

# MARTEL WEALTH ADVISORS

*Charting Financial Independence Since 1982*

[www.martelwealthadvisors.com](http://www.martelwealthadvisors.com) | 360 694 9940

## Item 1 Cover Page

### Disclosure Brochure | Part 2A of Form ADV

September 21, 2018

This brochure provides information about the qualifications and business practices of Martel Wealth Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 360-694-9940. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Martel Wealth Advisors, Inc. is also available on the internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view the firm's information there by searching for Martel Wealth Advisors, Inc. You may search for information by using Martel Wealth Advisors, Inc.'s name or by using IARD/CRD number 296896.

Please note that the use of the term "registered investment advisor" and description of our firm 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 our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## Item 2 Material Changes

Martel Wealth Advisors, Inc. 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.

When changes are made, we will ensure that all current clients receive a Summary of Material Changes to this to subsequent Brochures within 120 days of the close of our business' fiscal year. A Summary of Material Changes is also included with our Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Martel Wealth Advisors, Inc. is #296896. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Since filing our initial brochure dated July 2, 2018, Martel Wealth Advisors has made the following material changes:

- We updated Item 4 – *Advisory Business* – to disclose our assets under management as of September 17, 2018.

Currently, our Brochure may be requested by contacting Julie Scott, the Chief Compliance Officer for Martel Wealth Advisors, Inc at [info@martelwealthadvisors.com](mailto:info@martelwealthadvisors.com).

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Item 4 Advisory Business

A. Martel Wealth Advisors, Inc. (hereinafter the “Firm”) was approved as an SEC registered investment advisor on August 1, 2018. The Firm is based in Vancouver, WA. While SEC registration does not imply a certain level of skill or training, the Firm requires that advisors are Series 65 or 66 registered. Mark S. Martel, CFP® is the sole owner of the Firm. He has been in business since 1982.

B, C. We offer the following investment advisory services, personalized to each individual client:

- Wealth Management Services
- Financial and Retirement Planning Services
- Retirement Plan Consulting Services

Each investment advisory service is listed below and describes how we tailor our advisory services to your individual needs.

### **Wealth Management Services**

The Firm provides clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary management of investment portfolios.

The Firm primarily allocates client assets among various mutual funds and exchange-traded funds (ETFs) in accordance with their stated investment objectives and risk profile. Less frequently, the Firm will allocate assets among individual debt and equity securities. The Firm evaluates a new client's existing investments with respect to the client's investment objective and works with the client to develop a plan to transition from the client's existing portfolio to the client's desired portfolio.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients may engage the Firm to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance, annuity contracts, assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, the Firm directs or recommends the allocation of client assets among the various investment options available within the product.

These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

The Firm tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. The Firm consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify the Firm if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if the Firm determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Financial and Retirement Planning Services**

The Firm offers clients a broad range of financial planning and consulting services, which may include:

- Business Planning
- Cash Flow Forecasting
- Charitable Giving
- Distribution Planning
- Financial Reporting
- Insurance Planning
- Investment Consulting
- Manager Due Diligence
- Retirement Planning
- Risk Management
- Tax Planning
- Trust and Estate Planning

In performing these services, the Firm is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by the Firm under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising the Firm's recommendations and/or services.

## **Retirement Plan Consulting Services**

The Firm 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, evaluation of investment options, asset allocation and portfolio construction, and investment monitoring.

In providing services for retirement plan consulting, the 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 the Firm accepts appointment to provide services to such accounts, the 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.

D. The Firm does not sponsor a wrap program nor is the Firm an investment adviser to a wrap program.

E. As of September 17, 2018, the Firm has \$145,557,616 in discretionary assets under management and \$0 in non-discretionary assets under management.

**Item 5 Fees and Compensation**

**A. Wealth Management Fees**

For those clients making use of wealth management services provided by the Firm, the amount of the asset management fee will be based upon the total Assets Under Management (AUM) and according to the following schedule:

<b>Assets Under Management</b>	<b>Annual Fee</b>
\$0 - \$499,999	1.25%
\$500,000 - \$999,999	1.00%
\$1,000,000 - \$4,999,999	0.75%
\$5,000,000 - \$9,999,999	0.60%
On amounts over \$10,000,000	0.50%

B. The above fee schedule is applied to the clients entire account portfolio at the lowest annual fee according to the respective bracket. All accounts for members of the client's family (spouse/partner and children) or related businesses (non-fiduciary status accounts) may be assessed fees based on the total assets of all accounts. Cash balances are sometimes used for strategic purposes and therefore will be included in AUM and will be assessed at the management fee assigned. Clients authorize the Firm to withdraw fees from each account quarterly.

**Retirement Plan Consulting Fees**

Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor. These fees vary based on the scope of the services to be rendered but are annual asset-based fees that are billed quarterly. The fee will depend on the complexity and amount of services to be provided.

**Fee Discretion**

The Firm may, at its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

**C. Additional Fees and Expenses**

In addition to the advisory fees paid to the Firm, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges may include securities brokerage commissions, transaction fees, custodial fees, margin costs, charges imposed directly by a mutual fund or ETFs in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12.

**D.** Clients generally provide the Firm with the authority to directly debit their accounts for payment of the investment advisory fees. Unless otherwise indicated, fees are billed at the beginning of the billing period for accounts held at Charles Schwab & Co. Inc. and at the end of the billing period for SEI Private Trust Company accounts and Vanguard Annuity contracts.

**Termination and Refunds**

The Firm or client may terminate the investment advisory relationship at any time without penalty. If termination occurs before the end of the billing quarter, the Firm will pro-rate the amount paid by the client for the quarter and make a refund to the client based upon the number of days remaining in the quarter after the date of termination or the liquidation of client's account(s), as applicable. Such refund will be paid within thirty (30) days after the termination or liquidation date.

**E.** Some representatives of the Firm are registered representatives of KMS Financial Services, Inc (KMS), member FINRA/SIPC. As such they are able to accept compensation for the sale of securities or other investment products, including distribution or service (trail) fees from the sale of mutual funds. Clients should be aware that the practice of accepting commissions for the sale of securities presents a conflict of interest and gives the Firm and/or its representatives an incentive to recommend investment products based on the compensation received. The Firm generally addresses commissionable sales conflicts that arise when explaining to clients these sales create an incentive to recommend based on the compensation to be earned and/or when recommending commissionable mutual funds, explaining that "no-load" funds are also available.



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

The Firm does not charge performance-based fees nor provides side-by-side management for performance-based and other types of fees.

## Item 7 Types of Clients

The Firm offers services to individuals, corporations, pensions, profit sharing plans, trusts, estates and charitable organizations. The Firm has over 200 client relationships with assets over \$1 million, however, there are no minimum account values or minimum fees for the Firm's services. The Firm reserves the right to decline or terminate any accounts that the Firm feels are not a proper fit for the services provided.

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

### A. Methods of Analysis and Investment Strategies

The Firm maintains investment portfolios that are constructed primarily of mutual funds and exchange-traded funds (ETFs).

The Firm may 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, among other considerations. The implementation of an investment strategy that attempts to balance risk versus return by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame is called asset allocation. 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 forecasted (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.

The Firm utilizes strategic asset allocation based on investment goals, risk tolerance, time frames and diversification. 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.

We strive to generate diversified portfolios of securities based on the individual client's investment goals and risk tolerance profile. While this practice does mediate some investment risk, it cannot eliminate all investment risk. Residual systematic risks include, but are not limited to, interest rate risk, inflation risk, market risk, corporate risk, geopolitical risk, and risk due to war or natural disasters.

B. Part of our fund analysis considers the experience and track record of the manager of the mutual fund or ETFs in an attempt to determine if that manager has demonstrated an ability to perform over a period of time and in different economic conditions. The underlying assets in a mutual fund or ETFs are also reviewed in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. The funds or ETFs are monitored in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETFs analysis is that, as in all securities investments, past performance does not guarantee future results. A fund manager who has been successful may not be able to replicate that success in the future. In addition, as the Firm does not control the underlying investments in a fund or ETFs, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETFs, which could make the holding(s) less suitable for the client's portfolio.

We use our best judgement and good faith efforts in rendering services to clients. We cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment recommendation made by the Firm will be profitable. Investing in securities involves risk of loss that clients should be prepared to bear. Clients assume all risk involved in the investment of account assets. Investments are subject to various market, currency, economic, political and business risks.

## Item 9 Disciplinary Information

The Firm has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

## Item 10 Other Financial Industry Activities and Affiliations

Some representatives of the Firm are registered representatives of KMS, member FINRA/SIPC, and licensed insurance agents. As a result of these transactions, they receive normal and customary commissions. A conflict of interest exists as these commissionable securities sales create an incentive to recommend products based on the compensation earned. To mitigate this potential conflict, the Firm will act according to the high standard of business conduct and fiduciary duty to clients as described in the Code of Ethics (See Item 11).

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

A. The Firm has adopted a code of ethics in compliance with applicable securities laws (Code of Ethics) that sets forth the standards of conduct expected of its access persons. An access person is a person who has access to nonpublic information regarding a client's purchase or sale of securities. All of the Firm's officers and employees are presumed to be access persons.

In adopting its Code of Ethics, the Firm recognizes that it, and its access persons, owe a fiduciary duty to client accounts and must (1) at all times place the interests of clients first; (2) conduct personal securities transactions in a manner consistent with its Code of Ethics and avoid any abuse of a position of trust and responsibility; and (3) adhere to the fundamental standard that should not take inappropriate advantage of their positions. In addition, access persons must report any violations of the Code of Ethics to the Firm's Chief Compliance Officer.

All access persons of the Firm must comply with the Code of Ethics. In particular, it is unlawful for the Firm or any access person to:

- Employ any device, scheme or artifice to defraud any client or prospective client of the Firm;
- Engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon any client or prospective client of the Firm; or
- Engage in any fraudulent, deceptive, or manipulative practice.

In addition, the Firm is prohibited from, among other things, engaging in the following activities:

- Performing any activities that they are not otherwise authorized to perform under the Firm's policies, as stated in the Policy and Procedure Manual.
- Failing to disclose conflicts of interests.
- Recommending securities or investment products outside the investment parameters of the client.
- Permitting their personal investments or affiliations to influence advice to a client.
- Failing to notify the Chief Compliance Officer immediately about, or attempting to settle, any client complaints on their own.
- Signing a client's name to any document, even if the client gives permission to do so.
- Accepting money from a client as additional compensation for investment advisory services offered.
- Borrowing money, loaning to, or otherwise accepting investment from a client without prior consent from the Chief Compliance Officer.
- Making discretionary trades for a client who has not given the Firm written authority to make such trades.
- Advertising their services or those of the Firm without prior approval of the Firm.
- Raising money for charitable or political organizations without prior approval from the Firm.
- Becoming employed with another company or serving as a director of another company without prior approval from the Firm.
- Giving gifts to clients or receiving gifts from clients without prior approval from the Chief Compliance Officer.

B, C, D. The Firm's Code of Ethics also contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information and the trading of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires access persons to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). The Firm's access persons, who are permitted to buy or sell securities that they recommend to clients are allowed to do so if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no access person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse/partner, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the access person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

Clients and prospective clients may contact the Firm to request a copy of its Code of Ethics.

## Item 12 Brokerage Practices

A. Client's assets are held by independent third-party custodians. Except to the extent that the client directs otherwise, the Firm may use its discretion in selecting or recommending the third-party custodian.

The Firm will recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. (Schwab) or SEI Private Trust Company (SPTC). These custodians are FINRA-registered broker-dealers and members SIPC. Schwab Advisor Services (formerly known as Schwab Institutional) is Schwab's business serving independent investment advisory firms.

The Firm is an independently owned and operated and not affiliated with Schwab or SPTC. Schwab and SPTC will hold the client's assets in a brokerage account and buy and sell securities at the Firm's instruction.

The Firm recommends a custodian who will hold the client's assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The Firm considers a wide range of factors, including but not limited to:

- A combination of transaction execution services along with asset custody services (generally without a separate fee for custody).
- A capability to execute, clear and settle trades (buy and sell securities for the client's account).
- 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, ETFs, etc.).
- Availability of investment research and tools that assist the Firm 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 the Firm and our clients.
- Availability of other products and services that benefit the Firm, as discussed below.

### Research and Other Soft Dollar Benefits

The Firm receives, without cost from Schwab and SPTC, computer software and related systems support, which allow the Firm to better monitor client accounts maintained at each custodian. The Firm receives the software and related support without cost because the Firm renders investment management services to clients that maintain assets at custodian. The software and support is not provided in connection with securities transactions of clients. The software and related systems support may benefit the Firm, but not its clients directly. In fulfilling its duties to its clients, the Firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Firm's receipt of economic benefits from a custodian creates a conflict of interest since these benefits may influence the Firm's choice of custodian over another that does not furnish similar software, systems support or services.

Specifically, the Firm may receive the following benefits from custodians:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

In some cases, the Firm may share costs related to client events with custodians.

### B. Trade Aggregation

The Firm 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 the Firm, 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 the Firm 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, the Firm 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

- A. The Firm monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. All investment advisory clients are encouraged to discuss their needs, goals and objectives with the Firm and to keep the Firm informed of any changes. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.
- B. 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.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian where their assets are held. On a quarterly basis, clients with accounts held at Schwab receive a written or electronic report from the Firm, which contain account, market-related information, and account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from the Firm.

## Item 14 Client Referrals and Other Compensation

The Firm does not currently provide compensation to any third-party solicitors for client referrals.

## Item 15 Custody

Custody is disclosed in Form ADV because the Firm has authority to transfer money from client accounts, which constitutes a standing letter of authorization (SLOA). Accordingly, the Firm will follow safeguards specified by the SEC rather than undergo an annual audit.



In addition, the investment advisory agreement with any financial institution generally authorize the Firm to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The financial institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to the Firm.

#### Item 16 Investment Discretion

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory agreement. By granting investment discretion, the Firm 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 the Firm's written acknowledgement.

#### Item 17 Voting Client Securities

The Firm does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page.

#### Item 18 Financial Information

The Firm is not required to disclose any financial information because:

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