

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

December 7, 2020

**Emerson Wealth, LLC**

SEC File No. 801-68268

38710 Woodward Ave., Suite 230  
Bloomfield Hills, MI 48304

phone: 248-792-6600  
email: [michael@emersonwealth.com](mailto:michael@emersonwealth.com)  
website: [www.emersonwealth.com](http://www.emersonwealth.com)

This brochure provides information about the qualifications and business practices of Emerson Wealth, LLC. If you have any questions about the contents of this brochure, please contact us at 248-792-6600. 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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## Item 2: Material Changes

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

Emerson Wealth has updated Item 18 to reflect participation in the Paycheck Protection Program (PPP).

Emerson Wealth Management, LLC has changed the firm name to Emerson Wealth, LLC.

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## Item 4: Advisory Business

### A. Description of Your Advisory Firm

Emerson Wealth, LLC ("Emerson" and/or the "firm") is a Michigan limited liability company and an SEC-registered investment adviser. The firm is owned by Michael Emerson and Kip White. Michael Emerson is the Managing Member. Emerson has been providing investment advisory services since 2007.

### B. Description of Advisory Services Offered

Emerson is an investment adviser providing investment management and consulting services to individuals and high-net-worth individuals, trusts and estates, pension and profit sharing plans, corporations, and other business entities.

#### B.1. Investment Management Services

Emerson provides investment management services to clients on a discretionary basis. If a client engages us, we will enter into an investment management agreement setting forth the terms and conditions of our engagement, describing our fee and scope of our services. We will complete a client profile documenting the client's current situation, goals, objectives, and any special or particular circumstance unique to the client. This process establishes the client's risk level, and assets are invested based on this.

Emerson may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Emerson may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

Emerson's investment advisory services to clients take into account a client's personal financial circumstances, investment objectives and tolerance for risk. Emerson's engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Emerson in response to a questionnaire and/or in discussions with the client and reviewed in meetings with Emerson.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending individual equity and fixed income securities, mutual funds and ETFs.
- Reporting to the client on an annual basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks.

- Proposing changes in the client's investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund retained by the client.

In addition to providing Emerson with information regarding their personal financial circumstances, investment objectives, and tolerance for risk, clients are required to provide Emerson with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify Emerson of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. Emerson will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives, and tolerance for risk.

## **B.2. Consulting Services**

If clients would like Emerson to provide consulting services, we will enter into a written agreement setting forth the terms and conditions of the engagement, describing the scope of our services to be provided and the fee that is due from the client. Our consulting services typically involve reviewing the client's overall financial situation, personal and financial goals, risk tolerance, and objectives, and may include one or more of the following:

- |                                    |                                      |
|------------------------------------|--------------------------------------|
| ▪ Asset Allocation                 | ▪ Insurance Planning                 |
| ▪ Investment Analysis and Planning | ▪ Estate Analysis and Planning       |
| ▪ Education Planning               | ▪ Tax Planning                       |
| ▪ Cash Flow Analysis               | ▪ Employer Stock and Option Planning |
| ▪ Retirement Planning              |                                      |

In general, after analyzing the client's individual circumstances, objectives, client profile, and risk profile, we present our recommendations. If the client wishes ongoing investment services or monitoring of the investment portfolio, they will engage us under a separate agreement and pay a separate fee.

When we provide consulting services, we will rely on the information the client or the client's attorney, accountant, or other professional provides to us. We will not verify this information when doing our analysis. We may recommend our services or the services of other professionals such as attorneys or accountants to implement our recommendations. If we recommend our own services, the client is under no obligation to use our services. The client retains discretion over all such implementation decisions and is free to accept or reject any of our recommendations.

## **B.3. Other Investment Services**

Emerson may also provide investment management services regarding variable life/annuity products or individual employer-sponsored retirement plans. In so doing, we either direct or recommend the allocation of assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. Assets will be maintained either at the

specific insurance company that issued the variable life/annuity product, or at the custodian designated by the sponsor of the retirement plan.

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

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

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

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

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

As of December 31, 2019, Emerson manages \$467,878,307 of discretionary assets and \$0 of non-discretionary assets.

## **Item 5: Fees and Compensation**

### **A. Methods of Compensation and Fee Schedule**

#### **A.1. Investment Management Fees**

Emerson charges either a fixed fee or a fee based upon assets under management. The decision as to whether we charge a fixed fee or a fee based on assets under management is dependent upon the size and complexity of the account as well as the preference of the client. We establish our fee arrangements with the client in our written agreement. Our standard annual fee is a percentage of the market value of the assets under management.

<u>Assets Under Management</u>	<u>Annual Fee Rate</u>
First \$2,000,000	0.95%
Next \$3,000,000	0.75%
Next \$5,000,000	0.45%
Above \$10,000,000	0.20%

In certain limited circumstances, the fee may be negotiable based upon the level of assets managed, the level of complexity of client's account(s), and any specific requirements imposed by the client. Our fee is prorated and charged quarterly in advance, based upon the market value of the assets on the last day of the previous quarter as valued by the custodian.

For the initial quarter of investment management services, the first quarter's fee is calculated on a pro rata basis commencing on the day the assets are initially designated to us for management. If the client makes additions to and/or withdrawals from the account after the

inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

An investment advisory agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination, any unearned, prepaid fees will be promptly refunded.

## **A.2. Consulting Fees**

Emerson's fees for consulting services are negotiable, but generally range from \$2,500 to \$75,000. The fee depends upon the scope of services provided, complexity of the process undertaken, the types of issues addressed, and the professional rendering the services. Clients will enter into a written agreement with us setting forth the scope of our services and our fee. Consulting fees are billed in arrears and are generally done on an annual basis in December.

A consulting agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination, any earned, unpaid fees will be promptly due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

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

Emerson generally requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

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

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

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

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. A client using Emerson may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian. Please refer to the



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

All consulting fees are for services provided by Emerson and do not include fees clients may incur with other professionals such as their personal attorney, accountant, or other professional.

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

Emerson requires all investment management fees to be prepaid on a quarterly basis. Emerson's fees will either be paid directly by the client or disbursed to Emerson by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

An investment advisory or consulting agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any unearned, prepaid fees will be promptly refunded, and any earned, unpaid fees will be immediately due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

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

Emerson financial advisors are compensated primarily through a salary and bonus structure. Emerson is a Michigan licensed insurance agency and may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts and interest.

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

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

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

Emerson provides investment management services to individuals and high-net-worth individuals, trusts and estates, corporate pension and profit-sharing plans, and corporations and other business entities.

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

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

Most of Emerson's investment recommendations are for mutual funds or ETFs. In analyzing these potential investments, we review information from a number of sources, both public and by purchase, including financial newspapers and magazines, research materials prepared by

third-parties, corporate rating services, annual reports, prospectuses and filings with the SEC, and company press releases.

### **A.1. Investment Strategies**

We use a variety of investment strategies depending on the client's circumstances, financial objectives, and needs. A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, and individual securities (including fixed-income securities) is set forth below.

Emerson may form relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds and ETFs
- perform billing and certain other administrative tasks

Emerson may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and ETFs to clients as appropriate under the circumstances.

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

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

Qualitative criteria used in recommending mutual funds include the investment objectives and/or management style and philosophy of a mutual fund manager; a mutual fund's consistency of investment style; and employee turnover and efficiency and capacity.

Mutual fund managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund.

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

We offer advice about different investments, including mutual funds, index funds, ETFs, and fixed and variable annuities, each having different types and levels of risk. We will discuss these risks with the client in determining your investment objectives. We will explain and answer any questions the client has about these kinds of investments, which present special considerations.

Investing in securities involves risk of loss that the client should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We work

with the client to attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client. However, it is still the client's responsibility to ask questions if he or she does not fully understand the risks associated with any investment or investment strategy.

Emerson may invest in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements

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

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

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

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

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

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price

movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

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

#### **A.2.d. Fixed Income Securities**

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

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

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

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

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

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

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

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

#### **A.2.h. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

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

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances. We formulate a diversified portfolio based upon various risk profiles ranging from conservative to aggressive. Generally they include mutual funds and ETFs.

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

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

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

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of

collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **C. Security-Specific Material Risks**

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

## **Item 9: Disciplinary Information**

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

There is nothing to report on this item.

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

There is nothing to report on this item.

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

There is nothing to report on this item.

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

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

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

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

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

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

### **C.1. DiMeo Schneider & Associates, LLC**

Emerson has entered into an agreement with DiMeo Schneider & Associates, LLC ("DiMeo") to provide research and investment consulting services, including but not limited to the construction and maintenance of a stable of model portfolios for use by Emerson in servicing its clients. Each model portfolio will be designed to offer appropriate diversification across asset classes. The relative weighting of asset classes within each model portfolio will differ in order to create a stable of model portfolios that covers various risk profiles. Emerson has the final authority on the composition, use, and recommendation of such model portfolios.

DiMeo will provide ongoing research on ETFs, mutual funds, and separate account managers, which may change from time to time. DiMeo may be asked to attend certain client meetings with respect to endowments, foundations, or 401k plans where Emerson believes it appropriate to do so.

### **C.2. Insurance Activities**

Emerson is a Michigan licensed insurance agency. Michael Emerson, Kip White, and Karlye Byrnes are also independently licensed to sell life and disability insurance and are appointed with various insurance companies. If you choose to purchase insurance through Michael, Kip, Karlye, or the firm, then the firm will receive a commission from the insurance company. Clients are advised of a potential conflict of interest in that there is an economic incentive to recommend insurance products of such carriers. Clients are under no obligation to purchase insurance products through Emerson. Please be advised that Emerson professionals strive to put their clients' interests first and foremost.

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

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

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

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

In accordance with the Advisers Act, Emerson has adopted policies and procedures designed to detect and prevent insider trading. In addition, Emerson has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Emerson's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by

the chief compliance officer of Emerson. Emerson will send clients a copy of its Code of Ethics upon written request.

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

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

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

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

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

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

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

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

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



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

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

### **Item 12: Brokerage Practices**

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

##### **A.1. Custodian Recommendations**

Emerson may recommend that clients establish brokerage accounts with Fidelity Investments ("Fidelity"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Emerson may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with Fidelity. Emerson is independently owned and operated and not affiliated with Fidelity.

For Emerson client accounts maintained in its custody, Fidelity generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into its accounts.

Emerson considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

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

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

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

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

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

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

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

Fidelity may also offer other services intended to help Emerson manage and further develop its business enterprise. These services may include

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

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

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

Fidelity may make available, arrange, and/or pay for these types of services rendered to Emerson by independent third parties. Fidelity may discount or waive fees it would otherwise charge for some of these services, or pay all or a part of the fees of a third party providing these services to Emerson.

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

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

- Receipt of duplicate client statements and confirmations

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

The custodian may also pay for business consulting and professional services received by Emerson's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Emerson's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Emerson but may not benefit its client accounts. These products or services may assist Emerson in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Emerson manage and further develop its business enterprise. The benefits received by Emerson or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

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

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

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

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

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

#### **A.3.a. Emerson Recommendations**

Emerson typically recommends Fidelity as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

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

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

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

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

Emerson, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Emerson recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Emerson will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

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

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

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

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

Since Emerson may be managing accounts with similar investment objectives, Emerson may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Emerson in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

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

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

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

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

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

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

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

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

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

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

For investment management clients, we will monitor the portfolio as part of an ongoing process, and the Advisor will conduct account reviews at least annually, taking into consideration any changes in the client's financial situation or investment objectives.

For consulting services clients, we conduct reviews on an "as needed" basis. Our investment advisor representatives conduct all reviews. We encourage clients to discuss their needs, goals, and investment objectives with us and to keep us informed of any changes that might affect their financial situation.

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

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

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

For investment management clients, clients will receive confirmations of their purchases and sales and statements from their broker-dealer or custodian containing account information such as account value, transactions, and other relevant account information, including asset management fees paid to Emerson.

For consulting services clients, we provide a report summarizing our analysis and conclusions upon request or otherwise agreed to by us in writing.

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

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

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), Emerson does not receive economic benefits for referring clients to third-party service providers.

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

Emerson does not make payment for client referrals.

## **Item 15: Custody**

Emerson is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Emerson urges its clients to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to engage an independent public accountant to annually conduct a surprise custody exam audit.

## **Item 16: Investment Discretion**

Clients must grant a limited power of attorney to Emerson with respect to trading activity in their accounts. As such, Emerson will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

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

Emerson does not take discretion with respect to voting proxies on behalf of its clients.

Except as required by law, Emerson will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in accounts that become

subject to any legal proceedings, including bankruptcies. From time to time securities held in accounts will be the subject of class action lawsuits. Emerson has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Emerson has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or judgment. Furthermore, Emerson has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Emerson receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

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

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

In light of the COVID-19 coronavirus and historic decline in market values, Emerson Wealth has elected to participate in the CARES Act's Paycheck Protection Program ("PPP") to strengthen its balance sheet. Emerson Wealth intends to use this loan predominantly to continue payroll for the firm and may ultimately seek loan forgiveness per the terms of the PPP. Due to this and other measures taken internally, Emerson Wealth has been able to operate and continue serving its clients.

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

There is nothing to report on this item.