



**FORM ADV PART 2A DISCLOSURE BROCHURE**

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This brochure provides information about the qualifications and business practices of our firm. If you have any questions about the contents of this brochure, please contact Chief Compliance Officer Viktoria Palermo by phone at 800-644-1150 or by email at [vpalermo@luciacap.com](mailto:vpalermo@luciacap.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.

Additional information about our firm is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Lucia Wealth Services, LLC; WCAM Private Client Management; or Lucia Capital Group. You may search for information by using the firm's name or by using our CRD number. The firm's CRD number is 152396.

Registration as an investment adviser does not imply a certain level of skill or training.

## Item 2 – Material Changes

Lucia Capital Group (“LCG”) filed its Annual Updating Amendment for the 2019 fiscal year on March 27, 2020. Since that time, the following material changes occurred:

- None

We may update this brochure at any time. If we make any material changes relating to Item 9 (disciplinary information), we will provide you with one of the following: (i) a copy of our Form ADV Part 2A that includes or is accompanied by a summary of material changes or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV Part 2A. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

To receive a complete copy of our brochure at no charge, please visit our website at [www.luciacap.com](http://www.luciacap.com) or contact us by phone at 800-644-1150.

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## **Item 4 – Advisory Business**

Lucia Wealth Services, LLC, conducting business as Lucia Capital Group (referred to as “Lucia Capital Group”, the “Firm,” or “LCG” throughout this document) is an investment adviser registered with the United States Securities and Exchange Commission. The Firm is a limited liability company formed under the laws of the state of California and has been registered as an investment adviser since February 8, 2010. The firm is 100% owned and controlled by Lucia Capital Group, LLC, which in turn is owned by Raymond J. Lucia Jr. and Joseph P. Lucia. LCG offers a variety of programs that may be used by LCG and investment adviser representatives (“adviser representatives” “advisers” or “IARs”) to provide services to you. These programs and services are more fully described in this brochure, wrap fee program brochures, and your account opening documents.

### **General Description of Primary Advisory Services**

We offer wealth management services including fee-based financial planning, consultation services for a fee, and asset management services to individuals, trusts, estates, private foundations, high-net-worth individuals, and business owners, with a primary focus on retirement and investment planning utilizing The Bucket Strategy®. The strategy places our focus on developing strategic investment plans that are independent of specific investment options and based on the individual needs of clients.

The process begins with a thorough interview and data collection process to help our team understand, among other things, your short- and long-term financial objectives, risk tolerance, tax status, current investment holdings, and asset allocation. Our investment advisory team interprets the information gathered and formulates a hypothetical financial illustration utilizing The Bucket Strategy®, which is tailored to the individual needs of each client. This framework attempts to help investors understand the benefits of having an overall long-term investment approach while segmenting their portfolio into several strategies (or “buckets”) to budget for any combination of short-, mid-, and long-term goals. Our IARs will analyze current investment holdings as to their potential place in the strategy and typically make several recommendations to align your current portfolio with the proposed strategy.

Our advisers may recommend our fee-based asset management services as a means of implementing an individual Bucket Strategy; they may also recommend commission-based accounts through our affiliated broker/dealer, Lucia Securities, LLC (“LSL”), and annuities or other insurance products through an insurance agency. Asset management services, as fully described below, involve providing clients with continuous and ongoing supervision over their accounts subsequent to reasonable restrictions. This means accounts in the programs are continuously monitored, and changes are made when necessary.

When making the determination of whether one of the advisory programs available through Lucia Capital Group is appropriate for your needs, you should bear in mind that fee-based accounts through LCG, when compared with commission-based accounts through our affiliated broker/dealer, may result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, such fee-based arrangements may result in a higher annual cost. The total cost for transactions under a fee account versus a commission account can vary significantly and depend on a number of factors, such as account size, amount of turnover (number of transactions), type and quantities of securities purchased or sold, and commission rates. You should have a conversation with your adviser and read this brochure carefully, as it explains our services in detail.

### **Financial Planning Services**

Lucia Capital Group provides financial planning services in areas including, but not limited to, business planning, education, retirement planning, life insurance, estate planning, tax planning, and investments. Clients are asked to complete a Wealth Planning Worksheet and furnish documentation to assist our advisers in providing these services. One or more meetings may be required in order to gather all necessary information and determine the services best suited to help meet your

needs. We also recommend that you work closely with your attorney, your accountant, or other professionals regarding your financial and personal situation. You have sole discretion on whether to engage our firm for additional services. Further, you will have full discretion on whether to implement any financial planning recommendations made by our advisers.

Our advisers will coordinate or consult with your outside counsel (e.g., attorney, CPA, accountant, etc.) as requested. Any consultation or coordination required will also be considered when determining your fee. Any fees charged by your outside counsel will be separate from the fees charged by our advisers and will be billed directly by them.

### **Financial Consulting Services**

You may contract with LCG for specialized, ongoing consultation services regarding investment matters and portfolio holdings.

## **Asset Management Services**

### **Lucia | Wealth Program**

We provide discretionary, fee-based asset management and financial consulting services through the Lucia | Wealth (“Wealth”) program, a wrap fee program sponsored by our Firm.

Your Investment Adviser Representative (IAR) will provide ongoing financial planning and consulting services.

Ongoing financial consulting services provided by your IAR may include monitoring of your entire household investment portfolio, which includes assets held in traditional non-discretionary brokerage accounts through LSL and accounts where LCG and/ or LSL are not listed as adviser or broker dealer of record, financial goal setting, customized what-if scenario planning, and related financial strategies such as Roth conversions, Social Security, and tax efficient withdrawal strategies for retirement income. The extent of the services provided will vary based upon your needs. If extraordinary planning or consultation services are required, the IAR may charge for such additional services. The nature of the service and dollar amount will be set forth in a separate written agreement.

Your IAR provides ongoing asset management services in addition to financial consulting. Our asset management platform provides your adviser the ability to create a custom-tailored portfolio for you which may include any combination of professionally managed individual securities model portfolios, mutual fund model portfolios and exchange traded fund (ETF) model portfolios. Additionally, your adviser can further personalize your experience by allocating your portfolio to individual securities, such as stocks, bonds, mutual funds, ETFs and alternative investments. Fee-based annuities are also available through this program. Your adviser will review your information to evaluate your financial situation and investment objectives, then make recommendations and manage your accounts accordingly.

You must grant your adviser representative with discretionary authority on all asset management accounts allocated to the Wealth program. This discretionary authority will include the ability to allocate among Model Portfolio Advisors, purchase or sell mutual funds, exchange traded funds, stocks, bonds, and allocate among sub-accounts in variable annuities. This discretionary authority does not extend to the withdrawal of your account funds.

### **WCAM Private Client Program**

Upon approval from LCG, certain advisers may offer you access to the WCAM Private Client Program. Clients participating in the WCAM Private Client Program may do so on a discretionary or non-discretionary basis. Clients will generally establish

brokerage accounts directly with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker/dealer, member SIPC, to maintain custody of their assets and to effect trades for their accounts. LCG has entered into a formal agreement with Schwab Advisor Services whereby Schwab will provide certain services to you and LCG.

In certain cases, LCG may use the custodian or other broker/dealer(s) designated by the client to provide all clearing, trading, and brokerage services for the client account.

#### **WCAM Private Client Strategy (Discretionary)**

LCG provides personal discretionary asset management services consisting of the active management of client accounts on an individualized basis to clients in its WCAM Private Client Program. LCG may invest its clients' assets in exchange-traded or OTC-traded securities, mutual funds, warrants, and corporate debt securities. LCG may also invest account assets in fixed-income securities and may do so through investments in indexed bond funds as well as individual fixed-income securities.

The WCAM Private Client Program begins with the development of an Investment Policy Statement that balances a client's overall financial objectives with the client's individual attributes, including risk, income requirements, liquidity requirements, and investment horizon. LCG often manages only a portion of a client's total investment portfolio, and the portion managed by LCG may be concentrated in one or a few asset categories.

Clients are under no obligation to implement the recommendations developed by LCG and may specify any investment restrictions upon opening the account or at any time thereafter. LCG will have discretionary trading authority to conduct trading activity in securities consistent with the Investment Policy Statement approved by the client, subject to any investment restrictions requested by the client. LCG will determine at its sole discretion the specific securities that will be treated as falling within any restricted asset category that may be designated by the client. In making this determination, LCG may rely on outside sources, such as standard industry codes and research from independent service providers. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

#### **WCAM Private Client Strategy (Non-Discretionary)**

LCG provides non-discretionary asset management services to certain clients in its WCAM Private Client Advisory Program based on specific objectives of the client, including buy or sell transactions directed by the client subsequent to direct dialog between the client and LCG, for each transaction.

#### **SEI Asset Management Program (Closed to New Accounts)**

Your adviser may use SEI Asset Management's institutional asset allocation program in managing your account assets. Your adviser will assist you with establishing an SEI Program Account ("Account") at SEI Trust Company ("SEI"). All transactions in the Account will be processed and cleared through SEI. The SEI Program uses asset allocation portfolios developed by SEI Investments. The portfolios consist of the SEI Family of Institutional Mutual Funds and other securities approved by SEI to be held in an account. Your adviser provides SEI with the asset allocation policy that you select for the Account.

The percentage allocation of Account assets among the applicable securities may vary significantly from the percentage allocation contemplated by your asset allocation policy due to such factors as increases or decreases in the value of shares of the securities; dividends, capital gains, or other distributions made in respect of shares of the securities; and deduction of Lucia Capital Group's unpaid fees from the account. SEI acts as the custodian on your account.

#### **Retirement Plan Services**

LCG offers retirement plan services to retirement plan sponsors and individual participants in retirement plans.

If you elect to utilize any of LCG's Fiduciary Management Services, then LCG will be acting as an Investment Manager to the

Plan as defined by ERISA section 3(38) with respect to our Fiduciary Management Services, and LCG hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

### **Non-Fiduciary Services**

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 (“Advisers Act”) and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA because LCG is not acting as a fiduciary to the Plan as the term “fiduciary” is defined in Section 3(21) (A) (ii) of ERISA. The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Agreement.

LCG provides the following Non-Fiduciary Retirement Plan Consulting Services:

- **Participant Education.** LCG will provide education services to Plan participants about general investment principles and the investment alternatives available under the Plan. LCG’s assistance in participant investment education will be consistent with and within the scope of the Department of Labor (DOL) Interpretive Bulletin 96-1. Educational presentations will not take into account the individual circumstances of each participant, and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, we can discuss those investments and investment strategies that we believe may tend to reduce these risks based on a particular client’s and plan participant’s circumstances.

Plan participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based on discussions with the Plan Trustee or Administrator, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the Plan and Plan participants. It is still the Plan Trustee or Administrator’s responsibility to ask questions if they do not fully understand the risks associated with any investment. All Plan participants are strongly encouraged to read prospectuses, when applicable, and to ask questions prior to investing.

### **Client Assets Managed by Lucia Capital Group**

As of December 31, 2019, client assets managed by Lucia Capital Group totaled \$1,456,064,977, of which \$1,102,194,086 was invested in discretionary accounts and \$353,870,891 was invested in non-discretionary accounts.

Discretionary assets are the assets in which we have the authority to buy or sell securities. This may include the selection of model portfolios, sub-account selection in variable annuities, or the selection and execution of securities transactions. Non-discretionary assets are assets in accounts where we provide recommendations as to separate account managers or the purchase or sale of specific securities; however, we do not place orders to buy or sell non-discretionary assets without first receiving the client’s authorization.

## **Item 5 – Fees and Compensation**

In addition to the information provided in Item 4 – Advisory Business, this section provides details regarding fees and compensation arrangements.

### **Fees for Financial Planning Services**

Our financial planning fees are negotiable and based on the complexity of your financial situation, services contracted for, and level of knowledge and skill required. Typically, the maximum charge will not exceed \$5,000.

Fees can be based on an hourly or fixed-fee rate. Hourly rates will typically range from \$100 to \$250, depending on the

complexity of the plan. Financial planning fees are negotiable and may be reduced by the amount of additional advisory fees we retain or waived altogether. All fees will be disclosed and established in writing prior to any services being provided.

When fees are charged for financial planning services, such fees are due upon completion and presentation of the plan. However, you may elect to pay us a retainer at the time the agreement for financial planning services is signed. In this case, the remaining balance will be due upon completion and presentation of the plan. Fees of more than \$1,200 will not be charged more than six months in advance. Either you or LCG may terminate the contract at any time by providing written notice. Termination will be effective upon the receipt of such notice and terminated without penalty. If you are not satisfied with the financial plan as presented, your adviser will attempt to revise the plan to your satisfaction. If you are still not satisfied, you can withhold payment or request a refund of any fees paid in advance.

### **Fees for Financial Consultation Services**

Fees for this service will generally not exceed \$10,000 per year and are negotiable based on the complexity of your financial situation, the actual services provided, and any extraordinary expenses that may be incurred. The negotiated fee will be disclosed to you in advance. Fees can be based on an hourly or fixed rate. Hourly rates will typically range from \$100 to \$250, and fixed rates will typically range from \$250 to \$5,000, depending on the complexity of your financial situation. Fees can be billed at the time services are provided or quarterly in advance, as outlined in your consulting agreement. LCG will provide you with an invoice that will be due and payable within two weeks after it is issued. Fees of more than \$1,200 will not be charged more than six months in advance.

Ongoing consultation services are contracted for on a yearly basis and can be renewed annually by executing a new client agreement. Either you or LCG may terminate these ongoing consultation services by providing written notice, and termination will be effective upon receipt. If terminated within five business days of signing the client agreement, services are terminated with no penalty. After five business days, you are responsible for payment of fees for time and effort expended through the date of termination. LCG will provide you with a statement showing the time expended through the date of termination, and the fees will be due and payable within two weeks from the date the fee invoice is issued. When solely providing consulting services, LCG is only compensated by the consulting fee described above and receives no other compensation in connection with your account.

As registered representatives of LSL, our IARs may make purchase and sale recommendations and be named as representative of record on brokerage accounts that are included with planning and consultation services. When acting in these separate capacities, LSL (as a broker/dealer) and your adviser (as a registered representative) will earn commissions or 12b-1 fees when making transactions in securities, load mutual fund, variable life, variable annuity, and insurance products. Depending on the product and your circumstances, different share classes may be available to you. Please discuss any questions with your adviser to determine which share class is appropriate for you. Any transactions made in your accounts will be made only at your instruction.

As licensed insurance agents, our IARs may recommend the purchase of fixed annuities, life insurance, or long-term care. In these instances, your adviser will earn a commission should you choose to invest in these fixed-insurance products. Any commissions earned on these purchases may be offset against the planning or consultation fees charged.

### **Fees for Asset Management Services**

Fees paid to your LCG IAR for investment supervisory services are typically 1.00% of the account value; however, we retain the discretion to negotiate fees on a client-by-client basis. The fees paid to your LCG IAR are separate from and in addition to program fees, which are outlined in more detail below. In cases where your IAR receives a salary, your IAR's salary may be calculated as a percentage of the total amount of fees they generate for providing investment supervisory services.



## **Lucia | Wealth Program Fees**

You will pay an annual financial consulting fee (“Consulting Fee”) for services provided under the Wealth Program. The annual Consulting Fee is \$2,500 or 1.00% of household assets whichever is lower. The Consulting Fee is separate from fees charged for asset management services. You may choose to implement the recommendations of your IAR with asset management services, commission-based accounts, both or neither. When utilizing asset management services, the Consulting Fee is offset by the IAR asset management fee, unless negotiated otherwise in writing.

You will pay an annualized Investment Adviser Representative Asset Management Fee (“IAR Fee”) based on the value of billable assets under management in the program.

### **Note: Clients with commission-based LSL Brokerage accounts, annuities and alternative investments prior to joining the Lucia Wealth Program and existing program participants with commission-based products:**

Generally, commission-based securities included in the Program are categorized either as LCG Brokerage or Adviser Directed – Legacy and marked as non-billable assets. An IAR Fee will not be imposed for 18 months on certain classes of mutual funds that were subject to an up-front load or sales charge and sold by an LSL representative at the time of purchase. With respect to mutual fund class C shares, an IAR Fee will not be imposed on mutual fund class C shares that were subject to a commission and sold to you by your representative in his/her capacity as a registered representative of LSL. Commission-based annuities and commission-based investments designated as an “alternative investment product” will be marked non-billable and excluded from the IAR fee.

Many mutual funds offer a variety of share classes, including some that do not charge 12b-1 fees and are, accordingly, less expensive for eligible investors. IARs of LCG are responsible for recommending or purchasing the most cost-effective mutual fund share class the client is eligible for under the circumstances. In the event a mutual fund position is transferred into an account that is part of a Lucia Wealth household, you should be aware, depending on the share class and fee structure of the previously purchased mutual fund, LCG will receive fees such as 12b-1 fees if the position is held in an LCG Brokerage account. The LCG Brokerage account is not an advisory account, is not a discretionary account and is not billed advisory fees. Receipt of such fees present an inevitable conflict of interest. LCG has addressed this conflict by monitoring incoming mutual fund positions in advisory accounts and converting them to the lowest cost share class available under the circumstances. For LCG Brokerage accounts, in order to have the mutual fund converted to a less expensive advisory share class available in an Advisor Directed investment advisory account, this will require that you have an advisory account in the same account registration which will be subject to an advisory fee and additional account maintenance fees charged by the clearing firm in which LCG shares. As a result, you may pay more or less in ongoing fees, depending on your specific circumstances. Please contact your adviser to discuss which share classes are available to you.

### **IAR ASSET MANAGEMENT FEE TABLE**

Account Value	IAR Fee
Up to \$999,999	1.00%
\$1,000,000 +	0.85%
*When billable account values exceed \$999,999, you will be billed 0.85% on the entire account value. Ex. \$1,000,000 x 0.85% = \$8,500	

### Sample Client Fee Calculation (For Illustrative Purposes Only)

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Billable Managed Assets	\$500,000	\$1,250,000	\$150,000	\$350,000	\$0	\$150,000	\$0
Non-Billable Assets*	\$0	\$250,000	\$350,000	\$150,000	\$200,000	\$0	\$0
Client Household Assets	\$500,000	\$1,500,000	\$500,000	\$500,000	\$200,000	\$150,000	\$0
IAR Fee for Asset Management	\$5,000	\$10,625	\$1,500	\$3,500	\$0	\$1,500	\$0
IAR Fee for Consulting	\$0	\$0	\$1,000	\$0	\$2,000	\$0	\$2,500
<b>Total Billed IAR Fee</b>	<b>\$5,000</b>	<b>\$10,625</b>	<b>\$2,500</b>	<b>\$3,500</b>	<b>\$2,000</b>	<b>\$1,500</b>	<b>\$2,500</b>
Minimum Consulting Fee	a) \$2,500	b) \$2,500	c) \$2,500	d) \$2,500	e) \$2,000	f) \$1,500	g) \$2,500
<b>Effective Fee Rate on Client Household Assets**</b>	<b>1.00%</b>	<b>0.71%</b>	<b>0.50%</b>	<b>0.70%</b>	<b>1.00%</b>	<b>1.00%</b>	

\***Non-Billable Assets** include all other accounts and holdings not invested in model portfolios or advisor directed portfolios which may include LSL brokerage accounts, non-billable legacy holdings in managed accounts, commission-based annuities, commission-based alternative investments and other investments.

\*\*Does not include any commissions, fees or expenses paid on non-billable assets, such as 12b-1 fees, as disclosed in the fund's prospectus and platform fees.

a) Total Billed IAR fee exceeds Minimum Consulting Fee and IAR Fee billed at 1.00%.  
b) Total Billed IAR fee exceeds Minimum Consulting Fee and IAR Fee billed at 0.85%.  
c) IAR Fee for Consulting reduced by \$1,500 of IAR fee for Asset Management.  
d) IAR Fee for Consulting is offset by IAR fee for Asset Management.  
e) IAR Fee for Consulting is calculated at 1% of Household assets which is less than \$2500.  
f) IAR Fee for Consulting is calculated at 1% of Household assets which is less than \$2500.  
g) IAR Fee for Consulting equals \$2500 minimum or negotiated otherwise in writing for consulting only relationship, no investing relationship.

You will be charged one management fee that consists of the IAR Fee and Platform Fee. The Platform Fee includes overlay manager fees and administration fees paid to LCG, clearing and custody fees (trading costs) paid to LSL or the qualified custodian, as well as model portfolio advisor fees (when model portfolios are selected). Platform Fees will vary based upon the portfolio selected and range from 0.00% to 0.85%. Model portfolio advisor fees range from 0.25% to 0.50%. Platform Fees will not be assessed on assets allocated to fee-based annuities.

Consulting Fees and IAR Fees are negotiable based on a number of factors, which may result in you paying a fee that is less than the highest annual fee, or more or less than the fees paid by other Lucia Capital Group clients. Your adviser will determine your fee based on a number of factors, such as the amount of assets we manage for you, the portfolio strategies selected, the number of accounts you open, and the relationship you have with your adviser.

LCG deducts fees quarterly in advance based on the asset value of your account(s) on the last calendar day of each calendar quarter. In the event that the agreement is terminated, the fee for that quarter will be recalculated at quarter end, and the account will be refunded the pro rata fee that was attributable to the amount of the withdrawal or the remainder of the period the account is not managed. Refunded fees will be paid at the next quarterly billing cycle, generally 30 days following the quarter end. After the account is terminated, the account will be converted to a brokerage account. In a brokerage account, the client is charged a commission for each transaction and neither LCG nor the adviser representative will have any responsibility to provide ongoing investment advice or consulting services.

### WCAM Private Client Program Fees

Annual fees for investment advisory services in the WCAM Private Client Program are based on a percentage of assets under management and are typically 0.50% for fixed-income accounts and 1.00% for equity accounts, although we retain the discretion to negotiate fees on a client-by-client basis. Advisory fees are payable upon LCG's receipt of the assets in the account and are based on the value of such assets as of the Effective Date of the Client Advisory Agreement (or, if such Effective Date is not a trading day for the New York Stock Exchange, then on the next following trading day), prorated for the remainder of the then-current calendar quarter. Thereafter, the advisory fee is payable quarterly each calendar quarter and based on the value of assets under management in the client's account as of the last trading day of the immediately

preceding calendar quarter. Advisory fees for assets invested for partial quarters are prorated and deducted quarterly, in advance, from the client's account. Pre-existing clients are billed in accordance with their client agreements.

You may terminate your advisory agreement at any time upon written notice to LCG. The advisory agreement will terminate upon receipt by LCG of your written notice of termination. If you terminate your agreement, you will be entitled to a prorated refund of the prepaid Advisory Fee. The fee for the last quarter that the account(s) is/are managed is calculated on a pro rata basis and a refund is issued for the remainder of the quarter during which the account(s) is/are not managed. This refund will be paid in arrears at the next quarterly billing cycle, generally 30 days following the quarter end.

### **SEI Asset Management Program Fees (Closed to New Accounts)**

SEI Program management fees (Management Fees) are payable quarterly, in arrears, based on assets under management at the end of the quarter. The maximum investment advisory fee paid to LCG for providing advisory services shall not exceed 1%. Management Fees are automatically deducted from your account. Each quarter, SEI will send you an account statement that will include a Management Fee Notification, which will show the computed fee, any adjustments to the fee, an explanation of any adjustment, and the net Management Fee to be deducted later in the period from the Account. You may terminate the SEI Program account at any time by notifying your adviser. Termination will be effective upon receipt of such notice. If services are terminated within five business days of executing the client agreement, services will be terminated without penalty. After the initial five business days, you may be responsible for payment of fees for the number of days services were provided by LCG prior to receipt of the notice of termination. Custodial fees and internal mutual fund expenses are separate from the LCG Adviser Fee, and LCG receives no portion of such fees and expenses. Complete details on the SEI fees and expenses are disclosed in SEI's Disclosure Brochure that will be given to all clients. The exact fee and/or fee schedule for your account will be disclosed in SEI's client agreement.

SEI Trust Company may charge a separate custodial fee for the custody services it provides. Mutual funds held in the Account pay their own advisory fees and other expenses, which are explained in each mutual fund's prospectus. These fees and expenses are separate charges from the Account management fees.

### **Fees for Retirement Plan Services**

Fees for asset management services will be consistent with the program selected and are outlined in greater detail in the program descriptions above.

Either party may terminate services by providing written termination to the other party. If services are terminated within five business days of executing an agreement for services with us, services will be terminated without penalty. After the initial five business days, you will be responsible for payment of fees for services completed prior to the termination of services. If services are terminated mid-period, a prorated fee is charged based on the number of days that services were provided during that period. LCG will disclose, to the extent required by ERISA Regulation 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as is practical, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as is practical).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as is practical) all information related to the Qualified Retirement Plan Consulting Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms, and schedules issued thereunder. If we make an unintentional error or omission

in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as is practical, but no later than thirty (30) days from the date on which we learn of such an error or omission.

### **Seminars**

Our advisers may present seminars on general financial and investment topics or specifically on The Bucket Strategy®. Attendees may be charged a nominal fee to cover costs associated with the seminar; however, these seminars will generally be presented at no charge.

### **Other Fees and Expenses**

Fees for asset management services offered through the Lucia | Wealth Program and WCAM Private Client Program do not include brokerage commissions, transaction fees, and other related costs and expenses that are billed separately by the custodian of your account. You may incur certain charges imposed by custodians, brokers, third-party investment companies, managers, and other parties. These may include annual account fees, custodial fees, deferred sales charges, partial transfer fees, wire transfer and electronic fund fees, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regards to transactions in the client's account and advisory fees. For fixed-income securities where the manager must approach a dealer or market maker to purchase or sell a security, such costs include the dealer's markup or markdown, spread and odd-lot differentials, and transfer taxes imposed by law. For mutual funds (including money market funds), closed-end investment companies or other managed investments, if any, held in the client's account may include expenses or sales charges (loads) and other fees and taxes on brokerage accounts and securities transactions. For additional information on brokerage fees, refer to Item 12, Brokerage Practices.

Mutual funds, money market funds, and exchange-traded funds (ETFs) also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses.

Alternative investments may be subject to additional fees including but not limited to dealer manager fees, organization and offering costs, acquisition fees, finance fees, asset management fees, property management fees, disposition fees and other fees, which are disclosed in the alternative investment's prospectus.

All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to ours may be available elsewhere for more or less than the amounts we charge.

### **Additional Compensation**

LCG's adviser representatives or associated persons may sell securities in their separate capacities as registered representatives of LSL. Some of the associated persons are also independently licensed insurance agents and sell insurance products. Commissions are earned when selling these products.

We and our affiliated broker/dealer, LSL, offer a variety of approved products to our IARs to serve your needs. Products approved for sale through LSL are offered through product sponsors who may pay extra compensation to LSL. These sponsors have greater access to our financial advisers to provide education and training opportunities. In return for increased exposure, these sponsors compensate the firm in the form of revenue sharing. Although certain product sponsors pay extra compensation to LSL, clients do not pay more to purchase these products through us than clients would pay to purchase them elsewhere. This extra compensation is based in part on the total amount of assets that our IARs refer to their products and services. There may be a financial incentive to promote certain products because of this extra compensation. Because IARs do not receive a direct financial benefit from revenue sharing, we believe that these relationships do not compromise the advice provided by our representatives. Additional information regarding revenue

sharing payments may be found at [www.luciasecurities.com](http://www.luciasecurities.com) or by contacting LSL at 800-644-1150.

From time to time, LCG and/or LSL may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing, such as advertising, publishing, and seminar expenses.

Although receipt of these travel and marketing expense reimbursements is not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by basing investment decisions on the individual needs of our clients.

We believe that offering a hybrid platform of both fee-based and commission-based investment options provides the flexibility for our advisers to determine the most appropriate and cost-efficient investment strategies for you. You are under no obligation to invest and may choose to select all, some, or none of the investments we recommend.

Although we aggressively discourage activities that put your interests anywhere but first, our hybrid investment platform creates an inherent conflict of interest, because you may invest in our fee-based asset management services and/or transaction-based commission accounts. We strive to eliminate conflicts through our Strategy First™ financial planning philosophy and strict adherence to our Code of Ethics.

When making the determination of whether one of the advisory programs available through Lucia Capital Group is appropriate for your needs, you should bear in mind that fee-based accounts through LCG, when compared with commission-based accounts through our affiliated broker/dealer, may result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, such fee-based arrangements may result in a higher annual cost. The total cost for transactions under a fee account versus a commission account can vary significantly and depends on a number of factors, such as account size, amount of turnover (number of transactions), type and quantities of securities purchased or sold, and commission rates.

Depending on the program selected, you may have transaction-based fees or asset-based fees for purchases and sales of securities in your accounts. You should be aware that paying transaction-based fees may result in lower costs when trading activity is lower, and, conversely, asset-based fees may be higher in periods where trading activity is lower. You should have a conversation with your adviser and read this brochure and the account opening documents carefully, as they explain our services and fees in detail.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to LCG's brochure because LCG does not charge or accept performance-based fees (which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account).

### **Item 7 – Types of Clients**

We provide financial planning and asset management services primarily to individuals nearing retirement or already retired with an investment portfolio typically ranging from \$250,000 to over \$5,000,000 as well as asset management services to high-net-worth individuals, pension plans, trusts, and charitable institutions (such as foundations that may be connected to our individual clients). In addition, we provide services to third-party investment advisers in connection with wrap fee programs.

## **Minimum Investment Amounts Required**

Minimum investment amounts required are dependent on the program selected and range from no minimum to \$100,000. The WCAM Private Client program generally has an investment minimum of \$1,000,000. Exceptions to minimums may be granted at the discretion of LCG and Wrap Fee Program Managers.

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

### **Fundamental Analysis**

Fundamental analysis involves attempting to evaluate the intrinsic value and relative value of securities. This analysis includes evaluating economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

### **Asset Allocation**

Rather than focusing primarily on securities selection, an asset allocation model attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the portfolio's objective (e.g., income, growth, balanced growth, etc.).

### **Core/Satellite Asset Management**

A core/satellite strategy allocates between a strategic, broadly diverse asset allocation and an actively managed, sometimes more concentrated investment strategy. A typical portfolio may consist of mutual funds, exchange-traded funds, and one (or more) actively managed stock portfolio(s).

## **Investment Strategies**

### **WCAM Private Client Management Strategies**

WCAM Private Client Management ("WPCM"), a division of LCG, offers the Focused Equity portfolio along with customized fixed-income portfolios. The Focused Equity portfolio is an all-cap focused equity strategy comprised of approximately 15 stocks. The strategy is primarily focused on what WPCM believes are resilient businesses that generate sustainable recurring revenue and have an enduring competitive advantage, low capital requirements, low reinvention risk, a prudent balance sheet, and strong pricing power. In special situations, the strategy may include investments in preferred stocks and merger arbitrage opportunities. Cash is a residual of the investment process and typically will not exceed 10% of the portfolio. The fixed-income portfolios are customized to meet specific client needs. Portfolios are typically constructed of corporate, municipal, and/or treasury bonds that are intended to be held to maturity.

### **Advisor-Directed Portfolios**

Various investment strategies are provided through the Wealth Program; however, your adviser representative may select specific no-load mutual funds, funds at NAV, equity positions, exchange-traded funds (ETFs), fixed-income positions, municipal securities, U.S. government securities, annuities and alternative investments. Methods of analysis may include fundamental and technical analysis. The main sources of information include financial publications, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information your adviser may use include Morningstar mutual fund and ETF research, RBC CM research, outside consultants, and the Internet.



## The Bucket Strategy®

LCG utilizes an asset allocation and planning methodology called The Bucket Strategy®. The strategy segments your portfolio into several categories called buckets, attempting to match various time horizons and the risk tolerance of each bucket category to achieve your long-term objectives. At the strategy's core is the concept of matching assets to liabilities, similar to traditional pension plan investment philosophy. Short-term liabilities or income needs are typically matched against short-term fixed-income assets. Longer-term liabilities or income needs later in retirement are typically matched against long-term, growth-focused investments. The framework provides for an interactive process between you and your adviser in designing a unique portfolio. Time horizon, risk tolerance, total return assumptions, withdrawal rates, timing of withdrawals, and the number of buckets used all vary based on your unique situation and investment objectives. A typical Bucket Strategy plan will determine your proposed asset allocation across five categories: lifetime income, income, balanced, growth, and alternatives.

Generally, each bucket category provides a framework for you and your adviser to define the related goals for each bucket. You may elect to add additional bucket strategies (sub-buckets) in each category or to remove a category entirely based on your needs. In determining your Bucket Strategy, your adviser will also consider different account registrations for tax planning of withdrawals and investment selection or to identify a specific asset class within a bucket category, such as dividend-paying stocks.

Bucket categories are not intended to represent a specific model portfolio; rather, they provide you with a set of several goal-based investment strategies to assist in developing an overall target asset allocation. From this process, several investment options may be presented for each bucket category, which you may choose to implement in whole or in part. Maintaining a relationship with your adviser is important to the ongoing management of a Bucket Strategy and the various investment options you selected when the strategy was implemented. During your review meeting, your adviser typically discusses tracking and progress toward your overall long-term goals and objectives and reviews each investment as it relates to the various bucket categories. The review meeting often facilitates modifications to the long-term strategy based on your changing circumstances, rebalancing decisions, value averaging opportunities between bucket categories, and selection of new investment options.

## Investment Risks

Risk of Loss - Clients should understand that the investment objective selected for your household is an overall objective that may be inconsistent with a particular holding and the account's performance at any time. Investing in securities (including stocks, mutual funds, exchange-traded funds, variable annuities, indexed annuities, variable universal life insurance, REITs, Business Development Companies (BDCs), private placements, alternative investments, bonds, or any other securities) involves the risk of loss of principal. Further, depending on the different types of investments, there may be varying degrees of risk. You should be prepared to bear investment loss, including loss of the original principal you invested.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our asset management programs.

Market Risk – Risk that either the stock market as a whole or the value of an individual company goes down, resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

Equity (Stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and 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.

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.

Fixed-Income Risk – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

Options Risk – Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater-than-ordinary investment risks.

ETF and Mutual Fund Risk – When LCG invests in an ETF or mutual fund, the client will bear additional expenses based on its 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.

Management Risk – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Liquidity Risk – Certain investments (such as certain REITs, BDCs, alternative investments, and private placements) are often illiquid, which means that the investments can be difficult to trade and consequently can limit a client's ability to sell the investments in a timely manner and at an advantageous price.

### **Item 9 – Disciplinary Information**

This item is not applicable to LCG's brochure because there are no legal or disciplinary events listed in Item 9 of the Form ADV Part 2 instructions that are material to a client's or a prospective client's evaluation of LCG's business or the integrity of LCG's management.

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

Neither LCG nor any of its management persons have a related company that is a (1) futures commission merchant, commodity pool operator, or commodity trading adviser; (2) banking or thrift institution; (3) accountant or accounting firm; (4) lawyer or law firm; (5) pension consultant; or (6) real estate broker or dealer.



### **Affiliation with Lucia Securities, LLC (“LSL”)**

LSL is a broker/dealer registered with FINRA and the SEC. As a broker/dealer, LSL transacts business in various types of securities, including mutual funds, stocks, bonds, options, private and public partnerships, annuities, real estate investment trusts, and other investment products. In addition to the securities and insurance products listed herein, your representative can also recommend that clients invest in limited partnership securities, often referred to as private placements, for which LSL acts as an underwriter. In the course of its business operations, LSL can engage in marketing reallowance or sponsorship arrangements with third-party investment advisers and brokerage firms to promote the distribution of investment products. A potential conflict of interest can exist when representatives recommend these products, as LSL stands to receive earnings from the internal fees of the recommended securities. To address this conflict, we have policies and procedures in place to ensure that securities are recommended only to clients for whom they are suitable given the client’s investment objectives and assets. Prior to investing in these products, clients must also be provided with disclosures regarding the relationships and conflicts of interests related to the specific investment they purchase. Please refer to Item 12 – Brokerage Practices for additional information regarding LSL, including conflicts of interest.

LSL is registered to operate in all 50 states and has primarily employee IARs. LSL also has independent contractors who are responsible for operating their own businesses and may offer services separate from LSL, such as tax services and sales of fixed insurance products.

### **Destra Multi-Alternative Fund (Closed to New Investments)**

The Fund is closed for new and subsequent purchases.

On August 3, 2020 (the “Effective Date”), a controlling interest in Pinhook Capital, LLC (“Pinhook”), sub-advisor to Destra Multi-Alternative Fund (the “Fund”), has been sold. In connection with this transaction, Pinhook and its investment advisor affiliate Validus Growth Investors, LLC (“Validus”) have been consolidated. Validus will initially provide investment sub-advisory services to the Fund pursuant to the interim sub-advisory agreement. The interim sub-advisory agreement provides that, for up to 150 days following the Effective Date, Validus will act as investment sub-adviser to the Fund on the same terms as the current sub-advisory agreement until the new sub-advisory agreement is approved by shareholders.

### **Pinhook Capital, LLC**

Pinhook Capital, LLC (“Pinhook”), a Registered Investment Advisor is owned and controlled by Raymond J. Lucia Jr. and Joseph P. Lucia. Pinhook serves as a model portfolio advisor to LCG in the Lucia | Wealth Wrap Fee program and provides model portfolios to clients in the WCAM Private Client Group Programs described above. When acting as a model portfolio advisor, Pinhook receives fees for its services. We may favor Pinhook’s model portfolios and investment strategies over other model portfolio advisors available to us due to the economic benefits received in connection with Pinhook’s services. LCG monitors the performance of Pinhook model portfolios against relevant benchmarks. Additionally, LCG monitors performance against the relative risk of the models to determine whether the characteristics of those models are suited to the programs. The Pinhook investment team provides ongoing communication to LCG’s IARs regarding performance of the portfolios and financial markets.

### **VALIDUS Investment Advisors**

Validus Growth Investors, LLC aka Validus Investment Advisers (“Validus”), a Registered Investment Adviser is owned and controlled by Mark Scalzo, Chief Investment Officer of Lucia Capital Group. Validus serves as a model portfolio advisor to LCG in the Lucia | Wealth Wrap Fee program and provides model portfolios to clients in the WCAM Private Client Group Programs described above. When acting as a model portfolio advisor, Validus receives fees for its services. We may favor Validus’ model portfolios and investment strategies over other model portfolio advisors available to us due to the economic

benefits received in connection with Validus's services.

LCG monitors the performance of Validus model portfolios against relevant benchmarks. Additionally, LCG monitors performance against the relative risk of the models to determine whether the characteristics of those models are suited to the programs. The Validus investment team provides ongoing communication to LCG's IARs regarding performance of the portfolios and financial markets.

Effective August 3, 2020, Validus also serves as the sub-adviser to the Destra Multi-Alternative Fund ("Fund") and receives an annual fee from the Adviser (Destra Capital Advisors, LLC) equal to 50% of the net revenue received by the Adviser, subject to a maximum of 0.675% of the Fund's average daily net assets for its services. Increases in Fund assets will result in increases in the annual fee paid to Validus. Prior to August 3, 2020, Pinhook Capital, LLC served as the sub-advisor to the Fund.

### **Relationship with RBC CM**

As provided in more detail in Item 12, below, LSL and/ or LCG receive various incentives as a result of utilizing RBC CM as the qualified custodian and clearing firm for client accounts. Clients should be aware that LCG's receipt of these economic benefits from RBC CM creates a conflict of interest since these benefits may influence LCG's utilization of RBC CM as custodian over another financial institution that does not provide similar incentives. Although these incentives present an inevitable conflict of interest for LCG in the recommendation of a custodian firm, LSL and LCG believe that the utilization of RBC CM is nonetheless consistent with the firm's duty to its clients in that the firm considers the overall execution quality provided by a firm in its recommendation of custodians.

## **Item 11 – Code of Ethics, Participation in Client Transactions, and Personal Trading**

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts. In addition, an investment adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. LCG and its associated persons have a fiduciary duty to all clients. LCG has established a Code of Ethics that all associated persons must read. They must then execute an acknowledgment that they understand and agree to comply with LCG's Code of Ethics. The fiduciary duty of LCG and its associated persons to clients is considered the core underlying principle for LCG's Code of Ethics and represents the expected basis for all associated persons' dealings with clients. LCG has the responsibility to make sure that your interests are placed ahead of its or its associated persons' own investment interests. All associated persons will conduct business in an honest, ethical, and fair manner. All associated persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to you prior to services being conducted.

All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to their clients. This section is only intended to provide you with a description of LCG's Code of Ethics. If you wish to review LCG's Code of Ethics in its entirety, a copy may be requested from any of LCG's associated persons, and a copy will be provided promptly.

### **Personal Trading Policy**

LCG or its associated persons may buy or sell securities or have an interest or position in a security for their personal account that they also recommend to clients. This presents a conflict of interest between our clients' investment interests and the interests of our personnel. Therefore, we have formed the following procedures to help monitor and control for

conflicts of interest arising from our personal trading policies:

- LCG is, and shall continue to be, in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988.
- No associated person shall prefer his or her own interest to that of an advisory client.
- No person employed by LCG may purchase or sell the same security prior to a transaction or transactions being implemented for an advisory account.
- Associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry.

Your adviser may provide you with advice regarding real estate partnerships and other private placement investments. Such investments are illiquid, which means that the investments can be difficult to trade and consequently can limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, such investments may not be registered pursuant to the Securities Act of 1933, and therefore the client will need to complete a subscription agreement showing the client is an "accredited" investor (as defined by applicable law and rules and regulations) and acknowledging that he or she has read and understands the private placement memorandum and is aware of the various risk factors associated with such an investment.

Your adviser may in the future or currently have personally invested in private placement investments they also recommend to you. This creates a natural conflict of interest in that their personal investment may motivate them to recommend the private placement investment over other private placement investments they have not personally invested in but that may be better suited for you or have better historical performance. To control for this conflict of interest, the adviser will disclose any personal investment interest they have in a private placement they recommend. Further, in accordance with the LCG Code of Ethics and Personal Trading Policy, advisers are required to obtain written approval from LCG prior to personally investing in a private investment.

## **Item 12 – Brokerage Practices**

### **The Custodians and Brokers We Use**

LCG does not maintain custody of the assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (See Item 15 – Custody below). Your assets must be maintained in an account at a "qualified custodian," generally a broker/dealer. Depending on the program in which you invest, we may require or recommend the use of a specific broker/dealer. If you wish to implement LCG's financial planning and/or consulting advice, you are free to select any broker/dealer or investment adviser you wish.

### **Selection of Brokers/Custodians**

We seek to use a broker/custodian who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers, their services, and how these services will best meet the needs of an individual client and the programs that we offer. We consider a number of factors, including the following:

- Combination of transaction execution services along with asset custody services
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (electronic fund transfers, wire transfers, check requests, bill payment, VISA debit/credit card, etc.)
- Breadth of investment products available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), interval funds, alternative investments, etc.)

- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Price competitiveness for 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 us and our clients
- Availability of other products and services that benefit us (see Arrangement with Lucia Securities, LLC, and RBC Correspondent Services and Arrangement with Schwab below)

There are some investment advisers that permit the use of multiple broker/dealers and permit clients to select the broker/dealer. LCG has considered the positive factors to this approach, which include the ability to better negotiate brokerage costs (such as transaction fees), the ability to better analyze speed of execution, and the ability to compare and negotiate services. However, LCG has determined that the use of Lucia Securities, LLC (“LSL”), and RBC Correspondent Services, a division of RBC Capital Markets, LLC (“RBC CM”), member NYSE/FINRA/SIPC, allows LCG to provide greater oversight as well as more streamlined operational and trading services in the Lucia | Wealth wrap fee program we sponsor for a majority of our clients. Programs that utilize Schwab as the broker/dealer have higher investment requirements and are generally reserved for clients who are not also clients of LSL.

Commission and fee structures of various broker/dealers, along with services, research, and tools, are periodically reviewed by LCG in order to evaluate the overall execution services provided by LSL, RBC CM, and Schwab. Accordingly, while LCG will consider competitive rates, it may not necessarily obtain the lowest possible commission and brokerage rates for your account transactions. Therefore, the overall services provided by LSL, RBC CM, and Schwab are evaluated to determine the level of best execution provided to our clients. However, considering LCG currently requires use of the brokerage services of LSL and RBC CM for a majority of our clients, we may not be able to achieve the most favorable execution of client transactions, and therefore our practice of requiring the use of LSL and RBC CM in these programs may cost you more money.

#### **Arrangement with Lucia Securities, LLC, and RBC Correspondent Services**

If you choose to have LCG’s IARs implement the advice in their capacity as registered representatives of LSL through the Lucia | Wealth wrap fee program sponsored by LCG, then LCG’s affiliated broker/dealer, LSL, must be used. Advisers of LCG may be registered representatives of LSL and are required to use the services of LSL and its approved clearing broker/dealer when buying or selling commission-based securities products. In the case where you own both commission-based securities products and invest in our fee-based programs, we will generally recommend the use of LSL and the Lucia | Wealth wrap fee program in order to consolidate your accounts with one custodian.

All brokerage accounts established through LSL will be cleared and held at RBC CM, which acts as the qualified custodian. The decision to use RBC CM as the qualified custodian in these programs is based on LSL’s arrangement with RBC CM that works with FINRA-member, introducing broker/dealers such as LSL. RBC CM is a wholly owned subsidiary of Royal Bank of Canada. The requirement to use RBC CM (which is not affiliated with LSL and/or LCG) is based on the fact that LSL has established a clearing agreement with RBC CM as its preferred clearing broker/dealer and qualified custodian. Because LCG and LSL are under common ownership and have some of the same executive officers and supervisors, the decision to use RBC CM was mutually determined by LSL and LCG. The decision to use RBC CM is based on a comparison of RBC CM against other clearing broker/dealers (including past experiences we have had with other broker/dealers) and is aimed at minimizing brokerage expenses and other costs while taking into account the offerings and services RBC CM provides that LSL, LCG, or clients may require or find valuable. LSL and/or LCG receive incentives as detailed below as a result of utilizing RBC CM as the qualified custodian and clearing firm:

- LSL received a one-time incentive payment in the amount of \$1.5 million from RBC in 2017;

- LSL receives mark up on various customer fees;
- LSL receives mark up on clearance charges;
- LSL shares interest on margin/ cash (credit interest program -CIP), money market balances or premier lines of credit and RBC Bank Deposit Program Revenue Sharing.

While the receipt of these incentives and compensation creates a conflict of interest, LSL and LCG believe that the utilization of RBC CM is nonetheless consistent with the firm's duty to its clients, having evaluated the overall services provided by RBC CM based on the criteria outlined previously to determine the overall execution quality provided to our clients.

### **Products and Services Available to Us from Lucia Securities, LLC, and RBC Correspondent Services**

LSL has a wide range of approved securities products on which it performs due diligence prior to selection. LSL's registered representatives may only sell securities products that have been approved by LSL.

You should understand that not all investment advisers require the use of a particular broker/dealer or the use of a broker/dealer that is affiliated with the investment adviser. Our decision to require the use of LSL in the above program is based on LCG's decision that we can provide efficient and cost-effective services through our affiliated broker/dealer. However, the use of an affiliated broker/dealer is an inherent conflict of interest between LCG and our clients, because requiring our clients to use LSL as the broker/dealer allows LSL to retain brokerage revenue that would otherwise be retained by an unaffiliated broker/dealer. For example, LSL will retain a percentage of the overall management fee charged to clients through the wrap fee program sponsored by LCG for the brokerage services it performs.

While you may be able to attain brokerage services with lower costs and expenses, you should be aware of some of the qualitative factors we consider in selecting LSL and RBC CM as providers for our Lucia | Wealth wrap fee program. These factors include, but are not necessarily limited to, the following:

- We are able to rely on the internal staff of LSL to provide supervisory, operations, trading, and other services.
- RBC CM is able to provide numerous specialized service groups, including designated support staff dedicated to servicing LSL and Lucia | Wealth accounts and a training/educational department that provides online, telephone, and on-site training for RBC CM products, tools, and offerings.
- RBC CM's back-office system generates exception reports designed to monitor all aspects of brokerage accounts, including trading, money movement, transfers, and client account data. Client paperwork is processed through a secure electronic workflow and storage system. In most cases, e-signatures are accepted.
- RBC CM's electronic trading platform provides a real-time order matching system, the ability to "block" client trades, and account balance and position information.
- Clients may access their account information over the internet, including balances, transactions, positions, statements, confirmations, and tax documents.
- Advisory fees can be calculated on aggregated account balances and are debited directly from client accounts.

### **Arrangement with Schwab**

If you invest in the WCAM Private Client Program, we request that our clients use Schwab, a FINRA registered broker/dealer, member SIPC, as the qualified custodian and broker/dealer. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to. While we request that you use Schwab as custodian and broker/dealer, you will decide whether to do so, and you will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you.

## **Products and Services Available to Us from Schwab**

Schwab Advisor Services, a division of Schwab, is Schwab's business serving investment advisory firms like us. They provide us and our clients with access to its institutional brokerage services including trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Below is a more detailed description of Schwab's support services:

**Services That Benefit You** – Schwab's institutional brokerage services include execution of securities transactions, custody of client assets, and access to a broad range of investment products. The investment products available through Schwab include some that we might not otherwise have access to or that would require a significantly higher minimum initial investment by our clients.

**Services That May Not Directly Benefit You** – Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts, and they include investment research—both Schwab's own and that of third parties. We may use this research to service our clients investing in our WCAM Private Client Program and in managing our WCAM Focused Equity Model. 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 allocates 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 Us** – Schwab also offers other services intended to help us 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 benefit providers, human capital consultants, and insurance providers. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third-party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

The availability of these services from Schwab benefits LCG because it does not have to produce or purchase them. LCG does not have to pay for Schwab's services so long as it keeps a certain amount of client assets in accounts at Schwab. The minimum amount may give LCG an incentive to recommend that clients maintain their accounts with Schwab based on its interest in receiving Schwab's services that benefit its business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of clients' transactions. This is a potential conflict of interest. LCG believes, however, that its selection of Schwab as custodian and broker/dealer for the WCAM Private Client Program is in the best interest of its clients. It is primarily supported by the scope, quality, and price of Schwab's services (based on the factors discussed above) and not Schwab's services that benefit only LCG. LCG does not believe that maintaining clients' assets at Schwab in order to avoid paying Schwab certain fees presents a material conflict of interest.

## **Aggregation of Client Orders – Block Trading Policy**

Transactions we implement for your accounts for non-model portfolios are generally effected independently unless LCG decides to purchase or sell the same securities for several clients at approximately the same time as would be the case when a model portfolio advisor sends trading signals to LCG. This process is referred to as aggregating orders, batch trading, or block trading, and it is used by the Firm when we believe such action may enhance efficiency, increase pricing power, and ensure that all clients' accounts are executed with equal priority.



When we aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, negotiate more favorable commission rates, or allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Under this procedure, transactions will be averaged as to price and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. When we determine to aggregate client orders for the purchase or sale of securities, including securities in which we may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter “SMC Capital, Inc.” It should be noted that we do not receive any additional compensation or remuneration as a result of aggregation.

For accounts traded by third-party investment advisers, the third-party investment adviser will generally aggregate client orders rather than placing trades on an individual, account-by-account basis.

Like our policy, the process of aggregating client orders is done in order to achieve better execution, negotiate more favorable commission rates, or allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. For additional information on the aggregation and block trading policies of third-party investment advisers recommended by LCG, please refer to the third-party investment advisers’ ADV Part 2A which is available upon request from LCG.

## **Item 13 – Review of Accounts**

### **Reviews for Clients of our Asset Management Services**

Your adviser will contact you at least annually for the purpose of reviewing your accounts and determining if there have been changes in your financial situation or investment objectives. Any changes are then reported internally, as well as to the portfolio manager, as necessary. Your quarterly statements will contain a written notification to contact us if there have been any changes in your financial circumstances or investment objectives or if you wish to impose any restrictions on the management of your accounts or to modify any existing restrictions. This notice will also provide you with a means through which such contact can be made.

Your adviser may hold more frequent reviews upon your request or if there have been changes within the market. Accounts managed by LCG are reviewed by your adviser on a regular basis, but at least quarterly.

### **Reviews for Financial Planning-Only Clients**

Reviews for financial planning-only clients will be performed on an as-needed basis for an additional negotiated fee.

### **Account Summary or Performance Reports**

Your adviser may provide you with a periodic account summary or performance report. Although the information provided on the summary or report has been retrieved from sources believed to be reliable, we urge you to compare the holdings listed on the custodian’s statement to those listed on reports your adviser may deliver to you. You will receive statements at least quarterly from the qualified custodian at which your account is maintained. If any discrepancies are found, please contact us at (800) 644-1150.

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

### **Client Referrals**

LCG has entered into solicitor arrangements whereby LCG pays solicitors for referring individuals that may benefit from LCG’s services. The arrangements are in compliance with federal and state regulations (as applicable) specific to the

payment of compensation to referring parties (solicitors). The solicitation/referral fee is paid pursuant to a written agreement retained by both LCG and the referring party. The solicitor is required to provide prospective LCG clients with a copy of LCG's disclosure document and a solicitor disclosure statement at the time of solicitation. Solicitors are not permitted to offer clients any investment advice on behalf of LCG.

### **Other Compensation**

As disclosed in Item 10 – Other Financial Industry Activities and Affiliations, LCG's advisers or associated persons may sell securities in their separate capacities as registered representatives of LSL. Some of the associated persons are also independently licensed insurance agents and sell insurance products. Commissions are earned when selling these products.

We and our affiliated broker/dealer, LSL, offer a variety of approved products to our IARs to serve your needs. These approved products are offered through product sponsors who may pay extra compensation to LSL. These sponsors have greater access to our financial advisers to provide education and training opportunities. In return for increased exposure, these sponsors compensate the firm in the form of revenue sharing. Although certain product sponsors pay extra compensation to LSL, clients do not pay more to purchase these products through us than clients would pay to purchase them elsewhere. This extra compensation is based in part on the total amount of assets that our IARs refer to their products and services. There may be a financial incentive to promote certain products because of this extra compensation. Because IARs do not receive a direct financial benefit from revenue sharing, we believe that these relationships do not compromise the advice provided by our representatives. Additional information regarding revenue sharing payments may be found at [www.luciasecurities.com](http://www.luciasecurities.com) or by contacting LSL at 800-644-1150.

From time to time, LCG and/or LSL may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing, such as advertising, publishing, and seminar expenses.

Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by basing investment decisions on the individual needs of our clients.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisers that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of these products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Item 15 – Custody**

Custody, as it applies to investment advisers, has been defined by the SEC as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser, or any of its affiliated companies, has the ability to access or control client funds or securities, the investment adviser is deemed to have custody for purposes of the Investment Advisers Act of 1940 and must ensure proper procedures are implemented.

Based on the SEC's definition, LCG and/or LSL are deemed to have custody over accounts managed by LCG, as LSL deducts advisory fees directly from our clients' accounts and processes deposits on behalf of our clients. Further, clients may have standing letters of instruction authorizing LCG to send funds from their accounts upon request. In these instances, clients



are required to sign a letter of authorization with the custodian of their assets granting such authority.

For these accounts, LCG has established the following procedures to comply with the SEC's custody rule:

- All client funds and securities are held at RBC Correspondent Services, a division of RBC CM, which serves as the qualified custodian, or another qualified custodian (the "Qualified Custodian") in a separate account for each client under that client's name.
- Clients, or independent representatives of clients, will direct, in writing, the establishment of all accounts and, therefore, are aware of the Qualified Custodian's name and address and the manner in which the funds or securities are maintained.
- Account statements are delivered directly from the Qualified Custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from LCG. When clients have questions about their account statements, they should contact LCG or the Qualified Custodian preparing the statement.
- In accordance with SEC regulations, LCG is subject to an annual surprise verification examination, and its affiliated broker/dealer, LSL, is subject to an annual internal control review.
- LCG must engage an independent, third-party accounting firm to perform an annual, surprise examination verifying the location of client funds and securities and ensuring accuracy of quarterly statements. When completed, the accounting firm's report will be available through the SEC's Investment Adviser Public Disclosure page at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our information on this website by searching for "Lucia Wealth Services, LLC" or "Lucia Capital Group." You can also search using the firm's CRD number. The CRD number for the firm is 152396.

An internal control report must include the opinion of an independent public accountant as to whether controls are in place as of a specific date, suitably designed for our business operations, and effectively meeting the control objectives relating to custodial services held by LSL on behalf of our clients. The accounting firm must also verify that funds and securities of which LSL is deemed to have custody are reconciled to a custodian (e.g., RBC CM). The internal control report is prepared by a third-party accounting firm that is not affiliated in any way with LCG and that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB).

Under these same regulations, LCG is deemed to have custody of your assets if you authorize us to instruct Schwab to deduct your advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. You should carefully review those statements when you receive them. We also urge you to compare Schwab's account statements to portfolio reports you may receive from us.

### **Item 16 – Investment Discretion**

Upon receiving written authorization from you, LCG may provide discretionary investment advisory services for your accounts. Written authorization must be granted in the contract for services.

Generally speaking, when discretionary authority is granted, your adviser and LCG are given the authority to determine the type and amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. Written authorization, including limitations thereof, will be provided in the investment advisory agreement. Depending on the program, LCG may or may not have discretion over your assets. In some programs, LCG will not have discretion, but a third-party investment adviser, such as SEI, will be provided with discretion.

When discretion is granted, clients maintain the ability to impose reasonable restrictions on the management of their accounts.

### **Item 17 – Voting Client Securities**

LCG is responsible for voting proxies received from accounts invested in the WCAM Private Client Program and

discretionary accounts in model portfolio advisor strategies through the Lucia | Wealth Program. Clients may retain the ability to vote proxies for their own accounts. Clients who initially assign proxy voting responsibilities to LCG may revoke that authorization at any time in writing (addressed to Lucia Capital Group), indicating another person who will vote proxies in the account(s) in question. In such cases, LCG will not have the authority to vote such clients' securities, and clients will receive their proxies or other solicitations directly from the Qualified Custodian or transfer agent of the security. For the Lucia | Wealth Program, clients will be responsible for voting any proxies received for accounts that are not allocated in model portfolio advisor strategies.

LCG has adopted policies and procedures for voting proxies in the accounts identified above. LCG has selected an unaffiliated third-party proxy research and voting service ("Proxy Voting Service") to assist it in researching and voting proxies. With respect to each proxy received, the Proxy Voting Service researches the financial implications and potential conflicts of interest related to the proposals and provides a recommendation to LCG as to how to vote on each proposal based on the Proxy Voting Service's research of the individual facts and circumstances and the Proxy Voting Service's application of its research findings to a set of guidelines that have been approved by LCG. LCG may determine to override any recommendation made by the Proxy Voting Service. In the event that the Proxy Voting Service does not provide a recommendation with respect to a proposal, LCG may determine to vote on the proposals directly.

Clients may obtain, free of charge, information on how their securities were voted or a copy of these Proxy Voting Policies and Procedures. You may request a copy by calling our Chief Compliance Officer at 800-644-1150 or by sending an email to [compliance@luciacap.com](mailto:compliance@luciacap.com).

### **Item 18 – Financial Information**

This item is not applicable to LCG's brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients. Finally, LCG has not been the subject of a bankruptcy petition at any time.