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## *Investment Advisor*

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# BROCHURE PART 2A

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This brochure provides information about the qualifications and business practices of Monarch Wealth Strategies. If you have any questions about the contents of this brochure, please contact us at (805) 564-0800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Additional information about Monarch Wealth Strategies also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The use of the term registered investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

The following is a summary of only the material changes that Monarch Wealth Strategies (“MWS”) has made to this Brochure since the last annual amendment was submitted on March 25, 2020:

Kimberly Malesky has left MWS so Aaron Clark has become the sole owner of the firm.

MWS has changed custodians from LPL Financial to Charles Schwab & Co., Inc.

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## Item 4 – Advisory Business

### ***Our Firm***

Monarch Wealth Strategies (referred to as “we,” “our,” or “MWS”), is a registered investment advisor legally bound by the fiduciary standard when serving clients. This means that we will always act in our clients’ best interest. Our firm was established in 2008 and is owned by Aaron Clark and Kimberly Malesky.

### ***Wealth Management Services***

MWS provides wealth management services to its clients on a discretionary basis. When we manage client assets on a discretionary basis, we execute securities transactions for clients without having to obtain specific client consent prior to each transaction. Discretionary authority is limited to investments within a client’s managed accounts. However, clients may impose restrictions on investing in certain securities or types of securities.

Wealth Management Services include, among other things, providing advice pertaining to asset allocation, tax loss harvesting, asset location, rebalancing, distribution planning, and specific investment selection, as well as the ongoing monitoring and management of client assets. Our firm relies on the stated objectives of the client and considers the client’s risk profile and financial status prior to making any recommendations.

MWS does not participate in wrap fee programs by providing portfolio management or any other services.

### ***Financial Planning & Consulting Services***

MWS provides financial planning and consulting services that are consistent with the client's objectives, goals and financial status. Services may include providing advice and information in the areas of personalized investment management, retirement planning, tax planning, education planning, major purchases planning, business succession, insurance needs, budgeting, estate planning and qualified retirement plan reviews.

A conflict of interest is created whenever MWS or an associated person of MWS recommends products or services to a client for which we or an associated person receives compensation. However, MWS clients are under no obligation to act upon any recommendations of MWS.

### ***Financial Institution Consulting Services***

MWS provides investment consulting services to broker-dealer customers (“Brokerage Customers”) of Mutual Securities, Inc. (“Mutual Securities”), a broker-dealer, member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). Brokerage Customers provide written consent to receive the consulting services of and have entered into a written advisory agreement with MWS.

A conflict of interest is created whenever MWS or an associated person of MWS recommends products or services to a client for which we or an associated person receives compensation. However, MWS clients are under no obligation to act upon any recommendations of MWS.

### ***Assets Under Management***

As of December 31, 2020, MWS manages \$248,320,833 in client assets on a discretionary basis.

## Item 5 – Fees and Compensation

### ***Wealth Management Services***

Wealth management services fees are negotiated with each client based upon the individual client’s situation and complexity at the start of the engagement. The maximum annual fee will not exceed 2.50% of the assets under management with a minimum fee of \$7,500. The fee to be deducted directly from client accounts will be detailed in the client’s signed Wealth Management Services Agreement or account documentation. MWS may direct bill

clients upon request. Fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. If accounts are opened during the quarter, the pro-rata advisory fees will be deducted during the next regularly scheduled billing cycle.

### ***Financial Planning and Consulting Services***

Financial planning and consulting services fees are based upon the individual client's situation and complexity at the start of the engagement. The maximum hourly fee to be charged will not exceed \$350 with a maximum flat fee of \$15,000. The fee to be assessed will be detailed in the client's signed Financial Planning and Consulting Services Agreement. MWS may require a retainer of fifty percent (50%) of the ultimate financial planning or consulting fee at the time of signing. The remainder of the fee will be directly billed to the client upon completion and due within thirty (30) days. Under no circumstances will we earn fees in excess of \$500 more than six months in advance of services rendered.

### ***Financial Institution Consulting Services***

MWS receives a consulting fee based on the assets under management from Brokerage Customers who have provided written consent to Mutual Securities to receive investment consulting service from MWS and have entered into a written advisory contract with MWS. The consulting fee is calculated from the assets under management as of the end of a calendar quarter period multiplied by the annualized rate of from 25 to 100 basis points. The initial fee is paid only after the completion of one full calendar quarter period following the date of the executed agreement with Mutual Securities.

### ***Other Types of Fees and Expenses***

The account custodian may charge fees in addition to and separate from our fees, regardless of whether a client elects to implement recommendations made in a financial plan. Accounts may incur transaction costs, retirement plan administration fees, mutual fund annual expenses or other fees. Clients should note that fees for comparable services vary and lower or higher fees may be charged by different providers for similar services.

### ***Termination***

Clients will have a period of five (5) business days from the date of signing an agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate an agreement by providing the other party with thirty (30) days written notice. Upon termination, wealth management services fees will be prorated to the date of termination and any unearned portion will be refunded. For financial planning and consulting services, clients will receive a pro-rata refund of unearned fees based on the time and effort expended by MWS at the fee currently in effect.

### ***Receipt of Additional Compensation***

Associated persons of MWS do not receive brokerage or mutual fund trail commissions from the purchase or sale of securities in advisory accounts. Additional information about brokerage costs and services is provided in Item 12.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

MWS does not charge or receive, directly or indirectly, any performance-based fees.

## **Item 7 – Types of Clients**

MWS generally provides advisory services to affluent individuals/families, pension/profit sharing plans, trusts/estates/charitable organizations, broker/dealer and businesses with investible assets of at least \$750,000.

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

### ***Methods of Analysis***

MWS utilizes several disciplines of analysis – fundamental (including macroeconomic and microeconomic), technical (including charting and cyclical), and third-party. Fundamental analysis involves predicting the price movement of an asset based on measures that are related to the underlying business. Technical analysis involves predicting the price movement of an asset based on factors unrelated to the underlying business. Sources of financial information may include prospectuses, official statements, annual reports, SEC filings, company press releases, corporate rating services, and research materials prepared by others. We strive to mitigate risks of any one analysis method by incorporating several methods.

### ***Investment Strategies***

Investment strategies are guided by a client's objectives and vary accordingly. MWS may make long term purchases (securities held at least a year), short term purchases (securities sold within a year), and on rare occasions, trading (securities sold within 30 days). Generally, there is more risk involved with shorter term trading. Both strategic and tactical asset allocation may be deployed. Asset allocation allows portfolios to participate in a variety of markets while potentially minimizing overall volatility but does not ensure a profit or protect against loss. The goal is to help achieve an optimal blend of investments tailored towards client goals. This process entails setting investment objectives, establishing weightings for various asset classes, choosing specific investments, and adjusting as circumstances dictate.

MWS typically recommends one or a combination of the following assets or investment strategies: mutual funds, exchange-traded funds, institutional investments, individual securities (equity and debt), and cash instruments. On a case by case basis, We may utilize additional investment strategies which may include but are not limited to: private investment funds, hedge funds, partnership interests, options contracts, futures contracts, real estate investment trusts, variable annuities, and variable life insurance.

### ***Risk of Loss***

Clients are advised that investing may involve the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear this risk. Even hedging strategies may fail if markets move against the hedged investments. In addition, investing carries opportunity risk as it is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for a given period. Clients should always be aware of their risk tolerance and financial situation. The successful performance of an investment cannot be guaranteed. Past or historical returns are not indicators of future returns. Any type of investment (including CDs, T-Bills and Cash) may lose money.

## Item 9 – Disciplinary Information

MWS does not have any legal or disciplinary events that are material to the evaluation of its advisory business or the integrity of its management.

## Item 10 – Other Financial Industry Activities and Affiliations

Associated persons of MWS may be insurance agents appointed with various insurance companies, or tax professionals. As a result of insurance, or tax preparation services, associated persons in these capacities may receive normal and customary commissions or other compensation. Thus, a potential conflict of interest may exist between the interests of these associated persons and those of the advisory clients. However, clients are under no obligation to act upon any recommendations of associated persons. Additionally, clients are free to select any provider of tax preparation services that they may wish to employ. To mitigate this potential conflict, we make recommendations in the best interest of clients.

MWS has entered into an agreement with Mutual Securities to provide investment consulting services to Mutual Securities' Brokerage Customers. Mutual Securities may pay compensation to MWS for providing investment consulting services to Brokerage Customers. This consulting arrangement does not include assuming discretionary authority over Brokerage Customers' brokerage accounts or the monitoring of securities transactions. These consulting services offered to Brokerage Customers may include a general review of Brokerage Customers' investment holdings, which may or may not result in MWS' investment advisor representatives making specific securities recommendations or offering general investment advice. Brokerage Customers will execute a written advisory agreement directly with MWS. This relationship presents conflicts of interest. Potential conflicts are mitigated by Brokerage Customers consenting to receive investment consulting services from MWS, by MWS not accepting or billing for additional compensation on assets under management beyond the consulting fees disclosed in Item 5 in connection with the investment consulting services, and by MWS not engaging in, or holding itself out to the public as, a securities broker-dealer. MWS is not affiliated with Mutual Securities or any other broker-dealer.

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

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

As a fiduciary, MWS has a duty of utmost good faith to act solely in the best interests of each of our clients. Our firm has adopted a Code of Ethics ("Code") that sets forth standards of conduct expected of MWS and associated persons, as well as address conflicts that may arise from personal trading. Associated persons are obligated to adhere to the Code, as well as applicable securities and other laws. The Code covers a range of topics including general ethical principles, personal securities trading, insider trading, and reporting ethical violations. We will provide a copy of the Code to any client or prospective client upon request.

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

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. Additionally, neither MWS nor any associated persons recommend that clients buy from or sell securities to other clients.

### ***Personal Trading***

Associated persons of MWS may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, associated persons will place client trades and interests ahead of their own trades and interest, as well as adhering to our firm's Code.

## **Item 12 – Brokerage Practices**

### ***Factors in Selecting or Recommending Broker-Dealers***

Client assets must be maintained by a qualified custodian. MWS seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. With this in consideration, we have an arrangement with Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member FINRA/SIPC, as our qualified custodian. Schwab services include brokerage, custody, research, and access to investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Schwab offers MWS' clients zero commission on many securities transactions. Client accounts may be charged transaction fees, commissions or other fees on trades that are executed or settle into the client's account. Schwab may have access to certain confidential information about MWS' clients, even if clients do not establish an account through Schwab. We will provide a copy of the Schwab Privacy Policy to any client or prospective client upon request.

As part of our fiduciary duty to clients, we will endeavor to put the interests of clients first. Clients should be aware, however, that the receipt of economic benefits by MWS or its associated persons creates a potential conflict of interest and may influence our choice of broker-dealer. This potential conflict of interest was examined and determined to be in the best interest of clients, as well as satisfies our fiduciary obligations, including our duty to seek best execution.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although we will seek competitive rates to the benefit of all clients, the lowest possible commission rates for specific client account transactions may not be obtained.

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

MWS does not receive soft dollars generated by the securities transactions of its clients.

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

MWS does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers.

#### ***Directed Brokerage***

MWS does not require that clients direct their brokerage business to any particular broker-dealer.

#### ***Trade Aggregation***

Generally, our firm does not aggregate trades for client accounts. There are occasions in which portfolio transactions will be executed as part of concurrent authorizations to purchase or sell the same security for multiple clients. When an aggregate trade is placed, the objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

### **Item 13 – Review of Accounts**

Associates persons of MWS typically review client portfolios no less than quarterly for consistency with investment objectives chosen by clients (among other things). Financial plans are reviewed only upon request unless we are retained to update the plan. Reviews may be triggered by changes in a client's personal, tax, or financial status. Macroeconomic and company specific events may also trigger reviews. 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 clients are contacted.

Account statements are provided directly by the custodian who reports holdings and activities no less than quarterly. The custodian also sends confirmations following each account transaction unless confirmations have been waived.

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

MWS does not have an arrangement under which it or its associated persons compensate others for client referrals. Our firm does not receive any economic benefit for providing advisory services to clients from a person who is not a client. This includes sales awards or prizes.

### **Item 15 – Custody**

Client assets are held by qualified custodians. MWS does not take physical custody of client funds or securities. Account statements are provided directly to clients from the custodian at least quarterly upon the opening of an account, which clients are urged to carefully review and notify MWS of any inaccuracies.



MWS maintains custody of client funds and/or securities by virtue of having one or more Standing Letters of Instruction (“SLOA”) from clients of MWS. SLOAs provide investment advisors with the authority to disburse client funds to one or more third parties as specifically designated by the client. Clients instruct account custodians to accept our instructions (on the client’s behalf) to move money to third parties designated by the client in the SLOA. MWS’ authority is strictly limited by the terms of that instruction and the client retains full power to change or revoke the arrangement at any time. MWS maintains SLOAs solely for the purpose of authorizing regular payments of advisory fees to be made from client accounts. The SEC has determined that under these circumstances, MWS retains custody of client assets. Our firm will periodically review fund transfer authorizations from client accounts and wire transfer destination information to ensure that transfers conform to the authority granted in the SLOAs.

## **Item 16 – Investment Discretion**

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed advisory services agreement. By granting investment discretion, MWS will have discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our written acknowledgement.

## **Item 17 – Voting Client Securities**

MWS does not accept authority to vote proxies on behalf of clients as a matter of policy. Clients will receive their proxy information directly from their custodian. Clients may contact our firm with questions about a particular solicitation by telephone at (805) 564-0800.

## **Item 18 – Financial Information**

There is no financial condition that is reasonably likely to impair our ability to meet its contractual commitments to its clients. We do not require prepayment of advisory fees, so no audited balance sheet is being provided. MWS has never been the subject of a bankruptcy proceeding.