

**Form ADV Part 2A Wrap Brochure**  
**May 2020**  
**Wealth Advisors, Inc. Wrap Program**

**Sponsored by:**



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This wrap fee program 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. 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 Wealth Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

At this time, there are no material changes to report about the Brochure since the last annual amendment filed on 03/26/2020.

TD Ameritrade recently eliminated transaction fees for U.S. listed equities and exchange traded funds. Since we pay the transaction fees charged by TD Ameritrade to clients participating in our wrap fee program, we are incentivized to recommend equities and exchange traded funds over other types of securities in order to reduce our costs. To mitigate this potential conflict, our firm will act in the client's best interest.

Our firm added Charles Schwab and Co. Inc, as a custodian.

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## **Item 4 Services, Fees and Compensation**

### **Advisory Services**

#### **Asset Management:**

This Wrap Appendix provides important information regarding Wealth Advisors, Inc. Wrap Program, which the firm sponsors. WAI provides asset management services; manages investment advisory accounts and furnishes investment advice through consultations.

As part of the investment management service, all aspects of the client's financial affairs are reviewed and 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 and a customized portfolio is developed.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. The agreement sets forth the services to be provided, the fees for the service and 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, U. S. government securities, options contracts.

Assets are invested primarily in stocks, options and exchange-traded funds. Fund companies charge each shareholder an investment management fee that is disclosed in the fund's prospectus. 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. WAI does not participate in initial public offerings.

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 Institutional and Charles Schwab and Co., Inc.

#### **TD Ameritrade:**

WAI participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Under this wrap program, one fee call a wrap fee, is charged for a bundle of services which may include management fees, custodial fees, trading expenses, reporting and administrative costs. As the programs investment manager, the Adviser receives management fees from the payment of the wrap fee.

WAI receives some benefits from TD Ameritrade or its other custodians.

WAI receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment Advisors participating in the program. Specifically, the Additional Services include Virtual Portfolio Manager and Interactive Advisory Software.

TD Ameritrade provides the Additional Services to WAI in its sole discretion and at its own expense, and Advisor does not pay any fees to TD Ameritrade for the Additional Services. WAI and TD Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional 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 paid for business consulting and professional services received by WAI’s related persons. Some of the products and services made available by TD Ameritrade through the program may benefit WAI but may not benefit its Client accounts. These products or services may assist WAI in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help WAI manage and further develop its business enterprise. The benefits received by WAI or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, WAI endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by WAI or its related persons in and of itself creates a potential conflict of interest and may indirectly influence WAI’s choice of TD Ameritrade for custody and brokerage services.

WAI’s receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to WAI, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, WAI’s Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with WAI, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, WAI may have an incentive to recommend to its Clients that the assets under management by WAI be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. WAI’s receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

Finally, TD Ameritrade recently eliminated transaction fees for U.S. listed equities and exchange traded funds. Since we pay the transaction fees charged by TD Ameritrade to clients participating in our wrap fee program, we are incentivized to recommend equities and exchange traded funds over other types of securities in order to reduce our costs. To mitigate this potential conflict, our firm will

act in the client's best interest.

### **Charles Schwab & Co.:**

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

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

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

### **Asset Management Fees:**

WAI bases its fees on assets under management. Although the Advisory Service Agreement is an ongoing agreement, the client or the investment manager may terminate an Agreement by written notice to the other party. Both parties have discretion to terminate the agreement. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The investment management fees are negotiable at the sole discretion of WAI. WAI does not charge our clients higher advisory fees based

on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades.

Annualized Investment Management Fees		
Account Value From	Account Value To	Annual Percentage Fee
\$0	\$500,000	2.50%
\$500,001	\$1,000,000	2.00%
\$1,000,001	\$2,000,000	1.75%
Over \$2,000,000		1.50%

### Fee Billing

Investment management fees are billed quarterly, in advance. Payment in full is expected upon invoice presentation. Fees are deducted from the client account to facilitate billing as authorized by the investment management agreement.

### Other Types of Fees & Expenses:

In addition to our advisory fees above, clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Our firm does not receive a portion of these fees.

Schwab has eliminated commissions for online trades of equities, ETFs and options (subject to \$0.65 per contract fee). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to Schwab. We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If you choose to enter into a wrap fee arrangement, your total cost to invest could exceed the cost of paying for brokerage and advisory services separately. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide)

### Termination and Refunds:

Either party may terminate the advisory agreement signed with our firm for Wrap Asset Management services in writing at any time. Upon notice of termination our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance.

### Wrap Fee Program Recommendations:

Our firm does not recommend or offer the wrap program services of other providers.

## Item 5 Account Requirements and Types of Clients

WAI will offer its services to the following types of clients: individuals and high net worth individuals.

WAI does have a \$100,000 minimum account requirement for opening and maintaining an account. This fee may be waived at the firm's discretion.

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

WAI offers the wrap fee alternative to clients as a pricing option and does not utilize unaffiliated money managers to serve the needs of wrap fee clients.

Each client is assigned a WAI Portfolio Manager when they become a client. Generally, the Portfolio Manager will be the individual who introduces the client to the firm. Each Portfolio Manager at WAI is responsible for managing the investment accounts of their assigned clients. The WAI Portfolio Manager will monitor the client account on an ongoing basis to ensure that the client needs, goals and objectives are being met.

The following are different methods of analysis that WAI may use when providing you with investment advice:

**Charting** – charting is a technique that attempts to forecast future market moves by studying historical data on charts.

**Fundamental Analysis** – fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

**Technical Analysis** – technical analysis is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.

**Cyclical Analysis** – cyclical analysis is a technique that looks at cycles, specifically analyzing the way prices follow certain patterns and trends.

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. Each client utilizes a personalized investment strategy that documents their objectives and their desired goals.

Some/All of WAI's investment strategies involve frequent trading. Strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

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.

WAI will tailor its advisory services to its client's individual needs based on meetings and completion of a client profile. If clients wish to impose certain restrictions on investing in certain securities or types of securities, WAI will address those restrictions with the client to have a clear understanding of the client's requirements.

WAI does not charge performance-based fees.

WAI will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, Advisor cannot give any advice or take any action with respect to the voting of these proxies. The client and Advisor agree to this by contract. Clients will receive proxy solicitations from their custodian and/or transfer agent.

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

All accounts are managed by our in-house licensed IARs. The IAR selected to manage the client's account(s) or portfolio(s) will be privy to the client's investment goals and objectives, risk tolerance, restrictions placed on the management of the account(s) or portfolio(s) and relevant client notes taken by our firm. Please see our firm's Privacy Policy for more information on how our firm utilizes client information.

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

WAI does not place any restriction on the client's ability to contact and consult with their Portfolio Managers and encourages clients to communicate with their Portfolio Managers whenever their circumstances change that may cause a change to their investor profile.

#### **Item 9 Additional Information**

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).

#### **Financial Industry Activities & Affiliations**

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.

#### **Review of Accounts**

Our management personnel or financial advisors reviews accounts on at least a annual basis for our Wrap Asset Management clients. The nature of these reviews is to learn whether clients' accounts are

in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc. Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when our Wrap Asset Management OR Wrap Comprehensive Portfolio Management clients are contacted.

### **Financial Information**

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$ \$1,200 in fees when services cannot be rendered within 6 months
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

Our firm has never been the subject of a bankruptcy proceeding.