



## ITEM 1 - COVER PAGE

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

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This brochure provides information about the qualifications and business practices of Financial Synergies Wealth Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 713-623-6600 or [mvillard@finsyn.com](mailto:mvillard@finsyn.com). 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. Financial Synergies Wealth Advisors, Inc. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Financial Synergies Wealth Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105643.

## **ITEM 2 - MATERIAL CHANGES**

None

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. You may request a copy of this document, free of charge, at any time.

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## **ITEM 4 - ADVISORY BUSINESS**

Financial Synergies Wealth Advisors, Inc. (Financial Synergies) is an SEC-registered investment adviser with its principal place of business located in Houston, Texas. Financial Synergies began conducting business as a registered investment adviser in 1986. Financial Synergies also conducts business under the following names: Financial Synergies and Financial Synergies Pathway. Michael Booker is President and majority shareholder. Michael Minter, Heath Hightower and Bryan Zschiesche are minority shareholders. Financial Synergies offers the following advisory services to clients:

### **Investment Management Services**

We manage investment advisory accounts using a diversified asset allocation approach. Each portfolio is designed to meet a particular investment goal. We manage these advisory accounts on a discretionary and non-discretionary basis - with account supervision guided by the stated objectives of the client (e.g., capital appreciation, growth, income, or growth and income).

Through discussions in which the client's goals and objectives are established, we will determine which portfolio allocation is best suited to the client's individual needs and circumstances. Once the appropriate allocation has been determined, the Investment Plan will be presented to the client, after which the assets will be invested accordingly. Clients will have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Clients will retain individual ownership of all securities.

Each investment portfolio consists primarily of no-load mutual funds and exchange traded funds (ETFs). As appropriate, portfolios may also include individual equities, bonds, variable annuities, variable life insurance products and/or other investment products. Weighting among funds or other securities and asset classes is determined by the appropriate allocation.

In order to ensure that our initial determination of an appropriate portfolio continues to be suitable and that the client's account continues to be managed in a manner fitting to the client's financial circumstances, we will seek to maintain client suitability information current at all times. To assist us in these efforts, we ask that clients notify us promptly of any change in their financial circumstances.

We monitor Investment Management Services accounts at least weekly, and rebalance these accounts as needed. If we believe that a particular investment is performing inadequately, or that a different investment has become more suitable for the portfolio's goal, then we will recommend a different investment and reinvest the client's assets in accordance with the discretionary authority granted by the client. In the case of non-discretionary accounts the client will make the recommended changes. Clients may impose restrictions on investing in certain securities or types of securities.

### **Financial Planning Services**

We also provide advice in the form of Financial Planning. Clients engaging the firm to provide this service receive a written or digital report containing a detailed financial plan designed to achieve the client's stated financial goals and objectives. After we've completed the initial financial plan we will continue to monitor the progress of the plan, and consult with the client on an ongoing basis.

In general, our financial plans fall into two broad categories:

#### **1. Needs Analysis and Planning**

The Needs Analysis Plans are usually modular in nature, and tend to focus on one or two specific financial goals. Examples of some of these types of plans are:

- College Education
- Portfolio Allocation

- Cash Flow
- Budget & Savings
- Major Purchase (e.g. home purchase)
- Basic Retirement Projections

## 2. Advanced Retirement Planning

Our Advanced Retirement Plans are more detailed and comprehensive than the Needs Analysis planning option. These plans are usually more appropriate for clients closer to their age of retirement and have some idea of what their living expenses and needs will be. Our Advanced Retirement Plans take into consideration many of the following areas:

- Living Expense Projections
- Assets & Liabilities
- Income & Savings
- Investments Analysis
- Portfolio Allocation Analysis
- Portfolio Distribution Strategies
- Taxes & Inflation
- Growth Rates
- Insurance Needs

We gather the required information through in-depth personal interviews and questionnaires, including the client's current financial status, future goals and attitudes towards risk. Each financial planning engagement closes with a written or digital report.

### **Held Away Account Services**

We provide an additional service for accounts not under our Investment Management Service where it is not possible for us to enact trades through the normal custodian. These are primarily 401(k) accounts, 529 plans, and variable annuities. We meet with clients regularly to review the current holdings in these accounts, suggest and place appropriate trades, monitor the accounts, and provide statements and performance reporting on an ongoing basis.

We DO NOT participate in any wrap fee programs.

### **Amount of Managed Assets**

We manage assets on either a discretionary basis or non-discretionary basis. As of the date of this document, the values of these assets are as follows:

Discretionary Assets:	\$768,630,676
Non-Discretionary Assets:	\$0
Total Assets Under Management:	\$768,630,676

## **ITEM 5 - FEES AND COMPENSATION**

**We are compensated solely via a management fee for our advisory services.**

Our fees are charged in one of two ways, as agreed in advance with the client: 1) an annual fee based on a percentage of assets under management, or 2) a performance-based fee.

## ASSET-BASED FEE:

The vast majority of our clients compensate us through an asset-based fee. Under this approach, our management fee is calculated as a percentage of the value of our Client's account(s) per year. We use a standardized scale to generate this percentage fee. This fee ranges from 0.75% to 1.50%. In limited cases and under special circumstances, we will depart from our standardized approach and negotiate a modified scaled fee or flat percentage fee.

We typically require a minimum of \$1,000,000 in assets for Investment Management Services. The minimum for the **Financial Synergies Pathway Program** is \$50,000. We can, however, choose to waive our minimum in certain situations. We may group certain related client accounts for the purposes of determining the annualized fee.

Our compensation is based only on a percentage of assets under management.

## How Fees Are Billed

Unless otherwise agreed, fees are directly deducted from the client's custodial account, in advance, on a quarterly basis. The first payment is due at the beginning of the first full quarter after the client executes the Agreement. The first fee will include both the normal quarterly fee paid in advance and a pro-rated fee adjusted for contributions and withdrawals for the first partial quarter. Subsequent payments are due and will be assessed on the first day of each calendar quarter. The fee is based on the value of the account as of the close of business on the last business day of the preceding quarter as valued by the custodian. For additional contributions greater than or equal to \$1,000 made to the accounts during the quarter, fees are pro-rated from that date to the last day of the quarter. For withdrawals greater than or equal to \$1,000 from accounts during a quarter, fees are refunded on a pro-rata basis. No adjustments are made for additions or withdrawals less than \$1,000.

## PERFORMANCE-BASED FEE:

Although rare, some clients may prefer a Performance-Based Fee rather than an Asset-Based Fee. We may enter into this fee arrangement with the client as permitted by applicable regulations. To qualify for a Performance-Based Fee arrangement, the client must have at least \$1,000,000 under our management or a net worth of more than \$2,000,000 – excluding primary residence.

Under a Performance-Based Fee arrangement, we may charge fees of up to 20% of the account's net profits generated per calendar quarter provided that such amount is only applied to the portion of the profits that exceeds any cumulative gains. The fee is calculated and charged on a quarterly basis in arrears using a "high watermark" methodology – which entails the establishment of a new "watermark" based on the highest level of cumulative portfolio gains at the end of any given calendar quarter. Contributions to an account increase the watermark by the amount of the contribution, and withdrawals from an account reduce the watermark by the amount of the withdrawal. A Performance-Based Fee is charged only if the most recent calendar quarter's watermark is higher than any previous quarter's watermark adjusted for any contributions or withdrawals. The initial period used for performance-based fees shall be from the date of the first buy through the last day of the calendar quarter.

**Clients can qualify for Performance-Based Fee breakpoints based on the following chart:**

Portfolio Value	Client Share of Gain	Our Share of Gain
\$1 Mill - \$5 Mill	80%	20%
\$5 Mill - \$10 Mill	85%	15%
\$10 Mill & Up	90%	10%

Net profits mean all income or gain attributable to a client's account from any source including, but not limited to:

interest, dividends, distributions, options and futures premiums, and realized and unrealized capital gains, less any expenses paid with respect to the client's account including but not limited to administrative charges, fees charged by Financial Synergies, margin interest and securities brokerage fees. Contributions or withdrawals by the client from the account are not included in calculation of net profits, although income and gain resulting from additions are counted.

In addition, the client is charged a 0.25% Annual Administration Fee, which is assessed quarterly in advance. This administration fee is calculated as a percentage of assets under management and is subject to the same policies and procedures that are outlined in the Asset-Based Fee section. Financial Synergies reserves the right to waive this administration fee in certain circumstances.

The initial period used for calculating administration fees shall be from the initial date of engagement through the last day of the calendar quarter. Subsequent calculation periods shall be the next calendar quarter period and each quarter thereafter, unless earlier terminated.

To help clients understand the impact of paying a Performance-Based Fee versus a standard Asset-Based Fee, the following example is provided:

An account has a beginning value of \$500,000 and during the quarter the account earns \$50,000 and has an ending value of \$550,000. If the client paid the standard 1.50% management fee, the client would have been charged at the beginning of the quarter a management fee of \$1,875 ( $(\$500,000 \times 1.50\%) / 4$ ). Under a Performance-Based Fee arrangement the client would owe \$10,000 ( $\$50,000 \times 20\%$ ). On the other hand, if the account incurred a loss during the quarter then Financial Synergies would not earn a Performance-Based Fee. However, if the client is paying a standard Asset-Based Fee, we would earn a fee regardless if the account incurred a gain or loss.

**\*\*It is anticipated that over time the client's account value will increase, thus making the Performance-Based Fee schedule more expensive than the Asset-Based Fee schedule.**

## **Held Away Account Services**

We charge an annual fee for services provided to these held away accounts, which is deducted from a non-IRA account under our Investment Management Service on a quarterly basis in advance. Fees are based on the assets within these accounts and are charged the same rate as the client's Asset Management Agreement fee schedule annually according to the valuation of the accounts at the close of the quarter as valued by the account custodian.

## **General Information**

**Negotiability of Fees:** In certain circumstances, all fees may be negotiable. Financial Synergies reserves the right to adjust the fee schedule for accounts depending on the size and type of account and the services required. In some cases negotiation of fees may result in different fees being charged for similar services and may be less than the stated fees. In addition, certain family members and personal acquaintances of Financial Synergies' affiliated persons may receive advisory services at a discounted rate which is not generally available to advisory clients.

**Termination:** A client agreement may be canceled at any time, by either party, for any reason upon notice to the other party. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded according to the number of days remaining in the billing period.

**Other Fees and Expenses:** All fees paid to Financial Synergies for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. In the case of mutual funds, these fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. The client could invest in a fund directly, without the services of Financial Synergies. In that case, the client would not receive the services provided by

Financial Synergies which are designed, among other things, to assist the client in determining which fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Financial Synergies to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to Financial Synergies' advisory fees, clients are responsible for the fees and expenses charged by custodians and imposed by broker-dealers.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisors for similar or lower fees.

**ERISA Clients:** Financial Synergies provides all prospective clients subject to Section 408(b)(2) of the Employee Retirement Income Security Act of 1974 (ERISA) with a Section 408(b)(2) Fee and Services Disclosure. Additionally, the Agreement executed between any ERISA plan and Financial Synergies includes both a description of services that the firm will provide each ERISA plan, and whether such services are provided by Financial Synergies as a fiduciary or a non-fiduciary.

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As we disclosed in the previous section of this Brochure, our firm enters into Performance-Based Fee arrangements with certain clients as appropriate. This means that we manage accounts paying us on a performance basis side-by-side with accounts not paying performance fees.

**Since we endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address any conflicts that may arise with a Performance- Based Fee arrangement:**

1. We disclose to clients the existence of all material conflicts of interest;
2. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
3. Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances and have implemented policies and procedures for fair and consistent allocation of investment opportunities among all client accounts as appropriate;
4. On a quarterly basis, we compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment;
5. On a quarterly basis, we review trading frequency and portfolio turnover rates to identify possible patterns of "window dressing," "portfolio churning," or any intent to manipulate trading to boost performance near the reporting period;
6. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients and equitable treatment of all clients, regardless of the fee arrangement.

Performance-Based Fees will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations. The fees will not be offered to any client residing in a state in which such fees are prohibited.

The client must understand the Performance-Based Fee method of compensation and its risks prior to entering into a management contract with us.

**\*\*To be clear – we have no intention of treating or investing our Performance-Based Fee clients any differently than we do our Asset-Based Fee clients.**



## ITEM 7 - TYPES OF CLIENTS

Financial Synergies provides advisory services to individuals, including high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other businesses.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Methods of Analysis

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fund Analysis:** When selecting a mutual fund or exchange-traded fund (ETF) for our portfolios, we analyze many different factors including conversations with the fund manager; performance history and consistency; fund category; track record; investment objectives; composition and focus; stewardship; and fee structure and expenses. We want to see that the manager has demonstrated an ability to invest successfully over a long period of time and in different economic conditions. We also look at the underlying securities in a fund to determine if there is significant overlap in the underlying investments held in other funds in client portfolios. We also monitor the funds regularly to determine if they are continuing to follow their stated investment strategy.

A risk of fund analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund, 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, which could make the fund less suitable for the client's portfolio. It is our job to monitor this and make adjustments to the portfolio as needed – which we do on a regular basis.

**Legacy Holdings:** Investment advice may be offered on any investment held by a client at the start of the advisory relationship. In general, depending on tax considerations and client sentiment, these investments will be sold over time and the assets invested in the appropriate Financial Synergies strategy. As with any investment decision, there is the risk that Financial Synergies' timing with respect to the sale and reinvestment of these assets will be less than ideal or even result in a loss to the client.

**Risks for all forms of analysis:** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### Investment Strategies

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, among other considerations:

**Asset Allocation:** The primary investment strategy used by Financial Synergies is based on diversification of the client's assets among a variety of investment vehicles and asset classes, popularly termed "Asset Allocation". The focus of Financial Synergies' recommendations is primarily to achieve a diversified portfolio of investment assets with desirable risk and return characteristics. Financial Synergies' Investment Committee meets regularly to evaluate new and reevaluate existing investment opportunities. During these meetings we deliberate issues regarding the proper allocation of client assets based on current conditions.

**Long-term purchases:** In general, we purchase securities with the idea of holding them in the client's account long-term (longer than one year). In extreme circumstances, we may be forced to sell a fund completely, within a

year of buying it. An example would be: a fund manager resigns and we do not have confidence in the new management. Also, fund positions may be trimmed occasionally in an effort to rebalance the portfolio.

A risk in a long-term purchase strategy is that by holding the security for this length of time, it may decline in value before we make the decision to sell. Financial Synergies does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The client understands that the investment decisions we make for the client's account are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Clients are reminded that investing in any security entails risk of loss which they should be willing to bear.

## **ITEM 9 - DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

**\*\*Neither our firm nor our management personnel has any reportable disciplinary events to disclose.**

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Financial Synergies nor any of its employees have other external affiliations to report to you.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Financial Synergies and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of employee securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's employees. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Financial Synergies' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Financial Synergies and individuals associated with our firm are prohibited from engaging in principal or agency cross transactions.

Our Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security, which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell an individual stock prior to a transaction being implemented for an advisory account, thereby preventing such employee from benefiting from transactions placed on behalf of advisory accounts.

As these situations present potential conflicts of interest, we have established the following in order to ensure its fiduciary responsibilities:

- 1) No director, officer or employee of Financial Synergies shall buy or sell securities for his/her personal portfolio when the decision is substantially derived, in whole or in part, by reason of his/her employment unless the information is also available to the investing public on reasonable inquiry. No person of Financial Synergies shall prefer his/her own interest to that of the advisory client.
- 2) Financial Synergies maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Portfolio Manager.
- 3) Financial Synergies emphasizes the unrestricted right of the client to decline to implement any advice rendered.
- 4) Financial Synergies requires that all firm individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any firm individual not in observance of the above may be subject to disciplinary action up to and including termination.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy from us at any time.

## **ITEM 12 - BROKERAGE PRACTICES**

### **Investment Management Services**

**Selecting Broker-Dealers:** We recommend clients open their accounts with Charles Schwab & Co., Inc. ("Schwab"), an SEC registered, FINRA-member broker-dealer unaffiliated with Financial Synergies. We have selected Schwab as the custodian for our clients due to the firm's financial stability, reputation, ability to support our clients and our back office, range of investments provided, and discounted commission structure.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker-dealer other than Schwab if we believe that the client's choice would hinder our ability to service the account. In directing the use of Schwab, or any other particular broker-dealer, it should be understood that Financial Synergies will not have authority to negotiate commissions on a trade-by-trade basis, or to necessarily obtain volume discounts, and best execution may not be achieved. Not all advisors require use of one custodian.

#### **Soft dollars**

Financial Synergies has entered into a "soft dollar" arrangement with Schwab, in which a portion of securities transaction fees incurred by client accounts pay for specific services and research. Section 28(e) of The Securities Act of 1934 as amended defines what services may be paid for with these soft dollars and our arrangement falls within this definition. Client accounts which have not generated these transaction fees may also benefit from the services purchased with soft dollars. Using soft dollars puts us in a potential conflict of interest with our clients, as we may be incented to trade in order to incur soft dollars to pay for services we use. We manage this potential conflict by having a very small soft dollar arrangement, and monitoring our trading to ensure no unnecessary trades are placed.

#### **Other benefits from brokers**

Financial Synergies participates in the Schwab Advisor Services Program sponsored by Schwab. Through the program, Schwab provides Financial Synergies with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge as long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab. Schwab's services include research, brokerage, custody and access to mutual funds and other investments that are otherwise available only to institutional investors or would require

a significantly higher minimum initial investment. Schwab also makes available to us other products and services that benefit Financial Synergies but may not benefit our clients' accounts. Some of these other products and services assist Financial Synergies in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, and facilitate payment of Financial Synergies' fees from our clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Financial Synergies' accounts, including accounts not maintained at Schwab. Schwab may also provide Financial Synergies with other services intended to help Financial Synergies manage and further develop our business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to Financial Synergies by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Financial Synergies. The availability of the foregoing products and services to us is not contingent upon Financial Synergies committing to Schwab any specific amount of business (with the exception of at least \$10 million under management at Schwab). However, the receipt of these benefits at no additional cost to us creates a conflict of interest which could influence our recommendation of a broker-dealer to our clients.

### **Block trades**

In general, Financial Synergies *will not* block trades except when adding a new fund across client portfolios, eliminating a fund from all accounts, or changing the percentages of an allocation for many accounts, as applicable. When blocking trades, we trade an aggregate block of securities composed of assets from multiple client accounts. Depending on the security traded, failure to aggregate a trade may result in clients paying a different price for the same security on the same or a different trading day.

Financial Synergies' block trading policy and procedures are as follows:

- 1) Financial Synergies' policies for the aggregation of transactions shall be fully disclosed in this Form ADV;
- 2) Financial Synergies will not aggregate transactions unless it believes that aggregation is consistent with our fiduciary duty to our clients and is consistent with the terms of Financial Synergies' investment advisory agreement with each client for which trades are being aggregated;
- 3) No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all Financial Synergies' transactions in a given security on a given business day. Transaction costs will be based on the number of shares traded for each client (Schwab charges on an account by account basis);
- 4) Financial Synergies will prepare, before entering an aggregated order, a trade blotter specifying the participating client accounts and how it intends to allocate the order among those clients;
- 5) Financial Synergies' books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account;
- 6) Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement;
- 7) Financial Synergies will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
- 8) Financial Synergies' employees may participate in block trades with clients.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Investment Management Services**

While the underlying securities within Investment Management Services accounts are continuously monitored,

these accounts are reviewed at least monthly by one or more members of the Investment Committee, which includes Michael Booker, Heath Hightower, Bryan Zschesche, Michael Minter, Will Goodson, and Kevin Nelson. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Investment Management Services clients receive monthly statements and confirmations of transactions from their broker-dealer. In addition, Financial Synergies will provide quarterly reports summarizing account performance, balances and holdings.

### **Held Away Account Services**

We review these accounts on a daily basis as data is refreshed by the custodian. We provide quarterly statements showing account performance, balances and holdings as reported by the account custodian.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

We have a referral arrangement with Zoe Financial, Inc ("Solicitor") in which the Solicitor refers prospective investors to Financial Synergies. Financial Synergies will pay the Solicitor a referral fee as follows:

- 25 basis points for the first \$1 million of Assets under management
- 10 basis points between the \$1 million to \$10 million of Assets under management
- 5 basis points for any assets over \$10million of Assets under management

Compensation for such referrals is agreed upon in writing, and disclosure is made to the respective clients.

We receive client referrals from Charles Schwab & Co., Inc. ("Schwab") through participation in Schwab Advisor Network ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Financial Synergies. Schwab does not supervise Financial Synergies and has no responsibility for Financial Synergies' management of clients' portfolios or our other advice or services. Financial Synergies pays Schwab fees to receive client referrals through the Service. Financial Synergies' participation in the Service may raise potential conflicts of interest described below.

Financial Synergies pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Financial Synergies is a percentage of the value of the assets in the client's account. Financial Synergies pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fees are billed to Financial Synergies quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fees are paid by Financial Synergies and not by the client. Financial Synergies does not charge clients referred through the Service fees or costs greater than the fees or costs Financial Synergies charges clients with similar portfolios who were not referred through the Service.

Financial Synergies would pay Schwab a Non-Schwab Custody Fee if custody of a referred client's account was not maintained by, or assets in the account were transferred from Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees the Advisor generally would pay in a single year. Thus, Financial Synergies will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees are based on the amount of assets in accounts of Financial Synergies clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Financial Synergies will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts at Schwab.

For accounts of Financial Synergies' clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Financial Synergies' clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab.

## **INDIRECT COMPENSATION FROM MUTUAL FUND COMPANIES**

Financial Synergies receives some financial assistance from mutual fund companies with whom we have placed some client assets. This assistance is applied only to client events and seminars. Accepting these funds puts us in a conflict of interest with our clients, as we normally would pay for the client events and seminars directly.

Thus, the receipt of this assistance may incent us to inappropriately place client assets in these funds. We monitor this potential conflict in our regular reviews of client portfolios to ensure that we continue to follow the guidelines the client has agreed to and that all investments continue to meet our requirements, whether they provide us with assistance or not.

## **ITEM 15 - CUSTODY**

**Invoicing:** Financial Synergies is deemed to have custody of the funds and securities due to its authority to make withdrawals from client accounts to pay its advisory fee. However, a surprise examination is not required because Financial Synergies has written authorization from each client to deduct advisory fees from the account held with the qualified custodian and each time a fee is directly deducted from a client account, we send the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account.

**Standing Letters of Authority:** Financial Synergies has been deemed to have inadvertent custody as a result of you providing us with Standing Letters of Authorization ("SLOA(s)") to withdraw funds from your portfolio account to pay third parties. Notwithstanding that, a surprise examination is not required as we are relying on the conditions set forth in the No-Action letter issued by the Securities and Exchange Commission on February 21, 2017. Pursuant to the conditions set forth in the No-Action Letter, Financial Synergies confirms that (1) you provide an instruction to the qualified custodian, in writing, that includes the your signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed; (2) you authorize us, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time; (3) Charles Schwab performs appropriate verification of the instruction, such as a signature review or other method to verify the your authorization, and Charles Schwab provides a transfer of funds notice to you promptly after each transfer; (4) you have the ability to terminate or change the instruction to Charles Schwab; (5) we have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the your instruction; (6) we maintain records showing that the third party is not a related party of Financial Synergies or located at the same address as Financial Synergies; and (7) Charles Schwab sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

The Custodian maintains custody of the client's assets. Therefore, each client must select a custodian and may be required to pay custodian fees. Also, clients will incur brokerage and other transaction costs in the course of our management of their accounts. Clients will receive account statements from one or more qualified custodians covering the funds and securities in their account(s). We encourage you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you.

## **ITEM 16 - INVESTMENT DISCRETION**

The vast majority of our Investment Management Services are provided on a discretionary basis, which means that we will place trades in a client's account as we deem appropriate based on the information previously gathered, without contacting the client prior to each trade to obtain the client's permission. Under these circumstances our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary investment management agreement with our firm (which grants us a limited power of attorney), and may reasonably limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **ITEM 17 - VOTING CLIENT SECURITIES**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other events pertaining to the client's investment assets. Clients are responsible for instructing each custodian to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. We may provide clients with consulting assistance regarding proxy issues if they contact us.

## **ITEM 18 - FINANCIAL INFORMATION**

Financial Synergies has no financial circumstances to report. Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

## **PRIVACY NOTICE TO CUSTOMERS**

We do not disclose nonpublic personal information about our individual clients or former clients except as permitted by law. We restrict access to nonpublic personal information about you (that we may obtain from your account and your transactions) to those employees who need to know that information to provide products or services to you or to alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.