



**216 Route 299  
Highland, NY 12528**

**Telephone: 845-691-4035  
Facsimile: 845-691-4037**

**[www.focusedwealthmgmt.com](http://www.focusedwealthmgmt.com)**

**March 26, 2020**

**PART 2A - APPENDIX 1  
WRAP FEE PROGRAM BROCHURE**

This brochure provides information about the qualifications and business practices of Focused Wealth Management, Inc. If you have any questions about the contents of this brochure, contact us at 845-691-4035. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Focused Wealth Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Material Changes**

The purpose of this Item 2 is to disclose material changes that have been made to this Wrap Fee Program Brochure since the last annual update of this Brochure.

No material changes have been made to this Wrap Fee Program Brochure since its last annual update. The last annual update of this Brochure was dated March 12, 2019.

### **Item 3 Table of Contents**

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Item 3 Table of Contents	Page 3
Item 4 Services, Fees, and Compensation	Page 4
Item 5 Account Requirements and Types of Clients	Page 5
Item 6 Portfolio Manager Selection and Evaluation	Page 5
Item 7 Client Information Provided to Portfolio Managers	Page 7
Item 8 Client Contact with Portfolio Managers	Page 7
Item 9 Additional Information	Page 7

## Item 4 Services, Fees, and Compensation

Focused Wealth Management ("FWM") provides investment management services to participating clients on a wrap fee basis. Focused Wealth will create and manage an investment portfolio in concert with each client's investment objectives and other factors.

The firm's management expertise is provided for an annual fee of not greater than 2.0%. This fee is derived from a percentage of the client's assets under management and charged monthly based on the market value of the account assets under management at the end of the previous calendar month. In tandem with that monthly schedule, the fee is charged in arrears and is automatically deducted from the client's account by the custodian. For linked 401k accounts, fees are charged monthly in advance, based on the value at the end of the quarter. The fee remains negotiable but only under the rarest of circumstances. All fee negotiations are subject to the firm's discretion.

Clients may also be charged an annual fixed fee. Annual fixed fees are negotiated based on the size and complexity of the relationship and charged based on the frequency stated in the client contract.

All accounts are managed internally by investment adviser representatives of FWM. Such persons are compensated for their involvement with client accounts. The terms of such compensation are reflected in a written employment contract between the firm and the investment adviser representative. Clients should note that such persons may have additional business interests that could present a conflict of interest. Please see Form ADV Part 2A, Item 10 of this brochure for further information.

The fees not included in the advisory fee of our wrap services are mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees, fees for trades executed away from a custodian, and taxes on brokerage accounts and securities transactions.

Where the firm provides investment management and brokerage services for one inclusive fee, clients should note that such services may be found elsewhere at a reduced rate. However, clients may also benefit from the bundling of services (trading, custody, and other administrative services) for one inclusive fee.

As the Investment Advisor absorbs certain transaction costs in wrap fee accounts, the Investment Advisor may have a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement.

Clients may receive comparable services from other broker-dealers or investment advisers and pay fees that are higher or lower than those charged under the Focused Wealth Management Wrap Fee Program. Fees may be more or less than the client would have paid if the services (account management, custody and brokerage transactions) were purchased separately outside of the wrap program.

Where mutual funds and other investments may charge certain expenses to their shareholders, such costs are charged to the client's account-exclusive of the wrapped fee. Accordingly, each client is strongly encouraged to review all disclosure brochures, prospectus materials and monthly/quarterly account statements for a full appreciation of the total cost. Questions relative to same may be addressed directly with firm personnel.

As described in Item 9 below, FWM may enter into solicitor's agreements with persons who recommend this wrap fee program to clients and receive compensation as a result of the client's participation in the program. Such solicitors may also recommend other programs or services offered

by FWM to clients. There is no differential in the amount of compensation FWM pays to a solicitor when the solicitor recommends participation in this wrap fee program over participation in other programs or services offered by FWM.

## **Item 5 Account Requirements and Types of Clients**

FWM provides investment advisory services to Individuals, Charities, Municipal Entities, Corporations, Trusts, Institutions, Not-for-Profits, Public and Private Endowments, Pension Funds, Foundations and Contingency Funds.

## **Item 6 Portfolio Manager Selection and Evaluation**

Accounts are continuously monitored by FWM's Investment Management Committee, and are managed internally by investment adviser representatives of FWM. Such persons are assigned to accounts based upon their expertise and ongoing performance. Individual accounts are reviewed quarterly to ensure that accounts are managed according to stated objectives. Questions relative to the management of accounts may be addressed with the firm directly.

FWM's fee is based on a percentage of the client's assets under firm management. Where the account incurs certain brokerage-related costs, such costs are absorbed by FWM and paid to the brokerage firm from a specified portion of FWM's management fee. Participating accounts will be held with a qualified custodian and may be subject to additional charges not covered by the wrap fee arrangement. Questions related to this program and others may be addressed directly with the firm and its personnel.

### **Performance-Based Fees and Side-By-Side Management**

As FWM's advisory services do not incorporate performance fees or the offering of any additional investment services, side-by-side management does not apply to those services rendered by FWM.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

FWM utilizes a fully integrated and comprehensive Investment Manager and Investment Product search to identify, select, and monitor the best-in-class asset managers and exchange traded funds (ETF's) for each asset class and style to be represented. This is conducted quarterly.

The process begins by utilizing proprietary and quantitative screening methodology designed to narrow the field of investment choices to only those funds and ETF's meeting standards set by the firm's Investment Management Committee. Factors considered in this analysis may include:

- Trading platform availability: Investment Managers or ETF's must trade with no loads and should use a common trading platform to eliminate transaction costs and wiring fees.
- Regulatory oversight: Each Investment Manager or ETF should be part of a regulated bank, an insurance company, a mutual fund organization, or a registered investment adviser.
- Correlation to style or peer group: Investment Managers or ETF's should consistently correlate to its stated investment style.
- Performance relative to a peer group: The product's performance is evaluated against its peer group's average annualized return for 1-, 3- and 5-year periods and, in addition; take into account year-by-year performance.
- Performance relative to assumed risk: The Investment Manager's portfolio or ETF's risk will be evaluated against its peers and the overall market the manager is attempting to represent
- Manager tenure: The Investment Manager should have several years managing the fund or a

fund with similar investment characteristics.

- Assets under management: The Investment Manager must meet minimum assets under management size within each asset class.
- Stability of the organization: The firm looks for stable and consistent management; the same portfolio management team should be in place for at least two years.

The Committee then further reviews all funds and ETF's applying additional analytical and subjective measures to narrow its investment recommendations for each investment style.

Other variables considered in this analysis may include:

- Growth in assets the previous two quarters and one year
- Shifting from its designated style
- Name recognition
- Other statistical risk measurements
- Review of analyst's commentary

Recommended funds and ETF's are placed on a formal Investment Product Selection List outlining all the statistical data utilized in the selection of fund(s) within each style group. It is then distributed to FWM for use in the selection of investment fund(s) and ETF's for their clients.

FWM utilizes a fully integrated and comprehensive Investment Holding search to identify, select, and monitor individual equity, fixed income, and options positions. This is conducted quarterly. Both proprietary and quantitative screening methodology is used to identify investment choices to only those equity and fixed income holdings meeting standards set by the firm's Investment Selection and Monitoring Committee. Factors considered in this analysis may include quantitative analysis of a company's balance sheet, income statement, management effectiveness, liquidity and solvency, profitability, price volatility, credit rating, and review of analyst's commentary. Other factors considered include an overall macro environment risk assessment including market and economic conditions, legislative risks, and competition evaluation. In the evaluation of fixed income holdings, factors considered include evaluations of the underlying company, credit ratings provided by various rating agencies, and maturity of issuance including duration or interest rate sensitivity assessment.

The Suitability of the investment products and investment managers will be monitored on a quarterly basis and it is at the Committee's discretion to take corrective action by replacing a manager, or security if deemed appropriate.

**Risk of Loss:** Investing in securities involves a certain amount of risk of loss that clients should be prepared to bear. Where short term trading methods are employed, the cost of more frequent trades can often incur more expense than that of a more conservative or long term purchase approach. Questions regarding these risks and/or increased costs may be directed to the firm and its representatives.

### **Voting Client Securities**

FWM will not vote, nor advise clients how to vote, proxies for securities held in client accounts. Clients may contact FWM with questions regarding a particular solicitation; however, the client maintains the authority and responsibility for the voting of these proxies. The firm and its clients agree to this by contract. Clients will receive such proxies or other similar solicitations directly from the transfer agent or other third party designee where applicable.

## **Item 7 Client Information Provided to Portfolio Managers**

As accounts are managed internally by investment adviser representatives of FWM, the firm retains a duty to ensure that each client is served according to their investment objectives and appropriate level of risk tolerance. Accordingly, the firm strongly encourages clients to provide the firm with regular updates as to financial status and other issues-particularly where such information may impact the status of the investment plan.

## **Item 8 Client Contact with Portfolio Managers**

As previously mentioned throughout this brochure, clients are encouraged to communicate with their respective account managers on a regular basis.

## **Item 9 Additional Information**

### **Disciplinary Information**

Rule 206(4)-4 of the Investment Advisers Act of 1940 requires investment advisers to provide clients with disclosures as to any legal or disciplinary activities deemed material to the client's evaluation of the adviser. Please note, neither the firm nor its personnel have any disciplinary, regulatory, criminal, civil, or otherwise reportable history to disclose at this time.

### **Other Financial Industry Activities and Affiliations**

FWM's investment adviser representatives are also registered representatives with SAI, a FINRA registered broker/dealer. Through this arrangement, registered representatives may purchase or sell securities for SAI client accounts for additional commission based compensation.

Additionally, they may receive additional compensation from variable annuity sales or trail commissions made through SAI or other firms for various variable annuity investments. Please refer to Item 5 - Fees and Compensation of the Firm Brochure (Form ADV Part 2A) for more information around this practice and the conflict of interest it creates.

Investment adviser representatives serve as separately licensed insurance agents and, as such, are involved with the sale and servicing of life and health insurance products on behalf of various insurance providers. If a client elects to purchase insurance products through representatives associated with FWM, these individuals will be compensated by the provider on a commission basis.

The firm maintains a fiduciary obligation to place its clients' interests first. However, clients should be aware that the receipt of additional compensation itself can create a conflict of interest, and may affect the judgment of this individual when making investment recommendations. In order to properly handle such potential conflicts of interest, the firm has adopted a Code of Ethics. Please see Item 11 (below) for further discussion related to the firm's Code of Ethics.

## **Code of Ethics**

Pursuant to Rule 204 (A)-1 of the Investment Advisers Act of 1940, FWM has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the firm. The Code of Ethics describes the firm's fiduciary duties and obligations to clients, and sets forth its practice of supervising the personal securities transactions of employees who maintain access to client information.

The firm, and related persons of the firm, including but not limited to, FWM's investment adviser representatives, may invest in the same securities (or related securities, e.g., warrants, options or futures) that FWM or any of its related persons recommend to clients. Some of these investments may be placed at, or about the same time as, the placement of client securities transactions. This presents a conflict of interest, as the firm and its related persons may be incented to benefit from client transactions by placing their own interests ahead of those of the firm's clients. FWM requires that client transactions in Reportable Securities (as this term is defined in the Code of Ethics) be placed ahead of those of the firm or its related persons. Such transactions remain under strict supervision and subject to regular review by the firm's compliance staff.

The firm's investment adviser representatives are also registered representatives of Securities America, FINRA member broker-dealer. In their capacity as registered representatives, these personnel may sell securities and receive commissions for the sale of such securities. This creates an incentive for the representative, in his or her capacity as an investment adviser representative, to recommend securities products based on the compensation received rather than on the client's needs. The representative may also be incented to trade heavily in client accounts. However, all trading is supervised to ensure adherence to each client's investment objectives and goals.

A copy of the firm's Code of Ethics is available upon request.

## **Review of Accounts**

The Investment Management Committee will monitor the performance on a daily basis. The investment manager will meet with the client at quarterly or annually to review portfolio structure.

Triggering factors to warrant more in depth account reviews could include the following;

- Awareness of a change in investment objective
- change in market conditions
- change in employment status
- re-balancing of assets to maintain proper asset allocation
- other activity discovered as the account is normally reviewed.

Clients are encouraged to notify FWM of any changes in their financial situation, investment objective or account restrictions.

Clients will receive written brokerage or custodial statements each month.

## **Client Referrals and Other Compensation**

FWM has entered into written agreements with third-parties for the solicitation of advisory clients, through which FWM compensates the soliciting party for client referrals. The terms of these written arrangements are disclosed to the referred client in a Solicitors Disclosure Statement provided to the client by the solicitor at the time of solicitation, along with a copy of FWM's brochure (Form ADV Part



2A), in compliance with Rule 206(4)-3 of the Advisers Act. FWM has a solicitor agreement with Vision Consultants, LLC. Individuals associated with this solicitor may provide client referrals to FWM for a fee.

FWM may recommend/require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion FWM's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. FWM is independently owned and operated and not affiliated with Schwab. Schwab provides FWM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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.

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

Schwab also makes available to FWM other products and services that benefit FWM but may not benefit its clients' accounts. These benefits may include national, regional or FWM specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of FWM by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist FWM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of FWM's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of FWM's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to FWM other services intended to help FWM manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to FWM by independent third parties. Schwab Advisor Services 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 FWM. While, as a fiduciary, FWM endeavors to act in its clients' best interests, FWM's recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to FWM of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

FWM does not receive any other economic benefit from a non-client for the provision of advisory services to the firm's clients.

### **Financial Information**

Under Rule 206(4)-4 of the Investment Advisers Act of 1940, investment advisers are required to disclose certain information about their business practices that might serve as material to the client's decision in choosing an investment adviser.

As of the date of this filing, FWM does not require the payment of more than \$1,200 in fees six months or more in advance or maintain any financial hardships or other conditions that might impair its ability to meet its contractual obligations to clients.