

**Firm Brochure  
Part 2A of Form ADV  
March 2020**



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This brochure provides information about the qualifications and business practices of Wealth Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at: 858-481-4088, or by email at: [pdrolson@wealthadvisorsinc.com](mailto:pdrolson@wealthadvisorsinc.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 WAI is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2-Material Changes since the Last Update**

Since our last annual amendment filing on March 13, 2019 the following changes have occurred:

TD Ameritrade, Inc. (“TD Ameritrade”) do not charge transaction fees for U.S. listed equities and exchange traded funds.

TD Ameritrade announced that it will be acquired by Charles Schwab & Co., Inc. The acquisition is expected to be completed in the summer of 2020. We will provide additional information about the acquisition as it becomes available.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 858-481-4088 or by email at: [pdrolson@wealthadvisorsinc.com](mailto:pdrolson@wealthadvisorsinc.com).

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## **ADV PART 2A**

### **Item 4-Advisory Business**

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#### **Firm Description**

Wealth Advisors, Inc. (“the Adviser and/or WAI”) was founded in 2003 and is a SEC Registered Investment Advisor. Our firm is a corporation formed under the laws of the State of California in 2000 and has been in business as an investment adviser since that time. Our firm is principally owned by Paul Drolson.

WAI offers investment management, financial planning, and investment consulting. WAI is not a custodian and the client maintains control of their assets.

In addition, the client grants WAI discretionary authority to place trades for accounts under an investment advisory agreement with WAI.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) may be engaged directly by the client on an as-needed basis. The remainder of this brochure will discuss the services offered by WAI and any conflicts of interest that may be important in the client’s evaluation of WAI and the services it offers.

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#### **Types of Advisory Services**

##### **Investment Management:**

WAI provides asset management services including managing investment advisory accounts and furnishing investment advice through consultations. With a broad range of investment options, client portfolios are customized to suit specific financial goals and needs.

Frequently, WAI furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning. WAI uses E-Money for financial planning. WAI does not provide tax and legal advice.

As of December 31, 2019, the Adviser manages approximately \$165,851,402 in assets on a discretionary basis and 2,503,174 on a non-discretionary basis.

As part of the firm’s investment management services, all aspects of the client’s financial affairs may be reviewed. 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. WAI periodically reviews a client’s financial situation and portfolio through regular contact with the client, which often includes an annual meeting with the client.

An Advisory Service Agreement outlining the scope of work and associated fees is provided to the client in writing prior to the start of the relationship. The agreement

includes the services to be provided, the fees for the services. The agreement may be terminated by either party in writing at any time.

Investments may include: stocks, warrants, bonds, commercial paper, certificates of deposit, municipal securities, mutual funds, exchange traded funds, and U. S. government securities.

#### Full Trading Authorization

Full trading authorization allows WAI to make decisions on the client's behalf regarding purchases and sales of equities, fixed income products including bonds, certificates of deposit, options, and any other security traded on a national exchange including investment company securities. Clients have the option to sign the account agreement granting full trading authorization.

In addition, broker-dealers may charge a transaction fee for facilitating securities transactions for the client. However, WAI does not receive any of these types of compensation from fund companies or broker-dealers.

### **Comprehensive Wealth Planning:**

#### Client Services

1. Investment Advice & Management
2. Retirement Income Analysis
3. Insurance & Risk Management
4. Tax Planning
5. Business Planning & Bookkeeping
6. Estate & Legacy Planning

#### Seven Step Wealth Planning Process

Our Seven Step process is designed to identify, assess, grow and protect wealth.

1. Understanding the Client's Personal and Financial Circumstances
2. Identifying and Selecting Goals
3. Analyzing the Client Current Course of Action and Potential Alternative Course(s) of Action
4. Developing the Financial Planning Recommendation(s)
5. Presenting the Financial Planning Recommendation(s)
6. Implementing the Financial Planning Recommendation(s)
7. Monitoring Progress and Updating

#### Online Wealth Plan Portal

The online Wealth Plan portal is designed to give clients a single and secure access point to view:

- Personal and customizable online financial website
- Consolidated account aggregation
- Daily updated values
- Secure online document storage vault (tax, legal documents)
- Insurance policies
- Specific and strategic financial goal and plan creation (financial reports, budgeting, and organizing software)
- Remote collaboration
- Privacy protection

All information is password protected on a secure, encrypted personal web address, easily accessible only to the client and their financial, tax, and legal advisors. Accounts and values are updated daily.

The financial plan may include, but is not limited to: a net worth statement, a cash flow statement, a review of investment accounts (including reviewing asset allocation and providing repositioning recommendations), strategic tax planning, a review of retirement accounts and plans including recommendations, a review of insurance policies, and recommendations for changes. If necessary, one or more retirement scenarios is included as well as an estate planning review and recommendations, and education planning with funding recommendations. Financial planning may be the only service provided to the client and does not require that the client use or purchase the investment advisory services offered by WAI or any of the insurance products or other products and services offered by the associated persons of WAI. There is an inherent conflict of interest for WAI whenever a financial plan recommends use of professional investment management services or the purchase of insurance products or other financial products or services.

WAI or its associated persons may receive compensation for financial planning and the provision of investment management services and/or the sale of insurance, and other products and services. WAI does not make any claims that these products and services are offered at the lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, the client is under no obligation to accept any of the recommendations made by WAI or use the services of WAI in particular. Please see consulting agreement to review specific consulting services selected.

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### **Tailored Relationships**

The goals and objectives for each client are documented in our client relationship management system. Investment decisions reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities. Information gathered for investments decisions may include: investing experience, liquidity needs, retirement goals, current and future financial situation, annual income, risk tolerance, etc.

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## **Fiduciary Statement**

WAI and its associates are fiduciaries who must take into consideration the best interests of our clients. WAI will act with integrity and in an ethical manner when dealing with clients. WAI will use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, trading, promoting our services, and engaging in other professional activities.

As a fiduciary, WAI has the obligation to deal fairly with our clients. WAI follows the Fiduciary Duty set forth by the CFP Board:

- Duty of Loyalty
  - Place Client's interest ahead of your own
  - Conflicts: avoid or fully disclose, obtain consent, & properly manage
  - Act without regard to interest of other
- Duty of Care
  - Act with care, prudence, and diligence
  - Consider Client's goals, risk tolerance, objectives, and circumstances
- Duty to Follow Client's Instructions
  - Comply with Terms of Engagement
  - Follow Client's reasonable and lawful directions

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## **Termination of Agreement**

A client agreement may be canceled at any time by either party for any reason upon 15 days written notice delivered to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement. If WAI has provided services pursuant to the agreement, WAI is entitled to negotiated compensation for services rendered as described above.

WAI may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, WAI will refund any unearned portion of the advance payment.

WAI 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. Any unused portion of fees collected in advance will be refunded.

## Item 5-Fees and Compensation

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### Investment Management

WAI bases its fees on an annual fee based upon a percentage of the market value of the aggregate client assets held under management or commonly termed as *household accounts*. The annual fee typically varies between 0.50 to 2.50 percent depending on the size of the assets under management and type of investment services rendered. Investment management fees are billed quarterly, in advance. Fees are deducted from the client account to facilitate billing as authorized by the investment management agreement. WAI pays for all trading and transaction costs and associated fees .

WAI, in its discretion, may negotiate fees based upon individual account criteria such as anticipated future assets, client's unique circumstances, and additional services performed. Our fees may be higher or lower than fees charged by other financial professionals offering similar services. WAI reserves the right to modify its fee schedule in the future by providing clients with a 30 day advanced notice of any modification.

### Financial Planning Fees:

Financial planning fees will be charged as a fixed fee, typically ranging from \$1,000 - \$50,000, depending on the nature and complexity of each client's circumstances. Our firm may also charge hourly fees for consulting work ranging from \$150 to 500 per hour depending on the nature and complexity of the individual client's personal circumstances and consulting needs. An exact fee will be quoted with each client at the inception of the agreement for service.

Typically, the financial plan will be presented to the client within 90 days of the contract date. Delivery within this timeframe is dependent upon a client providing all necessary information needed to prepare the financial plan in a timely manner. If the client terminates the service agreement prior to completion of the plan, the fee owed will be prorated based on the amount of the financial plan completed. Our firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 months.

### Annual Updates to Financial Plans

Each financial planning client is requested to allow WAI to prepare, on an annual basis, an update to the financial plan. The standard consulting service fee ranges from \$1,000 to \$50,000. The actual fee charged will be negotiated with each client based upon changes in a client's situation among other factors. It is anticipated that the fees charged for an annual update will not exceed the fee charged for the initial plan however this may not always be the case. The fee for the updating service will be due and payable when the update to the plan is provided. Our firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 months.



Utilizing select financial planning software, WAI will continually input data provided by the client (account statements, confirmations of transactions, etc.), into the software, and will issue periodic consolidated statements of all provided securities, insurance and annuity information all as part of the annual update to the plan. This service, for which there is no additional fee, is provided from the date of the planning agreement to the next 12-month anniversary date or through the date of the termination of the planning agreement.

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### **Other Fees**

The client will likely incur fees from brokerages, custodians, administrators and other service providers. TD Ameritrade does not charge transaction fees for U.S. listed equities and exchange traded funds. These fees are incurred as a result of maintaining an account and are charged by the service provider. The amount and nature of these fees is based on the service provider's fee schedule(s) at the provider's sole discretion. These fees are separate and distinct from any fees charged by WAI.

As disclosed above, depending upon client circumstances, certain fees are negotiable within defined ranges.

All fees paid to WAI for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. They generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. WAI does not receive any of these fees. WAI does not purchase any funds with a sales load. All purchases are at NAV. A client could invest in a mutual fund directly, without the services of WAI. In that case, the client would not receive the services provided by WAI which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by WAI to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

## **Item 6-Performance Based Fees**

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### **Performance Fees**

WAI does not use a performance-based fee structure.

## Item 7-Types of Clients

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### Description

WAI offers a combination of advisory services, when appropriate, to high net worth individuals, families and their businesses.

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### Account Minimums

The minimum account size is \$100,000 of assets under management. The Adviser has the sole discretion to waive the account minimum.

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

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### Methods of Analysis

WAI may employ the following security analysis methods; Fundamental analysis; charting/technical analysis; and cyclical analysis.

**Fundamental Analysis.** WAI attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself), to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Charting/Technical Analysis.** The terms “charting” and “technical” analysis are generally used synonymously and therefore, for the purpose of this document, the term, “technical analysis” will be used. WAI analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, WAI measures the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

As previously disclosed, WAI may utilize various financial planning software in the preparation and maintenance of clients' financial plans. The software programs that WAI may use include, but is not limited to, EMoney Advisor, Inc. and Morningstar Workstation.

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### **Investment Strategies**

Strategies recommended by WAI may include long-term purchases, short-term purchases, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

With each client, we discuss an investment policy. The client may change these objectives at any time.

Some/All of WAI's investment strategies involve frequent trading.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks. WAI's 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 next year will not buy as much as a dollar today because purchasing power erodes 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. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **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 Bonds are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance 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.

WAI reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives. WAI may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship or on any investment that the client requests advice.

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### **Market, Security and Regulatory Risks**

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

Certain market risks may include but are not limited to: competition, market volatility, accuracy of public information, volatility of currency prices, loss of principal risk, interest-rate risk, inflation risk, liquidity risk, credit risk, and counterparty risk.

Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

In addition, regulatory risks may include but are not limited to: strategy restrictions, trading limitations, tax risks and conflicts of interest.

## **Item 9-Disciplinary Information**

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### **Legal and Disciplinary**

Paul Drolson was involved in a customer complaint for loss of monies due to investment in a broker dealer approved hedge fund. This was settled on December 12, 2008. For additional information please search CRD #1012162 at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

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### **Affiliations**

WAI is a SEC registered investment adviser. In addition to providing investment advisory services, WAI also manages Executive Suites, through which it provides office support services to tenants subletting office space from WAI.

The client is under no obligation to purchase security products recommended by principal executive officers and Investment Adviser Representatives of WAI (Advisor).

Representatives of our firm are licensed insurance agents. As a result of these transactions, they receive normal and customary commissions. A conflict of interest exists as these commissionable securities sales create an incentive to recommend products based on the compensation earned. To mitigate this potential conflict, our firm will act in the client's best interest.

## **Item 11-Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

WAI has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements for complying with their fiduciary obligations to clients and applicable securities laws, as well as specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings to WAI's Compliance Office each quarter, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to WAI's Compliance Officer. Each supervised person of WAI receives a copy of the Code of Ethics and any amendments to it and must acknowledge having received the materials in writing. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective

clients may obtain a copy of WAI's Code of Ethics by contacting the Compliance Officer of WAI.

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

WAI or individuals associated with WAI may buy or sell securities identical to or different than those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of WAI that no person contracted by WAI may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts. As these situations represent a conflict of interest, WAI has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A director, officer or advisor of WAI shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of WAI shall prefer his or her own interest to that of the advisory client.
- 2) WAI maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by Paul E. Drolson, CFP and president of WAI.
- 3) All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- 4) WAI emphasizes the unrestricted right of the client to decline to implement any advice rendered.
- 5) WAI emphasizes the unrestricted right of the client to select and choose any broker or dealer, and/or insurance company (s)he wishes.
- 6) WAI requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 7) Any individual not in observance of the above may be subject to termination.

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### **Personal Trading**

Paul E. Drolson and/or Kenneth D. Fincher, ChFC shall review advisor trades. They review all advisor trades, no less than each quarter (except for their own trading activity that is reviewed by another principal or officer of the Firm).

## **Item 12-Brokerage Practices**

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### **Brokerage Selection and Soft Dollars**

WAI has the authority over the selection of the broker to be used and the commission rates to be paid without obtaining specific client consent. WAI may recommend brokerage firms as qualified custodians and for trade execution. WAI currently uses TD Ameritrade.

TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers services to independent investment Advisors including custody of securities, trade execution, clearance and settlement of transactions. WAI receives some benefits from TD Ameritrade through its participation in the program.

### **Research and Other Soft Dollar Benefits**

Although not considered “soft dollar” compensation, we receive benefits from TD Ameritrade in the form of reports, software, and institutional trading support. We do not have to produce or pay for such research, products or services. WAI participates in TD Ameritrade’s institutional customer program and WAI may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between WAI’s participation in the program and the investment advice it gives to its Clients, although WAI 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 WAI 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 advisory 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 WAI by third party vendors. TD Ameritrade may also have business consulting and professional services received by WAI’s related persons paid for.

TD Ameritrade is an institutional broker-dealer independent of and unaffiliated with WAI and there is no employee or agency relationship between TD Ameritrade and WAI. TD Ameritrade has established the TD Ameritrade Institutional Management Program as a means of assisting independent unaffiliated Advisors to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise WAI and has no responsibility for WAI’s management of client portfolios or WAI’s other advice or services to clients.

WAI's participation in the TD Ameritrade Institutional Management Program raises potential conflicts of interest. WAI may encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Management Program, WAI may have an incentive to recommend assets to clients that are under management by WAI be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. WAI's participation in the TD Ameritrade Institutional Management Program does not relieve WAI of the duty to seek best execution of trades for client accounts. In selecting a broker dealer based on discretionary authority, WAI will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. In addition, WAI may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

## **Additional Compensation**

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### **Additional Compensation**

The principal executive officers and other advisors of WAI may, in their capacity as agents appointed with various life, disability or other insurance companies, receive commissions or other compensation from the respective product sponsors and/or as a result of effecting securities transactions for clients. As previously noted, when such commissions or fees are received by WAI or these related persons in connection with the advice given to advisory clients, WAI may, but is not obligated to, reduce its fee proportionate to the amount of the commission or fee earned by WAI or these individuals. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

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### **Order Aggregation**

The nature of the clients and/or trading activity on behalf of client accounts are such that trade aggregation does not garner any client benefit (in regards to mutual fund or exchange traded funds, for example).

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### **Directing Brokerage for Client Referrals**



WAI and its associated persons do not receive client referrals from broker dealers or third parties as consideration for selecting or recommending brokers for client accounts.

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**Directed Brokerage**

WAI allows but does not require clients to direct brokerage. In the event that a client directs WAI to use a particular broker or dealer, WAI may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances, a disparity in commission charges may exist between the commissions charged to clients who direct WAI to use a particular broker or dealer and other clients who do not direct WAI to use a particular broker or dealer. This may result in higher trading expenses to the client who directs brokerage. WAI may place orders for transactions initially only in certain securities for those accounts that are held in custody at banks or at brokerage firms that permit WAI to place trades for accounts held in custody at that firm with other brokerage firms. Therefore, accounts held in custody at firms that do not permit WAI to place transactions with other brokerage firms may not be able to participate in the initial transaction and may not be able to participate in the same gains or losses as other clients whose accounts are not as restricted. In cases where trading or investment restrictions are placed on a client's account, WAI may be precluded from aggregating that client's transaction with other accounts which could result in less favorable security prices and/or higher transaction costs.

## **Item 13-Review of Accounts**

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**Periodic Reviews**

Annual reviews of financial plans are conducted only if the client has a contract in place for this additional service. WAI recommends that all financial planning clients have a contract for an annual review to their plan. Reviewers of plans are the principals of the firm or the Investment Adviser Representative who prepared the plan.

Account reviews are performed quarterly by advisors Paul Drolson and Kenny Fincher. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client. Client accounts are divided among the reviewers by (describe method) and each reviewer is approximately responsible for (range of number of accounts reviewed)

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**Review Triggers**

Accounts are reviewed quarterly or more frequently when market conditions dictate. Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's financial or personal situation.

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## **Regular Reports**

Clients receive periodic reports on at least a quarterly basis. The written reports may include account valuation, performance stated in dollars and as a percent, net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives. Clients receive statements of account positions no less than quarterly from the account custodian.

Financial Planning clients will receive a completed financial plan

Financial Position (may include net worth, cash flow, cash reserve, budget, and debt)

Income Tax (may include federal income tax estimates, tax management strategies, and techniques)

Investment (may include asset allocation, model portfolio, periodic rebalancing, and funding vehicles)

Education (may include savings analysis, funding vehicles, financial aid advice)

Future Savings Goal (may include savings analysis, funding vehicles for planned purchases or expenditures)

Retirement (may include savings analysis, accumulation, distribution, income need, funding vehicles)

Protection/Family Security (included at no extra charge; may include survivor, disability, long term care needs)

Estate (may include federal/state tax estimates, settlement costs, charity, will and trust strategies)

Under the administrative service provided to financial planning clients, WAI may provide a monthly or quarterly "Wealth Plan" of all reported securities and other holdings provided to WAI by a client

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

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### **Client Referrals**

WAI may, from time to time, compensate either directly or indirectly, any person (defined as a natural person or a company), for client referrals. WAI is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made and all written instruments will be maintained by WAI. All applicable Federal and/or State laws will be observed.

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**Referrals to Third Parties**

WAI may enter into several agreements where it solicits clients and refers them to third party investment advisers. WAI will only refer clients to investment advisers that are registered with the Securities and Exchange Commission (SEC) or with the applicable state(s). WAI is required to present a disclosure to all prospects and clients that detail the compensation to WAI and other general terms of the relationship between the third party and WAI. WAI requires that clients and prospects sign this disclosure and return it to the third party adviser. The agreement between WAI and the third party adviser(s) may be terminated by either party with a written notice.

**Item 15-Custody**

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**Custody Policy**

WAI does not accept or permit its associated persons from obtaining custody of client assets including cash, securities, acting as trustee, provide bill paying service, having password access to control account activity or any other form of controlling client assets.

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**Account Statements**

All assets are held at qualified custodians and the custodians provide account statements not less than quarterly to clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies.

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**Performance Reports**

Pursuant to recent amendments to Rule 206(4) under the Investment Advisers Act of 1940, the Securities and Exchange Commission now requires advisers to urge clients to compare the information set forth in their statement from E-Money with the statements received directly from the custodian to ensure accuracy of all account transactions.

**Item 16- Investment Discretion**

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**Discretionary Authority for Trading**

WAI contracts to transact portfolio securities accounts for limited discretionary authority on behalf of clients. Discretionary authority is granted either by WAI's investment management agreement and/or by a separate limited power of attorney where such document is required. WAI 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 firm's discretionary authority regarding investments may however be subject to certain limitations. These limitations are recognized as the restrictions and prohibitions placed by the Client on transactions in certain types of business or industries. All such restrictions are agreed upon in writing at the account's inception.

## **Item 17-Voting Client Securities**

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### **Proxy Votes**

WAI will not vote nor advise clients on how to vote proxies for securities held in client accounts. The client keeps the authority and responsibility for the voting of these proxies. WAI does not give any advice or take any action with respect to the voting of these proxies. For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. WAI promptly passes along any proxy voting information to the clients or their representatives.

## **Item 18-Financial Information**

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### **Financial Information**

WAI does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. WAI meets all net capital requirements that it is subject to and WAI has not been the subject of a bankruptcy petition in the last 10 years.

WAI is not required to provide a balance sheet as it 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.