



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

**Baldrige Asset Management LLC**

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This brochure provides information about the qualifications and business practices of BALDRIGE ASSET MANAGEMENT LLC. If you have any questions about the contents of this brochure, please contact us at: 610-336-4395, or by email at: [info@baldrigeasset.com](mailto:info@baldrigeasset.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 BALDRIGE ASSET MANAGEMENT LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

03-13-2020

## Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update (3/28/19)

There are no material changes to report.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us at 610-336-4395 or by email at: [info@baldrigeasset.com](mailto:info@baldrigeasset.com).

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## Advisory Business

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### Firm Description

BALDRIGE ASSET MANAGEMENT was founded in 1999 and registered as an LLC in 2012.

BALDRIGE ASSET MANAGEMENT LLC provides personalized investment management and confidential financial planning to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses.

BALDRIGE ASSET MANAGEMENT LLC is a fee-only investment management and financial planning firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, 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.

The client approves the initial investment selection and BALDRIGE ASSET MANAGEMENT LLC provides ongoing investment management and decisions on a discretionary basis. BALDRIGE ASSET MANAGEMENT LLC does not act as a custodian of client assets. The client always maintains asset control. BALDRIGE ASSET MANAGEMENT LLC places trades for clients under a limited power of attorney.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting which may be by telephone, at the office, or via internet, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

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### Principal Owner

EDWIN R. BALDRIGE III, CFP® is a 100% owner.

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### Types of Advisory Services

BALDRIGE ASSET MANAGEMENT LLC provides ongoing investment advisory and account supervisory services on a fee-only basis for individuals, businesses, trusts, pensions, profit-sharing plans, endowments and other entities.

On more than an occasional basis, BALDRIGE ASSET MANAGEMENT LLC furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of 12-31-2019, BALDRIGE ASSET MANAGEMENT LLC manages approximately \$421,809,446 in assets for 904 clients. Approximately \$382,659,135 is managed on a discretionary basis, and \$39,150,311 is managed on a non-discretionary basis.

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### Client Relationships

The goals and objectives for each client are documented in our client relationship management system. Investment strategies are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

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**Advisory Service Agreement**

Most clients choose to have BALDRIGE ASSET MANAGEMENT LLC manage their assets in order to obtain ongoing in-depth advice and financial planning. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

Although the Advisory Service Agreement is an ongoing agreement and adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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**Asset Management**

Assets are invested primarily in exchange-traded funds, institutional and retail mutual funds, usually through discount brokers such as Charles Schwab or Fidelity Investments.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. BALDRIGE ASSET MANAGEMENT LLC does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), corporate debt securities, certificates of deposit, municipal securities, U. S. government securities, and interests in partnerships. Alternative investments such as hedge funds, managed futures and real estate partnerships may also be included in the asset mix of investments. These are only offered to qualified investors with the appropriate investment profile. The selection of these managers is done with the appropriate due diligence, including greater than five-year track record, reputation and meetings with management.

Initial public offerings (IPOs) are not available through BALDRIGE ASSET MANAGEMENT LLC.

**Fees and Compensation**

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**Description**

BALDRIGE ASSET MANAGEMENT LLC bases its fees on a percentage of assets under management, hourly charges or fixed fees.

Some retainer agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation. Fees are negotiable.

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**Management Fee Billing**

Investment management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has begun. Fees are usually deducted from designated

client account(s) to facilitate billing fourteen days after billing. The client must consent in advance to direct debiting of their investment account.

The annual Advisory Service Agreement fee is based on a percentage of the investable assets and is based on the total amount of assets under management according to the following schedule:

*Minimum account: \$1,000,000*

*Fees are ½ of 1% or 0.50% annually; next \$5,000,000 to \$9,999,999 fees are .35%*

*\$10,000,000 and above, fees are 0.25%*

Current client relationships may exist where the fees are higher or lower than the fee schedule above. BALDRIGE ASSET MANAGEMENT LLC, in its sole discretion, may waive its minimum and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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### **Hourly Planning Engagements**

BALDRIGE ASSET MANAGEMENT LLC provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$275.

Fees for financial plans are billed 50% of estimated costs in advance, with the balance due upon delivery of the financial plan.

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### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

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### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.10 means that the mutual fund company charges 0.1% for their services. These fees are in addition to the fees paid by you to BALDRIGE ASSET MANAGEMENT LLC.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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### **Past Due Accounts and Termination of Agreement**

BALDRIGE ASSET MANAGEMENT LLC reserves the right to stop work on any account that is more than 30 days overdue. In addition, BALDRIGE ASSET MANAGEMENT LLC reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in BALDRIGE ASSET MANAGEMENT LLC's judgment, to providing proper

financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

BALDRIGE ASSET MANAGEMENT LLC does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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

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### **Investment Strategies**

BALDRIGE ASSET MANAGEMENT LLC's investment management approach is based on academic research and the science of investing.

Investment strategies are time-tested, transparent and supported by decades of empirical research.

Core principles:

1. Markets provide investors with returns on their capital over time
2. Diversification is the key to controlling risk
3. Risk and return are related
4. Portfolio structure or asset allocation, explains the majority of returns
5. Costs and taxes should be minimized
6. Discipline is essential to earn market returns

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **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.
- **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 is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.



- **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.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **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.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **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.

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

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### **Financial Industry Activities**

None.

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

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### **Code of Ethics**

The employees of BALDRIGE ASSET MANAGEMENT LLC have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The Code of Ethics outlines expected standards of conduct and details our policy on strictly prohibiting what is commonly referred to as "insider trading." The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### **Participation or Interest in Client Transactions**

BALDRIGE ASSET MANAGEMENT LLC and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades.

Employees comply with the provisions of the BALDRIGE ASSET MANAGEMENT LLC *Compliance Manual*.

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### **Personal Trading**

The Chief Compliance Officer of BALDRIGE ASSET MANAGEMENT LLC is Edwin R. Baldrige III, CFP®. He reviews all employee trades each quarter. His trades are reviewed by staff. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since employee trades are widely held and publicly-traded securities there are no conflicts of interest.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

BALDRIGE ASSET MANAGEMENT LLC does not have any affiliation with product sales firms.

BALDRIGE ASSET MANAGEMENT LLC recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

BALDRIGE ASSET MANAGEMENT LLC recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab and Fidelity Institutional.

BALDRIGE ASSET MANAGEMENT LLC does not receive fees or commissions from any of these arrangements.

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### **Best Execution**

BALDRIGE ASSET MANAGEMENT LLC reviews the execution of trades at each custodian each quarter. The review is documented in the BALDRIGE ASSET MANAGEMENT LLC *Compliance Manual*. Trading fees charged by the custodians are also reviewed on a quarterly basis. BALDRIGE ASSET MANAGEMENT LLC does not receive any portion of the trading fees.

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### **Soft Dollars**

BALDRIGE ASSET MANAGEMENT LLC does not receive any soft dollars from custodians.

Charles Schwab and Fidelity Institutional do provide additional research, trading platforms, service and access to accounts, but Baldrige Asset Management LLC does not pay or receive soft dollars for those services.

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### **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

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### **Trade Error Policy**

It is BALDRIGE ASSET MANAGEMENT LLC's policy that the client never pays for losses resulting from trading errors. Errors are corrected immediately upon identification in the best interest of the client and are appropriately noted in the client's records. Complete details of

trade error procedures are outlined in BALDRIGE ASSET MANAGEMENT LLC's Trade Error Policy; copy available upon request.

## **Review of Accounts**

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### **Periodic Reviews**

Account reviews are performed at a minimum, quarterly by EDWIN R. BALDRIGE III, CFP®. Account reviews are performed more frequently when market conditions dictate.

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### **Other Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Regular Reports**

Clients receive periodic communications on a quarterly basis. The quarterly reports consist of a portfolio statement, performance reporting, billing summary and a letter regarding markets, financial planning and other financial items of interest to clients.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

BALDRIGE ASSET MANAGEMENT LLC has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate or give gifts to referring parties for these referrals.

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### **Referrals Out**

BALDRIGE ASSET MANAGEMENT LLC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Custody**

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their mailing or email address of record at least quarterly.

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### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by BALDRIGE ASSET MANAGEMENT LLC.

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### **Standing Letters of Authorization**

Our firm has certain arrangements whereby we have been granted the limited power to disburse funds to one or more third parties as specifically designated by the client via a standing letter of authorization ("SLOA"). Pursuant to recent guidance issued by the SEC on such arrangements, a letter of instruction or other similar asset transfer authorization arrangement established by a client, constitutes custody in cases where the SLOA or written

authorization grants our firm the discretion and authority to initiate and effectuate third-party disbursements either on a specified schedule or from time to time, as permitted under the SLOA.

Consequently, we have taken steps to implement controls in efforts to comply with the SEC's Custody Guidance (SEC No-Action Letter dated February 21, 2017; SEC Custody Rule FAQ 11.4; and, IM Guidance Update No. 2017-01), including, but not limited to: (1) adhering to the seven conditions specific to the Standing Letters of Authorization delineated in the SEC No-Action Letter; (2) amending our Form ADV; and, (3) amending our internal policies and procedures. Since many of the seven conditions involve the qualified custodian's operations, we will collaborate closely with our clients' acting custodian(s) in efforts to ensure that the conditions are being satisfied.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

BALDRIGE ASSET MANAGEMENT LLC accepts discretionary authority to manage securities accounts on behalf of clients. BALDRIGE ASSET MANAGEMENT LLC has 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.

The client approves the custodian to be used and the commission rates paid to the custodian. BALDRIGE ASSET MANAGEMENT LLC does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement and maintain the investment strategy mapped out during the first meetings.

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### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

## **Voting Client Securities**

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### **Proxy Votes**

BALDRIGE ASSET MANAGEMENT LLC has adopted Proxy Voting Policies and procedures in accordance with its fiduciary duties and Securities and Exchange Commission Rule 206(4)-6 under the Investment Advisers Act of 1940, which are reasonable designed to ensure that proxies are voted in the best interest of clients. New clients receive BALDRIGE ASSET MANAGEMENT LLC'S proxy voting policies and procedures and may obtain a copy at any time by contacting the Chief Compliance Officer. BALDRIGE ASSET MANAGEMENT LLC is deemed to have the authority and responsibility to vote proxies for those clients where BALDRIGE ASSET MANAGEMENT LLC has discretionary authority. BALDRIGE ASSET MANAGEMENT LLC will vote proxies for clients only at the express written request of the client as indicated on their account application. Unless there is an express written statement from the client to the contrary, adviser will not take any action or render any advice with respect to the voting of securities in Account of Client where the client is an insider or a control

person of the public company of the issue held in the account. BALDRIGE ASSET MANAGEMENT LLC has engaged the services of Proxytrust to vote and maintain records of all proxies. As a matter of policy and as a fiduciary to our client, BALDRIGE ASSET MANAGEMENT LLC has the responsibility for monitoring Proxytrust to ensure voting policies for portfolio securities remain consistent with the best economic interests of the clients. Our policy and practice include the responsibility to monitor corporate actions, receive proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. Clients may obtain information about how BALDRIGE ASSET MANAGEMENT LLC voted their securities by contacting the Chief Compliance Officer at 610-336-4395. BALDRIGE ASSET MANAGEMENT LLC will identify any conflicts that exist between the interests of the adviser and the client by reviewing the relationship of BALDRIGE ASSET MANAGEMENT LLC with the issuer of each security to determine if BALDRIGE ASSET MANAGEMENT LLC or any of its employees has any financial, business or personal relationship with the issuer.

## **Financial Information**

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### **Financial Condition**

BALDRIGE ASSET MANAGEMENT LLC does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because BALDRIGE ASSET MANAGEMENT LLC does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.