

# VPWM Advisors Wrap Fee Program Brochure

*This wrap brochure provides information about the qualifications and business practices of VPWM Advisors. If you have any questions about the contents of this brochure, please contact us at (763) 587-7120 or by email at: [joe@vpwealthmgmt.com](mailto:joe@vpwealthmgmt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about VPWM Advisors is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). VPWM Advisors' CRD number is: 167886*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

There are no material changes in this brochure from the last annual updating amendment of VPWM Advisors on 03/28/2019. Material changes relate to VPWM Advisors policies, practices or conflicts of interests only.

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## Item 4: Services Fees and Compensation

VPWM Advisors (hereinafter “VPWM”) offers the following services to advisory clients:

### A. Description of Services

VPWM participates in and sponsors wrap fee programs, which means VPWM will wrap third party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.) for wrap fee portfolio management accounts. VPWM will charge clients one fee, and pay all transaction fees using the fee collected from the client. Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that VPWM has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs.

Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

The fee schedule is set forth below:

Total Assets Under Management	Maximum Annual Fee
Up to \$100,000	2.50%
\$100,001 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.50%
Above \$1,000,000	1.25%

These fees are negotiable depending upon the needs of the client and complexity of the situation and the final fee schedule is attached as Exhibit II of the client contract. VPWM uses the last day of previous quarter for purposes of determining the market value of the assets upon which the advisory fee is based.

Advisory fees are withdrawn directly from the client’s accounts with client written authorization. Fees are paid quarterly in advance. Refunds are given on a prorated basis, based on the number of days remaining in the billing period on the effective date of termination. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the billing period up to and including the effective date of termination. (\*The daily rate is calculated by dividing the annual fee by 365).

Clients may terminate the contract without penalty, for full refund, within five business days of signing the contract. Thereafter, clients may terminate the contract with thirty days' written notice.

## **B. Contribution Cost Factors**

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client's account, the adviser's ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

## **C. Additional Fees**

Clients who participate in the wrap fee program will not have to pay for transaction or trading fees. However, clients are still responsible for all other account fees, such as annual IRA fees to the custodian, transition fees if the account is moved to another broker, or mutual fund fees.

## **D. Compensation of Client Participation**

Neither VPWM, nor any representatives of VPWM receive any additional compensation beyond advisory fees for the participation of client's in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, VPWM may have a financial incentive to recommend the wrap fee program to clients.

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

VPWM generally provides its wrap fee program services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations or Business Entities

There is no account minimum.

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

### **A. Selecting/Reviewing Portfolio Managers**

VPWM will not select any outside portfolio managers for management of this wrap fee program. VPWM will be the sole portfolio manager for this wrap fee program.

#### ***Standards Used to Calculate Portfolio Manager Performance***

VPWM will use industry standards to calculate portfolio manager performance. Portfolio performance is measured against the appropriate index or blend of indices and against the client's stated objectives. If appropriate, other agreed upon measures can be used on an individual basis as well.

#### ***Review of Performance Information***

VPWM reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The advisor uses custodian provided software and quarterly reports to review performance of accounts. A sampling of accounts are selected to be reviewed using manual calculation methods annually. The performance information is reviewed quarterly and is reviewed by VPWM.

### **B. Related Persons**

VPWM and its personnel serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses VPWM's management of the wrap fee program. However, VPWM addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

### **C. Advisory Business**

VPWM offers portfolio management services to its wrap fee program participants as discussed in Section 4 above.

#### ***Wrap Fee Portfolio Management***

VPWM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. VPWM creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Portfolio management includes, but is not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

VPWM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Portfolio management accounts participating in the wrap fee program will not have to pay for transaction or trading fees. VPWM will charge clients one fee, and pay transaction fees using the advisory fee collected from the client. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that VPWM has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs. To address this conflict, VPWM will always act in the best interest of its clients consistent with its fiduciary duty as an investment adviser.

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

VPWM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### ***Services Limited to Specific Types of Investments***

VPWM generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, REITs, insurance products including annuities, private placements, and government securities. VPWM may use other securities as well to help diversify a portfolio when applicable.

### ***Client Tailored Services and Client Imposed Restrictions***

VPWM offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent VPWM from properly servicing the client account, or if the restrictions would require VPWM to deviate from its standard suite of services, VPWM reserves the right to end the relationship.



### ***Wrap Fee Programs***

VPWM sponsors and acts as portfolio manager for this wrap fee program. VPWM manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than non-wrap fee accounts. The fees paid to the wrap account program will be given to VPWM as a management fee.

### ***Amounts Under Management***

VPWM has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$296,093,222.00	\$6,395,279.00	December 2019

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

VPWM's methods of analysis include fundamental analysis.

***Fundamental analysis*** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

VPWM uses long term trading and margin transactions.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### ***Material Risks Involved***

***Fundamental analysis*** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Margin transactions generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## ***Risks of Specific Securities Utilized***

VPWM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize margin transactions. Margin transactions generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy).

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Private placements** carry a substantial risk as they are largely unregulated offerings not subject to securities laws.

**Precious Metal ETFs** (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### ***Voting Client Proxies***

VPWM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

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

VPWM places no restrictions on client ability to contact its portfolio managers. VPWM's representative, Joseph S. McRae, Chief Compliance Officer, can be contacted during regular business hours and contact information is on the cover page of Joseph S. McRae's Form ADV Part 2B brochure supplement.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceedings***

There are no administrative proceedings to report.

#### ***Self-regulatory Organization Proceedings***

There are no self-regulatory organization proceedings to report.

#### ***Registration as a Broker/Dealer or Broker/Dealer Representative***

Joseph S. McRae, James P. Bortolussi, Tedd M. Bradley, Calvin H. Fleischer, Benjamin A. Holm, Jon K. Johansen, Erik A. Johnson, Kong M. Lee, Mark I. Magnuson, Michael Pikkarainen, Michael L. Simonich, Patrick L. Wight and Jon Otterness are registered representatives with LPL Financial LLC.

### ***Registration as a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor***

Neither VPWM nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor.

### ***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Joseph S. McRae, James P. Bortolussi, Tedd M. Bradley, Calvin H. Fleischer, Benjamin A. Holm, Jon K. Johansen, Erik A. Johnson, Kong M. Lee, Mark I. Magnuson, Michael Pikkarainen, Michael L. Simonich, Jon Richard Otterness, Patrick L. Wight and Christopher J. Pavek are registered representatives with LPL Financial LLC. From time to time, they will offer clients advice or products from these activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser.

Joseph S. McRae, James P. Bortolussi, Tedd M. Bradley, Calvin H. Fleischer, Jon K. Johansen, Erik A. Johnson, Kong M. Lee, and Mark I. Magnuson are investment adviser representatives with LPL Financial LLC. From time to time, they may offer clients advice or products from these activities and clients should be aware that these services may involve a conflict of interest.

Joseph S. McRae, James P. Bortolussi, Tedd M. Bradley, Benjamin A. Holm, Jon K. Johansen, Mark I. Magnuson, Patrick L. Wight and Christopher J. Pavek are licensed insurance agents. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser.

Mark I. Magnuson refer clients to MyCareDirectives.com for help planning end of life decision making. From time to time, he may offer clients advice or products from these activities and clients should be aware that these services may involve a conflict of interest. VPWM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to purchase such services or products through any representative of VPWM in such individual's outside capacities.

### ***Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections***

VPWM does not utilize nor select other advisors or third party managers. All assets are managed by VPWM management.

## **B. Code of Ethics, Client Referrals, and Financial Information**

### ***Code of Ethics***

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

VPWM does not recommend that clients buy or sell any security in which a related person to VPWM or VPWM has a material financial interest.

### ***Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of VPWM may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of VPWM to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. VPWM will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### ***Trading Securities At/Around the Same Time as Clients' Securities***

From time to time, representatives of VPWM may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of VPWM to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, VPWM will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### ***Frequency and Nature of Periodic Reviews and Who Makes Those Reviews***

Client accounts are reviewed at least quarterly only by Joseph S. McRae, Chief Compliance Officer. Joseph S. McRae is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at VPWM are assigned to this reviewer.

### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### ***Content and Frequency of Regular Reports Provided to Clients***

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)***

VPWM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to VPWM clients.

Charles Schwab & Co., Inc. Advisor Services provides VPWM with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes 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 VPWM client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services 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 Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to VPWM other products and services that benefit VPWM but may not benefit its clients' accounts. These benefits may include national, regional or VPWM specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of VPWM by Charles Schwab & Co., Inc. 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 VPWM 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, if applicable), provide

research, pricing information and other market data, facilitate payment of VPWM's fees from its clients' accounts (if applicable), 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 VPWM's accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to VPWM other services intended to help VPWM 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, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to VPWM by independent third parties. Charles Schwab & Co., Inc. 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 VPWM. VPWM is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

VPWM participates in the institutional advisor program (the "Program") offered by TD Ameritrade. TD Ameritrade offers to independent investment advisor services which include custody of securities, trade execution, clearance and settlement of transactions. VPWM receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, VPWM participates in TD Ameritrade's institutional advisor program and VPWM may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between VPWM's participation in the Program and the investment advice it gives to its clients, although VPWM receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits 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 VPWM 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 VPWM's 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to VPWM by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by VPWM's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit VPWM but may not benefit its client accounts. These products or services may assist VPWM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help VPWM manage and further develop its business enterprise. The benefits received by VPWM or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, VPWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the

receipt of economic benefits by VPWM or its related persons in and of itself creates a conflict of interest and may indirectly influence the VPWM's choice of TD Ameritrade for custody and brokerage services.

***Compensation to Non – Advisory Personnel for Client Referrals***

VPWM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

***Balance Sheet***

VPWM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

***Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

Neither VPWM nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

***Bankruptcy Petitions in Previous Ten Years***

VPWM has not been the subject of a bankruptcy petition in the last ten years.