

# WILLS FINANCIAL GROUP

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REGISTERED INVESTMENT ADVISOR

## Investment Advisory Services Disclosure Brochure Form ADV Part 2A

**March 27, 2020**

This brochure provides information about the qualifications and business practices of WILLS FINANCIAL GROUP, INC. If you have any questions about the contents of this brochure, please contact us at either 1-804-330-3100 or 1-800-522-8077, or at [grace@willsfg.com](mailto:grace@willsfg.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Our use of the term “registered investment advisor” does not imply a certain level of skill or training.

Additional information about WILLS FINANCIAL GROUP, INC. is also available on the SEC’s website at <http://www.adviserinfo.sec.gov>.

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## Item 2 - Material Changes

Since the most recent annual amendment on March 19, 2019, this disclosure brochure has been amended as follows:

- At Item 4 to revise disclosure language regarding periods of portfolio inactivity and transaction fees
- At Item 8 to increase and enhance disclosure language regarding the use of margin and risks associated with certain asset types that may be utilized in managing client accounts

**ANY QUESTIONS:** WFG's Chief Compliance Officer, Grace Choi, remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements below.

## Item 3 - Table of Contents

Item 2 - Material Changes	2
Item 3 - Table of Contents	2
Item 4 – Advisory Business	3
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-by-Side Management	6
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 – Disciplinary Information	10
Item 10 – Other Financial Industry Activities and Affiliations	10
Item 11 – Code of Ethics	11
Item 12 – Brokerage Practices	12
Item 13 – Review of Accounts	15
Item 14 – Client Referrals and Other Compensation	15
Item 15 – Custody	16
Item 16 – Investment Discretion	16
Item 17 – Voting Client Securities	16
Item 18 – Financial Information	17

## Item 4 – Advisory Business

Wills Financial Group (WFG) is a SEC-registered investment advisor established in 1989 under the Investors Advisors Act of 1940. The business was incorporated in 1999 with Janet Wills as the principal owner.

### Investment Advisory Services

WFG provides customized portfolio management for individuals, families, retirement plans, trusts, estates and foundations. Our investment advice is tailored to meet the unique needs and investment objectives of each client. To the extent specifically requested by a client, financial planning and related consulting services may also be provided.

Subject to any written guidelines or restrictions, which the client may provide, the firm is granted discretion and authority to manage and make trades in each client's account under a limited power of attorney signed at the onset of the relationship.

Through the initial and regular on-going contact we gain an understanding of each client's:

- Investment objectives
- Financial status
- Goals
- Time horizon
- Risk tolerance
- Liquidity needs
- General tax considerations and
- Investment restrictions

With this understanding, we determine an appropriate investment allocation. Typically this investment allocation consists of individual equities, bonds, exchange traded funds and mutual funds. Occasionally and where appropriate, we may present to qualified clients the option of investing in private placement opportunities.

### Financial Planning and Consulting Services (Standalone)

In limited instances, WFG may also provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis.

Before engaging WFG to provide stand-alone planning or consulting services, clients are required to enter into a Financial Planning and Consulting Agreement with WFG setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before WFG commences services. If requested by the client, WFG may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from WFG. **Please Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not WFG, shall be responsible for the quality and competency of the services provided.

**Wrap Fee Programs:** WFG does not offer a wrap fee program.

**Client Assets:** As of December 31, 2019, WFG manages \$252,978,196 on a discretionary basis, which represents all assets we manage.

**Miscellaneous:**

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. To the extent specifically requested by the client, WFG may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. WFG does not serve as an attorney, accountant or insurance agent, and no portion of our services should be construed as legal, accounting or insurance services. Accordingly, WFG does not prepare estate planning documents or tax returns, nor does it sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from WFG and/or its representatives. Please Note: If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not WFG, shall be responsible for the quality and competency of the services provided.

Retirement Rollovers – No Obligation / Conflict of Interest: A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If WFG recommends that a client roll over their retirement plan assets into an account to be managed by WFG, such a recommendation creates a conflict of interest if WFG will earn a new (or increase its current) advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by WFG. WFG's Chief Compliance Officer, Grace Choi, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

Please Note-Use of Mutual and Exchange Traded Funds: Most mutual and exchange funds are available directly to the public. Thus, a prospective client can obtain many of the mutual and exchange traded funds that may be utilized by WFG independent of engaging WFG as an investment advisor. However, if a prospective client determines to do so, he/she will not receive WFG's initial and ongoing investment advisory services.

Schwab. As discussed below at Item 12, when requested to recommend a broker-dealer/custodian for client accounts, WFG generally recommends that Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions. In addition to WFG's investment advisory fee and applicable brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). The fees charged by Schwab or any broker-dealer/custodian directed by the client, are in addition to WFG's advisory fee referenced in Item 5 below.

Cash Positions. Depending upon perceived or anticipated market conditions/events (there being no

guarantee that such anticipated market conditions/events will occur), WFG may maintain cash and cash equivalent positions (such as money market funds, etc.) for defensive and liquidity purposes. Unless otherwise agreed in writing, all such cash positions are included as part of assets under management for purposes of calculating WFG's advisory fee. ANY QUESTIONS: WFG's Chief Compliance Officer, Grace Choi, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

Portfolio Activity. WFG has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, WFG will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when WFG determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by WFG will be profitable or equal any specific performance level(s).

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by WFG) will be profitable or equal any specific performance level(s).

Disclosure Statement. A copy of WFG's written disclosure statement as set forth on Part 2 of Form ADV shall be provided to each client before, or contemporaneously with, the execution of the Investment Advisory Agreement and/or Financial Planning Agreement.

## Item 5 – Fees and Compensation

**Compensation.** WFG provides discretionary investment advisory services on a fee basis. The advisory fee is typically based on a tiered fee schedule, (see below) where the fee reduces as certain asset thresholds are reached.

WFG's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed on the last day of the fee quarter.

### WFG TIERED FEE SCHEDULE

1.0 percent on the first \$2,000,000 (\$0 to \$2,000,000)
0.8 percent on the next \$2,000,000 (\$2,000,001 to \$4,000,000)
0.7 percent on the next \$2,000,000 (\$4,000,001 to \$6,000,000)
0.4 percent over \$6,000,000 and additional amounts (negotiable)

As an illustrative example, a client subject to the above fee schedule placing \$2,500,000 under WFG's management would be subject to an annual fee of 1.0% on the first \$2,000,000 and an annual fee of 0.8% on the remaining \$500,000.

Under special circumstances, such as the "house holding" of accounts for clients with multiple family members or entities, or other alternative arrangements, WFG may, in its sole discretion negotiate the amount of the fee. These negotiated fees are based on a number of factors including, but not limited to, the representative assigned to the account, the amount of assets to be invested,

the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, and anticipated future additional assets. As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by WFG to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

Each client's fee arrangement is clearly defined in the Letter of Engagement (LOE) agreement. Unless special arrangements are agreed upon with the client, WFG's fee is debited directly from the agreed upon client's account.

If our services are terminated before the end of a calendar quarter, we bill client only for that portion of the previous quarter that we managed client's investments.

Other fees: The custodians for our clients' various assets and securities, including cash equivalents, may charge various custodian, transaction or other fees for maintaining client accounts. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to WFG's fee, and WFG does not receive any portion of these commissions, fees, and costs. In addition, on some occasions, certain transactions may be subject to transfer taxes, wire transfer and electronic fund fees and other fees or taxes imposed on brokerage accounts or securities transactions. WFG does not determine or receive any portion of any such fees to which client accounts may be subject.

When in the reasonable determination of WFG that it would be beneficial for the client, individual equity and/or fixed income transactions may be executed through broker-dealers other than the account custodian. In that event, the client will generally incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "trade-away" and/or prime broker fee charged by the account custodian. ANY QUESTIONS: WFG's Chief Compliance Officer, Grace Choi, remains available to address any questions that a client or prospective client may have regarding trade-away arrangements.

**Financial Planning and Consulting Services:** On a case-by-case basis and at WFG's sole discretion, financial planning and other consulting services may be included in the investment advisory fee. This determination generally depends upon a number of factors, including (but not limited to) the size, complexity and scope of the engagement. In addition, in limited instances, WFG may determine to engage a client for standalone Financial Planning and Consulting Services, which services will be provided for a \$300 hourly fee.

**ERISA Plans:** Only on a very limited basis, WFG may agree to provide investment advisory services to different types of ERISA plans for an annual asset-based fee. At this time WFG has one account subject to ERISA and WFG manages the plan's assets directly. The billing arrangement is generally our tiered fee schedule outlined above.

We do not sell annuities, insurance stocks, bonds, mutual funds, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted. We do not manage or act as a sub-adviser for any mutual funds.

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

WFG does not charge performance-based fees (compensation to the investment manager as a reward for positive performance and generally a percentage of the profits made on the investments)

to its clients, nor do we compensate our staff based on the capital gains or appreciation of client assets.

## Item 7 – Types of Clients

WFG provides portfolio management services for individuals, families, retirement plans, trusts, estates and foundations. At the present time, WFG does not require an annual minimum fee or asset level for investment advisory services.

WFG, in its sole discretion, may charge a lesser investment advisory based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account compositions, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** WFG's Chief Compliance Officer, Grace Choi, remains available to address any question that a client or prospective client may have regarding advisory fees.

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

### *Methods of Analysis*

WFG's mission is to help our clients achieve their medium to long term financial goals. Our Investment team uses fundamental analysis of securities when choosing how to implement the client's portfolio. Fundamental analysis involves studying the characteristics of a company. This would include an analysis of financial statements, earnings record, industry competitors and its competitors' advantages.

Our Investment team generally meets bi-monthly to discuss existing and prospective investments.

### *Investment Strategies*

We understand financial goals can be a moving target therefore we strive to have an open dialogue with our clients regarding their:

- Investment objectives
- Financial status
- Goals
- Time horizon
- Risk tolerance
- Liquidity needs
- General tax considerations and
- Investment restrictions

With the understanding of the above, our Investment team determines the appropriate investment allocations where generally the investments are a balanced portfolio with an emphasis not only on capital appreciation but also on the generation of current and future income.

While we do not employ an absolute buy and hold strategy, we generally stick with our investments unless we have a compelling reason to sell. This practice gives investments time to work, minimizes brokerage fees, and minimizes taxable events for clients.

Use of Margin. Although clients may retain the ability to use margin, WFG does not use margin for investment purposes and similarly does not recommend its use by clients for investment purposes. Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin.

However, clients may utilize and/or WFG may suggest that a client use margin for financial planning, tax management, and/or cash flow management purposes under specific, limited circumstances. For example, if a client needs cash for a limited period of time, it may be worthwhile to use margin rather than raise cash through a sale that will incur high realized tax gains. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, which should be carefully considered prior to engaging in margin transactions. Before agreeing to participate in a margin program, clients should carefully review the applicable margin loan agreement and all risk disclosures provided by the lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing “margin calls” and liquidating securities and other assets in the client’s accounts.

WFG utilizes individual equities, bonds, mutual funds and exchange traded funds (ETF’s) to invest its client’s portfolio.

Risks associated with these asset types include:

1. Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
2. Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund’s specific investments as well as due to the fund’s specific investments. Additionally, each security’s price will fluctuate based on market movement and emotion, which may, or may not be due to the security’s operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
3. Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
4. Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
5. Financial Risk: Excessive borrowing to finance a business’ operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
6. Market Risk (Systematic Risk): Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of your portfolio will fluctuate, there is a risk that you will lose money.



7. **Unsystematic Risk:** Unsystematic risk is the company-specific or industry-specific risk in a portfolio. The combination of systematic (market risk) and unsystematic risk is defined as the portfolio risk that the investor bears. While the investor can do little to reduce systematic risk, he or she can affect unsystematic risk. Unsystematic risk may be significantly reduced through diversification. However, even a portfolio of well-diversified assets cannot escape all risk.
8. **Credit Risk:** Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact performance. Credit risk is greater for fixed income securities with ratings below investment grade (BB or below by Standard & Poor's Rating Group or Ba or below by Moody's Investors Service, Inc.). Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.
9. **Income Risk:** Income risk is the risk that falling interest rates will cause the investment's income to decline.
10. **Call Risk:** Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.
11. **Purchasing Power Risk:** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply. Rising inflation means that if you have \$1,000 and inflation rises 5 percent in a year, your \$1,000 has lost 5 percent of its value, as it cannot buy what it could buy a year previous.
12. **Political Risks:** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
13. **Regulatory Risk:** Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
14. **Risks Related to Investment Term:** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not what we believe it is truly worth. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value.

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as ETFs and mutual funds are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. As such, a mutual fund or ETF client or investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are distributed and redeemed on an ongoing basis by the fund itself or a

broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes in the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Mutual funds are funds that are operated by an investment company that raises money from shareholders and invests it in stocks, bonds, and/or other types of securities. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. The mutual funds charge a separate management fee for their services. The returns on mutual funds can be reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro-rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. While clients and investors may be able to sell their ETF shares on an exchange, ETFs generally only redeems shares directly from shareholders when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Investment Risk*

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by WFG) will be profitable or equal any specific performance level(s).

While we believe our investment strategy focuses on capital preservation which minimizes downside risk, there is always the possibility of financial markets or individual companies whose securities we hold in client accounts may decline in value. We make investment decisions based on a long term view, and the likelihood of loss may be greater if you invest your money with us for a shorter period of time.

## **Item 9 – Disciplinary Information**

WFG nor its management personnel have been subject to any legal or disciplinary action.

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

Janet and Richard Wills each have a 10% ownership in a rental property with an existing client. WFG does not believe this causes a conflict of interest with our clients. Except for the foregoing, WFG and its employees are not engaged in other financial industry activities.

WFG employees do not have any affiliation, arrangement, activity or relationship within the

financial industry, other than with our company. None of our employees are registered or have an application pending to register as a broker/dealer or as a registered representative of a broker/dealer.

WFG employees are not registered nor do they have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

WFG does not recommend or select other investment advisors for our clients where we would receive compensation directly or indirectly from those advisors, a situation that would create a material conflict of interest for WFG.

## **Item 11 – Code of Ethics**

WFG has adopted a Code of Ethics that establishes a high ethical standard of business conduct for all of our employees, including adherence to our fiduciary obligations to our clients and compliance with the federal securities laws. Our employees owe a duty of loyalty, fairness and good faith toward our clients and the profession. The purpose of the Code of Ethics is to preclude activities that may lead to or give the appearance of a conflict of interest, insider trading, or other forms of prohibited or unethical business conduct. An employee's failure to comply with the Code of Ethics is grounds for termination. All violations must be reported to the Chief Compliance Officer who will investigate the violation.

We will provide a copy of the Code of Ethics to any clients or prospective client upon request. Please contact our Chief Compliance Officer at 804-330-3100.

The Code of Ethics requires, among other things, all employees of WFG:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees or colleagues,
- Have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment.
- Place the integrity of the investment profession, the interests of clients, and the interest of WFG above one's own personal interests.
- Deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities,
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities,
- Keep information about current, former, and prospective clients confidential unless (1) the information concerns illegal activities on the part of the client or prospective client, or (2) disclosure is required by law, or (3) the client or prospective client permits disclosure of the information,
- Promote the integrity of, and uphold the rules governing, capital markets.
- Not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.
- Ensure investment transactions for clients must have priority over any personal investment

- transactions,
- Make reasonable efforts to ensure when communicating investment performance information it is fair, accurate, and complete.
- Do not use material non-public information

**Personal Trading** – Employees of WFG and/or their family members may buy or sell the same securities that are held in our client's accounts. However, to avoid any potential conflicts of interest involving personal trades, WFG's Code of Ethics requires the following:

- Pre-clear personal securities transactions by the Chief Compliance Officer,
- Provide personal securities transactions on at least a quarterly basis for any accounts not custodied at Charles Schwab
- Provide detailed summary of holdings on an annual basis for any accounts not custodied at Charles Schwab
- Do not participate in initial public offerings (IPOs)

## Item 12 – Brokerage Practices

### *Brokerage Selection*

WFG generally recommends investment management accounts be maintained at Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC. As a fiduciary, WFG seeks to select a custodian/broker who will hold assets and execute transactions on terms that are overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate custody fee)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate those prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

When recommending a broker, WFG will attempt to minimize the total cost for all brokerage services paid by the client. However, it may be the case the recommended broker charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker.

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services but is compensated by charging commissions or other fees on trades it executes or that settle into a Schwab account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a

different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above

#### *Non-Soft Dollar Research and Benefits*

Schwab provides WFG and our clients with access to its institutional trading, custody, reporting, and related services, which are typically not available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help WFG manage and grow our business. These services are not soft dollar arrangements, but are part of the institutional platform offered by Schwab. These services generally are available to independent investment advisers on an unsolicited basis (we don't have to request them) at no charge.

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

Schwab Institutional also makes available to WFG other products and services that benefit WFG 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 WFG accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include 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 our fees from clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

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

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

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to WFG. Schwab Institutional 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 our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel.

WFG is independently owned and operated and is not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to. A client

will open their account with Schwab by entering into an account agreement directly with Schwab. We do not open the account for clients, although we assist clients in doing so.

**Our Chief Compliance Officer, Grace Choi, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

#### *Client Referrals*

We do not receive client referrals from Charles Schwab or any other broker-dealer.

#### *Directed Brokerage*

WFG does not generally offer directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). However, upon client request, we may allow such client directed arrangements with the understanding the client will negotiate terms and arrangements for their account with that broker-dealer. In such cases, WFG is not obligated to, and will not, seek better execution services or prices from other broker-dealers. As a result, client may pay higher commissions or other transaction costs, may receive less favorable net prices or may be subject to greater spreads on transactions for the account than would otherwise be the case. Higher transaction costs adversely impact account performance. Please Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

#### *Trade Aggregation*

WFG will sometimes aggregate trades (block trades) where possible and when advantageous to clients. Aggregated trades could be on the sell or buy side. Our Investment Team determines the number of shares planned for specific accounts based on available cash in the account at the time and the appropriateness of the investment to the client.

When trade aggregation does occur, all participating clients receive an average share price; Charles Schwab & Co., Inc. generally charges the same commission rate or minimum transactions charges for trades placed in a client's account, regardless of whether or not the client's transaction was part of an aggregated trade or not. Charles Schwab's commissions rates may vary from client to client, based upon the amount of assets a client has with Schwab, or as to whether or not the client has elected electronic delivery of their monthly account statements.

WFG's aggregating trading policy and procedures are as follows:

- Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with WFG
- WFG must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- WFG must reasonably believe the order aggregation will benefit, and will enable us to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order.
- WFG's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that

- account.
- No client or account will be favored over another.
- WFG will receive no additional compensation or remuneration of any kind as a result of the aggregation of client trades.
- Employees may participate in the aggregated trade upon pre-clearance by the Chief Compliance Officer.

## **Item 13 – Review of Accounts**

Our Investment Team manages all accounts. The Investment Team is authorized to effect all necessary transactions to adjust the investment mix.

Portfolios are reviewed periodically and when we determine a change in the investment allocation model is warranted due to changes in the economic environment, perceived risks or a client's individual situation, we make adjustments. Security transactions must be suitable for the account in light of the account investment objectives and restrictions. The Investment Team ensures all securities transactions are properly recorded. The Investment Team should be familiar with trading activity, investment strategy and restrictions of any client account, or be able to quickly determine such.

The Investment Team is instructed to consider the client's current security positions and the likelihood that the performance of each security, both on an absolute basis and on how it might perform in an overall portfolio context, can contribute to meeting the investment objectives of the client over time.

Other conditions that may trigger a review are changes in the portfolio's risk measurements (such as credit or interest rate risk,) new regulations or laws, new investment information, or changes in a client's investment guidelines or objectives.

Clients receive periodic reports regarding their investments on a quarterly basis or bi-annual basis. These reports are either mailed or e-mailed. The reports may include a performance review in comparison to other indices, as well as market commentary on trailing periods and an outlook on possible future developments. Clients also receive account statements directly from their custodian on a regular basis – either monthly or quarterly and are reminded to compare their custodian statements with our reports.

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

We have been fortunate to receive many client referrals over the years. The referrals came from current clients, accountants, and other similar sources. The firm does not compensate referring parties for any referrals.

Many times we are asked by our clients for recommendations for other professionals, such as accountants, estate attorneys, etc. When we refer a prospect or client to other professionals we do not accept any referral fees or any form of payment.

As indicated at Item 12 above, WFG may receive from Schwab without cost (and/or at a discount), support services and/or products. WFG's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as result of these arrangements. There is no corresponding commitment made by WFG to Schwab, or any other entity to invest any specific

amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. **WFG's Chief Compliance Officer, Grace Choi, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

WFG does not compensate unaffiliated individuals or entities for prospective client introductions.

## **Item 15 – Custody**

Account custodians send statements directly to the account owners on a monthly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by WFG.

If the client is not receiving monthly brokerage statements either electronically or in hardcopy or if they notice any discrepancies between our reports and the brokerage statements, we should be contacted at 804-330-3100. Our statements may vary slightly from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

WFG provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from WFG to transfer client funds to “third parties.” In accordance with the guidance provided in the SEC Staff’s February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

**WFG's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## **Item 16 – Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of all of our clients. We have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Clients grant us trading discretion through the execution of the WFG’s Letter of Engagement (LOE.) Discretionary trading authority facilitates placing trades in client accounts on their behalf so that we may promptly implement the client’s investment objectives.

Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm’s written investment objective document.

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

WFG votes proxies for all client accounts; however, clients have the right to vote their own proxies by instructing us in writing of their desire to do so. We will vote proxies in the best interest of our clients and in accordance with our established Proxy Voting Policy. WFG will retain or have access to, all proxy voting books and records for the requisite period of time including a copy of each proxy statement received, a record of each vote cast and a copy of any document created by us that was material to making a decision, and a copy of each written client request for information on how



WFG voted proxies. If WFG has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent 3rd party to cast a vote.

Once we have determined to invest in a company, we generally have confidence in the company's management team and board of directors to put forward issues that are in the shareholder's best interest. Therefore, WFG generally votes with management and the board of directors. However, if WFG feels management or the board of directors is no longer seeking to maximize shareholder value we generally sell the company's shares.

A copy of WFG's Proxy Voting Policy, as well as specific information about how WFG has voted in the past, is available upon written request.

## **Item 18 – Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. WFG has no such financial circumstances to report.

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

WFG has not been the subject of a bankruptcy petition at any time during the past ten years.