

Stone Asset Management, Inc.  
DBA



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(Item 1)

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This brochure provides information about the qualifications and business practices of Stone Wealth Management. If you have any questions about the contents of this brochure, please contact us at (512) 469-9152 or [bmcgehee@stonewealthatx.com](mailto:bmcgehee@stonewealthatx.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Stone Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes (Item 2)**

The last update of this brochure was in June 2020. Since that filing, the following material change occurred:

### Item 1: Cover Page:

Stone Wealth Management has a new address:

4210 Spicewood Springs Road Building E, Austin Texas 78759

## Table of Contents (Item 3)

Advisory Business (Item 4).....	1
Fees and Compensation (Item 5) .....	2
Performance-Based Fees and Side-By-Side Management (Item 6) .....	4
Types of Clients (Item 7) .....	4
Methods of Analysis, Investment Strategies and Risk of Loss (Item 8).....	4
Disciplinary Information (Item 9).....	4
Other Financial Industry Activities and Affiliations (Item 10) .....	4
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (Item 11).....	5
Brokerage Practices (Item 12).....	6
Review of Accounts (Item 13).....	8
Client Referrals and Other Compensation (Item 14).....	8
Custody (Item 15).....	8
Investment Discretion (Item 16) .....	9
Voting Client Securities (Item 17) .....	9
Financial Information (Item 18) .....	9

## **ADVISORY BUSINESS (ITEM 4)**

### **Advisory Firm Description**

Stone Wealth Management (“we” or “us”) has been in business as a registered investment advisor since late 2004. The sole owner is W. Morgan Stone, CFP®, MBA.

### **Types of Advisory Services**

We provide our clients with a flexible array of services that are tailored to meet a wide range of needs. Our goal is to assist clients as they identify and prioritize their financial goals, to set realistic expectations and implement a disciplined and prudent strategy to achieve those goals. Our range of services includes Wealth Management and Financial Landscape Analysis.

In each of these services, we accept no commissions for sales of product. We are paid directly by our clients and work in all ways to put our clients first.

### ***Wealth Management Service***

Stone Wealth Management provides our Wealth Management Service to our clients, which is available either in combination with, or separate from, our Financial Landscape Analysis.

Our Wealth Management Service process includes:

- Conducting a Discovery Meeting to assess the client’s investment objective, time horizon and risk tolerance (which will have been determined if the client used our Financial Landscape Analysis)
- Determining appropriate investment asset allocations
- Purchasing appropriate investments on behalf of the client through a limited power of attorney
- Monitoring and rebalancing investments on an ongoing basis according to each client’s requirements
- Reporting performance on a quarterly, annual and continuing basis
- Changing investments as appropriate to the client’s needs
- Making available financial planning services at a client’s request and at no additional charge: retirement and tax planning, cash flow planning, insurance review, estate planning and/or educational needs analysis.

We require our clients to use qualified custodians that provide at least quarterly reports showing all portfolio holdings valued at period-end and a complete list of all transactions occurring in each account during the period, including the deduction of our fees.

### ***Financial Landscape Analysis***

We provide sensible and unbiased financial planning solutions on a fee-only basis. The Financial Landscape Analysis consists of the following steps:

- Initiate client meeting to determine scope of needs

- Establish a formal agreement between client and us
- Gather additional required financial information, evaluate client's financial position, define and prioritize financial goals
- Present final plan to client which includes:
  - Financial analysis of current position
  - Retirement Needs Analysis
  - Cash Flow Analysis
  - Educational Funding Needs Analysis
  - Investment Planning Recommendations
  - Estate Planning Recommendations
  - Tax Planning Recommendations
  - Income and Asset Protection Recommendations

### **Tailored Advisory Services**

The Agreement that most Wealth Management Service clients enter into with us grants us complete discretion to determine both the securities purchased and sold and the amounts of those purchases and sales. These trades are placed without obtaining prior permission from clients. Clients have the ability to place restrictions on our discretion in writing.

### **Client Assets Under Management**

As of December 31, 2020, we had \$242,087,219 of discretionary assets under management and \$2,928,825 of non-discretionary assets under management for a total of \$245,016,044 in assets under management.

## **FEES AND COMPENSATION (ITEM 5)**

### ***Wealth Management Service***

Clients who choose our Wealth Management Service, whether to implement their Financial Landscape Analysis or separately, pay fees based on an annual percentage of assets under management as valued by our third-party portfolio accounting system provider at the close of market on the last business day of each quarter. The initial Wealth Management fee is charged when the Investment Policy Statement is presented to the client. Fees are charged in advance, are generally deducted directly from a client's account only with the client's written permission as stated in Investment Management Agreement and are charged at the rate of one quarter (1/4) of the amount shown below each quarter. (On occasion, a client does not want fees deducted from the account, so they pay us by check or credit card.) This fee includes financial planning services we make available to investment management clients on an ongoing basis.

<u>Assets under Management</u>	<u>Annual Fee</u>
First \$1,000,000	1.00% plus
\$1,000,001 to \$2,000,000	0.80% plus
\$2,000,001 to \$3,000,000	0.60% plus
Over \$3,000,000	0.50%

We generally require a minimum annual fee of \$5,000 to open a Wealth Management account, which translates to a minimum account size of \$500,000. This minimum is waived in certain circumstances. For example, in order to accommodate an account of an existing client's children who are minors. Because the minimum annual fee could result in fees being over 3% if the account(s) fall(s) below \$134,000, similar services may be found elsewhere for a lower fee.

Our fees are negotiable, and because we have a long history with many of our clients, fee schedules differ. Some schedules have lower minimums, lower rates on the higher tier, and some clients pay the same rate across all assets we manage. Therefore, some clients pay more than others with the same assets under management. However, no clients pay more than the above schedule. We do not differentiate our service offering to Wealth Management clients based on their fee schedule. Under pre-approved circumstances, we will group some accounts we manage for persons under the same household in order to attain a lower overall fee.

These Wealth Management fees are separate from transaction, exchange, wire transfer, margin interest or account fees charged by the custodian(s). To the extent that client assets are invested in money market or mutual funds, our fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus, which is provided by the account custodian. Some custodians charge transaction fees on some mutual funds, so that clients are paying more to purchase or sell these funds than if we went directly to these fund families on behalf of clients.

### ***Financial Landscape Analysis***

We charge \$2500 to complete a client's Financial Landscape Analysis. This fee is paid by check or credit card upon executing a Financial Landscape Analysis Agreement. This fee is credited toward a client's wealth management fee if a client chooses to engage us for our Wealth Management Service within 90 days of delivery of the Financial Landscape Analysis. There is no obligation for the client to engage us to implement the recommendations of the analysis. The analysis is normally delivered to the client within 6 months of execution of the Agreement.

### ***Use of Experts***

On rare occasions, we engage experts to assist with analysis of particular investments. These engagements will be made only with a client's prior permission. We will notify the client in advance if expert fees will be charged to the client.

### **Termination**

Both the Wealth Management and Financial Landscape Analysis Agreements allow for termination by either party immediately upon receipt of written notice. Any prepaid unearned Wealth Management fees will be promptly returned to the client upon receipt of written termination notice, removal of us as an authorized party or by transferring managed accounts elsewhere. If a client terminates a Financial Landscape Analysis Agreement before the analysis has been completed and presented, we will return any

unearned funds based on the percentage of work completed. Each Agreement provides parameters for a client to terminate the Agreement within five business days of its effective date without paying any fees or penalties.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT (ITEM 6)**

We do not receive performance-based fees so this does not apply.

#### **TYPES OF CLIENTS (ITEM 7)**

We provide investment advice to individuals and high net worth individuals.

#### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS (ITEM 8)**

We invest primarily in no-load mutual funds and exchange traded funds on behalf of our clients, and, as required, in individual equities and/or bonds. We use independent investment research that is not influenced by investment banking conflicts of interest. We do not “time the market,” investing on what we expect the market to do in the short term. Instead, we invest for the long term by remaining committed to a disciplined rebalancing schedule. We expect our investment strategy to change for any individual client only when the circumstances and objectives of that individual change, rather than upon any temporary market fluctuations.

We do not guarantee the future performance of the account or any specific level of performance, the performance of any investment decision or strategy that we use, or the performance of our overall management of the account. The client understands that investment decisions we make for the account are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. We will manage only the securities, cash and other investments held in the client’s account. In making investment decisions for the account, we will consider only the investments owned by the client, which the client has disclosed to us.

#### **DISCIPLINARY INFORMATION (ITEM 9)**

We have not incurred any legal or disciplinary events.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (ITEM 10)**

We are not affiliated with a broker-dealer and do not have any other financial industry activities or affiliations beyond its role as investment advisor.

<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING (ITEM 11)</b>
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### **Code of Ethics**

We have adopted a Code of Ethics, which describes the general standards of conduct that we expect of all personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client: misuse of confidential information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination of employment. Any client or prospective client may request a copy of our Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of our business and represent the minimum requirements to which we expect employees to adhere:

- Clients’ interests come before employees’ personal interests and before our interests.
- We must fully disclose all material facts about conflicts of which we are aware between our interests on the one hand and clients’ on the other.
- Employees must operate on our behalf and on their own behalf consistently with our disclosures and to manage the impacts of those conflicts.
- We must not take inappropriate advantage of our positions of trust with or responsibility to clients.
- We must always comply with all applicable securities laws.

### **Misuse of Nonpublic Information**

The Code of Ethics contains a policy against the use of nonpublic information in conducting business. Employees may not convey nonpublic information nor depend upon it in placing personal or client securities trades.

### **Personal Securities Trading**

To avoid conflicts of interest, we have established the following policies in order to ensure our fiduciary responsibilities:

- Trades in IPOs or private placements placed by employees in their accounts, family accounts or others over which they have trading authority, must be pre-cleared.
- No employee shall place trades in any personal, family or other account over which he/she has trading authority based on knowledge of our investments on behalf of clients unless the information is also available to the investing public on reasonable inquiry. No person associated with us shall prefer his or her own interest to that of any advisory client.
- Each employee must submit records of his or her personal securities trades to the Chief Compliance Officer at least quarterly, and securities holdings annually, for review to ensure that the employee is in compliance with our policies.



## **Outside Business Activities**

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed, or the employee will be directed to cease such activity.

## **BROKERAGE PRACTICES (ITEM 12)**

Although we recommend a broker-dealer to serve as custodian for our clients' accounts, each client must sign a separate agreement with the custodian. In recommending a custodian, we consider the range and quality of the products the custodian offers, the technical support provided, execution quality, commission rates, the financial responsibility and responsiveness of the custodian to both us and our clients, ability to obtain best price, and reputation. We currently require TD Ameritrade Institutional as custodian for our client assets because of its discounted commission structure, quality of client service and access to mutual funds with no transaction fees. (Not all investment advisors require clients to use a specific custodian). Since TD Ameritrade Institutional charges a "trade away" fee every time a trade is placed with another broker-dealer, we place all trades through TD Ameritrade. This practice limits our ability to attain best execution for each trade, but we believe TD Ameritrade's discounted commission structure is competitive.

We participate in the Institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services that include custody of securities, trade execution, clearance, and settlement of transactions. We receive some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure below).

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

We periodically use research information provided by broker-dealers and mutual funds with which we conduct business. However, we do not have any formal or informal agreements to compensate broker-dealers or mutual fund companies for the receipt of such research information. We as a matter of practice, do not compensate any parties for third-party research services (known as "soft dollar arrangements") with the use of client commissions; any payment required for such research will be made in cash.

As disclosed above, we participate in TD Ameritrade's institutional customer program and we recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give to our clients, although we receive economic benefits through our participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services, which are provided without cost or at a discount:

- receipt of duplicate client statements and confirmations;
- research related products and tools;

- consulting services;
- access to a trading desk serving adviser participants;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- the ability to have advisory fees deducted directly from client accounts;
- access to an electronic communications network for client order entry and account information;
- access to mutual funds with no transaction fees and to certain institutional money managers; and
- discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors.

TD Ameritrade is a discount broker-dealer independent of and unaffiliated with us and there is no employee or agency relationship between TD Ameritrade and us. TD Ameritrade does not supervise us and has no responsibility for our management of client portfolios or our other advice or services to clients.

TD Ameritrade and various mutual fund providers have provided or paid for business consulting and professional services received by our personnel. Some of the products and services made available by TD Ameritrade (or mutual fund providers) through the Program benefit us but not our client accounts. These products or services assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade or mutual fund providers are intended to help us manage and further develop our business enterprise. The benefits we receive through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of economic benefits in and of itself creates a potential conflict of interest and indirectly influences our choice of TD Ameritrade for custody and brokerage services or our choice to purchase certain mutual funds on behalf of clients.

### **Brokerage for Client Referrals**

We do not receive referrals from a broker-dealer.

### **Directed Brokerage**

We do not permit its clients to direct brokers through which we must trade.

### **Order Aggregation**

We strive to treat all clients in a fair manner. Trades and all rebalancing efforts are completed at the individual account level, so we do not execute block trades, aggregating trades across clients.

### **REVIEW OF ACCOUNTS (ITEM 13)**

Morgan Stone, President, and Kacie Swartz, Senior Wealth Manager, monitor client accounts. Additional reviews are triggered by such events as a change in a client's investment objectives or financial position, change in company or fund management, economic events, major company or fund news, etc.

In addition to statements provided by custodians, we provide reports to clients of our Wealth Management Service showing account holdings priced as of quarter-end with original cost basis and performance. (Performance is reported net of fees when fees are deducted from the client's account.) We provide an informational invoice to clients of our Wealth Management Service each quarter.

### **CLIENT REFERRALS AND OTHER COMPENSATION (ITEM 14)**

We do not pay outside parties for referring clients to us. However, we receive referrals from other professionals to whom we have referred clients. None of these referral relationships are on a quid pro quo basis. We receive no cash benefit, including commissions, from any party in connection with our clients' accounts. Some of our personnel receive additional compensation based upon bringing in new client relationships.

We are members of NAPFA (the National Association of Personal Financial Advisors), which is an organization of fee-only advisors. One of the public services NAPFA provides is the ability for individuals to search for fee-only advisors in their locality. As a member, we are listed. However, we neither pay NAPFA, nor does NAPFA pay us, if any individual engages us as a result of such a search.

We have access to certain custodians' proprietary account management and data transmission services to enable us to trade clients' accounts electronically. Custodians of our clients' accounts also provide us with educational and compliance material, such as newsletters and seminars. Please see Brokerage Practices above for more information.

### **CUSTODY (ITEM 15)**

Since our clients give us authority to deduct our Wealth Management, the SEC deems us to have a form of custody. (Custody is defined as our having any access to clients' cash or securities).

We currently have custody of one client household's accounts due to a trustee relationship. This account is examined annually on a surprise basis by an outside public accounting firm.

When clients receive their account statements from the qualified custodian, they should carefully review those statements and take the time to compare them with those they receive from us. If the client finds significant discrepancies, the client should notify us and the custodian.

#### **INVESTMENT DISCRETION (ITEM 16)**

We have full trading authority over client accounts under a limited power of attorney and the client will acknowledge and agree to this arrangement, as described in the Wealth Management Agreement. Thus, we will determine both the investments, and how much of each, should be purchased or sold on each client's behalf. Clients may place restrictions on our discretion in writing.

#### **VOTING CLIENT SECURITIES (ITEM 17)**

We do not vote client securities for our clients. Clients receive proxy material directly from their account custodian by either email or U.S. mail. Clients may address questions concerning a proxy matter to our personnel.

#### **FINANCIAL INFORMATION (ITEM 18)**

There is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

Due to the economic uncertainty posed by COVID-19, we have applied for and received a PPP loan in order to ensure our ability to retain our highly skilled employees.