi Wealth's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Ruedi Wealth will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Ruedi Wealth's advice to certain clients and entities and the action of Ruedi Wealth for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Ruedi Wealth with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of the firm to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Ruedi Wealth believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Ruedi Wealth acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interests of its clients.

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by each investment advisor representative and are overseen by Paul Ruedi. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in the macroeconomic climate. Hourly fee-based investment consulting clients receive their financial plans and recommendations at the time service is completed.

### **B. Review of Client Accounts on Non-Periodic Basis**

Ruedi Wealth may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Ruedi Wealth formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

All investment advisory clients receive customized performance reports of their accounts as well as comparative performance of underlying benchmark market indices and of their benchmark composite index. Investment advisory clients also receive standard account statements from the custodian of their accounts on a monthly basis. Financial life planning clients may receive supplemental reporting as mutually agreed by the client and Ruedi Wealth. Hourly fee-based investment advisory clients receive their financial plans and recommendations at the time service is completed; no further diligence is provided.

The client's independent custodian also provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Ruedi Wealth.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Ruedi Wealth does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

Ruedi Wealth may enter into agreements with solicitors who will refer prospective advisory clients to Ruedi Wealth in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with Ruedi Wealth. The solicitor must provide the client with a disclosure document describing the fees it receives from Ruedi Wealth, whether those fees represent an increase in fees that Ruedi Wealth would otherwise charge the client, and whether an affiliation exists between Ruedi Wealth and the solicitor.

## Item 15: Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in their accounts. Ruedi Wealth urges its clients to compare the account balance(s) shown on their Ruedi Wealth performance review to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Ruedi Wealth with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, Ruedi Wealth will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Ruedi Wealth, as an SEC-registered investment adviser, often has voting power with respect to securities in client accounts. In such events, Ruedi Wealth owes certain fiduciary duties with respect to the voting of proxies. These fiduciary duties include (i) the duty of care, which requires Ruedi Wealth to monitor corporate events and to vote the proxies; and (ii) the duty of loyalty, which requires Ruedi Wealth to vote proxies in a manner consistent with the best interests of the client and to put the client's interests before Ruedi Wealth's own interests. In keeping with its fiduciary duties, Ruedi Wealth has adopted a Proxy Voting Policy, which sets forth the firm's policies and procedures designed to ensure that Ruedi Wealth votes each client's securities in the best interests of the client.

Ruedi Wealth will be authorized to take action and render any advice with respect to the voting of proxies for securities held in the client's account. Ruedi Wealth will make an independent valuation for each applicable company/fund held in the client's account in accordance with its fiduciary obligations as detailed in this policy. Clients may contact Ruedi Wealth for information about how Ruedi Wealth voted with respect to any of the securities held in their accounts.

Except as required by applicable law, Ruedi Wealth will not be obligated to render advice or take any action on behalf of a client with respect to assets presently or formerly held in the client's account that become the subject of any legal proceedings, including bankruptcies.

As a general rule, Ruedi Wealth will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with Ruedi Wealth's Proxy Voting Policy, unless a client specifically instructs Ruedi Wealth in writing to vote such client's securities otherwise. When making proxy voting decisions, Ruedi Wealth may seek advice or assistance from third-party consultants, such as proxy voting services or legal counsel.

A copy of Ruedi Wealth's Proxy Voting Policy will be provided upon receipt of a written request.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Ruedi Wealth does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Ruedi Wealth does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There are no bankruptcy petitions to report.