

# BCU Wealth Advisors, LLC

Registered Investment Advisor

BCU Wealth Advisors, LLC

300 N. Milwaukee Avenue

Vernon Hills, IL 60061

(847) 932-8007

[www.bcuwa.org](http://www.bcuwa.org)

## Form ADV Part 2A - Appendix 1

Wrap Fee Program Brochure

February 4, 2021

This wrap fee program brochure provides information about the qualifications and business practices of BCU Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer at (847) 932-8365.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about BCU Wealth Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 164173.

While the firm and its associates may be registered within a state jurisdiction, registration in itself does not imply a certain level of skill or training on the part of the firm or its associated personnel.

Advisory services and recommended securities offered by BCU Wealth Advisors, LLC: are not NCUA/NCUSIF or otherwise federally insured, are not guarantees or obligations of the credit union, and may involve investment risk including possible loss of principal.

**Item 2 - Material Changes**

There have been no material changes since the February 11, 2020 filing on the IARD system.

The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (847) 932-8365 to request a copy at any time.

As with all firm documents, clients and prospective clients are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

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#### *Important Information*

Throughout this document, BCU Wealth Advisors, LLC shall also be referred to as the “firm,” “our,” “we” or “us.” The client or prospective client may also be referred to as “you,” “your,” etc., and refers to a client engagement involving a single *person* as well as two or more *persons*, including legal entities and natural persons. The term “advisor” and “adviser” are used interchangeably where accuracy in identification is necessary (i.e., internet address, etc.).

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

##### **Description of Our Firm**

BCU Wealth Advisors, LLC is a wholly owned subsidiary of Baxter Credit Union. Advisory firm management and associated personnel remain operationally independent of credit union operations. Our advisory firm does not own or control another financial services entity. In addition, internal control assessments are periodically made to ensure such separation is consistently maintained.

BCU Wealth Advisors, LLC had been previously registered as an investment advisor with the State of Illinois in 2012, prior to our present registration with the SEC beginning in 2015. Our firm may notice file or meet certain exemptions in other states in which we conduct advisory business. We are a fiduciary and are required to act in a client's best interest at all times. As of December 31, 2020, our firm had approximately \$307,369,523 of reportable client assets under management on a discretionary basis within our wrap fee investment programs.

##### **Description of Services Offered**

Our digital wealth management wrap fee program is focused on providing clients with online discretionary portfolio management services and brokerage transactional services for a single asset-based fee. We do this through web-based applications and informational resources, as well as virtual interaction. We do not provide traditional financial planning services via our digital wealth management wrap fee program. If a client determines that they only require assistance with the development of a financial plan or similar consultation, or prefer face-to-face investment management services, they may be interested in our financial planning or investment management engagements that are described in further detail within our other firm brochures that we will provide upon request.

Our investment committee subscribes to the Strategic ETF Model Portfolio series maintained and managed by State Street Global Advisors, Inc. ("SSgA"), which are designed to address investor time horizon, risk tolerance, and asset diversification. The model portfolios invest in both index-based and active ETFs. Each model portfolio is managed to a diversified custom benchmark that targets a particular balance of risk and return.

Our digital wealth management program provides the following portfolio models:

##### **Conservative (20/80)**

The 20/80 portfolio provides investors with the opportunity to protect wealth through a conservative, risk managed approach. With 80% of the portfolio invested in fixed income ETF portfolios, exposure to the stock market is limited, and the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into equity ETFs, which raises the growth potential over that of a portfolio devoid of stock exposure.

##### **Moderate Conservative (40/60)**

This portfolio provides a balanced investment approach with a touch of conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets invested in domestic and international equity ETFs. Compared to other model portfolios, this portfolio contains a reduced exposure to international and emerging markets stocks.

The portfolio is moderated by a strong bond presence. With 60% of portfolio assets in bond ETFs, investors can expect a stream of income and some protection from a downward stock market.

**Moderate (60/40)**

This portfolio provides a balanced investment approach with an emphasis on growth. The portfolio aims to be more resistant to inflation, with potential for increased return. Its 40% bond ETF presence provides income to the investor and helps dampen volatility during a stock market downturn. The equity portion in this portfolio includes allocations to domestic and international ETFs, with some exposure to emerging market ETFs.

**Moderate Aggressive (75/25)**

The 75/25 portfolio provides a sizeable exposure to the stock market, with a more aggressive approach towards long-term growth potential. The equity portion of the portfolio includes increased exposure to domestic and international small-cap ETFs, with an increased stake in emerging market ETFs as well. There is a relatively small exposure to fixed income ETFs, providing limited income generation and downside protection.

**Growth (90/10)**

This portfolio provides exposure to the complete stock market, with an aggressive approach towards long-term growth potential. The equity portion in this portfolio includes allocations to domestic, international, and emerging market ETFs. A small bond ETF presence is maintained, but income generation and downside protection is limited.

**Maximum Growth (98/2)**

This portfolio is designed to provide maximum exposure to global equity markets. Portfolio holdings are globally diversified, featuring relatively large positions in small cap and emerging market ETFs. This portfolio does not contain any exposure to fixed income markets, and income generation is not a primary objective.

Transactional (*aka.* brokerage) services for each account is provided via TD Ameritrade, Inc. ("TD Ameritrade Institutional"), Member FINRA/SIPC.<sup>1</sup>

TD Ameritrade Institutional offers independent investment advisors such as our firm various services that includes custody of client securities, trade execution, clearance and settlement of client transactions, and other types of services in which our firm receives certain benefits from TD Ameritrade Institutional through our participation in their offering (see Item 9 of this brochure for details).

For those interested in our online services offering to get started, they must first access our website where they are presented with our current wrap fee program brochure (this document) that describes our firm, its services and associated fees, etc., as well as any material conflicts of interest that could be reasonably expected to impair the rendering of unbiased and objective advice. Both our wrap program brochure and our privacy policy statement are made available in either portable document format (PDF) for their download and/or may be printed on their own local printer.

We will then ask the prospective client to respond to a sequence of interactive questions we think are important in the development of the portfolio: client's age, investment time horizon, income and/or net worth, among others. We will also inquire into their investment experience, tolerance or appetite for

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<sup>1</sup> Our firm is not, nor required to be, a FINRA or SIPC member. Information about the Financial Industry Regulatory Authority (FINRA) may be found at [www.finra.org](http://www.finra.org). You may learn more about the Securities Investor Protection Corporation (SIPC) and how it serves its member firms and the investing public by going to their website at <http://www.sipc.org>.

risk, and any reasonable restrictions they may have for the account. Following responses to our online questions, the prospective client will receive a recommendation of an investment allocation model comprising of ETFs believed to be appropriate for their situation. The recommendation will be delivered for viewing over the Internet via our website, and the prospective client is able to locally save a PDF version or print a copy for their consideration.

It is important to note that each client is asked to provide their information which assists our firm in designing or selecting a portfolio for that particular investor. The accuracy of the data provided by the client is central in their investment recommendation; however, we will not be required to verify any information received from the client and BCU Wealth Advisors, LLC is expressly authorized to rely on said client thereon. Our digital wealth system does not take a client's personal tax situation into consideration when managing portfolios, and we recommend that our clients consult with their tax advisor for such advice before proceeding.

Our clients retain discretion over the initial implementation decisions and have the right to accept or reject our initial recommendation. Prospective clients that have questions or concerns about their entries or report may contact our firm for further guidance. Once the client has accepted the portfolio recommendation and wishes to then engage BCU Wealth Advisors, LLC for its services, they must then enter into a written agreement with our firm to initiate the process. In addition to our documents, the client will be asked to complete a custodian account agreement and any other necessary forms in order to request the opening of an account at TD Ameritrade Institutional.

The client must authorize BCU Wealth Advisors, LLC to exercise discretionary trading authority over their account. Once the portfolio model has been selected, our firm will use discretion and execute trades for the initial allocation for their selected strategy and also for ongoing rebalancing. We will monitor accounts and may rebalance for "drift," deposits and withdrawals at the client's request, and to free up cash to pay for advisory fees when necessary. We may also make periodic changes to underlying portfolio models. Our firm does not have the authority to remove funds or securities from an account, and we may only request the withdrawal of advisory fees as described in following paragraphs.

#### Assessed Fees<sup>2</sup>

The account will be assessed an annualized asset-based fee of 0.45% (45 basis points) if the firm is engaged for its digital wealth program. These fees will be billed quarterly, in advance, and is determined by the reporting period ending value of the account (e.g., the last market day of the quarter). The fee is charged at inception of the account and on a prorated basis to reflect the number of days remaining in the calendar quarter.

Advisory fees are based on the market value of account assets, including accrued investment income, as of the last business day of the quarter and in accordance with the values disclosed on the statement the client receives from the custodian for the purpose of verifying the computation of the advisory fee.<sup>3</sup> In the unlikely event there is not a published market value, we may seek an independent third-party opinion or a good faith determination by a qualified associate of our firm.

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<sup>2</sup> We reserve the right to assess lower fees for BCU employees and immediate family members of BCU Wealth Advisors, LLC.

<sup>3</sup> Periodic account value variances between the firm's invoice and custodian statement (beyond the firm's control) may occur due to late trade settlement, dividend distribution, etc., requiring adjusted transaction reporting from the custodian of record.

By signing our firm's client services agreement, as well as the custodian account opening agreement, the client will be authorizing the withdrawal of the wrap program fee from their account held at the custodian. Fees will be noted on statements that the client receives from the custodian. The withdrawal of wrap program fees will be accomplished by the selected custodian, not by our firm, and the custodian will remit fees to each respective party for their services involving the account. Please note that we encourage our clients to verify the accuracy of fee calculations; the custodian may not verify the accuracy of advisory fee assessments for a client or on a consistent basis.

#### Termination of Services

Either party may terminate the engagement agreement at any time, which will typically be in writing. If a client verbally notifies our firm of the termination and, if in two business days following this notification we have not received a client notice in writing, we will make a written notice of the termination in our records and send our own termination notice as a substitute.

Our firm will not be responsible for investment allocation, advice or transactional services (except for limited closing transactions) upon receipt of a termination notice. It will also be necessary that we inform the custodian of record that the relationship between our firm and the client has been terminated.

If our digital wealth program brochure was not delivered to the client at least 48 hours prior to entering into our program agreement, then the client has the right to terminate the engagement without fee or penalty within five business days after entering into the agreement. If a client chooses to terminate the engagement after this date, they will be assessed fees based on the number of days the account had been under our management. We will promptly return any unearned amount upon receipt of termination notice.

#### Services Purchased Separately

The total costs associated with a wrap fee program account may be more or less than separately purchasing brokerage and advisory services. The factors that bear upon the relative costs of any wrap fee program include the number of and timing of transactions, referral fees (if any), portfolio management and custody fees; regulatory, compliance and administrative charges; research costs, promotional materials, among others. These and other factors may affect the cost of obtaining these services separately from another provider.

#### Additional Client Fees

The total costs associated with the wrap fee investment program account may be more or less than purchasing brokerage and advisory services separately. A client may however incur certain separate charges imposed by our custodian such as: wire transfer and electronic fund fees, retirement plan custodial or account termination fees, in addition to certain taxes on non-retirement brokerage accounts which will be described in the fee schedule that will be provided to the client prior to account inception. The factors that bear upon the relative costs include the number of and timing of transactions, portfolio management, custody fees, regulatory compliance and administrative charges, research costs, and promotional materials. These and other factors may affect the cost of obtaining these services separately.

#### Compensation Matters

Most associates of BCU Wealth Advisors, LLC do not receive a portion of the fee our firm earns when recommending a digital wealth wrap account. Therefore, the associates have limited incentive to

recommend this program compared to our other programs and services. Clients should compare costs between this program and others offered through the firm or other providers.

#### Account Custody

Client funds and securities will be maintained by TD Ameritrade Institutional. Assets are not held by our firm or any of our associates. In keeping with this policy, we:

- Are prohibited from having authority to withdraw securities from a client account, and advisory fees will only be withdrawn from a client investment account through a qualified, unaffiliated custodian maintaining account assets, per the client's prior written authorization;
- Restrict our firm and associates from serving as trustee or having general power of attorney over a client account;
- Do not accept or forward client securities (i.e., stock certificates) erroneously delivered to our firm;
- Will not collect advance fees of \$1,200 or more for advisory services that are to be performed six months or more into the future; and
- Will not authorize any associate to have knowledge of a client's account access information (i.e., online 401(k), brokerage or bank accounts) when such access might result in physical control over client assets.

BCU Wealth Advisors, LLC is a wholly owned subsidiary of Baxter Credit Union. Advisory firm management and associated personnel remain operationally independent of credit union operations. Our advisory firm does not own or control another financial services entity. In addition, internal control assessments are periodically made to ensure such separation is consistently maintained.

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

##### ***Minimum Account Requirements***

We typically require a minimum of \$5,000 of investible assets through BCU Wealth Advisors, LLC to become eligible for our digital wealth management program. If the account balance falls below the minimum required per account, we reserve the right to discontinue the advisory relationship.

##### ***Account Opening Process***

Participation in the program is initiated by submitting the following completed documents to the firm, typically through an investment advisor representative of our firm:

- Online investment questionnaire
- BCU Wealth Advisors, LLC client services agreement
- Custodian account application and supporting documents as may be necessary

Based on these completed documents, an initial determination as to client suitability for the wrap fee program is made. The firm also makes an assessment of whether to establish an account for a particular client that includes ensuring the appropriate documentation, risk tolerance and asset allocation are made. It remains each client's continued responsibility to promptly update their information with our firm when there is a material change to their situation and/or investment objective for the purpose of evaluating or revising previous account restrictions or portfolio recommendations.

In order for our firm to allocate the investment model to the portfolio, the client is required to first fund the account. Instructions for funding will be provided interactively on our website during the account opening process. Once the minimum investment level has been reached, the available cash will be allocated.

We may keep a portion of the account in cash reserves to be used primarily to collect advisory fees.



Generally, this amount will be from one to three percent of the entire account value.

BCU Wealth Advisors, LLC will have discretionary authority over original securities deposited into the account that are not part of the model portfolio. Therefore, the client should consider either liquidating or transferring those securities out of the account. There may be additional fees charged by the custodian to liquidate or transfer those securities. If the client decides to liquidate the securities, the cash from that sale will be invested in the model assuming the investment minimums are met.

The custodian for the account will be TD Ameritrade Institutional and they shall execute and clear all purchase and sale orders as directed. TD Ameritrade Institutional will maintain program account assets and will provide other custodial functions, including crediting of interest and dividends on accounts, and other customary functions. TD Ameritrade Institutional serves as general administrator for program accounts, which includes billing and collecting advisory fees, processing and reporting deposits to and withdrawals from accounts, etc. TD Ameritrade Institutional will forward a confirmation of each purchase and sale directly to the client as well as BCU Wealth Advisors, LLC. Additionally, TD Ameritrade Institutional will forward monthly account statement to clients for each month in which account activity occurs, and at least quarterly regardless of account activity.

#### ***Types of Clients Served by the Firm***

While our current client base tends to be individuals and high net worth individuals, we are available to provide our services to charitable organizations and foundations, businesses of various scale, as well as their pension and profit sharing plans. We generally offer our digital wealth management program to individuals, such as early investors and their families. We reserve the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, or pre-existing relationships. We also reserve the right to decline services to any prospective client for any nondiscriminatory reason.

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

##### **Selection and Review of Portfolio Managers**

The BCU Wealth Advisors, LLC investment committee completes due diligence on each recommended portfolio model. Our investment committee will monitor the performance of the models constructed by SSgA over an extended period of time and on a continuing basis, as well as at least quarterly to discuss any potential concerns or recommended changes. SSgA will make changes periodically, which we implement.

Advice via our digital wealth management program is rendered through a web-based solution. The risk tolerance formula used is not a “black box” risk algorithm, but rather reflect the questions the client provides and their weightings. The questionnaire emphasizes certain questions, such as age, time horizon, etc., that are weighted by their importance. The investment allocation is designed to align with our firm's methodology, and therefore weighted/scored to mirror our model portfolios represented in Item 4.

Performance reports are available for the client when they access our firm's service platform, and clients have unlimited access to the system as long as their account remains open. This access also provides our clients with the ability to generate various reports to gauge their account progress. Online performance reports are calculated using a time-weighted methodology, and periodic back-testing is conducted by our supervisory staff and/or qualified third-parties. Time-weighted reporting compounds daily portfolio-level returns from the period the account had been originally funded until the present time. Reports are intended to inform our clients about investment performance on both an absolute basis and as

compared to a known benchmark. We believe these are appropriate methods to evaluate portfolio performance since they are not sensitive to the contributions or withdrawals the client makes to their account. We do not validate performance reports created by systems external to ours, and we cannot attest as to whether they are calculated on a uniform and consistent basis.

Clients will receive electronic account statements prepared by the custodian of record on at least a quarterly basis. BCU Wealth Advisors, LLC does not create an account statement for an advisory client. Clients are urged to carefully review and compare account statements that they have received directly from their custodian of record with any report they may receive from our firm or any other source that contains information about portfolio investment performance.

#### Selection of Third Party as Portfolio Manager

We have outsourced the portfolio manager duties to a third party manager; however, BCU Wealth Advisors, LLC Investment Committee is responsible to review the portfolio manager's performance on an ongoing basis. We will utilize the same due diligence and selection or termination criteria for this portfolio manager as other third party managers utilized for other investment portfolios.

#### Advisory Services Offered within Wrap Fee Program

Please refer to Item 4 for details involving the types of advisory services we provide within our digital wealth management program, as well as other service offerings we provide. Our investment strategy and the types of investments employed are noted within Item 4 and following paragraphs/sections. Please refer to Item 4 involving restrictions the client may request for their portfolio.

#### Performance-Based Fees and Side-By-Side Management

Our firm's fees will not be based upon a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as performance-based fees. Side-by-side management refers to a firm simultaneously managing accounts that do pay performance based fees (such as a hedge fund) and those that do not; this type of arrangement, and the conflict of interest it may pose, is also not applicable to our firm's practices.

#### Voting Client Securities

The client may periodically receive proxies or other similar solicitations sent directly from their account custodian or transfer agent. If we receive a duplicate copy, note that we do not forward these or any correspondence relating to the voting of clients' securities, class action litigation, or other corporate actions.

Our firm does not vote proxies on a client's behalf, including accounts that we have discretionary authority. We do not offer guidance on how to vote proxies, nor will we offer guidance involving any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets. Our advisory staff will answer limited questions with respect to what a proxy voting request or other corporate matter may be and how to reach the issuer or their legal representative.

The client will maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities that they beneficially own shall be voted, as well as making all other elections

relative to mergers, acquisitions, tender offers or other legal matters or events pertaining to their holdings. Clients should consider contacting the issuer or their legal counsel involving specific questions they may have with respect to a particular proxy solicitation or corporate action.

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

##### ***Method of Analysis***

We take into consideration a client's current financial situation, needs, goals, objectives and tolerance for risk. Asset allocation and investment decisions are made in the firm's judgment to meet account investment objectives while attempting to minimize exposure to risk. Our firm generally employs a fundamental analysis; evaluating economic factors including interest rates, the current state of the economy, or the future growth of an industry sector. In addition to our own research, we may draw from other sources investment strategists whom we believe best serve our clients and their accounts.

##### ***Fundamental Analysis***

The challenge involving fundamental analysis is that information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings, which may be the basis for a security's value.

##### ***Research Data***

When research and analyses are based on commercially available software, rating services, general market and financial information, or due diligence reviews, a firm is relying on the accuracy and validity of the information or capabilities provided by selected vendors, rating services, market data, and the issuers themselves. While our firm makes every effort to determine the accuracy of the information received, we cannot predict the outcome of events or actions taken or not taken, or the validity of all information researched or provided which may or may not affect the advice on or investment management of an account.

##### ***Investment Strategies***

Please refer to Item 4 for information involving our recommended portfolio models and their holdings.

##### ***Active Portfolio Strategies***

A portfolio that employs active management strategies may outperform or underperform various benchmarks or other strategies. In an effort to meet or surpass these benchmarks, active portfolio management may require more frequent trading or "turnover." This may result in shorter holding periods, higher transactional costs and/or taxable events generally borne by the client, thereby potentially reducing or negating certain benefits of active asset management.

##### ***Passive Investing***

A portfolio that employs a passive, efficient markets approach has the potential risk at times to generate lower-than-expected returns for the broader allocation than might be the case for a more narrowly focused asset class, and the return on each type of asset may be a deviation from the average return for the asset class.

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

Our firm believes its strategies and investment recommendations are designed to produce the appropriate potential return for the given level of risk; however, there is no guarantee that a planning goal or investment objective will be achieved. Past performance is not necessarily indicative of future results. Investing in securities involves risk of loss that clients should be prepared to bear. While the following list is not exhaustive, we provide some examples of such risk in the following paragraphs, and

we believe it is important that our clients review and consider each prior to investing.

#### *Company Risk*

When investing in securities, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry.

#### *Equity (Stock) Risk*

Common stocks are susceptible to general stock market fluctuations and to volatile increases or decreases in value as market confidence in and perceptions of their issuers change. If an investor held common stock or common stock equivalents of any given issuer, they may be exposed to greater risk than if they held preferred stocks and debt obligations of the issuer.

Preferred stocks can be affected by interest rate and liquidity risks (described in adjacent paragraphs). Also note that their dividend payment is not guaranteed; some are subject to a call provision, meaning the issuer can redeem its preferred shares on demand, and usually when interest rates have fallen.

#### *ETF Risks*

The risk of owning ETFs reflect their underlying securities (e.g., stocks, bonds, etc.). We do not typically recommend leveraged or inverse ETFs due to their inherent heightened risk. Certain ETFs and indexed funds have the potential to be affected by “active risk” or “tracking error risk,” a deviation from a stated index (e.g., S&P 500). While many ETFs are known for their potential tax-efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these investment vehicles or holding periods within that may not realize these benefits. Shorter holding periods, as well as commodities and currencies (that may be a holding within an ETF), may be considered “non-qualified” under certain tax code provisions.

#### *Financial Risk*

Excessive borrowing to finance a business operation increases profitability risk 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.

#### *Fixed Income Risks*

Various forms of fixed income instruments, such as bonds, money market or bond funds may be affected by various forms of risk, including:

- *Call Risk* – Certain bonds provide an issuer with early redemption rights which, if exercised, would result in redemption prior to the bond’s maturity and a loss of future payments. It is common that an early call by the issuer occurs when it is to their advantage, and to the disadvantage of the investor.
- *Credit Risk* - The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.

- *Interest Rate Risk* - The risk that the value of the fixed income holding will decrease because of an increase in interest rates.
- *Reinvestment Risk* - With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

#### *Inflation*

Also called purchasing power risk; the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

#### *Liquidity Risk*

The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. For example, while certain types of fixed income instruments are generally liquid (e.g., bonds), there are risks which may occur such as when an issue trading in any given period does not readily support "buys and sells" at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.

#### *Market Risk*

This is also called systematic risk. In cases where markets are under extreme duress, many securities lose their ability to provide diversification benefits. This is called systemic risk.

#### *Political Risk*

The risk of financial and market loss because of political decisions or disruptions in a particular country or region and may also be known as "geopolitical risk."

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

Our digital wealth engagements are Internet-based. We gather information from the client about their financial situation, investment objectives, and any reasonable restrictions they may want to impose on the management of the account. This data is then used to determine the appropriate model allocation for the client.

Our model portfolios are strictly managed on a discretionary basis (authority). Via limited power of attorney, discretionary authority allows our firm to implement previously determined investment strategies and subsequent trading decisions, such as the purchase or sale of a security, without requiring the client's prior authorization for each transaction in order to meet stated investment objective(s). This authority will be granted by the client through the execution of our firm's client engagement agreement, as well as the custodian of record's limited power of attorney form or clause that may be part of their account opening documents. The custodian of record will be directed to specifically limit our advisory firm's authority within the client account to the placement of trade orders and our request for the deduction of our advisory fee. Our clients retain the right to terminate our account authority; however, we will require they close the account with our advisory firm.

BCU Wealth Advisors, LLC will have discretionary authority over original securities deposited into the account that are not part of the model portfolio. Therefore, the client should consider either liquidating or transferring those securities out of the account. There may be additional fees charged by the custodian to liquidate or transfer those securities. If the client decides to liquidate the securities, the cash from that sale will be invested in the model assuming the investment minimums are met.

Pursuant to Investment Company Rule 3a-4, reasonable restrictions may be requested by clients. However, since each of the investment strategies utilizes ETFs, we have no control over the specific

securities bought and sold within those ETFs; therefore, certain industry or company specific restrictions may not be available.

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

Portfolios are created by our firm's investment committee, there is no direct interaction with the ETF investment manager.

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

##### **Disciplinary Information**

Neither BCU Wealth Advisors, LLC nor its executive management have been subject to a reportable criminal, civil, industry disciplinary event or administrative enforcement action that would negatively reflect upon our firm's advisory business or the integrity of our firm.

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

Our policies require our firm and its associates to conduct business activities in a manner that avoids actual or potential conflicts of interest between the firm, its employees and our clients, or that may be contrary to law. We will provide disclosure to each client prior to and throughout the term of an engagement regarding any conflicts of interest which might reasonably compromise our impartiality or independence.

BCU Wealth Advisors, LLC is not registered, nor does it have an application pending to register, as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) member firm.

BCU Wealth Advisors, LLC is a wholly owned subsidiary of Baxter Credit Union, a state-chartered credit union. Baxter Credit Union also offers non-deposit brokerage and certain insurance products and services through CUSO Financial Services, LP ("CFS"), a registered broker-dealer (Member FINRA/SIPC). CFS is not legally affiliated with BCU Wealth Advisors, LLC. Certain of our firm's associated advisory representatives are registered with CFS and this is described in detail within each associated person's brochure supplement.

Associates may also serve in the capacity of licensed insurance agents offering annuities, life, health or long-term care insurance through various unaffiliated insurance companies or agencies. An associate may therefore serve a client in one or more capacities, whether as an investment advisor representative offering investment advisory services, registered representative offering brokerage services, or as a licensed insurance agent. Our associates are required to disclose, in advance of the transaction or service, the capacity in which they are serving a client, to include the potential or actual conflict of interest the role or service to be provided may incur. At no time will there be *tying* between business practices and/or services; a condition where a client or prospective client would be required to accept one product or service which is conditional upon the selection of a second distinctive tied product or service.

Neither BCU Wealth Advisors, LLC, nor a member of our firm's management, is or has a material relationship with any of the following types of entities:

- accountant or accounting firm
- lawyer or law firm
- pension consultant
- real estate broker, dealer or advisor
- sponsor or syndicator of limited partnerships

- trust company investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund).

Upon client request, we may provide a referral to various professionals, such as an accountant or an attorney. While these referrals are based on our best information, we do not guarantee the quality or adequacy of the work provided by these referred professionals. We do not have an agreement with or receive fees from such professionals for these informal referrals, and any fees charged by these other entities for their services are separate from our advisory fee.

#### Recommendation or Selection of Other Investment Advisors and Conflicts of Interest

In addition to our own analysts, we engage a select group of unaffiliated institutional investment managers for our other wrap fee investment program to serve as portfolio managers. These entities are required to be registered as investment advisors, and they share in a portion of the overall wrap program advisory fee assessed to an account via the custodian of record for their services. Beyond their reputation and investment knowledge, there are no other incentives they offer our firm that require disclosure.

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

BCU Wealth Advisors, LLC believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate or minimize material conflicts of interest and to appropriately manage any material conflicts of interest that may remain. Clients should be aware that no set of rules can possibly anticipate or relieve all material conflicts of interest. Our firm will disclose to advisory clients any material conflict of interest relating to the firm, its representatives, or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

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

We have adopted a Code of Ethics that establishes policies for ethical conduct for all our personnel. Our firm accepts the obligation not only to comply with all applicable laws and regulations but also to act in an ethical and professionally responsible manner in all professional services and activities. We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually. Our firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

#### ***Firm Recommendations and Conflicts of Interest***

Neither our firm nor its associates are authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a “related person” (associates, their immediate family members, etc.) has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc.

Our associates are prohibited from borrowing from or lending to a client unless the client is an approved lending institution.

Our firm is able to provide a broad range of services to its client-base, including financial planning, investment consultation, and investment management services; we may be paid a fee for some or all of these services. Due to our firm and its associates’ ability to offer two or more of these services and possibly be compensated for each aspect of the engagement, a conflict of interest may exist. Our clients are under no obligation to act on our recommendations and, if they elect to do so, they are under no

obligation to complete them through our firm or a recommended service provider.

Our firm does not trade for its own account (e.g., proprietary trading). Related persons of the firm may buy or sell securities similar to those recommended to clients for their accounts. The firm may also make recommendations or take action with respect to investments for its clients that may differ in nature or timing from recommendations made to or actions taken for other clients or its employees. At no time will the firm or any related party receive preferential treatment over its clients. In an effort to reduce or eliminate certain conflicts of interest involving personal trading (i.e., trading ahead of client's order, etc.) any exceptions or trading pre-clearance must be approved by the Chief Compliance Officer in advance of the transaction in any related person's account.

#### Review of Accounts

##### ***Schedule for Periodic Review of Client Accounts***

Our firm's digital wealth advice services are rendered through online delivery and designed to be operated by the user (client) themselves. Clients have unlimited access and frequency to employ systems' functionality and are able to review their account, portfolio allocation, etc., and update it as necessary.

##### ***Review of Client Accounts on Non-Periodic Basis***

Non-periodic reviews may occur by our investment committee and/or our programmed systems when they are triggered by material market, economic or political events, or by changes in client's financial situations (e.g., changes in employment, relocation, an inheritance, etc.). Clients should consider revisiting previously entered data to update their information if a material event has occurred so that our firm, via its systems, is able to review and potentially adjust the client's portfolio.

#### Client Referrals and Other Compensation

##### ***Economic Benefit from External Sources and Conflicts of Interest***

We receive economic benefit from TD Ameritrade Institutional in the form of various products and services they make available to the firm and other independent investment advisors that may not be made available to a "retail investor." There is no direct link between our firm's participation in their program and the investment advice we may provide to our clients. These benefits may include the following products and services (provided either without cost or at a discount):

- receipt of duplicate client statements and confirmations
- research related products and tools
- access to trading desks serving our clients
- access to block trading services
- the ability to have advisory fees deducted directly from a client's accounts (per written agreement)
- resource information related to capital markets and various investments
- access to an electronic communications networks for client order entry and account information
- access to mutual funds with no transaction fees and/or select investment managers
- discounts on marketing, research, technology, and practice management products or services provided to our firm by third-party providers

Some of the noted products and services made available by TD Ameritrade Institutional may benefit our advisory firm but may not directly benefit a client account, and certain research and other previously referenced services may qualify as "brokerage or research services" under Section 28(e) of the Securities



Exchange Act of 1934. The availability of these services from TD Ameritrade Institutional benefits our firm because it does not have to produce or purchase them as long as firm clients maintain assets in accounts at TD Ameritrade Institutional. There is a conflict of interest since our firm has an incentive to select or recommend TD Ameritrade Institutional as its custodian based on our firm's interest in receiving these benefits rather than our clients' interest in receiving favorable trade execution. BCU Wealth Advisors, LLC endeavors at all times to put the interests of its clients first. It is important to mention that the benefit received by our firm through participation in the custodian's independent advisor program does not depend on the amount of brokerage transactions directed to TD Ameritrade Institutional, and the selection of TD Ameritrade Institutional as custodian of record is in the best interests of our clients since the selection is primarily supported by the scope, quality, and cost of services provided as a whole -- not just those services that benefit only our advisory firm.

#### Advisory Firm Payments for Client Referrals

We have entered into a solicitation relationship with other entities or persons, as is allowed by the Investment Advisers Act and jurisdictional statute, for the purpose of referring potential clients to engage our firm for its investment strategies or advisory services. Our firm pays these solicitors for such referrals a fixed fee or a percentage of our advisory fee not to exceed 30% of the asset-based fee that will be described within the solicitor disclosure. Clients that are referred to our firm under this arrangement do not pay more for their services than any other.

As a subsidiary of Baxter Credit Union, our firm receives and offers referrals among our affiliates. We provide this as a service to all our firm clients and members of our organizational parent. A credit union employee is directly or indirectly compensated by a nominal fee for these introductions; however, at no time will this compensation be derived from the advisory services clients receive from our firm unless the associate is appropriately registered or is exempt from registration.

Investment advisor representatives of our firm may hold individual membership or serve on boards or committees of professional industry associations. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements. A benefit these entities may provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for individual participants within a selected state or region.

These passive websites may provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public may also choose to telephone association staff to inquire about an individual within their area and would receive the same or similar information. A portion of these participant's membership fees may be used so that their name will be listed in some or all of these entities' websites (or other listings). Prospective clients locating our firm or one of our associates via these methods are not actively marketed by the noted associations. Clients who find us in this way do not pay more for their services than clients referred to us in another fashion, such as by another client. We do not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

#### Financial Information

BCU Wealth Advisors, LLC does not have the authority to withdraw client securities from investment accounts. Our advisory fees must be withdrawn through the engagement of a qualified intermediary (e.g., custodian), and following the client's written approval. Engagements with our firm do not require

that we collect fees from a client of \$1,200 or more for our advisory services that we have agreed to perform six months or more into the future. Neither our advisory firm nor its management serve as general partner for a partnership or trustee for a trust in which the firm's advisory clients are either partners of the partnership or beneficiaries of the trust.

The firm and its management do not have a financial condition likely to impair our ability to meet our commitment to our clients, nor has the firm and its management been the subject of a bankruptcy petition at any time during the past 10 years.

Due to the nature of our firm's services and operational practices, an audited balance sheet is not required nor included in this brochure.

***Business Continuity Plan***

Our firm maintains a business continuity plan that is integrated with the entirety of our organization to ensure we appropriately respond to events that pose a significant disruption to its operations. A statement concerning our current plan is available under separate cover upon request.

**Our investment advisory services and investment vehicles offered  
Are Not NCUA/NCUSIF Insured | Are Not Credit Union Guaranteed | May Lose Value Including Principal**