

## **Firm Brochure**

(Part 2A of Form ADV)

July 23, 2021

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This brochure provides information about the qualifications and business practices of Lenox Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at: (212) 602-4500. 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 Lenox Wealth Advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). References to our firm as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

Since the last annual update filed on March 31, 2020, this brochure has no material changes other than updating our assets under management. Whenever you would like to receive a complete copy of our brochure, please contact us by telephone at (212) 602-4500.

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## Item 4 - Advisory Business

Lenox Wealth Advisors, LLC (“LWA”) offers investment and financial planning advice to individuals, families, trusts, not-for-profit organizations, and corporate/entity clients. Our mission is to help our clients create a financially secure and fulfilling future. LWA acts as a fiduciary for its clients, offering objective and unbiased wealth management services to clients.

LWA was formed as a corporation formed in the State of New York on March 10, 2011 and converted to a New York limited liability company around December 2017. Our company is a subsidiary of NFP Corp. (“NFP”).

Richard Van Benschoten is the Chief Executive Officer of LWA. Gregory Reynolds is LWA’s Chief Operating Officer and Chief Compliance Officer and has over 18 years of investment experience. David Carter is LWA’s Chief Investment Officer, having over 22 years of investment experience.

We provide investment advice to clients primarily through wealth management services and financial planning and consulting services, described below. We also provide retirement services and referral recommendations (as described further under Item 14).

### 1. Wealth Management Services:

- a. Custom Services. LWA will develop a personalized asset allocation program and custom-tailored portfolio designed to meet a client’s investment objectives. The recommended portfolio will generally include investments such as mutual fund shares, exchange-traded funds, stocks, bonds, direct participation programs or a combination of these products. These wealth management services are typically provided on a discretionary basis, which allows LWA to determine the timing and amount of securities purchased or sold in a client account. Under these services, a client may impose reasonable restrictions relative to investing in certain securities or types of securities, which will be set forth in their applicable investment policy statement or other written documentation. Fees for custom wealth management services are typically charged based upon an annual percentage of assets under management, as described further below under “Fees and Compensation.”
- b. Prosperity Portfolio Program Services: LWA offers discretionary wealth management services to clients through its Prosperity Portfolio Program. Under this program, clients can choose among a variety of Prosperity Portfolios, each of which offers an allocation of equities, fixed income, and alternative investments constructed to meet a specific risk tolerance. Under this program, a client’s ability to place limitations and restrictions on investing in certain securities or types of securities may be limited. An investment with Prosperity Portfolio requires a smaller minimum than that which LWA generally requires for its custom wealth management services. Fees are charged based upon an annual percentage of assets under management, as described below under “Fees and Compensation.”

LWA can also provide wealth management services on a non-discretionary basis. Clients that determine to engage LWA on a non-discretionary investment advisory basis must be willing to accept that LWA cannot affect any account transactions without obtaining prior

verbal or written consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, LWA will be unable to affect any account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

## 2. Financial Planning and Consulting Services:

We provide financial planning and/or consulting on a stand-alone basis or in conjunction with the wealth management services above. These services include advice on investment and non-investment related matters, such as estate planning and insurance planning. If you engage us for these services, you will enter into an agreement setting forth the terms and conditions of our arrangement and you will receive a written report and/or detailed financial plan. LWA has entered into a sub-adviser agreement with Lenox Advisors to provide financial planning and consulting services to clients. We consider some or all of the following things when creating your financial plan:

- *Personal:* Your family records, budget, personal liability and information on your estate and financial goals.
- *Tax & Cash Flow:* Your income tax, spending and planning for past, current and future years. We illustrate the impact of various investments on your current income tax and future tax liability.
- *Death & Disability:* Your cash needs at death, the income needs of surviving dependents as well as estate planning and disability income analysis.
- *Retirement:* An analysis of current strategies and investment plans to help you achieve your retirement goals.
- *Investments:* Investment alternatives and their effect on your portfolio.

We use software developed by a third-party (such as eMoney Advisor, Inc.), to help provide our financial planning and consulting services. Such software provides access to features along with state of the art technology which we believe will provide benefits to you, such as:

- Access to planning tools;
- An on-line or printed fact finder (which is integral to the planning process);
- Account aggregation (to show you a consolidated picture all your holdings and accounts);
- An online vault to scan and store your important documents in a secure environment;
- Interactive tools;
- Online reports;
- Analysis tools; and
- Estate planning tools.

We can also provide the administrative service of entering all your financial data into the applicable software system. We perform this administrative service, at no additional fee paid, for the first 12 months after you sign an agreement for financial planning and consulting services. Thereafter, we may charge an additional fee for this administrative service. You are able to

access this information at any time after we enter it into the system. The financial data we can enter into the system includes:

- Copies of security transactions for stocks, bonds and mutual funds;
- Your account statements from broker-dealers, mutual fund complexes and insurance companies; and
- Scanned documents such as insurance contracts, trusts, wills, estates, etc.

We may request that Clients allow us to prepare, on an annual basis, an update to your financial plan. Clients are responsible for promptly notifying us if there is ever any change in your financial situation or investment objectives since it may cause us to review, evaluate, or revise our previous recommendations and/or services.

Our financial planning and consulting services may include advice regarding private investment funds. You should be aware that private investment funds generally involve various additional risk factors, such as the potential to lose some or all of your investment, the inability to quickly convert the investment to cash and the lack of transparency regarding the funds and their underlying investment. Private investment funds also do not provide daily liquidity or pricing like other investments. Please review a fund's offering document for a complete discussion of the related risks. In the event we reference private investment funds you own on any supplemental account reports we prepare for you, the values for those private investment funds shall reflect either the initial purchase and/ or the most recent valuation provided by the funds sponsor. The current value of your private investment fund could be significantly more or less than your initial purchase price and/or a value as of a previous date. We also may provide advice regarding restricted stock options or other equity based compensation you may have received as an employee, officer or director of a public traded company. Our advice on these investments may include different financial options you can use to convert the options into shares, among others.

You are under no obligation to accept any of the recommendations from LWA's financial planning or consulting services, and you retain discretion and responsibility for implementing the recommendations. LWA does not provide execution services with respect to any recommended products from the financial planning and consulting services described above. However, a client can engage representatives of any registered broker-dealer to execute any such recommendations.

### 3. Retirement Services

We also provide services to clients' retirement accounts, such as individual retirement accounts ("IRAs") and retirement plans ("Plans"). Our services to IRA clients include those described above under Wealth Management Services.

Our services to Plan clients includes Referral Services noted above and include other general services, such as vendor searches and benchmarking, plan design analysis, investment policy review and financial consulting.

LWA acknowledges that in providing investment advice to IRA and Plan clients we act in a fiduciary capacity to the extent applicable under the Employee Retirement Income Security Act of 1974 (ERISA).

Additional Disclosure on IRAs. A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in the former employer's plan, if permitted, ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, iii) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). We may recommend an investor roll over plan assets to an IRA which we would manage. As a result, we generally earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave plan assets with his or her old employer, or roll the assets to a plan sponsored by a new employer will generally result in no compensation to us (unless we are engaged to monitor and/or consult on the account while maintained at the existing plan). Therefore, we have an economic incentive to encourage an investor to roll plan assets into an IRA that we will manage, or encourage an investor to engage us to monitor and/or consult on the account maintained at the existing plan. There are various factors that we consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus ours, iv) strategies for the protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. The following exception to the early withdrawal penalty applies only to distributions from a qualified retirement plan other than an IRA: Distributions made to you after you separate from service with your employer if the separation occurred in or after the year you reached age 55. No client is under any obligation to rollover plan assets to an IRA managed by us and/or consult on an account maintained in an existing plan. Please note that a recommendation to roll assets out of an employer-sponsored plan into an IRA will most likely result in more expenses and charges than if the assets were to remain in the plan. Please speak to your wealth advisor to address any questions you may have regarding your engagement and the corresponding conflict of interest presented by such engagement.

#### Other/Miscellaneous

LWA only provides investment advisory and financial planning services as described in this brochure. LWA does not provide legal or tax advice and LWA does not act as a law, accounting or tax firm.

Although LWA is affiliated with Lenox Advisors, a licensed insurance agency, LWA is currently not an insurance agency and currently does not sell fixed or general account life insurance products or annuities, but it may become an insurance agency in the future to engage in such activities. At such time, some of our wealth advisors may be able to recommend clients purchase fixed or general account insurance products or annuities on a commission basis.

Prior to engaging LWA, the client will be required to enter into one or more written agreements setting forth the terms, conditions, and objectives under which we shall render our services (the "Agreement"). Investment policy statements are created to reflect the strategy to be employed for each client as well as the client's risk tolerance and investment objectives. The fees LWA

charges for services are set forth in the Agreement. Both the client and LWA can each terminate the Agreement by providing at least 30 days written notice to the other.

As of December 31, 2020, LWA had assets under management of \$1,770,173,942 all of which is managed, on a discretionary basis. LWA does not currently manage any assets on a non-discretionary basis but may in the future.

## **Item 5 - Fees and Compensation**

LWA's fee for investment management services shall be an asset based fee calculated as a percentage of the market value of the assets managed and payable in quarterly installments at the beginning of each calendar quarter. The asset base for the initial quarter shall be calculated on a pro rata basis commencing on the day the assets are initially allocated to LWA for wealth management services. After the initial quarter, the fee, which is compounded using an average daily balance, may be adjusted in the next billing cycle to account for deposits and withdrawals. In limited circumstances, LWA may bill client accounts in arrears or on a flat fee basis also paid on a quarterly frequency.

### **Wealth Management Services**

For custom services, the fee schedule is typically as follows:

- 1.25% on the first \$500,000
- 1.00% on the next \$501,000 - \$1,000,000
- 0.90% on the next \$1,000,001 - \$3,000,000
- 0.80% on the next \$3,000,001 - \$5,000,000
- 0.70% on the next \$5,000,001 - \$10,000,000
- 0.60% on assets in excess of \$10,000,000

The minimum account size is \$1,000,000 although this requirement may be waived from time to time in LWA's discretion. While it is not LWA's general policy, LWA may negotiate fees on a client account different than those shown above, or on a "flat fee" basis, based upon certain criteria such as, but not limited to, the size or complexity of a relationship, portfolio composition, type of assets, anticipated future additional assets, dollar amounts of assets to be managed or related accounts. Therefore, client relationships exist where the fees are higher or lower than the fees described in the schedule above.

### **Prosperity Program Services**

For these services, the fee schedule is as follows:

- 1.25% on assets up to \$1,000,000

The minimum account size is \$100,000 although this requirement can be waived from time to time at LWA's discretion. This fee also can be different from above based on the referral/solicitor arrangement discussed later in this brochure. Prosperity Program accounts larger than \$1,000,000 will have pricing applied as set forth in the custom wealth management services above.



### Financial Planning and Consulting Services

We generally charge fees for our financial planning and consulting services on a fixed-fee basis, depending on the nature and complexity of your circumstances. In assessing an appropriate fee level for each client, Lenox considers each client's net worth, current estate planning status, income, marital and family status, citizenship, types of current investments and insurance, other professional service providers, and business and personal activities. We typically require a minimum net worth of \$1,000,000 for our financial planning consulting services. Each client's agreement will include the specific fee agreed upon for that client. Fees for financial planning and consulting services are negotiable and can be included within the fees charged for our other services. We will provide you a quote at the beginning of our arrangement and memorialize the terms of our arrangement in an Agreement you sign with us. Fees are negotiable and your fees can change based upon the complexity of your financial situation and anticipated needs, among other factors. We anticipate that the fee for an annual update will not exceed your fees for the initial plan although this may not always be the case.

### Payment Terms and Additional Costs

A client can terminate their Agreement by providing LWA at least 30 days' advance written notice to establish a termination date. The portfolio value at the end of the prior quarter would be the basis for the final fee computation, adjusted for the number of days during the billing quarter prior to termination. Any unearned fees paid in advance will be promptly refunded.

Investment management fees are billed quarterly, in advance. Therefore fees become due at the beginning of each three-month billing period. Clients will authorize LWA to debit fees directly from a designated client account. Only in the limited circumstance where the wealth management fee cannot be paid directly from a client's account, such will be invoiced. In such cases, invoices are due and payable in full upon receipt.

Clients will enter into separate custodial/clearing agreements with the applicable custodian for their account. Custodians can charge separate custody fees and transaction fees on purchases or sales of securities, mutual funds and exchange-traded funds recommended by LWA. Such fees are charged by the custodian, paid at the time of the transaction and represent an additional expense to clients. Occasionally, for best execution purposes or other business reasons, LWA may choose a broker different from the client's custodian, and that broker may charge commission to execute the trade, which will be borne by the client. LWA is committed to achieving best execution and to minimizing trading and related costs. Please refer to the "Brokerage Practices" section of this brochure for more information on LWA's selection and review of brokers.

Clients can bear additional costs and expenses in addition to the LWA wealth management fees described above. For example, if a client's portfolio is managed by a third party advisor, that advisor may charge a separate management fee for their services. Some investments in a client account such as mutual funds, separate accounts, limited partnerships, and other vehicles are subject to management fees charged by the managers/sponsors of such investments. With respect to mutual funds, such fees are generally referred to as expense ratios. For example, an expense ratio of 0.50 means that a mutual fund company charges for its services at a rate of 0.5% on an annual basis. These fees are in addition to the wealth management fees clients pay to LWA.

Other charges can include, but are not limited to, brokerage commissions, transaction fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund, certain deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

LWA can pay a referral fee to solicitors as described under the section titled “Client Referrals and Other Compensation.” This fee is included in the wealth management fee noted above. Clients referred to LWA through solicitors do not pay higher fees. Rather, the referral fee is deducted from LWA’s wealth management fee.

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

LWA does not charge “incentive based” or “performance-based” fees.

## **Item 7 - Types of Clients**

LWA generally offers investment advice to individuals, families, trusts, not-for-profit organizations, and business entities. Client relationships vary in scope, size and length of service.

The minimum account sizes with respect to Custom Services and Prosperity Program Services are described under Item 5 above.

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

LWA utilizes strategic and tactical asset allocation strategies. Our core philosophy is that asset allocation can be the primary driver of long-term returns. We look for investment opportunities that best meet our clients’ needs, wherever they may exist around the globe and/or across asset classes. LWA also embraces an open architecture approach so that it can utilize its due diligence and manager research to choose from a broad selection of investment managers. We perform both quantitative and qualitative research to select managers. This manager universe is primarily comprised of index funds, mutual funds, exchange-traded funds, although where appropriate, this universe can include separate accounts, limited partnerships and individual securities. We combine our diversified allocation approach with an active management of risk and a commitment to a low cost investment model when constructing a client’s portfolio. The wealth management team’s approach combines top-down and bottom-up analysis and also incorporates both quantitative and qualitative inputs to emphasize long-term strategic and short term tactical exposures throughout all parts of the portfolio.

The process begins by monitoring economic and corporate results, globally and domestically, to assess their possible influence on equity and bond markets. This review and analysis of macroeconomic and market trends is the basis of our research approach. We then implement our analysis by employing both active and passive investments matching the proper vehicles to a client’s stated objectives.

LWA manages multiple investment strategies across the risk-reward spectrum, spanning from pure capital preservation to pure growth. LWA determines a client’s investment strategy to help meet their goals based upon the information provided by a client and the client’s advisors, a

review of their risk tolerance, time horizon and cash flow needs. This strategic allocation is then actively managed for risk tactically through broad exposures (beta) as well as exposure to specific underlying holdings (alpha). LWA determines tactical ranges, often through its Investment Committee, and communicates such determinations to each client, per their client's customization wishes.

Where LWA provides wealth management services, LWA may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the independent manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. LWA shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which LWA shall consider in recommending independent manager(s) include the client's investment objective(s) and the management style, performance, reputation, financial strength, reporting, pricing, and research of the various investment managers. The goal of each investment strategy is to generate risk-adjusted returns consistent with each client's investment objective.

Investing in securities involves risk of loss that clients should be prepared to bear. The material investment risks that a client can encounter include the following:

1. Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
2. Market Risk: The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
3. Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
4. Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
5. Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
6. Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

7. Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
8. Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9 - Disciplinary Information**

LWA has never been the subject of any disciplinary actions however one of its employees has with a previous firm.

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

LWA's wealth management services are available on an investment platform sponsored by MML Investor Services, LLC ("MML"), a member of the MassMutual Financial Group and a registered broker-dealer and SEC registered investment adviser. LWA is one of several investment adviser options available on the MML platform. LWA has entered into a solicitation arrangement with MML whereby it compensates MML for referring clients to LWA. Certain registered representatives and/or investment adviser representatives of MML, who are associated with Lenox Advisors ("Relationship Managers"), are authorized to refer clients to LWA and receive a portion of the compensation paid to MML under the solicitation arrangement in their capacity as an MML agent. In addition, Lenox Advisors receives a portion of the compensation paid to MML and attributable to Relationship Managers from MML.

### Lenox Advisors, Inc.

Lenox Advisors, an affiliated New York State registered investment adviser and licensed insurance agency, is also a subsidiary of NFP. LWA and Lenox Advisors maintain separate and distinct office space, however LWA utilizes certain resources and administrative personnel of Lenox Advisors.

A potential conflict of interest exists between LWA and Lenox Advisors as follows:

- Relationship Managers of Lenox Advisors can receive a portion of the referral fee paid by LWA to MML
- Relationship Managers and other employees Lenox Advisors can have an incentive to recommend the investment advisory services of LWA rather than the services of another investment adviser on the MML platform based upon compensation arrangements, such base salaries and bonuses that can be based on the overall profitability of LWA and Lenox Advisors.

LWA has policies and procedures to ensure that it is acting in the best interests of its clients in providing wealth management services and that investment decisions and recommendations are not a product of a conflict of interest. LWA's Chief Compliance Officer, Gregory K. Reynolds, remains available to address any questions that a client or prospective client can have regarding this conflict of interest. LWA anticipates that many of its clients will continue to maintain a separate and continuing relationship with Lenox Advisors and/or MML relative to their investment, financial planning and/or insurance-related needs.

### NFP Corp. (“NFP”)

LWA is owned by NFP which owns other registered investment advisers, broker-dealers, insurance agencies and other product and service providers (“NFP Affiliates”). To the extent LWA recommends that you purchase or sell products and services from or through NFP Affiliates and these NFP Affiliates and our firm receive compensation as a result of such recommendations. A recommendation that you purchase or sell products or services by or through an NFP Affiliate creates a conflict of interest as it could result in increased compensation to an NFP Affiliate and/or LWA.

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

We maintain a written code of ethics, in accordance with the Advisers Act, that is intended to create an ethical culture within our firm. Our code of ethics requires our employees to comply with federal securities laws, safeguard material non-public information about client transactions and to report their personal securities holdings. Our code sets forth standards of business conduct required from our employees when dealing with our clients. Employees are required to treat sensitive information with confidentiality and are forbidden to misuse any such information. We will provide a copy of our code of ethics upon request by contacting LWA’s Chief Compliance Officer, Gregory K. Reynolds, at (212) 602-4500.

Neither LWA nor any related person of LWA recommends, buys, or sells for client accounts, securities in which LWA or any related person of LWA has a material financial interest. LWA and its employees may buy or sell securities that are also held by or recommended to clients. This presents a potential conflict of interest because it may create a situation where LWA or its employees are in a position to benefit from the sale or purchase of these securities. To mitigate this conflict, LWA has a personal securities transaction policy in place to monitor the personal securities transactions and holdings of each LWA employee. The Chief Compliance Officer of LWA reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of LWA receive preferential treatment.

## **Item 12 - Brokerage Practices**

LWA generally requires that wealth management accounts be maintained at Charles Schwab & Co., Inc. (“Schwab”). Simultaneous to formally engaging LWA, a client must also enter into a separate custodial/clearing agreement with Schwab. All securities transactions for client accounts will generally be placed with the custodian; it should be noted that not all investment advisers require their clients to execute transactions through a specified broker-dealer.

### Factors in Selecting a Broker-Dealer/Custodian

LWA considers a variety of factors in selecting Schwab as a custodian. These factors include the financial strength and stability of the organization, market leadership, independence, reputation, core competencies, strengths and weaknesses, quality and breadth of trading program, trade order execution and settlement, aggregate trading management, commission rates, trade error policies, technology, innovation, client servicing abilities, and ability to provide best execution.

LWA considers all of these factors in seeking to obtain the most favorable execution for our clients' trades. LWA evaluates the quality and cost of services received from Schwab on an ongoing basis.

#### Additional Benefits Provided by a Broker Dealer/Custodian

LWA receives support services and/or products from Schwab or another broker dealer or custodian of a client which assist us to better monitor and service all client accounts maintained at such institutions. These services and products may be received without any cost and/or at a discount and are not material considerations when recommending a particular broker-dealer or custodian. Included within the support services may be investment-related research, pricing information and market data, software and other technology that provide LWA access to client account data, compliance resources, practice management-related publications, consulting services, attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by LWA in furtherance of its investment advisory business operations. While some of the support services and/or products will assist LWA in managing and administering client accounts, other services or products may not directly provide such assistance, but rather will aid LWA in efficiently and effectively managing and developing its business enterprise.

Clients of LWA do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by LWA to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

At its discretion, Schwab also provide LWA with other services intended to help LWA manage and further develop its business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, Schwab makes available or arrange and/or pay for these types of services provided by independent third parties, including regulatory compliance.

#### Soft Dollar Benefits

LWA utilizes soft dollar research services, when LWA has determined in good faith that the value of the research product or service in relation to the commissions paid is beneficial and advantages to LWA's clients. Soft dollar research services received by LWA can include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; portfolio management systems, and; statistical and pricing services.

Although the commissions paid by LWA's clients comply with LWA's duty to seek to obtain best execution, a client can pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where LWA determines, in good faith, that the commission is reasonable in relation to the value of the soft dollar research services received. Although the soft dollar research services that may be obtained by LWA will generally be used to service all of LWA's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

### Aggregate Trades

Where appropriate, LWA will aggregate buy and sell orders for client accounts trading in the same security on the same day. By aggregating trades, LWA is trying to improve the marketability and execution quality of the transaction for all clients involved. Once the aggregated trade is fully filled and executed, client accounts participating in the trade will receive the average price of all executed trades in the aggregated order. This ensures no client is more or less advantaged than any other participants in the order. If an aggregated order is partially filled at the close of the trading day, the order is allocated on a pro rata basis according to the original aggregated allocation.

Where LWA provides Wealth Management Services, LWA generally effects client transactions independently. However, LWA can combine client transactions if it decides to purchase or sell the same securities for several clients at approximately the same time. If LWA does not combine transactions when it has the opportunity to do so, clients could pay higher brokerage costs.

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

LWA continuously monitors portfolio holdings. The Chief Investment Officer and/or Chief Compliance Officer review accounts at least quarterly for consistency with the client's Investment Policy Statement. At least annually, LWA obtains updated client information either directly from the client, or in consultation with an affiliated or unaffiliated solicitor who referred the client to LWA.

LWA gathers this information to determine whether there has been a change in the client's account circumstances, financial condition, risk profile, or investment objectives that would warrant a change in their investment strategy. LWA can rebalance and actively change the allocation of discretionary accounts as warranted and as limited by the Investment Policy Statement.

To the extent clients of LWA have relationships with other third parties, including Lenox Advisors, who they receive financial, legal, accounting, tax, insurance, estate or other advice, for the administrative benefit of the client, the client may authorize such third party advisors to work directly with LWA to update and communicate certain information and objectives.

Changes in the client's situation, such as a change in financial condition, risk profile, or investment objectives, as well as the incapacity or death of the client or a close family member of the client trigger immediate review of the client's accounts. In addition, there may be other triggers for reviewing client's accounts such as significant market movements, new investment information, or changes in the regulatory and tax laws.

LWA will provide clients, on a quarterly basis after the first full quarter, with regular account reports either via mail or email. These quarterly reports summarize account activity and show the performance of the accounts, including the starting and ending values for the quarter, as well as a detailed account appraisal as of the last trading day of the quarter. Schwab, the custodian, will also provide clients with monthly account statements and transaction confirmations.

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

If a client is introduced to LWA by a solicitor, LWA can pay that solicitor a referral fee in accordance with the requirements of the Advisers Act and any corresponding state securities law regulations. The applicable rules require, among other things, that a client receive this brochure, LWA execute an agreement with the solicitor, and that a client receive a compensation disclosure statement detailing the amount LWA will pay the solicitor for the client referral. Any such referral fee shall be paid solely from LWA's advisory fee, and will not result in any additional charges to the client.

As described under Item 10, LWA has entered into a solicitation arrangement with MML whereby it compensates MML for referring clients to LWA. The compensation paid to MML is based on a percentage of the wealth management fee paid to LWA by the applicable client.

We have, and may enter into, referral agreements with affiliates and various third-party investment advisers ("Referred Advisers") that provide, manage or sponsor different types of investment advice, money management services and investment advisory programs. Depending on our relationship with the Referred Adviser, we can solicit clients for the Referred Adviser, in which case we will not provide wealth management services and/or have discretionary authority over your assets. These referral arrangements are typically structured in accordance with the cash solicitation rule 206(4)-3 under the Investment Advisers Act of 1940, which requires, among other things, that we disclose the compensation we will receive for referring you to the Referred Adviser. Where we act as a solicitor, you will not enter into an agreement directly with us and will not receive this brochure in connection with that arrangement. In such an arrangement, you establish a direct relationship with the Referred Adviser, and we will receive a solicitation fee from the Referred Adviser based on a percentage of the fee they charge you. While there is a solicitor arrangement in place, your LWA wealth advisor will monitor assets and will provide services such as, but not limited to, helping you choose the adviser to whom you are referred, as well as reviewing your accounts, and assisting you with administrative functions related to your portfolio.

## **Item 15 - Custody**

LWA does not hold or maintain client assets but has constructive custody where it is authorized to directly debit a client's wealth management fee from his/her account. Third-party qualified custodians hold and maintain client assets and those custodians provide account statements directly to clients at their address of record on at least a quarterly basis. LWA urges clients to carefully review these statements promptly and compare such account statements with account statements provided by LWA. LWA statements can vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please note that third party custodians do not verify the accuracy of LWA's advisory fee calculation.

## **Item 16 - Investment Discretion**

LWA accepts discretionary authority to manage securities accounts on behalf of clients. If a client grants LWA discretionary authority, we can determine, without obtaining specific client



consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. For best execution purposes, LWA also accepts the discretion to choose to execute trades away from the custodian which can result in additional commissions charged to the client's account.

The client approves the custodian to be used by signing their new account or new advisor form. LWA does not receive any portion of the transaction fees or commissions paid by the client to the custodian and/or brokers.

Discretionary trading authority allows LWA to promptly and more efficiently implement the client's investment objectives. Clients who engage LWA on a discretionary basis can, at any time, in writing, revoke LWA's discretion. In providing Custom Services, a client may impose restrictions relative to investing in certain securities or types of securities. Where LWA provides services under the Prosperity Program, a client cannot impose restrictions on investing in certain securities or types of securities.

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

LWA does not vote client proxies. Clients will receive proxies or other solicitations directly from the account custodian and will be responsible for: (1) directing and voting the proxies solicited by issuers of owned securities, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to investments in client accounts. Clients may contact LWA's Chief Compliance Officer, Gregory K. Reynolds, at (212) 602-4500 to discuss any questions regarding a particular solicitation.

### **Item 18 - Financial Information**

LWA does not have any financial impairment that would preclude LWA from meeting its contractual commitments to clients. LWA has never been the subject of a bankruptcy petition. LWA does not serve as a custodian for client funds or securities.