

# **Mader & Shannon Wealth Management, Inc.**

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## **FORM ADV PART 2A BROCHURE**

This Brochure provides information about the qualifications and business practices of Mader & Shannon Wealth Management. If you have any questions about the contents of this Brochure, please contact us at 800-838-9988. 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.

Mader & Shannon Wealth Management ("MSWM") is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Mader & Shannon Wealth Management is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with MSWM who are registered, or are required to be registered, as investment adviser representatives of MSWM.

## **Item 2 Material Changes**

As a registered investment adviser, we must ensure that our brochure is current and accurate and makes full disclosure of all material facts relating to the advisory relationship. If there have been any material changes to our business or advisory practices since our last annual update, we will provide a description of such material changes here.

Since our last annual updating amendment dated March 2020, we have not made any material changes to our advisory services or business practices.

If you would like to receive a free copy of the entire brochure, please contact us 816-751-0575 or via email at [bret@madershannon.com](mailto:bret@madershannon.com).

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## Item 4 Advisory Business

### Description of Firm

Mader & Shannon Wealth Management, Inc. is a registered investment adviser primarily based in Kansas City, MO. We are organized as a corporation under the laws of the State of Missouri. Our firm has been providing investment advisory services since 2005. Our principal owners are James Mader and Bret Guillaume.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "MSWM", "we," "our," and "us" refer to Mader & Shannon Wealth Management and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

MSWM manages assets with discretionary authority on client accounts and provides advice on investing in securities including research and analysis for a fee. MSWM also provides retirement planning services and expert witness services regarding securities including research, analysis, and testimony.

MSWM acts primarily as an asset manager using an active management approach investing mostly in individual securities traded on major U.S. securities exchanges. Under some circumstances the client may place restrictions on certain investments or request specific investments. Those requests will be accommodated when possible.

### Assets Under Management

As of December 31, 2020, we provide continuous management services for \$201,511,433 in client assets on a discretionary basis, and \$1,712,108 in client assets on a non-discretionary basis.

## Item 5 Fees and Compensation

Asset Management fees are billed quarterly in advance. Fees are negotiable. Clients may terminate their investment advisory agreement at any time. If the agreement is terminated prior to the end of the quarter, prorated fees are refundable based on either, the day MSWM receives written notice to discontinue management, or the day the assets leave the custodian in the absence of such notification. Refunded fees are credited back to the client account at the end of the quarter of termination.

The specific manner in which fees are charged by MSWM is established in a client's written agreement with MSWM. Clients may elect to be billed directly for fees or to authorize MSWM to directly debit fees from client accounts. Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter.

MSWM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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 and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to MSWM's fee, and MSWM shall not receive any portion of these commissions, fees, and costs. See custodian's fee schedule for a complete list of all applicable fees.

MSWM's basic fee structure is as follows:

For Individual, IRA, Trust, or any account deemed not to be an ERISA plan account-

- 1% of total assets up to \$1 million,
- .80% for total assets from \$1 million to \$2 million,
- .60% for total assets above \$2 million.

For 401(k) and other ERISA plan accounts-

- 1% of total assets.

Fee based financial planning or other financial advisory services, which may or may not relate to securities, ranges from \$125-\$250 per hour depending on the nature of the services provided and the prorated costs of resources required to provide these services. Fees for some predetermined services may be a fixed flat fee based on the services (example: Retirement Cash Flow Projections). Expert witness services are provided at between \$200 and \$300 per hour plus travel expenses if applicable.

Item 12 further describes the factors that MSWM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

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

MSWM does not charge any performance-based fees.

## **Item 7 Types of Clients**

MSWM provides portfolio management and financial planning services to individuals, high net worth individuals, corporations, and pension and profit-sharing plans.

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

Investing in securities involves risk of loss that clients should be prepared to bear. Investing in securities may result in the loss of principal. Past performance is not indicative of future results.

MSWM uses various methods of analysis and investment strategies in managing client assets. For any particular investment, analysis may include one or more of the following: historical charting, analysis of the fundamentals of a security, technical charting, and cyclical factors. The primary sources of information MSWM uses include financial publications, inspections of corporate activities, research material prepared by other, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases. Specific examples of some of these sources of information are CFRA equity rating services and Argus Research, among other independent research providers.

Although the above sources of information and research are generally included in an analysis leading to an investment decision, other sources may be relied upon and decisions may be made based on other factors unrelated to the above-mentioned sources.

### **Material Risks**

In addition to the inherent risks involved in investing in securities, there are specific risks associated

with certain research methods and investment strategies. For example, projections of corporate earnings are part of present value calculation and there is no assurance they will be realized. The use of charts and graphs in research and analysis only shows past behavior and cannot be relied upon to predict future performance. Investing in certain securities may introduce more risk than others. For example, while it is unusual for MSWM to use an Exchange Traded Fund (ETF) that relies on short positions on occasion, in certain markets, they may be used. For shorter periods of time these investments may prove beneficial, but in longer periods they may lose their effectiveness. MSWM generally invests in relatively liquid individual securities that trade on major U.S. market exchanges however, under certain market conditions, some investments may become less liquid and the ability to buy or sell those investments may be significantly reduced.

MSWM is committed to accruing the tax advantages that occur through long term gains however, in volatile markets, or under various market conditions, short term trading may occur. MSWM does not participate in transaction or other fees charged by the custodian, and strives to lower costs for its clients.

## **Item 9 Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of MSWM or the integrity of MSWM's management. MSWM has no information applicable to this Item.

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

While no written or formal arrangements exist that are material to MSWM's advisory business or its clients the following related persons should be disclosed:

- James W. Mader, Chairman and CEO of MSWM, Inc., is also President of Mader Financial Group, Inc. ("MFG") an independent insurance and estate planning firm. Occasionally, based on client need or demand, clients of MSWM, Inc. may utilize the services of MFG, Inc.

In addition, associated persons of the Firm are licensed to sell a variety of insurance products through various insurance companies. The services provided by these individuals are associated with outside companies and are not part of the service offering of MSWM. Clients of MSWM are not marketed to by these outside companies nor is client information shared. On occasion, based on client need, some services may be utilized by clients of MSWM. Clients are under no obligation, contractually or otherwise, to purchase insurance products through these related persons in their separate capacities as insurance agents. Associated persons of MSWM may receive normal and customary commission-based compensation from the insurance companies for the sale of such products.

## **Item 11 Code of Ethics**

MSWM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at MSWM must acknowledge the terms of the Code of Ethics annually, or as amended.

MSWM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it

will cause accounts over which MSWM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which MSWM, its affiliates and/or clients, directly or indirectly, have a position of interest. MSWM's employees and persons associated with MSWM are required to follow MSWM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of MSWM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for MSWM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of MSWM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of MSWM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between MSWM and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with MSWM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. MSWM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

MSWM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Bret Guillaume.

It is MSWM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. MSWM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 Brokerage Practices**

The client may designate a broker-dealer on the Investment Advisory Agreement. Absent such a designation, the advisor will select the broker-dealer. The factors to be considered in the selection of the broker-dealer include the reasonableness of the commission or ticket charges as compared to others in the industry, the size of the order and the difficulty of executing the trade. Mader & Shannon Wealth Management, Inc. participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc, member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent advisors services which include custody of securities, trade execution, clearance and settlement of transactions. MSWM receives some benefits from TD Ameritrade through its participation

in the program. (Please see the disclosure under Item 14 below).

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

Accounts are reviewed by James W. Mader, CEO, and/or Bret Guillaume, President/CCO, on a quarterly basis for inception-to-date gain compared to a suitable performance benchmark. Account performance is also reviewed to identify accounts that are not within a reasonable range with other client accounts within the same risk tolerance and objective.

The custodian provides account statements and trade confirmations directly to the clients. MSWM distributes its own client reports upon request, and during client reviews. These reports will provide the current investment assets and their respective valuation for the period based on the date of the review.

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

As disclosed under Item 12 above, MSWM participates in TD Ameritrade's Institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between MSWM's participation in the program and the investment advice it gives to its clients, although MSWM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): research related products and tools; duplicate client statements and confirmations; access to a trading desk serving advisor 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to MSWM by third party vendors. Some of the products and services made available by TD Ameritrade through the program may benefit MSWM but may not benefit its client accounts. These products or services may assist MSWM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. The benefits received by MSWM (or its personnel) through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by MSWM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence MSWM's recommendation of TD Ameritrade for custody and brokerage services. The benefits received are used to service all of MSWM's clients and are not allocated to certain clients based on account size, etc.

When possible MSWM utilizes TD Ameritrade's block trading and allocation platform to trade client accounts on an aggregated basis when consistent with MSWM's obligation of best execution. In such circumstances, the client accounts will share commission costs equally and receive securities at a total average price. MSWM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis.

#### The Use of Solicitors

MSWM may have formal arrangements with other unaffiliated third-party investment advisers to compensate those firms for client referrals. These Solicitor arrangements are formed through specific agreements between the two firms and the rules set forth under Rule 206(4)-3 of the Investment Advisors Act of 1940. Separate solicitor disclosure statements are required to be given to potential clients under this arrangement. The disclosure statement outlines the relationship between MSWM and



other advisor firms and the amount of compensation.

#### Sub-Advisory Management Services

The Firm may also act as sub-adviser for unaffiliated third-party investment advisers whereby such third parties engage the Firm for the purposes of managing the unaffiliated adviser's client assets. The third-party adviser will remain the *Primary Adviser* for its Client accounts.

Under such arrangements, the Firm provides discretionary asset management services, while the *primary adviser* will communicate with and assist its clients, the investors, and ultimately determine suitability for its clients.

Subject to any written guidelines that the investor may provide to the *Primary Adviser*, the Firm will be granted discretion and authority to manage the accounts. Accordingly, the MSWM is authorized to perform various functions, at the investor's expense, without further approval from the investor.

Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. The Firm provides continuous supervision and re-balancing of the outside account portfolios as changes in market conditions occur. The *primary adviser* will be responsible for determining initial and on-going suitability of any strategy/model in which to place the investor's assets. The Firm will not be responsible for determining suitability of any chosen strategy/model.

The fees payable to the Firm shall be detailed in the applicable sub-advisory agreement and may vary from relationship to relationship. Fees will be assessed pro rata in the event the management agreement is executed at any time other than the first day of a calendar quarter. Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the agreement executed between the Firm and the *Primary Adviser* prior to services being rendered.

### **Item 15 Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. MSWM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 Investment Discretion**

MSWM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, MSWM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, MSWM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to MSWM in writing.

Occasionally MSWM may manage client assets within financial products such as Annuities, or Life Insurance contracts where the contract does not allow assets to be moved into a brokerage account. When managing assets this way custody is maintained by the insurance or mutual fund company and

discretionary authority to manage the subaccounts has been granted to MSWM by the client through a limited power of attorney. The management of such accounts is almost always limited to the mutual fund offering provided by the insurance of mutual fund company. Management within these funds may prevent MSWM from allocating to certain asset classes that may be available on a typical brokerage platform. Liquidity may also be limited as investing is usually restricted to a limited selection of mutual funds.

## **Item 17 Voting Client Securities**

As a matter of firm policy and practice, MSWM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. MSWM may provide advice to clients regarding the clients' voting of proxies.

## **Item 18 Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about MSWM's financial condition. MSWM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.