

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**July 2017**



8400 East Crescent Parkway, Suite 360  
Greenwood Village, Colorado 80111

[www.stordahlcapital.com](http://www.stordahlcapital.com)

This brochure provides information about the qualifications and business practices of Stordahl Capital Management, Inc ("SCM"). If clients have any questions about the contents of this brochure, please contact William J. Stordahl, Chief Compliance Officer, at 303-770-0602. 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. Additional information about SCM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #287916.

Please note that the use of the term "registered investment adviser" and description of SCM and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for SCM's associates who advise clients for more information on the qualifications of SCM and our employees.

## **Introduction**

Dear Current and Prospective Stordahl Capital Management Clients,

The trust and confidence you place in Stordahl Capital Management, and the idea that SCM acts as your fiduciary, fosters the very relationship that defines us. We are committed to placing your interests above our own. We strive daily to earn the trust you have placed in SCM and the foundation upon which we build that trust is through transparent business practices. With that, I am pleased to provide SCM's Brochure.

This Brochure provides detailed and important information about us, the services we provide, our business relationships, information about our investment processes, our fees, risks, and any potential conflicts of interest.

Earning the continued trust and confidence of our clients is how we measure the success of SCM. I hope the information provided in this Brochure helps you better understand SCM, our philosophies and our business practices. If you have any questions, or would like additional information regarding the information provided in this Brochure, please do not hesitate to contact me.

Sincerely,

Bill Stordahl  
Managing Director  
Stordahl Capital Management

## **Item 2: Material Changes**

SCM is required to make clients aware of information that has changed since the last annual update to the Firm Brochure ("Brochure") and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes.

### Item 3: Table of Contents

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees & Compensation .....	7
Item 6: Performance-Based Fees & Side-By-Side Management .....	9
Item 7: Types of Clients & Account Requirements .....	9
Item 8: Methods of Analysis, Investment Strategies & Risk of Loss .....	9
Item 9: Disciplinary Information .....	17
Item 10: Other Financial Industry Activities & Affiliations .....	17
Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading .....	18
Item 12: Brokerage Practices .....	19
Item 13: Review of Accounts or Financial Plans .....	22
Item 14: Client Referrals & Other Compensation .....	23
Item 15: Custody .....	23
Item 16: Investment Discretion .....	23
Item 17: Voting Client Securities .....	23
Item 18: Financial Information .....	24

## Item 4: Advisory Business

Stordahl Capital Management is an independent wealth management firm dedicated to providing individuals, families, and institutions with financial planning, consulting, and asset management services. SCM is a corporation formed under the laws of the State of Colorado in 2009 and has been in business as an investment adviser since 2017. SCM is wholly owned by William Stordahl and Julie Stordahl.

As a fiduciary it is our duty to always act in the client's best interest. We accomplish this by thoroughly understanding our client's life plans and goals, applying a holistic planning approach to accomplishing those goals and objectives, and then proactively communicating with our clients. SCM is a service oriented firm that seeks to build successful long-term relationships with our clients.

### **Types of Advisory Services Offered**

---

#### **Financial Planning & Consulting:**

SCM provides a variety of financial planning and consulting services to clients for the management of financial resources based upon an analysis of current situation, goals and objectives. These services seek to address our client's overall needs and objectives by addressing the following areas:

1. Cash Flow Strategy – focuses on cash flow objectives and needs. This consists of analyzing Social Security Benefits, pension benefits, future earned income, how to protect future income, and income tax planning.
2. Saving Strategy – focuses on needs in the future and how best to maximize saving strategies to 401ks, IRAs, deferred compensation plans, educational accounts and investment accounts to meet those future needs.
3. Liability Management Strategy – is focused on tracking and advising on personal debt such as mortgages, home equity lines of credit, asset backed lines of credit, and consumer debt.
4. Risk Management Strategy – covers strategies intended to preserve an individual's wealth and protect it from potential risks. This consists of analyzing various types of insurance such as life insurance, long-term care insurance, and medical insurance.
5. Estate Planning Strategy - consists of working with legal professionals to plan for asset transfer at death as well as the tracking of any documents that may be relevant to an individual's estate. This includes beneficiary designations, legal documents such as trusts and wills, and the assignment of legal representatives. It also involves charitable planning and gifting strategies.
6. Tax Strategy – consists of working with Certified Public Accountants ("CPAs") and other tax professionals to minimize current and future tax liability.

7. Investment Strategy – is concerned with managing the assets of the client in concert with the overall financial plan. This includes individual savings, investment accounts, qualified retirement plans, business ownership, home ownership, and non-traditional assets.

Financial planning or consulting services rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Assuming that all the information and documents requested from the client are provided promptly, plans or consultations are typically completed within 6 months of the client signing a contract with our firm.

Financial Planning & Consulting services can be provided as a standalone service or as part of the client's Comprehensive Wealth Management engagement with our firm, as described below. Financial Planning & Consulting services will be dependent upon the information that Client provides and the Client's active participation in the formulation and implementation of their objectives. Clients may be required to complete a questionnaire to assist in formulating said objectives. Copies of certain Client documents may be requested by our firm to assist in conducting a more complete evaluation of the client's objectives and to provide client's requested services. Our firm may reasonably request certain documents in order to permit a complete financial evaluation, including, but not limited to: insurance policies, wills, tax returns, and other documents depending upon Client's circumstances.

#### **Comprehensive Wealth Management:**

As part of our Comprehensive Wealth Management services, clients may be provided with standalone asset management or a combination of asset management and financial planning or consulting services. This service is designed to assist clients in meeting their financial goals through the use of a financial plan or consultation. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what is learned, an investment approach is presented to the client, consisting of Exchange Traded Funds ("ETFs"), mutual funds, bonds and other public and private securities or investments. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

The provided services outlined above are tailored to meet the needs of individual clients, and seeks to ensure that the client's portfolio is managed in a manner consistent with their stated objectives. Clients have the opportunity to place reasonable restrictions on the types of investments to be held in their portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the portfolio.

#### **Retirement Plan Consulting:**

SCM provides retirement plan consulting services to employer plan sponsors on an ongoing basis. Generally, such consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education. Retirement Plan Consulting services typically include:

- Establishing an Investment Policy Statement – Our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- Investment Options – Our firm will work with the Plan Sponsor to evaluate existing investment options and make recommendations for appropriate changes.
- Asset Allocation and Portfolio Construction – Our firm will develop strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.
- Investment Monitoring – Our firm will monitor the performance of the investments and notify the client in the event of over/underperformance and in times of market volatility.

In providing services for retirement plan consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, “Excluded Assets”). All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans (“Plan”) governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). If the client accounts are part of a Plan, and our firm accepts appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) or 3(38) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

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

Depending upon the circumstances of the client, SCM may utilize the services of a third party money manager (“TPMM”) for the management of client accounts. Investment advice and trading of securities will only be offered by or through the chosen TPMM. SCM will not offer advice on any specific securities or other investments in connection with this service. Prior to referring clients, our firm will provide initial due diligence on the TPMM and ongoing reviews of their management of client accounts. In order to assist in the selection of a TPMM, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account. SCM will periodically review TPMM reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the TPMM. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

#### **Participation in Wrap Fee Programs**

---

SCM does not offer or sponsor a wrap fee program.

#### **Regulatory Assets Under Management**

---

SCM manages \$214,100,000 on a discretionary basis and \$0 on a non-discretionary basis as of 07/28/17.

## Item 5: Fees & Compensation

### Compensation for Our Advisory Services

#### Comprehensive Wealth Management:

Assets Under Management	Annual Fee
\$0 - \$2,000,000	1.00%
\$2,000,001 - \$4,000,000	0.75%
\$4,000,001 - \$5,000,000	0.50%
Above \$5,000,000	Negotiable

Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees will be deducted from client account(s). Adjustments will be made for deposits and withdrawals of \$100,000 or more during the quarter. In rare cases, our firm will agree to directly invoice. As part of this process, Clients understand the following:

- The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- If our firm sends a copy of our invoice to the client, legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

#### Financial Planning & Consulting:

SCM charges on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$350. Our firm requires a retainer of 50% of the ultimate financial planning or consulting fee at the time of signing. The remainder of the fee will be directly billed to the client upon delivery of a financial plan or consultation. Our firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 months.

#### Retirement Plan Consulting:

Retirement Plan Consulting services are billed on a flat fee basis or based on the percentage of Plan assets under management. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. Flat fees will not exceed \$20,000. Fees based on a percentage of managed Plan assets will not exceed 1.00%. The fee-paying arrangements for Retirement Plan Consulting service will be determined on a case-by-case basis and will be detailed in the signed consulting agreement. Clients will be invoiced directly for the fees.

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

The total annual advisory fee for this service shall not exceed 1.50%. A portion of this fee will be paid to SCM and will be outlined in the TPMM's advisory agreement to be signed by the client. Clients will be provided with a copy of the chosen TPMM's Form ADV Part 2, all relevant Brochures, a solicitation disclosure statement detailing the fees to be paid to both firms and the TPMM's privacy policy. All fees that our firm receives from the TPMMs and the written separate disclosures made to clients regarding these fees comply with applicable state statutes and rules. The billing procedures for this service vary based on the chosen TPMM. The total fee to be charged, as well as the billing cycle, will be detailed in the TPMM's ADV Part 2A and separate advisory agreement to be signed by the client.

### **Other Types of Fees & Expenses**

---

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from SCM's advisory fees and will be disclosed by the chosen custodian. Clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses). SCM does not receive a portion of these fees.

### **Termination & Refunds**

---

Either party may terminate the advisory agreement signed with SCM for Comprehensive Wealth Management services in writing at any time. Upon notice of termination our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance at the beginning of the quarter.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by SCM.

Either party to a Retirement Plan Consulting Agreement may terminate at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within 5 business days of signing an agreement. After 5 business days from initial signing, either party must provide the other party 30-days written notice to terminate billing. Billing will terminate 30 days after receipt of termination notice. Clients will be charged on a pro-rata basis, which takes into account work completed by SCM on behalf of the client. Clients will incur charges for bona fide advisory services rendered up to the point of termination (determined as 30 days from receipt of said written notice) and such fees will be due and payable.

### **Commissionable Securities Sales**

---

Neither SCM nor its representatives sell securities for a commission in advisory accounts.



## **Item 6: Performance-Based Fees & Side-By-Side Management**

SCM does not charge performance-based fees.

## **Item 7: Types of Clients & Account Requirements**

SCM has the following types of clients:

- Individuals and High Net Worth Families
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, Limited Liability Companies and/or Other Business Types

SCM does not impose requirements for opening and maintaining accounts or otherwise engaging us.

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

### **Methods of Analysis**

---

**Investment Strategy Analysis:** SCM's investment strategy and security analysis is based on a number of factors, including those derived from academic research and literature, commercially available software technology, securities rating services, general market and financial information, due diligence reviews and specific investment analysis that clients may request. It is SCM's focus to understand the investment best practices and body of knowledge defined by the last 50-plus years of academic research. As such, SCM practices a passive or evidence-based approach to investing. This research is ongoing and will continue to inform the recommendations SCM makes to its clients. The foundation of SCM's investment philosophy rests squarely the belief that:

- Markets are fundamentally efficient and thus an evidence based approach is more profitable. The evidence based investment strategy attempts to replicate the returns of an index or benchmark by owning the same assets, in the same proportions, as the underlying index. In contrast, active management is an investment strategy whereby managers attempt to add value over the returns of an index by picking stocks, bonds, and other investments based on models, insights, and analytical research. Active managers try to identify market opportunities and exploit potential pricing inefficiencies to obtain excess return. We believe active portfolio management only increases risks and provides little if any value over time.
- Over the long-term it is impossible to time markets or to make successful tactical asset allocation shifts.
- Diversification; particularly global diversification enhances return and reduces risk. The academic evidence shows that investors should own U.S., international and emerging markets stocks, not

concentrating solely on U.S. companies. This research shows that diversification across countries makes sense in the same way that diversification across companies does.

- The primary role of fixed income is to reduce portfolio volatility. SCM believes that academic and practitioner evidence shows that the most efficient way to build portfolios is by taking risk through the equity allocation of the portfolio and use fixed income to reduce portfolio risk. This means that SCM's fixed income recommendations primarily emphasize investment grade corporate, municipal, and U.S. Treasury and Agency backed securities.
- If we focus on keeping portfolio expenses to minimum it will lead to higher investment returns.
- Managing tax liabilities is an important component to total return.
- Too often fear and greed, rather than a philosophy grounded in academic research, drives investment decisions. We seek to council clients against making emotional investing decisions.
- Four factors determine 95% of a client's life-time portfolio return: behavior, asset allocation, diversification, and rebalancing.
- An evidence based strategy is not static. SCM's investment strategy recommendations will evolve as academic and practitioner evidence evolves.

**Third-Party Money Manager Analysis:** The analysis of the experience, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Analysis is completed by monitoring the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of the due-diligence process, the manager's compliance and business enterprise risks are surveyed and reviewed. A risk of investing with a third-party manager who has been successful in the past is that they may not be able to replicate that success in the future. In addition, as SCM does not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as SCM does not control the manager's daily business and compliance operations, SCM may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

### **Investment Strategies We Use**

---

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons.

Portfolios are designed to provide investors with a multi-disciplined, tax efficient approach covering a wide range of investment objectives from the most "Aggressive" model to the most conservative "Income" model. Portfolios are constructed to maximize portfolio efficiency through broad based global diversification and to avoid "bets" on style, sector, country, or market capitalization. ETFs and mutual funds are utilized while individual stocks and bonds are generally not part of these strategies. Investment grade corporate bonds, municipal bonds and bonds backed by the U.S. Government or an agency thereof will be considered for some fixed income allocations.

Through in-depth discussions with the client, goals and objectives are determined based on the client's particular circumstances, needs and desires. Once the client's financial plan has been completed, a model portfolio is chosen from one of our seven investment strategies ranked here from most aggressive to least aggressive:

1. **SCM Aggressive Growth:** The goal of the Aggressive Growth portfolio is long-term growth of principal through price appreciation rather than current income. This portfolio is made up entirely of equity positions. SCM may select for this strategy an allocation of domestic equities, developed international equities, and emerging market equities. Clients invested in this portfolio should be long-term aggressive growth investors willing to tolerate potentially large short-term price fluctuations.
2. **SCM Growth:** The goal of the Growth portfolio is long-term growth of principal through price appreciation rather than current income. This portfolio introduces a small allocation of bonds into the portfolio to provide further diversification. SCM may select for this strategy an allocation of domestic equities, developed international equities, emerging market equities, and US taxable fixed income. Clients invested in this portfolio should be long-term aggressive growth investors willing to tolerate potentially large short-term price fluctuations.
3. **SCM Balanced Growth:** The goal of the Balanced Growth portfolio is long-term growth of principal through price appreciation rather than current income. For this portfolio, the bond allocation is expanded and a cash component is introduced to provide greater diversification with the goal of reducing overall volatility. SCM may select for this strategy an allocation of domestic equities, developed international equities, emerging market equities, US taxable bonds, and various cash instruments. Clients invested in this portfolio should be long-term growth investors willing to tolerate potentially large short-term price fluctuations.
4. **SCM Balanced Growth & Income:** The goal of the Balanced Growth & Income portfolio is long-term growth of principal with some emphasis placed on current income. This portfolio has a larger allocation of bonds and cash assets to reduce overall portfolio volatility, and to provide limited amounts of current income. SCM may select for this strategy an allocation of domestic equities, developed international equities, emerging market equities, US taxable bonds, and various cash instruments. Clients invested in this portfolio should be long-term growth and income investors willing to tolerate moderate to large short-term price fluctuations.
5. **SCM Balanced:** The goal of the Balanced portfolio is long-term growth of principle and current income. This portfolio has a significant allocation of bonds and cash assets to provide current income and to reduce volatility. SCM may select for this strategy an allocation of domestic equities, developed international equities, emerging market equities, US taxable bonds, and various cash instruments. Clients invested in this portfolio should be long-term growth and income investors willing to tolerate moderate short-term price fluctuations.
6. **SCM Balanced Income:** The goal of the Balanced Income portfolio is current income and long-term capital appreciation. The majority of this portfolio is invested in bonds and cash assets with a portion of the portfolio invested in equity assets. The goal is to create a relatively stable portfolio that provides both current income while allowing the portfolio to benefit from the long-term growth associated with equities. SCM may select for this strategy an allocation of domestic equities, developed international equities, emerging market equities, US taxable bonds, and various cash instruments. Clients invested in this portfolio should be long-term income and growth investors willing to tolerate short-term price fluctuations.
7. **SCM Income:** The focus of the Income portfolio is current income. The majority of this portfolio is invested in bonds and cash assets with only a small portion of the portfolio invested in equity assets to provide diversification. The goal is to create a relatively stable portfolio that provides current income. SCM may select for this strategy an allocation of domestic equities, developed international equities, emerging market equities, US taxable bonds, and various cash instruments. Clients invested in this portfolio should be long-term income investors willing to tolerate short-term price fluctuations.

The strategy that is chosen for each client is based solely on giving the client confidence in achieving the goals they specifically value, without undue sacrifice to their lifestyle, while trying to avoid unnecessary investment risk. A new account will be invested anywhere from one day to six months pending client needs and market conditions. Cash balances will typically be less than 5%- 10% of the portfolio.

**Asset Allocation:** The implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame. Asset allocation is based on the principle that different assets perform differently in different market and economic conditions. A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not perfectly correlated, hence diversification reduces the overall risk in terms of the variability of returns for a given level of expected return. Although risk is reduced as long as correlations are not perfect, it is typically forecast (wholly or in part) based on statistical relationships (like correlation and variance) that existed over some past period. Expectations for return are often derived in the same way.

An asset class is a group of economic resources sharing similar characteristics, such as riskiness and return. There are many types of assets that may or may not be included in an asset allocation strategy. The "traditional" asset classes are stocks (value, dividend, growth, or sector-specific [or a "blend" of any two or more of the preceding]; large-cap versus mid-cap, small-cap or micro-cap; domestic, foreign [developed], emerging or frontier markets), bonds (fixed income securities more generally: investment-grade or junk [high-yield]; government or corporate; short-term, intermediate, long-term; domestic, foreign, emerging markets), and cash or cash equivalents. Allocation among these three provides a starting point. Usually included are hybrid instruments such as convertible bonds and preferred stocks, counting as a mixture of bonds and stocks. Other alternative assets that may be considered include: commodities: precious metals, nonferrous metals, agriculture, energy, others.; Commercial or residential real estate (also REITs); Collectibles such as art, coins, or stamps; insurance products (annuity, life settlements, catastrophe bonds, personal life insurance products, etc.); derivatives such as long-short or market neutral strategies, options, collateralized debt, and futures; foreign currency; venture capital; private equity; and/or distressed securities.

**Strategic Asset Allocation:** The primary goal of a strategic asset allocation is to create an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Generally speaking, strategic asset allocation strategies are agnostic to economic environments, i.e., they do not change their allocation postures relative to changing market or economic conditions.

**Exchange Traded Funds:** An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. The vast majority of ETFs are designed to track an index, so their performance is close to that of an index mutual fund, but they are not exact duplicates. A tracking error, or the difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends. ETFs benefit from continuous pricing; they can be bought and sold on a stock exchange throughout the trading day. Because ETFs trade like stocks, you can place orders just like with individual stocks - such as limit orders, good-until-canceled orders, stop loss orders etc. They can also be sold short. Traditional mutual funds are bought and redeemed based on their net asset values ("NAV") at the end of the day. ETFs are bought and sold at the market prices on the exchanges, which resemble the underlying NAV but are independent of it. However, arbitrageurs will ensure that ETF prices are kept very close to the NAV of the underlying securities. Although an investor can buy as few as one share of an ETF, most buy in board lots. Anything bought in less than a board lot will increase the cost to

the investor. Anyone can buy any ETF no matter where in the world it trades. This provides a benefit over mutual funds, which generally can only be bought in the country in which they are registered.

One of the main features of ETFs are their low annual fees, especially when compared to traditional mutual funds. The passive nature of index investing, reduced marketing, and distribution and accounting expenses all contribute to the lower fees. However, individual investors must pay a brokerage commission to purchase and sell ETF shares; for those investors who trade frequently, this can significantly increase the cost of investing in ETFs. That said, with the advent of low-cost brokerage fees, small or frequent purchases of ETFs are becoming more cost efficient.

**Fixed Income:** Fixed income is a type of investing or budgeting style for which real return rates or periodic income is received at regular intervals and at reasonably predictable levels. Fixed-income investors are typically retired individuals who rely on their investments to provide a regular, stable income stream. This demographic tends to invest heavily in fixed-income investments because of the reliable returns they offer. Fixed-income investors who live on set amounts of periodically paid income face the risk of inflation eroding their spending power.

Some examples of fixed-income investments include treasuries, money market instruments, corporate bonds, asset-backed securities, municipal bonds and international bonds. The primary risk associated with fixed-income investments is the borrower defaulting on his payment. Other considerations include exchange rate risk for international bonds and interest rate risk for longer-dated securities. The most common type of fixed-income security is a bond. Bonds are issued by federal governments, local municipalities and major corporations. Fixed-income securities are recommended for investors seeking a diverse portfolio; however, the percentage of the portfolio dedicated to fixed income depends on your own personal investment style. There is also an opportunity to diversify the fixed-income component of a portfolio. Riskier fixed-income products, such as junk bonds and longer-dated products, should comprise a lower percentage of your overall portfolio.

The interest payment on fixed-income securities is considered regular income and is determined based on the creditworthiness of the borrower and current market rates. In general, bonds and fixed-income securities with longer-dated maturities pay a higher rate, also referred to as the coupon rate, because they are considered riskier. The longer the security is on the market, the more time it has to lose its value and/or default. At the end of the bond term, or at bond maturity, the borrower returns the amount borrowed, also referred to as the principal or par value.

**Long-Term Purchases:** SCM may buy securities for your account and hold them for a relatively long time (more than a year) in anticipation that the security's value will appreciate over a long horizon. The risk of this strategy is that SCM could miss out on potential short-term gains that could have been profitable to your account, or it's possible that the security's value may decline sharply before SCM make a decision to sell.

**Mutual Funds:** A mutual fund is a company that pools money from many investors and invests the money in a variety of differing security types based the objectives of the fund. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value ("NAV") plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys

and sells or the timing of those trades. With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which is calculated daily after market close.

The benefits of investing through mutual funds include: (a) Mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities purchased by the fund; (b) Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as “Don’t put all your eggs in one basket.” Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.; (c) Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.; and (d) At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages: (a) Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.; (b) Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.; and (c) With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit, and cannot use losses to offset these gains.

---

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and the account(s) could enjoy a gain, it is also possible that the stock market may decrease and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market, are appropriately diversified in investments, and ask any questions.

**Capital Risk:** Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100% of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

**Company Risk:** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

**Credit Risk:** Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

**Currency Risk:** Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, German mark, Euro, Japanese yen, French franc, etc.).

**Economic Risk:** The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

**Equity (Stock) Market Risk:** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

**Financial Risk:** Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

**Fixed Income Securities Risk:** Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

**Inflation Risk:** Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk:** Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Legal/Regulatory Risk:** Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

**Liquidity Risk:** Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Manager Risk:** There is always the possibility that poor security selection will cause your investments to underperform relative to benchmarks or other funds with a similar investment objective.

**Market Risk:** The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a



period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

**Operational Risk:** Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

**Past Performance:** Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

#### **Description of Material, Significant or Unusual Risks**

---

SCM generally invests client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, SCM tries to achieve the highest return on client cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that SCM may debit advisory fees for our services related to our Comprehensive Wealth Management service, as applicable.

#### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

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

Representatives of SCM are licensed insurance agents. As a result of these transactions, they receive normal and customary commissions. A conflict of interest exists as these commissionable sales create an incentive to recommend products based on the compensation earned. To mitigate this potential conflict, SCM will act in the client's best interest.

Please see Item 4 above for more information about the selection of third party money managers. The compensation paid to SCM by TPMMs may vary, and thus, creates a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. Prior to referring clients to TPMM, SCM will ensure that third party advisors are licensed or notice filed with the respective authorities. A potential conflict of interest in utilizing TPMMs may be an incentive to us in selecting a

particular TPMM over another in the form of fees or services. In order to minimize this conflict SCM will make our recommendations/selections in the best interest of our clients.

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

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for SCM's Code of Ethics, which includes procedures for personal securities transaction and insider trading. SCM requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with SCM, and at least annually thereafter, all representatives of SCM will acknowledge receipt, understanding and compliance with SCM's Code of Ethics. SCM and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

SCM recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, SCM also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, SCM has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, SCM has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither SCM nor a related person recommends, buys or sells for client accounts, securities in which SCM or a related person has a material financial interest without prior disclosure to the client.

Related persons of SCM may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to SCM's Code of Ethics., a copy of which is available upon request.

Likewise, related persons of SCM buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to SCM's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day unless included in a block trade.

---

<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

---

SCM does not maintain custody of client assets (although SCM may be deemed to have custody of client assets if give the authority to withdraw assets from client accounts (see *Item 15 Custody*, below). Client assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. SCM recommends that clients use Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. SCM is independently owned and operated, and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed. While SCM recommends that clients use Schwab as custodian/broker, clients will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. SCM does not open the account. Even though the account is maintained at Schwab, SCM can still use other brokers to execute trades, as described in the next paragraph.

### How Brokers/Custodians Are Selected

SCM 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. A wide range of factors are considered, including, but not limited to:

- 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 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
- prior service to SCM and our other clients
- availability of other products and services that benefit SCM, as discussed below (see “*Products & Services Available from Schwab*”)

### Custody & Brokerage Costs

Schwab generally does not charge a separate fee for custody services, but is compensated by charging commissions or other fees to clients on trades that are executed or that settle into the Schwab account. Schwab’s commission rates and/or asset-based fees applicable to client accounts were negotiated based on SCM’s commitment to maintain a minimum threshold of assets statement equity in accounts at Schwab. This commitment benefits clients because the overall commission rates and/or asset-based fees paid are lower than they would be if SCM had not made the commitment. In addition to commissions or asset-based fees Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each

trade that SCM has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize client trading costs, SCM has Schwab execute most trades for the accounts.

### **Products & Services Available from Schwab**

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

### **Services that Benefit Clients**

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

### **Services that May Not Directly Benefit Clients**

Schwab also makes available other products and services that benefit SCM but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

### **Services that Generally Benefit Only SCM**

Schwab also offers other services intended to help manage and further develop our business enterprise. These services include:

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

Schwab may provide some of these services itself. In other cases, Schwab will arrange for third-party vendors to provide the services to SCM. Schwab may also discount or waive fees for some of these services

or pay all or a part of a third party's fees. Schwab may also provide SCM with other benefits, such as occasional business entertainment for our personnel.

Irrespective of direct or indirect benefits to our client through Schwab, SCM strives to enhance the client experience, help clients reach their goals and put client interests before that of SCM or associated persons.

### **Soft Dollars**

---

SCM does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by SCM will generally be used to service all of our clients but not necessarily all at any one particular time.

### **Client Brokerage Commissions**

---

Schwab does not make client brokerage commissions generated by client transactions available for SCM's use.

### **Client Transactions in Return for Soft Dollars**

---

SCM does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

### **Brokerage for Client Referrals**

---

SCM does not receive brokerage for client referrals.

### **Directed Brokerage**

---

Neither SCM nor any of SCM's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. SCM routinely recommends that clients direct us to execute through a specified broker-dealer. SCM recommends the use of Schwab. Each client will be required to establish their account(s) with Schwab if not already done. Please note that not all advisers have this requirement.

### **Special Considerations for ERISA Client**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, SCM will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

## **Client-Directed Brokerage**

---

SCM allows clients to direct brokerage outside our recommendation. SCM may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because SCM may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

## **Aggregation of Purchase or Sale**

---

SCM provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by SCM, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when SCM believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, SCM attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **Item 13: Review of Accounts or Financial Plans**

Our management personnel or financial advisors review accounts on at least an annual basis for our Comprehensive Wealth Management and Third Party Money Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. SCM does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when our Comprehensive Wealth Management and Third Party Money Management clients are contacted. SCM may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Planning and consulting services included in the Comprehensive Wealth Management services are reviewed on an ongoing basis. Financial Planning & Consulting clients that engage SCM for standalone services do not receive ongoing reviews of their plans unless a follow up consultation is scheduled. Written plans or consultations are not provided.

Retirement Plan Consulting clients receive reviews of their retirement plans for the duration of the service. SCM also provides ongoing services where clients are met with upon their request to discuss updates to their plans, changes in their circumstances, etc. Retirement Plan Consulting clients do not receive written or verbal updated reports regarding their plans unless they choose to engage SCM for ongoing services.

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

### **Schwab**

---

SCM receives economic benefit from Schwab in the form of the support products and services made available to SCM and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability of Schwab's products and services is not based on SCM giving particular investment advice, such as buying particular securities for our clients.

### **Referral Fees**

---

SCM does not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to SCM in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

## **Item 15: Custody**

SCM does not have custody of client funds or securities. All of our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If SCM decides to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from SCM. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

## **Item 16: Investment Discretion**

Clients provide SCM with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, SCM is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with SCM's written acknowledgement.

## **Item 17: Voting Client Securities**

SCM does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to SCM, SCM will forward them to the appropriate client and ask the party who sent them to mail them directly to

the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

### **Item 18: Financial Information**

SCM is not required to provide financial information in this Brochure because:

- SCM does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.
- SCM does not take custody of client funds or securities.
- SCM does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

SCM has never been the subject of a bankruptcy proceeding.