



Item 1: Cover Page

## Satovsky Asset Management, LLC

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March 30, 2021

This Brochure provides information about the qualifications and business practices of Satovsky Asset Management, LLC ("**SAM**" or the "**Firm**"). If you have any questions about the contents of this Brochure, please contact Christine Lucero, our Chief Compliance Officer, at 212-584-1900 or [christine@satovsky.com](mailto:christine@satovsky.com). Additional information about SAM is available on the SEC's website at <https://adviserinfo.sec.gov/>.

SAM is registered with the U.S. Securities and Exchange Commission ("**SEC**") as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended ("**Advisers Act**"). Registration with the SEC as an investment adviser under the Advisers Act does not imply a certain level of skill or training. Further, the information in this Brochure has not been approved or verified by the SEC, any state securities authority, any other governmental authority or any regulatory or self-regulatory organization, nor has any of the foregoing approved or disapproved of our qualifications.



## Item 2      Material Changes

Since SAM's last other-than-annual filing update on June 30, 2020, there have been no material changes to report.

## Item 3 Table of Contents

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation .....	9
Item 6	Performance-Based Fees and Side-By-Side Management.....	14
Item 7	Types of Clients.....	14
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	14
Item 9	Disciplinary Information.....	23
Item 10	Other Financial Industry Activities and Affiliations.....	24
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	24
Item 12	Brokerage Practices .....	25
Item 13	Review of Accounts.....	27
Item 14	Client Referrals and Other Compensation .....	28
Item 15	Custody .....	29
Item 16	Investment Discretion.....	30
Item 17	Voting Client Securities.....	30
Item 18	Financial Information.....	30

## Item 4      Advisory Business

### A.      Our Ownership and Structure

Satovsky Asset Management, LLC ("SAM", the "Adviser", "we", "us", the "firm", or "our") is a New York City based wealth management firm. SAM is a limited liability company, organized in Delaware on March 5, 2007. Jonathan M. Satovsky is the Founder, Chief Executive Officer, and principal owner of the firm. Prior to starting SAM, Mr. Satovsky was a Senior Investment Adviser at Satovsky & Associates, a franchisee of Ameriprise Financial, Inc. (formerly American Express Financial Advisors, Inc.) since April 1994, during which time he provided financial planning and investment advisory services for individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and corporations. This background was the foundation for the continuation of these services for clients for which the Adviser serves.

The Adviser provides holistic financial planning, wealth management, investment management and advisory services to separately managed accounts of high-net worth individuals, trusts and estates, retirement plans, businesses and charitable organizations (collectively referred to as the "Client", "Clients", "Client Account" or "Client Accounts") on both a discretionary and non-discretionary basis.

### B.      Our Services

#### Investment Management Services

For discretionary accounts, SAM tailors its investment strategy in accordance to a specific Client's investment objectives. We provide the Client with advice, guidance and implementation based on the structure of their balance sheet, cash flow and stated goals. Our process seeks to calibrate Client portfolios based on their need, capacity and willingness to take risk. This process requires ongoing collaboration and two-way communication (between the Client and SAM) to adjust to the Client changing circumstances. As a fiduciary, we seek out solutions with the aim of increasing both the probability of our Clients' long-term success and the sustainability of their withdrawals from their portfolio. Client investment guidelines or Investment Policy Statements ("IPS") may be amended by agreement with the Client and SAM, based upon changing market conditions or the needs of the Client. The portfolios may deviate significantly from stated IPS based on SAM discretion, market conditions and our proprietary research seeking to improve risk/return characteristics of the portfolios. We have a preference to create a passive structure and ideal path for each Client seeking to reduce taxes and behavioral risk.

For non-discretionary Client Accounts, the same process will occur as outlined above, except that Clients must approve the initial implementation and all subsequent changes to the asset allocation and trades. Within our non-discretionary capacity, we may purchase or sell securities to meet the cash needs of the Client (including without limitation the payment of our management fee). These purchases and sales will be executed in a manner such that the resulting allocations will generally match the allocation and target range for asset classes in the account prior to the purchase or sale. Our advisory services are tailored to the objectives and strategies of each Client.

SAM's clientele is mostly taxable investors, and thus, ongoing efforts are made for optimal asset location, tax loss harvesting, trading and structure to balance the client's lifetime goals and various forms of risk including longevity risk, inflation, taxes, volatility and client's temperament which are all balancing factors in the decision making processes. SAM allocates assets among various investment strategies, with a bias toward low-fee, tax advantaged investments typically embodied through a passive approach to markets. However, where certain inefficiencies present themselves or the Firm believes that a manager or strategy has an unusual advantage in a marketplace, SAM may suggest and employ other strategies. Where appropriate, these strategies include the use of independent investment manager(s), mutual funds, exchange-traded funds ("ETFs"), or other listed securities, in accordance with the investment objectives of its individual clients. In addition, SAM may recommend that clients who are "accredited investors", invest in privately placed securities, which may include debt, equity, and/or pooled investment vehicles. Where applicable, the Firm also provides advice about client-selected securities, legacy positions, or other investments held in client portfolios. Clients can engage SAM to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as but not limited to life insurance and annuity contracts and assets held in employer sponsored retirement plans, stock options, deferred compensation and qualified tuition plans (i.e., 529 plans). In these situations, SAM directs or recommends the allocation of client assets among the various investment options available within the product as well as seeking to align balance sheet and asset allocation taking these outside assets into consideration. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

SAM consults with clients on an initial and ongoing basis to recalibrate as needed. Clients are advised to promptly notify SAM if there are changes to their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if SAM determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## Digital Wealth Management Platform

SAM has partnered with Betterment for Advisors, a digital wealth management platform, through Betterment, LLC and Betterment Securities, (collectively referred to as "Betterment").

SAM may recommend this web-based electronic investment advisory program operated and provided by Betterment to provide services including but not limited to account opening, asset allocation, execution, rebalancing, daily tax-loss harvesting, asset location and financial projections, where applicable. Under this arrangement, clients must execute a separate discretionary investment advisory agreement with Betterment to serve as a sub-advisor. This online agreement provides access to Betterment's automated investment allocation platform as well as Betterment's brokerage and custodial services which clients can access these accounts exclusively through Betterment's website which outlines the terms, conditions and fees of the relationship.

Clients provide Betterment with their financial circumstances and other information and their portfolio is created with asset allocations in exchange-traded funds (ETFs) that match tolerance levels of equity exposure relative to Client goals-based planning. Betterment then provides investment advice to the client and directs trades to its affiliate broker-dealer, Betterment Securities (neither client nor SAM can enter trades).

Advice provided by Betterment is computer-generated, and therefore inherently has several limitations (including that neither SAM nor Betterment can ensure that the Program can achieve any particular investment or tax result for any client; the algorithm may rebalance Program accounts without regard to the then-current market conditions or on a more frequent basis than the client might otherwise expect the algorithm may not address prolonged market condition changes and the mathematical algorithms employed are designed properly, updates with new data and can accurately predict future security, market, industry, and sector performance); SAM will be unable to manage your Program account in a way we may otherwise advise for advisory accounts we manage; Betterment can amend the terms of the client's agreement at any time; A client's participation in the web-based electronic investment advisory program is subject to numerous conditions (as noted on the website); Clients must agree to arbitration of any disputes they may have with Betterment.

SAM's Digital Wealth Management offering seeks to align clients' portfolios through a combination of ETFs to clients' specific goals and therefore the risk profiling process seeks to consider age, time frame, equity exposure and rebalanced as tax-efficiently as possible seeking to minimize the Behavioral Gap over a lifetime, which is the difference between investment returns and investor returns due to behavioral biases.

## Institutional, Charitable and Retirement Plan Services

In addition, we engage with various endowments, charitable gift trusts, and ERISA plans in a wide range of capacities. For ERISA plans, this includes serving as a 3(21) fiduciary providing investment recommendations to the plan sponsor and/or trustee, or as a 3(38)-investment manager, relieving the plan sponsor or trustee of their fiduciary responsibility and assuming the investment management decision making for the plan.

## Consulting, Financial Planning and Wealth Advisory Services

SAM also is available for a fee to provide certain consulting services with respect to financial planning services as well as financial advice on non-investment related matters such as but not limited to the following:

- General financial oversight
- Balance sheet and ongoing cash flow monitoring
- Debt Management (Mortgages, Personal/Business Lines of Credit and Margin agreements)
- Wealth Transfer and Estate Planning
- Income Tax review and Planning
- Insurance Review
- Employee and Executive Benefits
- Concentrated Equity and Business Ownership
- Stock Options and Restricted Stock Awards
- Pension and Annuity Evaluations
- Philanthropy
- Behavioral Coaching

Under this arrangement, any recommendations provided by SAM may be implemented at Client's sole discretion with the professional consultants of Client's choosing, and there is no obligation to engage SAM for investment advisory services. In performing these services, SAM is not required to verify any information received from the client or from the client's other professionals (attorneys, accountants, and other advisors) and is expressly authorized to rely on such information.

We also may provide certain Investment Only Client Accounts with financial planning services as well as financial advice on non-investment related matters such as those listed above. To the extent

we provide any financial consulting services beyond the management of assets, such services are provided as part of, and incidental to, our management services.

With respect to any financial planning/consulting services provided by SAM, each Client must acknowledge to us that: (i) such Client is free at all times to accept or reject any of our recommendations, and such Client acknowledges that such Client has the sole authority with regard to the implementation, acceptance, or rejection of any recommendation or advice from us; (ii) our recommendations (i.e., estate planning, retirement planning, insurance, etc.) may be discussed and/or implemented, at such Client's sole discretion, with the corresponding professional adviser(s) (i.e., broker, accountant, attorney, etc.) of such Client's choosing; (iii) in respect to estate planning and tax planning matters, our role shall be that of a facilitator between such Client and his/her corresponding professional adviser(s); (iv) we are not an attorney or accountant, and no portion of our services should be interpreted by such Client as legal or tax advice (rather, such Client should defer to such Client's attorney and/or accountant with respect to all legal or tax matters); and (v) such Client will maintain sole responsibility to notify us if there is a change in such Client's financial situation or investment objective(s) for the purpose of reviewing/evaluating/revising our previous recommendations and/or services and/or to address new planning or consulting matters. SAM recommends the services of itself or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage SAM or Jonathan Satovsky as a registered representative to provide additional fee-based services (investment management, aggregate customized reporting, insurance/annuity solutions or special projects). Clients are advised that it remains their responsibility to notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising SAM's previous recommendations and/or services.

### C. Regulatory Assets Under Management

SAM provides investment management services on a discretionary and/or non-discretionary basis to each of our Client Accounts. As of December 31, 2020, we provided investment management services to \$635,940,745 of regulatory assets under management of which \$611,121,160 is managed on a discretionary basis and \$24,819,585 is managed on a non-discretionary basis.



## Item 5 Fees and Compensation

### A. General

SAM offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management or advisement depending on the client relationship.

#### Consulting, Financial Planning and Wealth Advisory Fees

Consulting, financial planning and wealth advisory services may be provided for a fixed fee, based on the scope and complexity of the agreed upon services. These fees are at the sole discretion of SAM and may be reviewed annually.

In the event we so determine, the provision of such financial consulting services (including the dollar amount of any hourly or fixed fee therefor) shall be set forth and described in a separate agreement between us and such Client (including, for example, a Financial Planning Agreement and/or Limited Consulting Agreement setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the Client prior to our commencing services). SAM may offset all or a portion of its fixed fees for consulting by the fees provided for investment management services.

We may determine to provide financial consulting services beyond the management of assets in our sole discretion at any time, regardless of any prior provision of such chargeable services without charge. Any prior provision of such services without charge shall not be construed as a waiver or relinquishment of our right to provide such services on an hourly or fixed fee basis.

#### Investment Management Services

SAM provides investment management services for an annual fee based on the market value of the Client's Account at the beginning of the calendar quarter and billed in advance. The Firm has a minimum quarterly fee of the higher of \$2,500 or the quarterly fee billed on market value of assets under management. The annual fee varies (between 0.3% and 1.5%) depending upon the market value of the assets under management, as follows:

<u>Asset Value (millions)</u>	<u>Fees</u>
First \$1.....	1.5%
Next \$9.....	1.0%
Next \$15 .....	0.5%
Next \$25 .....	0.4%
Thereafter.....	0.3%

SAM provides a Digital Wealth Management Platform ("Digital Platform") experience through Betterment for the same fee schedule above subject to platform limitations and is calculated based on the average daily portfolio value of Client assets managed by Betterment payable on the last business day of the quarter in arrears. Betterment remits payment to SAM on behalf of Client. Betterment services include custody, account opening, execution, technology, trading, automate rebalancing and asset location. For these services, SAM has negotiated a platform fee-based relationship which varies based on SAM assets under management and currently ranges between 0.12% to 0.20% annually. This Platform fee is a separate fee apart from SAM's management fee charged for such Digital Platform assets under management and is debited to each Client account directly by Betterment based on the average daily portfolio value of Client assets.

The ERISA plan billing follows the fee schedule above subject to appropriate plan benchmarking and is evaluated annually based on nature of specific plan circumstances including but not limited to number of employees, size of plan assets, number of locations, services provided and benchmarking studies on comparative plan services. The ongoing benchmarking and testing may lead to a lower advisory fee than reflected in fee schedule. Clients may incur additional costs from 3(38) plan sponsor, recordkeeping/administrator, custody/trust services, plan investments and pension administrative services.

Related client accounts may be aggregated for purposes of calculating fees. Clients may have accounts on both traditional, Digital Platforms and ERISA plans which are not aggregated for billing purposes as they are separate and distinct platforms. SAM, in our sole discretion, may negotiate to charge a greater or lesser fee based on certain criteria, such as the complexity of the client's portfolio, the level of expertise required to service the account, the staff time involved in servicing the account, potential value added to the client for the services to be provided, pre-existing client

relationships, anticipated future additional assets, dollar amount of assets to be managed, and *pro bono* activities among other factors. SAM may waive its advisory fee at any time when it deems it appropriate and/or necessary.

The annual investment management fee excludes charges imposed by other third-party financial institutions, platform fees, transaction costs, brokerage commissions, custody or any other costs and expenses which shall be incurred by the Client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers and other third parties which may include fees such as 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. Mutual funds exchange traded funds and private investments (e.g., private equity and hedge funds) are subject to their own respective expenses.

We do not independently value any securities held in Client Accounts. That is, with respect to the Client Accounts advised by the Adviser, the Adviser and its Clients rely on the independent, third party qualified custodian that holds the assets in such Client Accounts, to value these assets. For certain Client Accounts holding private securities, the quarterly financial information provided by the private funds themselves will be used as the basis for client reporting and fee billing.

## **B. Fee Payments**

SAM fees for Client Accounts and 529 plans are generally debited by the qualified custodian from each Client Account in advance on a quarterly basis. The fees are calculated by the Adviser using a 360-day count pursuant to the terms of each Client's investment management agreement and based on the market value of each Client Account at the beginning of the calendar quarter.

For Client Accounts on the Betterment for Advisors platform, Betterment calculates and deducts the Client fees quarterly in arrears from the Client Account, and remits to SAM its negotiated fee.

For Client Accounts on ERISA 401k plans, the recordkeeper/administrator calculates and deducts the Client fees quarterly from the plan assets quarterly in advance and remits to SAM its negotiated fee.

## **C. Other Fees**

Commissions and/or transaction fees are the responsibility of the Client and may be charged to each Client Account for effecting securities transactions; provided, that we may bear such

commissions and/or transaction fees on behalf of a Client Account in our sole discretion. In the event commissions and/or transaction fees are borne by us on behalf of an account, any such prior action or conduct shall not be deemed a waiver at any time of our right to charge such account for such commissions and/or transaction fees on a going forward basis.

For a discussion of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, please see "Item 12 Brokerage Practices."

#### D. Advance Payment of Fees

Client Accounts are generally charged in advance (at the beginning) of each calendar quarter based upon the value of each Client Account at the beginning of the calendar quarter.

To the extent that a Client engages us during a quarter, such Client's fee will be prorated from the date of engagement through the end of the quarter; provided, that we, in our sole discretion, may be paid such first quarter prorated fee in arrears rather than in advance for ease of administration.

Except with respect to new engagements during a quarter, and cancellations of existing agreements during a quarter, we do not prorate fees paid at the beginning of each calendar quarter based upon inflows and outflows in or from an account during a quarter. That is, the fee for the entire calendar quarter is based upon the value of a Client Account at the beginning of the calendar quarter. If existing agreements are cancelled during a quarter, unearned fees will be refunded, the amount of which will be determined on a pro rata basis depending upon the number of days remaining in the applicable quarter.

For financial consulting services, Clients are generally charged an annual financial consulting fee billed quarterly in advance. SAM's minimum fee for financial planning services is \$2,500 quarterly and is determined based on the scope and complexity of the agreed upon services. SAM may, at its discretion, waive or reduce the financial planning fee, or offset such fee against management fees taking into consideration, among other things, the length of the client relationship. Financial planning services shall be set forth and described in a separate agreement between SAM and such Client. All or a portion of the fixed fees for financial planning services are subject to negotiation.

Client agreements may be canceled at any time, by either party, for any reason upon 30 days' written notice. In the event either party terminates a Financial Planning Agreement, Limited Consulting

Agreement and/or similar agreement, if applicable, prior to completion of the financial planning services, unearned fees paid in advance, if any, shall be refunded to the Client.

#### **E. Fees and Compensation from the Sale of Securities or Mutual Funds**

Mr. Satovsky, in his individual capacity, is a licensed insurance agent with various insurance companies and a registered representative with Purshe Kaplan Sterling, a FINRA member broker-dealer. Mr. Satovsky holds Series 7, 63 and 65 licenses with FINRA. These affiliations and licenses are maintained in order to effectuate certain 529 plans, insurance policies, annuity contracts, limited partnerships, and certain retirement and deferred compensation plans that may only be offered through an insurance company and/or FINRA member broker-dealer. These transactions are typically commission paid transactions that may not otherwise be accessible directly. Any fees and/or commissions (to the extent received) by Mr. Satovsky in his individual capacity, are independent from the investment management fee paid to the Adviser. This practice presents a potential conflict of interest and gives us or our supervised persons an incentive to recommend investment products based on compensation received, rather than on a Client's needs. We address these conflicts by disclosing these transactions to the Client prior to or at the time of purchase. To the extent that certain mutual fund companies pay 12b-1 fees, a portion of these fees are passed on to Mr. Satovsky directly as a registered representative of Purshe Kaplan Sterling (to the extent received) and are separate from our investment management fee.

Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us. We do not reduce our advisory fees to offset commissions received. When Mr. Satovsky sells an investment product on a commission basis, the Adviser does not charge an advisory fee in addition to the commissions paid by the Client for such product. With respect to mutual fund purchases that we recommend, since April 2010 we have utilized institutional share classes of such funds on behalf of our Clients, when available. Notwithstanding the foregoing, we may add to certain legacy positions not utilizing institutional shares, and in such case, Clients do not benefit from the lowest expense ratio and pay full 12b-1 fees. These institutional share classes often have minimum eligible purchases of \$1,000,000 and provide the lowest expense ratio share class available to investors. We elect these share classes when available as an institutional purchaser which enables us to allocate smaller dollar amounts for Clients to funds that would otherwise be inaccessible. Institutional share classes do not typically pay 12b-1 fees.

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

SAM does not charge performance-based fees. Our advisory fees are only charged as disclosed in Item 5 above.

## Item 7 Types of Clients

SAM provides its services to individuals, high net worth families, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

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

### A. Description of Analysis and Strategy and General Risk Disclosure

SAM has a preference to create a passive structure with the goal of minimizing trading to reduce taxes and behavioral risk as well as to focus on lifetime sustainability. Our investment recommendations have been heavily influenced by both academic research and an ideology of “eat your own cooking.” Our approach to investing typically follows these five key tenets:

#### 1) Goals based planning and investment structure are more important than focus on beating the market

Since we work with mostly taxable investors, SAM generally recommends lower-cost, tax-efficient portfolios to its clients. Some investors are sensitive to how these portfolios perform relative to the S&P 500. We believe that clients’ goals are more important than “beating the market,” and constantly comparing a globally diversified portfolio to benchmark returns can lead to counterproductive, returns-chasing behavior. While SAM believes that outperforming the market is possible, it requires alignment of portfolio assets and investment philosophy, and a temperament to live with underperformance statistically 40%+ of the time. When and if utilizing active strategies, we embrace a strong ownership alignment (“eat your own cooking” – a significant portion of fund managers’ net worth invested alongside investors) which we believe can lead to better long-term alignment of interests, results and behavior.

#### 2) Academic evidence supports tilting portfolios toward profitable, small and value-oriented businesses

The academic evidence shows that expected returns have exhibited higher premiums by investing in smaller and highly profitable companies. These factors have been persistent around the world over time, but not all the time. This reinforces the importance of longer holding periods to benefit from these factors and philosophy.

### 3) Only buy something that you'd be willing to hold for 10 years

Over time, stocks (equity ownership stake in businesses) have historically outperformed cash and bonds (treasury bills). The persistency and probability of these observations materializing in the future are expected to continue over time, but not all the time. Thus, creating a structure that aligns to your balance sheet, cash flow, goals, and temperament is important to maintain this long-term perspective of only buying assets you would be comfortable holding for decades over days.

### 4) Concentrate to get rich, diversify to stay rich

SAM has worked with many corporate executives who have accumulated tremendous wealth through concentrated stakes in the active involvement in businesses. It is important to be mindful of protecting their sustainability and that of future generations by reducing concentration and building diversified portfolios. Instead of time and energy directly driving profitability and cash flow, this may be replicated through passive ownership stake in a globally diversified portfolio of profitable businesses.

### 5) Most investors need equity returns to support long-term goals, but don't have temperament for equity risk

Our recommendations generally will be developed considering each Client's need, ability and willingness to take risk. We utilize fixed income, cash and/or flexible mandate strategies to temper clients' willingness factor. However, the portfolios may deviate significantly from stated risk profile based on several factors at SAM discretion, including but not limited to market conditions, tax consequences, longevity risk, balance sheet, cash flow and our proprietary research seeking to improve risk/return characteristics of the portfolios to individual clients temperament.

We obtain our research information from a variety of sources including but not limited to financial research providers such as Factset, Morningstar, , financial newspapers and magazines, inspections of corporate activities, filings with the SEC, corporate press releases, timing services and other various research materials. Additionally, we may use outside technology vendors including but not limited to Orion Advisor Services, Black Diamond, Factset and Kwanti Portfolio Lab to analyze and

stress test our Client portfolios under various market environments. SAM may also utilize the Betterment for Advisors platform which is a digital wealth platform using algorithms to allocate assets according to Client investment objectives. SAM does not engage in soft dollar transactions.

In addition, Mr. Satovsky, and/or other research analysts on our staff, will review each person/firm that manages a privately placed pooled investment vehicle through one or more of the following methods of due diligence: meetings/ongoing conference calls with such persons and his or her staff; verification of references; background reviews with respect to regulatory matters, education and/or professional history; reviews of audited financial statements; and verification of performance claims. Electronic files are created to store and maintain all materials reviewed. With respect to third party managers of publicly traded vehicles such as mutual funds and exchange traded funds, we review publicly available information. Given the breadth of third party managers, investment vehicles and the material differences between and among similarly classified pooled investment vehicles that utilize third party managers (including, without limitation, mutual funds, exchange traded funds, hedge funds and private equity funds), we believe that it is impossible to capture in a single list what we may determine to be an appropriate level of due diligence for any given manager or vehicle.

There can be no assurance that the investment objective of our Clients will be achieved, and that Clients will not incur losses. The risks described below are not meant to be a comprehensive collection of all risks with which our Clients may be confronted. In addition to the risks listed below, Clients should review the respective offering or similar documents of each mutual fund, ETF and/or other security or instrument in its portfolio or recommended for purchase by us, for a detailed description of risk factors associated with a particular investment or portfolio. Each Client is also encouraged to consult with the Adviser to review the specific risk parameters of, and assets that comprise, the Client's account at any given time and from time to time.

Investing in securities involves risk of loss and there is no assurance that any investment strategy will be successful in avoiding loss or achieving investment objectives. Clients should be prepared to bear the risk of loss of some or all of their investment. Our investment portfolios seek to achieve Clients' long-term financial plans and goals. Therefore, the material risks that exist in building a portfolio for a Client include the following:

- Misalignment of timing relative to Client needs: It is extremely important to maintain open and ongoing communication with us to keep us informed of your changing cash flow needs to ensure liquidity is available when needed. Often times, a Client's liquidity needs arise at unexpected



and inopportune times when asset prices may not be optimal to liquidate, and therefore may cause significant loss of principal.

- Spending rates: We spend a considerable amount of time with each Client working to educate individuals on the importance of providing a buffer for emergencies, opportunities and to increase the likelihood of sustainability of a portfolio to reach each individual's goals subject to numerous factors and Client characteristics. It is generally recommended that a spending/withdrawal rate from a portfolio should be no more than 3-5% of one's assets in order to insulate them from inflation, taxes and longevity risk (outliving one's money). Clients with higher spending rates have a greater risk of outliving their assets; therefore, such Clients may seek more speculative investments than they are comfortable taking. of principal.
- Behavioral risk: Volatility is inherent in virtually all investment strategies, so we spend time educating Clients about historical volatility of each asset class and/or the underlying strategies that we deploy based on Clients' risk tolerance or preferences. Our experience has shown that most investors overstate their appetite for risk. Therefore, when asset prices decline, the tendency is for investors to contract their risk appetite and when asset prices rise, the tendency is for investors to expand their risk appetite. The behavioral gap in investor returns versus actual returns has historically been higher when strategies with greater volatility are utilized in an investment plan.
- Key man risk: As the principal owner of the Adviser, Mr. Satovsky is critical to the Adviser's management of Client accounts and the management of the firm. However, as discussed herein, the Adviser does not maintain possession of Client assets. Accordingly, any succession plan implemented by the Adviser or any termination of a Client's agreement with the Adviser after the departure of Mr. Satovsky would not affect the maintenance of Client assets at the relevant custodian in the name of the Client.
- Price Deterioration for Non-Discretionary Clients: When SAM makes a decision to invest in or sell out of a particular investment, the Firm will generally communicate to its non-discretionary Clients and explain the recommendation. Transactions will be effected only for discretionary Clients and those non-discretionary Clients that have approved a purchase or sale. Non-discretionary Clients who delay communicating their approval for a purchase or sale to the Firm will have their transaction executed later and possibly at a less favorable price than other Clients, if the market conditions for the recommended security deteriorate.
- Cybersecurity risk: SAM's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication

failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although SAM has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, SAM may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in SAM's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Client accounts. Such a failure could harm SAM's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Any failure of SAM's information, technology or security systems could have an adverse impact on its ability to manage the Client accounts referred to herein.

- **Epidemic Risk:** An epidemic outbreak and reactions to such an outbreak could cause uncertainty in markets and businesses, including SAM's business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. SAM has policies and procedures to address known situations, but because a large epidemic may create significant market and business uncertainties and disruptions, not all events that could affect SAM's business and/or the markets can be determined and addressed in advance.

## **B. Material Risk of Strategy**

- An investment strategy that we construct on behalf of Clients seeks to meet an individual's goals throughout his or her lifetime. Since financial markets are volatile and due to the nature of our investment strategies, there can be no assurances that a Client will reach their targeted returns or realize any return on their investment during a specific period of time. It is uncertain as to when profits, if any, will be realized and Client goals may not be realized during his or her lifetime. Losses on unsuccessful investments may be realized before gains are realized on successful investments. The return of capital and realization of gains, if any, from an investment may not occur for a substantial period of time. Historical correlations and returns are not indicative of future performance or relationship of asset prices. We also allow for portfolio drift, wherein certain positions may become more concentrated over time, resulting in increased volatility and changes to the risk/return characteristics of the portfolio.

- We typically invest in a broad range of investment strategies from cash, fixed income, US equity, foreign equity, and alternative investments. Specifically, we may utilize a combination of individual securities, mutual funds, exchange-traded funds and/or pooled investment vehicles. Although we typically utilize a wide range of asset classes, there are no requirements imposed on us with respect to diversity among strategies or individual securities. We may invest in a limited number of strategies or with a limited number of individual securities, mutual funds, ETFs and/or pooled investment vehicles. In addition, underlying funds with which we invest may all invest in the same or similar securities, further limiting the diversification of managed accounts. To the extent that Clients have concentrated positions, portfolio gains or losses may be more extreme.
- We may invest in strategies or markets that underperform other strategies or general securities markets or relative benchmarks. Independent research studies have shown that even the most successful long-term active management strategies will have extended periods of underperformance relative to their peer group and/or indices. This may cause Client accounts to underperform other investment vehicles that invest in different asset classes. Different types of securities (for example, large, mid- and small-capitalization stocks or growth or value stocks) tend to go through cycles of performing better—or worse—than the general securities markets. In the past, these periods have lasted in excess of several years.
- Changes in interest rates will affect the value of fixed income investments. In general, as interest rates rise, bond prices fall, and as interest rates fall, bond prices rise. Interest rate risk is generally greater for high yield securities, however, higher-rated fixed income securities are also subject to this risk. Increased interest rate risk is also a factor when investing in fixed income securities paying no current interest (such as zero-coupon securities and principal-only securities), interest-only securities and fixed income securities paying non-cash interest in the form of other securities.
- The trading prices of equity securities fluctuate in response to a variety of factors. These factors include events impacting a single issuer, as well as political, market and economic developments that affect specific market segments and the stock market as a whole. The value of Client accounts, like stock prices generally, will fluctuate within a wide range in response to these factors. As a result, Clients could lose money over short or even long periods.
- The value of assets or income from investments may be less in the future as inflation decreases the value of money. As inflation increases, the value of fixed assets can decline. This risk is greater for fixed-income securities with longer maturities.

- The issuer or guarantor of a fixed income security may be unable or unwilling to make timely payments of interest or principal. This risk is magnified for lower-rated debt securities, such as high yield securities. High yield securities are considered predominantly speculative with respect to the ability of the issuer to make timely payments of interest or principal. In addition, funds that invest in fixed income securities issued in connection with corporate restructurings by highly leveraged issuers or in fixed income securities that are in default may be subject to greater credit risk because of such investments.
- Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect a security's or instrument's value or liquidity. The value of securities or instruments of smaller, less- well-known issuers can be more volatile than that of larger issuers. Issuer-specific events or broader social-economic events can have a negative impact on the value of Client accounts.

### C. Material Risk of Securities

- We invest in a blend of liquid, publicly traded individual securities, mutual funds, ETFs and pooled investment vehicles and, at times, some illiquid investments, which may, in turn, invest in or be comprised of a variety of securities focused on various strategies ranging from fixed income, U.S. equities, foreign equities and alternative investments. Many strategies are subject to both specific market risk related to the market which they represent as well as liquidity risk that may prevent securities from being sold at the quoted market price within a reasonable period of time. A managed account holding such securities may experience substantial losses if required to liquidate these holdings.
- Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the United States, and foreign governments may afford less legal protection to the pooled investment vehicles as investors. Investments in private funds are illiquid and do not have the protection of SEC regulations. Generally, no market for such interests exists and liquidity is subject to fund terms including lock ups, redemption penalties or gates. There is no assurance that private fund interests can be liquidated upon demand.
- Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which have less stability than

those of more developed countries. Investments in securities in developing market countries are also generally more volatile and less liquid than investments in securities in markets of developed countries. Emerging market securities may be subject to currency transfer restrictions and may experience delays and disruptions in securities settlement procedures. Certain emerging markets are closed in whole or part to the direct purchase of equity securities by foreigners. In addition, a fund that invests in foreign securities or securities denominated in foreign currencies may be adversely affected by changes in currency exchange rates, exchange control regulations, foreign country indebtedness and indigenous economic and political developments.

- High yield securities, also known as “junk bonds,” are below investment grade quality and may be considered speculative with respect to the issuer’s continuing ability to make principal and interest payments. Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. Yields on high yield securities will fluctuate. The secondary markets in which lower-rated securities are traded may be less liquid than the markets for higher-rated securities. A lack of liquidity in the secondary trading markets could adversely affect the price at which Clients or the funds they own could sell a particular high yield security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer and could adversely affect and cause fluctuations in the value of Client accounts. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities generally.
- Real estate investment trusts (**REITs**) may be subject to certain risks associated with the direct ownership of real property, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses and variations in rental income.
- Value stocks: Certain strategies we invest in on behalf of Clients focus in “value” stocks, or stocks they believe are inexpensive either on a relative or absolute basis. Investing in value stocks presents the risk that the stocks may never reach what the strategy believes are their full market values, either because the market fails to recognize what our strategies judge to be the companies’ true business values or because our strategies misjudge those values. In addition, value stocks may fall out of favor with investors underperform growth stocks during given periods.
- Short Sale Risk: Certain strategies we invest in on behalf of Clients may engage in short sales. This involves selling a borrowed security with the expectation that the value of the security will decline so that it may be purchased at a lower price when returning the borrowed security. The risk for loss on short selling is greater than the original value of the securities sold short because the price of the

borrowed security may rise, thereby increasing the price at which the security must be purchased. Although the potential gain of a short sale is limited to the price at which the security was sold short, the potential loss is limited only by the maximum attainable price of the security, less the price at which the security was sold and may, theoretically, be unlimited. In addition, certain strategies may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with open short positions. These types of short sale expenses negatively impact the performance of certain strategies, since these expenses tend to cause losses on short sales even in instances where the price of the underlying security sold short does not change over the duration of the short sale. Finally, strategies that short may not be able to borrow a security that they need to deliver, or they may not be able to close out a short position at an acceptable price and may have to sell long positions earlier than they had expected.

- **Leverage:** Certain strategies we invest in on behalf of Clients may utilize leverage in their investment programs. The use of leverage allows these strategies to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their total capital. However, leverage also magnifies the volatility of changes in the value of these strategies. The effect of the use of leverage in a market that moves adversely to a strategies investment could result in substantial losses, which would be greater than if the strategy were not leveraged.
- **Micro and Small Cap Company Stock Risk:** Certain strategies we invest in on behalf of Clients may invest in Micro and small cap sized companies. Micro and small cap company stocks may be very be very sensitive to changing economic conditions and market downturns. Micro-cap and small-cap companies' earnings and revenues may be less predictable, their share prices may be more volatile, and markets less liquid than companies with larger market capitalizations. There may be less publicly available information about these companies, which can affect the pricing of their shares or an investor's ability to dispose of those shares. Liquidity risk exists when it would be difficult to purchase or sell these securities, possibly preventing strategies that invest in them from selling at an advantageous time or price, and possibly requiring these strategies to dispose of other investments at unfavorable times or prices in order to satisfy their obligations.
- **Derivative risk:** Certain strategies we invest in on behalf of Clients may invest in derivatives. In general, a derivative instrument typically involves leverage, i.e., it provides exposure to potential gain or loss from a change in the level of the market price of the underlying security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets

required to establish or maintain the derivative instrument. Adverse changes in the value or level of the underlying asset or index, which strategies we invest in may not directly own, can result in a loss to these strategies substantially greater than the amount invested in the derivative itself. The use of derivative instruments also exposes an investor to additional risks and transaction costs. These instruments come in many varieties and have a wide range of potential risks and rewards, and may include futures contracts, forward contracts and swaps. A risk of using derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. Additionally, to the extent that certain strategies are required to segregate or “set aside” (often referred to as “asset segregation”) liquid assets or otherwise cover open positions with respect to certain derivative instruments, they may be required to sell portfolio instruments to meet these asset segregation requirements. There is a possibility that segregation involving a large percentage of a strategy’s assets could impede portfolio management or the strategy’s ability to meet redemption requests or other current obligations.

- Counterparty risk: Certain strategies we invest in on behalf of Clients may enter into various types of derivative contracts. These derivative contracts may be privately negotiated in the over-the-counter market. These contracts also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty. If a privately negotiated over-the-counter contract calls for payments by a strategy that we invest in, the strategy must be prepared to make such payments when due. In addition, if a counterparty’s creditworthiness declines, the strategy may not receive payments owed under the contract, or such payments may be delayed under such circumstances and the value of agreements with such counterparty can be expected to decline, potentially resulting in losses to the strategy.
- Gold risk: Certain strategies we invest in on behalf of Clients may invest in both physical gold and the securities of the companies in the gold mining sector. Prices of gold related issues are susceptible to changes to U.S. and foreign taxes, currencies, mining laws, inflation, and various other market conditions.

## Item 9      Disciplinary Information

There are no legal or disciplinary events that would be considered material to our Clients’ or our prospective Clients’ evaluation of our advisory business or the integrity of our management.

## Item 10 Other Financial Industry Activities and Affiliations

Mr. Satovsky, in his individual capacity, is a licensed insurance agent with various insurance companies and a registered representative with Purshe Kaplan Sterling Investments, a FINRA member broker-dealer. Mr. Satovsky holds Series 7, 63 and 65 licenses with FINRA. This affiliation is primarily an accommodation to help service our existing Client base. Certain products and services cannot be purchased without registration through a broker-dealer or other licensing. Products typically utilized in this capacity include 529 plans, corporate retirement plans, annuity products and insurance contracts. No advisory Clients are under any obligation to retain us for services related to the recommendation of such insurance-related products and commissions-based securities. We do not reduce our advisory fees to offset commissions received. When Mr. Satovsky sells an investment product on a commission basis, SAM does not charge an advisory fee in addition to the commissions paid by the Client for such product. However, given the availability of compensation in the form of commissions, a conflict of interest between Mr. Satovsky and our Clients is apparent. When offering these types of instruments to Clients, we address the conflicts by providing disclosure that the products and services are being offered through a broker-dealer and commission is being paid directly to Mr. Satovsky as a registered representative, separate and apart from ongoing advisory work that is provided through the Adviser.

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

### A. Code of Ethics

SAM has adopted a Code of Ethics and Insider Trading Policy (**Code**) to comply with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which sets forth procedures and limitations governing the business conduct and personal securities trading of persons associated with SAM. The Code is based upon the principle that SAM's Access Persons (as defined in the Code) owe a fiduciary duty to Clients and to conduct their affairs, including their personal securities transactions, in a manner to avoid: (i) placing their own personal interests ahead of Clients; (ii) taking inappropriate advantage of their position with the firm; and (iii) any actual or potential conflicts of interest or any abuse of their position of responsibility. Personal securities transactions of SAM's Access Persons are reported quarterly and account holdings are reported annually. Both are monitored, in an attempt to limit potential conflicts of interest. SAM maintains a Restricted Securities List and a Watch List in the case a single name security will be purchased in Client Accounts.



Employees must obtain pre-clearance from the CCO prior to any personal trading. A copy of SAM's Code is provided to any Client or prospective Client upon request by contacting the Chief Compliance Officer.

## **B. Participation or Interest in Client Transactions and Personal Trading**

We believe in aligning our investments with the Clients. In other words, we would invest for ourselves securities and assets that we recommend to our Clients. Therefore, our Access Persons may invest in many of the same securities or assets as our Clients. Employees must obtain pre-clearance from the CCO prior to any security transactions in their personal accounts.

## **Item 12 Brokerage Practices**

### **A. Selection of Broker-Dealers and Reasonableness of Compensation**

Fidelity, TD and Betterment will generally be offered to advisory clients for the execution of mutual fund, registered fund, ETF and equity securities. SAM regularly reviews these custodians and alternative options to ensure that its offerings are consistent with its fiduciary duty.

In making this determination, SAM takes into account such factors as price, likelihood of execution (within a desired timeframe), liquidity, market conditions, volume, confidentiality, minimum market effect, creditworthiness, willingness and ability of a counterparty to make a market in particular securities, operational coordination including communication and ability to settle trades reliably and quickly, reputation for ethical and trustworthy behavior, use of automation, willingness of the counterparty to commit capital, market knowledge and ability of counterparty to execute difficult transactions in unique and complex securities.

For our Client Accounts that utilize the Betterment platform, Betterment Securities does not charge Clients separately for custody/brokerage services but is compensated as part of the Betterment platform fee discussed in Item 5, which is charged for a suite of platform services, including custody, brokerage, and sub-advisory services provided by Betterment and access to the Betterment for Advisors platform. The platform fee is an asset-based fee charged as a percentage of assets in Client's Betterment account. Clients utilizing the Betterment for Advisors platform may pay a higher aggregate fee than if the investment management, brokerage and other platform services are purchased separately. Nonetheless, for those Clients participating in the Betterment for Advisors

platform, we have determined that having Betterment Securities execute trades is consistent with our duty to seek best execution of your trades.

SAM does not participate in any formal soft dollar arrangements, earn soft dollar credits or pay specific additional brokerage commissions for research or other types of soft dollar benefits. SAM does receive a non-economic benefit from Betterment by way of various support services, back-office functions, recordkeeping, pricing, consulting on technology and access to publications and conferences on practice management and business succession. To the extent the receipt of research or brokerage by the Adviser are deemed to be soft dollar benefits, such benefits fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

#### **B. Directed Brokerage**

SAM does not engage in directed brokerage transactions.

#### **C. Allocation**

Transactions for each Client Account generally will be affected independently, unless we decide to purchase or sell the same securities for several Clients at approximately the same time. We may (but are not obligated to) combine or "batch" such orders to seek to obtain best execution, to negotiate potentially more favorable commission rates or to allocate equitably among our Clients differences in prices and commissions or other transaction costs that might have been incurred had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our Clients in proportion to the purchase and sale orders placed for each Client account on any given day. We shall not receive any additional compensation or remuneration as a result of the aggregation. There is no assurance that batching orders will in all cases result in lower execution costs than would have been the case had the orders been entered separately.

SAM manages numerous Client Accounts; therefore, SAM utilizes an established methodology for allocating securities. Because investment decisions frequently affect more than one account and sometimes more than one type of account (e.g. a particular stock may be considered a good investment for several Client accounts), it is inevitable that at times it will be desirable to acquire or dispose of the same security for more than one Client account at the same time. SAM's policy is to equitably allocate buy and sell executions among Client Accounts when feasible and appropriate over time.

On occasion, through our clearing/custodial firm relationships, we may have limited access to IPO shares and, in limited circumstances, we may purchase and/or recommend for purchase IPOs for Client Accounts. In the circumstance for those of our Clients who, on a completely unsolicited basis, contact us to request that we purchase a specific IPO for his/her/their/its account, we will attempt to implement to the extent same has been made available to us. Generally, in the event one or more Clients request that we purchase a specific IPO, we may, after first determining that such Client(s) is qualified for such specific IPO (i.e., suitable for the Client(s) relative to the Client's(s') investment objective(s), financial situation(s) and current asset allocation(s)), to the extent possible under the circumstances, purchase such IPO on a pro-rata basis (among multiple requesting Clients) in accordance with assets under management. To the extent possible and applicable under the circumstances, we will use reasonable efforts to allocate available IPO shares on a fair and equitable basis in accordance with the terms and conditions of the aforementioned policy and applicable laws, rules and regulations (including Rule 5130 and Rule 5131 as adopted by FINRA).

## Item 13 Review of Accounts

### A. Description and Frequency of Reviews

For those managed account Clients to whom we provide investment supervisory, financial planning, and/or investment consulting services, account reviews are based on asset allocation and position targets determined by the Firm and are managed on an ongoing basis by members of the investment management team. Different Client portfolios may differ from risk targets, allocation models, and other investors in the same model based on each individuals' unique circumstances, requests, tax circumstances, and portfolio drift from varied deposit and/or withdrawal timing. Actual portfolio allocations may differ significantly from the model targets. All investment advisory and financial planning Clients are encouraged to discuss with us his/her/their/its investment objectives, needs and goals and to keep us informed of any changes regarding same. All Clients are encouraged to meet, at least annually, with us to comprehensively review investment objectives and account performance. We will monitor the performance of each individual security, mutual fund, alternative investment strategy and investment manager implemented by us.

In performing any of its services and in providing reports, we are not required to verify any information received from the Client or from the Client's other professionals, and we are expressly authorized to rely thereon. Moreover, each Client is advised that it remains his/her/its responsibility to promptly notify us if there is ever any change in his/her/its financial situation or investment

objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

## **B. Non-Periodic Reviews**

Other than on a periodic basis, the following factors trigger a review: (i) a change in a Client's risk designation; (ii) a change in a Client's goals; (iii) notification that a Client is in need of cash; and (iv) if, in the judgment of a member of the investment management team, a review would be beneficial for the Client Account.

## **C. Content and Frequency of Regular Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/ qualified custodian for the Client Accounts and/or applicable mutual fund companies or partnerships. We provide access to daily updates on all performance of discretionary and non-discretionary managed accounts (and outside held assets, if desired by Client) directly accessible through our website, [www.satovsky.com](http://www.satovsky.com), which links to a third party performance reporting vendor. SAM reminds Clients to check their brokerage statements received directly from their qualified custodians on a monthly or quarterly basis, as the case may be.

In addition, quarterly PDF summaries covering Client assets managed by us and all Client assets elected for reporting by us are available electronically in the same manner described in the foregoing sentence. Reports which review the performance of each investment made for a Client and/or chosen asset manager are available upon request and are issued to the Client through various outside technology vendors. Examples of such reports include, but are not limited to, reports generated through proprietary software of Morningstar, Inc. or its related entities and affiliates, and reports generated through independent research companies. Clients are encouraged to contact us to discuss ongoing access to account information for their account(s).

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

Except as otherwise described in this brochure, we do not receive an economic benefit for providing investment advice or other advisory services to our Clients from someone who is not a Client.

SAM receives a non-economic benefit from Betterment for Advisors and Betterment Securities in the form of the support products and services it makes available to us. The availability to us of Betterment for Advisors' and Betterment Securities' products and services is not based on us giving particular investment advice, such as buying particular securities for our Clients.

We do not engage in cross trading nor do we currently compensate any person for Client referrals. In addition, we currently do not maintain any related party referral arrangements by which we receive benefits for Client referrals. However, if requested by the Client, we may as a courtesy recommend the services of other professionals for implementation purposes. The Client is under no obligation to engage the services of any such recommended professional. We cannot and do not guarantee the services of any such recommended professional, and shall not be liable for any action, omission, recommendation/decision or loss resulting from or in connection with the services of any such recommended professional.

## Item 15 Custody

Pursuant to Rule 206(4)-2, SAM is deemed to have custody of our Client account's funds and securities because (i) we may debit fees directly from the accounts of such clients and/or (ii) certain clients have executed a letter or instruction or similar asset transfer authorization arrangement with a qualified custodian whereby we are authorized to withdraw client funds or securities maintained with a qualified custodian upon our instruction to the qualified custodian (each, an "SLOA"). The terms of each such SLOA are consistent with the terms described in the February 21, 2017 letter of the Chief Counsel's Office of the Securities and Exchange Commission clarifying custody with respect to a standing letter of instruction or other similar asset transfer authorization arrangement established by a client with a qualified custodian. As a result, with respect to transfers of funds and securities between Client accounts and to third parties, Client accounts will not be subject to independent verification (*i.e.*, a surprise exam).

The qualified custodian of each client account sends or makes available, on a quarterly basis or more frequently, account statements directly to each client. We urge clients to carefully review these account statements from their qualified custodians and compare the information therein with any financial statements or information received or made available to clients through us or any other outside vendor.

## Item 16 Investment Discretion

For discretionary Client Accounts, we receive trading authorization from the Client prior to implementing a trading strategy.

For non-discretionary Client Accounts, Clients must approve the initial implementation and all subsequent changes to the asset allocation and trades.

## Item 17 Voting Client Securities

We do not exercise proxy voting authority over Client securities. The obligation to vote Client proxies shall at all times rest with the Client those specific Client assets over which an independent investment manager has assumed proxy voting authority. Clients shall in no way be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy voting authority solely as a result of providing such advice to a Client.

As to all matters (other than proxies) for which shareholder action is required or solicited with respect to securities beneficially held by the Client Account, such as (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganizations, we affirmatively disclaim responsibility for voting (by proxies or otherwise) on such matter and will not take any action with regard to such matters.

## Item 18 Financial Information

SAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its Clients and has not been the subject of any bankruptcy proceeding.