

# Wrap Fee Program Brochure

March 1, 2020

## Manske Wealth Management Wrap Program

*Sponsored By*



This brochure provides information about the qualifications and business practices of Manske Wealth Management, LLC (hereinafter "MWM" or the "Firm"). If you have any questions about the contents of this brochure, please contact Christopher Manske at (713) 581-1994. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority. Additional information about MWM is available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration does not imply any level of skill or training.

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**Item 2. Material Changes**

In this Item, MWM is required to discuss the material changes which have been made to the Wrap Brochure since MWM's last annual update. Since the last annual update dated March 1, 2019, there have been no material changes to the Wrap Brochure.

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## Item 4. Services, Fees and Compensation

The Manske Wealth Management Wrap Program (the “Program”) is an investment advisory program sponsored by MWM, a registered investment adviser which was formed in April 2012 and began conducting advisory business in August 2012.

This Brochure describes the business of MWM as it relates to clients receiving services through the Program. Certain sections also describe the activities of the Firm’s *Supervised Persons*, which refer to any officers, partners, directors (or other person occupying a similar status or performing similar functions), employees, or other persons who provide investment advice on MWM’s behalf and are subject to the Firm’s supervision.

In addition to the Program, the Firm also offers financial planning, consulting and wealth management services under different arrangements than those described herein. Information about these services is contained in MWM’s Disclosure Brochure, which appears as Part 2A of the Firm’s Form ADV.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. The Program generally includes financial planning services as well as discretionary management of investment programs.

Prior to receiving services through the Program, clients are required to enter into a written agreement with MWM setting forth the relevant terms and conditions of the advisory relationship (the “*Agreement*”). Clients must also open a new securities brokerage account and complete a new account agreement with Charles Schwab & Co., Inc. (“*Schwab*”) or another broker-dealer MWM approves under the Program (collectively “*Financial Institutions*”).

At the onset of the Program, clients complete an investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, MWM assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are generally managed on a discretionary basis by MWM’s investment adviser representatives or an independent investment manager (collectively “*Independent Managers*”), as selected by MWM. MWM and/or the *Independent Managers* generally allocate clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

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**Fees for Participation in the Program**

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Investment management services are offered through the Program on a fee basis, meaning that clients pay a single annualized fee based upon assets under management. The Firm also offers advisory services outside of the Program under different fee arrangements than those discussed below.

MWM's asset based fee varies up to 1.0%, depending upon the amount of the assets being managed under the Program and the type of investment management services rendered. This fee is prorated and billed quarterly in arrears, based on the market value of the assets being managed by MWM under the Program on the last day of the previous quarter.

For the initial term of the Program, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final quarter is prorated through the effective date of the termination and the remaining balance is refunded to the client, as appropriate.

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**Fee Comparison**

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A portion of the fees paid to MWM are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios. The *Independent Managers* may charge a separate and additional fee.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Inasmuch as advisor will pay to *Schwab* the transaction/executions costs associated with equities transaction a potential disincentive to trade securities may be presented.

Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

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**Fee Discretion**

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MWM, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

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**Fee Debit**

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The Firm's *Agreement* and the separate agreement with any *Financial Institutions* generally authorize MWM and/or the *Independent Managers* to debit its clients' accounts for the amount of the Program fee and to directly remit that fee to MWM or the *Independent Managers*. Any *Financial Institutions* recommended by MWM have agreed to send statements to clients not less than quarterly indicating all

amounts disbursed from the account, including the amount of Program fees paid directly to MWM. MWM does not offer the option to be invoiced rather than have the fee debited.

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**Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to MWM's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to MWM, subject to the usual and customary securities settlement procedures. However, MWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. MWM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

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**Other Charges**

Clients may incur certain charges imposed by third parties in addition to the Program fee. These additional charges may include fees charged by the *Independent Managers*, charges imposed directly by a mutual fund or exchange-traded fund ("ETF") in the account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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.

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**Compensation for Recommending the Program**

MWM has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation.

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

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**Types of Clients**

Services through the Program are offered to individuals, trusts, estates, corporations and business entities.

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**Minimum Fee**

As a condition for starting and maintaining a relationship, MWM generally imposes a minimum annual fee of \$1,500. This minimum fee may have the effect of making MWM's service impractical for certain clients. MWM, in its sole discretion, may waive its minimum annual fee based upon certain criteria including

anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than MWM. In such instances, MWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 6. Portfolio Manager Selection and Evaluation

Clients' investment portfolios are managed either directly by MWM or through the use of certain *Independent Managers*, as referenced above.

### Portfolio Management

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MWM manages its clients' investment portfolios on a discretionary basis.

For accounts managed through the Program, MWM primarily allocates assets among various mutual funds, ETFs, individual debt and equity securities, and to a lesser extent, *Independent Managers*. The Firm may also provide advice about any type of legacy position or investment otherwise held in its clients' portfolios, as necessary.

MWM tailors its advisory services to accommodate the needs of its individual clients and continuously seeks to ensure that its clients' portfolios are managed in a manner consistent with their specific investment profiles. Clients are advised to promptly notify MWM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if MWM determines, in its sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to the Firm's management efforts.

MWM manages investment portfolios through the Program in substantially the same manner as those it manages outside of the Program. In return for these services, MWM receives a portion of the fees paid for participation in the Program, as described in Item 4.

### Selection of Independent Managers

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MWM evaluates various information about the *Independent Managers* in which it selects to manage client portfolios under the Program. The Firm generally reviews a variety of different resources, which may include the *Independent Managers*' public disclosure documents, materials supplied by the *Independent Managers* themselves, and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the *Independent Managers*' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposures. MWM also takes into

consideration each *Independent Manager's* management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other related factors.

MWM generally monitors the performance of those accounts being managed by *Independent Managers* by reviewing the account statements and trade confirmations produced by the *Financial Institutions*, as well as other performance information furnished by the *Independent Managers* and/or other third-party providers. The Firm does not verify the accuracy of any such performance information and does not ensure its compliance with presentation standards. Clients are advised that any performance information they receive from the *Independent Managers* may not be calculated on a uniform and consistent basis. Clients should compare all supplemental materials with the account statements they receive from their respective custodians.

The terms and conditions under which the client engages an *Independent Manager* are set forth in a separate written agreement between MWM or the client and the designated *Independent Manager*. In addition to this Brochure, the client also receives the written disclosure brochure of the designated *Independent Managers* engaged to manage their assets, if any.

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#### **Side-By-Side Management**

MWM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

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#### **Methods of Analysis**

MWM's primary methods of analysis include elements of fundamental, technical and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. MWM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that MWM will be able to accurately predict such a reoccurrence.

*Cyclical analysis* is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental



analysis of the health of the particular company that MWM is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### Investment Strategies

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Prior to developing a portfolio, MWM meets with each client to learn about the client's goals for both their portfolio and their life to understand what matters most. The Firm seeks to obtain a deep understanding of a client's total financial profile prior to developing an asset allocation strategy. Rather than comparing performance against a market benchmark, the Firm instead uses the client's individual goals as the comparative benchmark. To implement portfolios through its asset allocation process, MWM primarily uses a combination of mutual funds, ETFs, and individual stocks and bonds. In addition, MWM may also incorporate hedge funds and unit investment trusts into a portfolio, and may allocate a portion of the assets to one or more *Independent Managers*.

### Risks of Loss

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#### *Mutual Funds and Exchange Traded Funds (ETFs)*

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 mutual funds and ETFs 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.

Shares of mutual funds are generally 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 to 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.

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. Generally, an ETF only redeems shares 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.

*Market Risks*

The profitability of a portion of MWM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that MWM will be able to predict those price movements accurately.

*Use of Independent Managers*

MWM may recommend the use of *Independent Managers* for certain clients. MWM will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, MWM does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

*Use of Private Collective Investment Vehicles*

MWM may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

*General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

**Voting of Client Securities**

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MWM is required to disclose if it accepts authority to vote client securities. MWM does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions* and may contact MWM with any questions by calling the number on the cover of this brochure.

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

In this Item, MWM is required to describe the type and frequency of the information it communicates to the *Independent Managers*, if any, managing its clients' investment portfolios. Clients participating in the Program generally grant MWM the authority to discuss certain non-public information with the *Independent Managers* engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names,

phone numbers, addresses, social security numbers, tax identification numbers and account numbers. MWM may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the *Independent Managers'* investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

## Item 8. Client Contact with Portfolio Managers

In this Item, MWM is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with MWM. Clients can generally contact the *Independent Managers* managing their portfolios through MWM by providing the Firm with written request and identification of the questions or issues to be discussed with the *Independent Managers*. After receiving the client's written request, MWM, at its sole discretion, may contact the *Independent Managers* for the client or arrange for the *Independent Managers* and the client to communicate directly.

## Item 9. Additional Information

### Disciplinary Information

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MWM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

### Other Financial Industry Activities and Affiliations

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#### *Registered Representatives of a Broker-Dealer*

Clients can engage certain persons associated with MWM (but not MWM) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with MWM. Under this arrangement, clients may implement securities transactions through certain of MWM's *Supervised Persons* in their respective individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC registered broker-dealer and member of FINRA. PKS may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition, certain of MWM's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

A conflict of interest exists to the extent that MWM recommends the purchase of securities where MWM's *Supervised Persons* receive commissions or other additional compensation as a result of MWM's recommendations. MWM has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

For accounts covered by ERISA (and such others that MWM, in its sole discretion deems appropriate), MWM provides its investment advisory services on a fee-offset basis. In this scenario, MWM may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by MWM's *Supervised Persons* in their individual capacities as registered representatives of *PKS*.

### Code of Ethics

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MWM and its associated persons are permitted to buy or sell securities that it also recommends to clients consistent with MWM's policies and procedures.

MWM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). When MWM is purchasing or considering for purchase any security on behalf of a client, no *Covered Person* (as defined below) may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when MWM is selling or considering the sale of any security on behalf of a client, no *Covered Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

Unless specifically defined in MWM's procedures (summarized above), neither MWM nor any of MWM's Associated Persons may effect for himself or herself, for an Associated Person's immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person), or for trusts for which the Associated Person serves as a trustee or in which the Associated Person has a beneficial interest (collectively "*Covered Persons*"), any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of MWM's clients.

The foregoing policies and procedures are not applicable to (a) transactions effected in any account over which neither MWM nor any of its *Supervised Persons* (as defined in this Form ADV) has any direct or indirect influence or control; and (b) transactions in securities that are: direct obligations of the government of the United States; bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements; or shares issued by registered open-end investment companies.

This policy has been established recognizing that some securities being considered for purchase and sale on behalf of MWM's clients trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of such securities. Under certain limited circumstances, exceptions may be made to the policies stated above. MWM will maintain records of these trades, including the reasons for any exceptions.

In accordance with applicable rules, MWM also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by MWM or any of its *Supervised Persons*.

Clients and prospective clients may contact MWM to request a copy of its *Code of Ethics*.

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**Account Reviews**

MWM monitors its clients' investment portfolios on a continuous and ongoing basis, and conducts regular account reviews at least quarterly. Such reviews are conducted by one of the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with MWM and to keep MWM informed of any changes thereto. MWM contacts ongoing investment advisory clients at least annually to review its previous services and recommendations, and to discuss the impact resulting from any changes in their financial situation and/or investment objectives.

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**Account Statements and General Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions*. Clients in the Program also receive reports from MWM that may include relevant account and/or market-related information, such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare any supplemental reports they receive from MWM and/or the *Independent Managers* with the account statements they receive from the *Financial Institutions*.

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**Client Referrals**

MWM does not compensate any unaffiliated third-party for referring clients to the Program.

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**Receipt of Economic Benefit**

MWM has arrangements in place whereby the Firm receives an economic benefit from a third-party for providing investment advice to clients participating in the Program. Specifically, *Schwab* may provide the Firm with computer software and related systems support, which allow MWM to better monitor client accounts maintained at *Schwab*. MWM may receive the software and related support without cost because MWM renders investment management services to clients that maintain assets at *Schwab*. The software and related systems support may benefit MWM, but not its clients directly. In fulfilling its duties to its clients, MWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that MWM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence MWM's choice of broker-dealer over another that does not furnish similar software, systems support, or services.

**Financial Information**

MWM does not require or solicit the prepayment of more than \$500 in fees six months or more in advance. In addition, MWM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. MWM has no disclosures pursuant to this Item.



Prepared by:

