

**Item 1 – Cover Page**



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**Form ADV Part 2  
Brochure Supplement  
Firm Brochure**

March 03, 2021

This brochure provides clients and prospective clients with information about Arete Wealth Strategists and the qualifications, business practices, and nature of its services that should be carefully considered before becoming an advisory client. If you have any questions about the contents of this brochure, please contact Mr. Ashley Murphy at (415) 375-0850.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any state securities administrator. Additional information about Arete Wealth Strategists is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 167297.

While Arete Wealth Strategists and anyone associated with it may be registered and/or licensed within a particular jurisdiction, that registration and/or licensing in itself does not imply an endorsement by any regulatory authority, nor does it imply a certain level of skill or training on the part of the firm or its associated personnel.

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Wealth Strategies for Business Owners and American/Australian Expats

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## **Item 2 – Material Changes**

The following changes have been made to this version of the Disclosure Brochure:

- Item 4 & 5: As of the date of this brochure, Arete Wealth Strategists has introduced five Service Tiers through which its financial planning services, portfolio management services, retirement plan services, and 529 Education Savings Account management services are delivered. The five Service Tiers and corresponding fees are described in Items 4 and 5.
- Item 5: Arete Wealth Strategists has updated the terms and conditions for hourly financial planning services
- Item 5: Arete Wealth Strategists has added fees for Retirement Plan services - specifically for the establishment of Defined Benefit plans

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

For future filings this section of the brochure may address only those material changes that have occurred since the firm's last annual update. The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's Website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (888) 544-3250 to request a copy at any time.

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## **Important Information**

Throughout this document Arete Wealth Strategists shall also be referred to as “the firm,” “firm,” “our,” “we” or “us.” These terms are utilized for the reader’s ease of use while reviewing the brochure and are not meant to imply the firm may be larger than it actually is at the time of publication. The client or prospective client may be also referred to as “you,” “your,” etc., and refers to a client engagement involving of a single *person* as well as two or more *persons*. In addition, the term “advisor” and “adviser” are used interchangeably where accuracy in identification is necessary (i.e., Internet address, etc.).

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

### **Description of the Firm**

Ashley Spencer Murphy, CFP® AIF® CEPA™ is the founder and sole owner of the Minnesota domiciled investment advisory firm doing business as Arete Wealth Strategists.<sup>1</sup> From its 2013 inception in California until January of 2015, the firm was organized as a sole proprietorship; the firm is now incorporated as a Minnesota domiciled Limited Liability Company; no change to the firm’s business name or control persons has occurred.

The firm is not a subsidiary of, nor does it control, another reportable financial industry entity. Mr. Murphy also serves as the firm’s Chief Compliance Officer (supervisor) and further information about his background may be found in Item 19 of this brochure.<sup>2</sup>

The firm’s original formation and registration occurred in the State of California in 2013; Arete Wealth Strategists and an associate of the firm may register, become licensed or meet certain exemptions to registration and/or licensing in other jurisdictions where investment advisory business may be conducted.

### **Description of Services Offered**

Arete Wealth Strategists provides a broad range of investment advisory solutions to its clients. *Financial planning services* provide clients with advice on key topics such as cash flow and budgeting, college funding, retirement planning, risk management, estate or tax planning, as well as general investment advice. Ongoing and continuous supervision of clients’ portfolios are provided through our *investment supervisory services* offerings, and we offer clients management of their portfolios through the engagement of institutional investment managers via our *investment management services*. AWS provides employer *retirement plan* design and investment management services, and is also available for *educational workshops and seminars* upon request.

As of the date of this brochure, Arete Wealth Strategists has introduced five Service Tiers through which its financial planning services, portfolio management services, 529 Education Savings, global mobility service package, business owner service package and retirement income planning service package are delivered. Account management services include:

#### **1. Investment Management Only**

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<sup>1</sup> Please refer to the end of this brochure for an explanation of professional designations and their ongoing continuing education requirements.

<sup>2</sup> In consonance with the SEC’s 2010 *General Instructions for Part 2 of Form ADV* (page 22), principal executive information that may be found within Form ADV Part 2B is included in Item 19 of this brochure.

2. Basecamp
3. Ascent
4. Summit
5. Arete

Throughout 2020 and potentially beyond, existing clients will be transitioned to one of the five Service Tiers. New clients that retain Arete Wealth Strategists after the date of this Brochure will be served through one of the five Service Tiers. A complete description of the applicable Service Tier and corresponding fees applicable to a client will be included in such client's service agreement, and all Service Tiers and corresponding fees are described in Item 5, below.

During or prior to your first meeting with Arete Wealth Strategists you will be provided with a firm brochure that includes a statement involving our privacy policy. Our firm will also ensure that any material conflicts of interest have been disclosed to you that could be reasonably expected to impair the rendering of unbiased and objective advice.

Should you wish to engage Arete Wealth Strategists for any advisory service, you must first execute a written engagement agreement; thereafter, discussion and analysis will be conducted to determine your financial needs, goals, holdings, etc. Depending on the scope of the engagement, you may be asked to provide current copies of the following documents early in the process:

- Wills, codicils and trusts
- Insurance policies
- Mortgage information
- Tax returns
- Budget information
- Current financial specifics including W-2s or 1099s
- Information on current retirement plans and benefits provided by your employer
- Statements reflecting current investments in retirement and non-retirement accounts
- Employment or other business agreements you may have in place
- Completed risk profile questionnaires or other forms provided by our firm

It is important that the information and/or financial statements you provide our firm is accurate. We may, but are not obligated to, verify the information you will provide, which will then be used in the advisory process. Our ability to provide advisory services depends on access to important information about our clients. Accordingly, it is necessary that you provide us with an adequate level of information and supporting documentation throughout the term of the engagement, including, but not limited to: source of funds, income levels, and an account holder or their legal agent's authority to act on behalf of the account, among other information. This helps us determine the appropriateness of our planning and/or investment strategies for your portfolio.

### ***Financial Planning Services***

Financial planning services may be as broad-based or narrowly focused as you desire. The incorporation of most or all of the listed components allows not only a thorough analysis but also a refined focus of your plans so that the firm is able to assist you in reaching your goals and objectives. We will ask you to respond to a sequence of questions we believe important to the development of your plan: your age, investment time horizon, income and/or net worth, among

others. We will also inquire into your investment experience, as well as tolerance or appetite for risk. Following responses to these questions, you will receive a plan/recommendation and/or asset allocation believed appropriate for your situation.

#### Cash Flow Analysis and Debt Management

A review of your income and expenses will be conducted to determine your current surplus or deficit. Based upon the results, we will provide advice on prioritizing how any surplus should be used, or how to reduce expenses if they exceed your income. In addition, advice on the prioritization of which debts to repay may be provided, based upon such factors as the debt's interest rate and any income tax ramifications. Recommendations may also be made regarding the appropriate level of cash reserves for emergencies and other financial goals. These recommendations are based upon a review of cash accounts (such as money market funds) for such reserves and may include strategies to save desired reserve amounts.

#### Risk Management

A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance ("self-insuring").

#### Employee Benefits

A review is conducted and analysis is made as to whether you, as an employee, are taking maximum advantage of your employee benefits. We will also offer advice on your employer-sponsored retirement plan and/or stock options, along with other benefits that may be available to you.

#### Personal Retirement Planning

Retirement planning services typically include projections of your likelihood of achieving your financial goals, with financial independence usually the primary objective. For situations where projections show less than the desired results, a recommendation may include showing you the impact on those projections by making changes in certain variables (i.e., working longer, saving more, spending less, taking more risk with investments). If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

#### Tax Planning Strategies

Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, recommendations may be offered as to which type of account(s) or specific investments should be owned based in part on their "tax efficiency," with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that may impact your situation.

#### College Funding

Advice involving college funding may include projecting the amount that will be needed to achieve post-secondary education funding goals, along with savings strategies and the “pros-and-cons” of various college savings vehicles that are available. We are also available to review your financial picture as it relates to eligibility for financial aid or the best way to contribute to grandchildren, if appropriate.

### Estate Planning

Our review typically includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. We may assess ways to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We generally recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

### Investment Consultation

Investment consultation services often involve providing information on the types of investment vehicles available, employee retirement plans and/or stock options, investment analysis and strategies, asset selection and portfolio design, as well as assisting you with the implementation of transactions in your investment account if it is maintained at another broker/dealer or custodian. The strategies and types of investments that may be recommended are further discussed in Item 8 of this brochure.

### Business Consultation

We are available to assist small businesses in a variety of ways including business strategy, practice management, general financial advice, debt management, as well as assisting you with matters involving coordination with your financial institution, attorney or accountant. We also offer investment analysis and consultation services to other investment advisory firms.

A broad-based plan is an endeavor that requires detail, therefore, certain variables can affect the cost involved in the development of the plan: the quality of your own records, complexity and number of current investments, diversity of insurance products and employee benefits you currently hold, size of the potential estate, and special needs of the client or their dependents, among others. We may concentrate on reviewing only a specific area (modular planning) per your request, such as an employer retirement plan allocation, college funding or evaluating the sufficiency of savings plan. Note that when these services focus only on certain areas of your interest or need, your overall situation or needs may not be fully addressed due to limitations you may have established. In all instances involving our financial planning engagements, our clients retain full discretion over all implementation decisions and are free to accept or reject any recommendation we make.

Whether we have created a broad-based or modular plan, we will present you with a summary of our recommendations, guide you in the implementation of some or all of them per your decision, as well as offer you periodic reviews thereafter (see Item 13).

### ***Portfolio Management Services***

You may engage our firm to implement investment strategies that we have recommended to you. Depending on your risk profile, goals and needs, among other considerations, your portfolio will involve the employment of one of our investment strategies as well as either a broad range or more narrowly focused choice of investment vehicles which are further discussed in Item 8 of this brochure, and our fee rates are noted in Item 5.

Where appropriate, we will prepare investment guidelines reflecting your objectives, time horizon, tolerance for risk, as well as any reasonable account constraints you may have for your portfolio. These guidelines will be designed to be specific enough to provide future guidance while allowing flexibility to work with changing market conditions. Since this effort is the product of information and data you have provided, you may be asked to review these guidelines and provide your final approval.

### ***Investment Supervisory Services***

Through our investment supervisory services offering we develop a customized portfolio for you based on your unique situation, investment goals and tolerance for risk. We serve as your portfolio manager under a discretionary or non-discretionary agreement (defined in Item 16), and the engagement generally includes:

- Determination of risk tolerance
- Investment strategy
- Investment guideline development
- Asset allocation
- Asset selection
- Regular monitoring
- Periodic rebalancing

### ***Investment Management Services (Third-Party Investment Managers)***

We may also recommend that you engage a third-party investment manager to implement a portion or your entire portfolio. Prior to recommending a third-party investment manager, we will conduct what is believed to be an appropriate level of due diligence that will include ensuring the third-party investment manager is appropriately registered or notice-filed within your state of residence.

Under this type of engagement, we will gather input from you about your financial situation, investment objectives, reasonable restrictions you may want to impose on the management of the account, and we will then provide this information to the third-party investment manager to develop your portfolio. Third-party managers will invest on behalf of a client account in accordance with the strategies set forth in their own disclosure documents which will be provided to you by our firm prior to your employing these strategies.



The selected third-party investment manager assumes discretionary authority over an account (see in Item 16), and some of these programs may not be available for those clients who prefer an account to be managed under a non-discretionary engagement or whom may have other unique account restrictions.

At least annually thereafter a review will be performed from both a compliance and performance perspective to determine whether the selected third-party investment manager remains an appropriate fit for your portfolio.

### Retirement Plan Services

Our firm provides employee benefit plan services to employer plan sponsors on an ongoing basis. Such plans may include SIMPLE IRA's, 401(k)'s, Profit Sharing Plans, Defined Benefit plans and Cash Balance plans. Generally, we assist employer plan sponsors in determining the suitability of such plans and in establishing, monitoring and reviewing their company's retirement plan(s). As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan design and participant education.

In providing employee benefit plan services, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets or other illiquid investments (collectively, "Excluded Assets").

All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and our firm accepts appointments to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) or 3(38) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

### 529 Education Savings Account Management:

Utilizing a Limited Power of Attorney, our firm provides ongoing investment supervisory services for 529 Education Savings Accounts. We have designed custom investment models and glide-paths we monitor on a biannual basis.

### **Educational Workshops**

We offer periodic educational seminar sessions for those desiring general advice on personal finance and investing. Topics may include issues related to general financial planning, educational funding, estate planning, retirement strategies, implications involving changes in marital status, and various other current economic or investment topics.

Our workshops are educational in nature and do not involve the sale of insurance or investment products. Information presented will not be based on any one person's need nor do we provide individualized investment advice to attendees during our general sessions.

#### Wrap Fee Program

We do not participate in wrap fee programs.

#### Client Assets Under Management

As of Dec 31st, 2020, we had \$55,305,000<sup>3</sup> of reportable client assets directly under our management, all on a discretionary basis.

#### General Information

Arete Wealth Strategists does not provide legal or accounting related services, but with your prior written consent we will work with your attorney or accountant to assist with the coordination and implementation of accepted strategies. You should be aware that these other professionals will charge you separately for their services and these fees will be in addition to our own advisory fees.

Our firm will use its best judgment and good faith effort in rendering its services. Our firm cannot warrant or guarantee the achievement of a planning goal or any particular level of account performance or that your account will be profitable over time. Past performance is not necessarily indicative of future results.

Except as may otherwise be provided by law, our firm will not be liable to the client, heirs, or assignees for any loss an account may suffer by reason of an investment decision made or other action taken or omitted in good faith by our firm with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; any loss arising from our adherence to your direction or that of your legal agent; any act or failure to act by a service provider maintaining an account.

Federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing contained in this document or our client engagement agreement shall constitute a waiver of any rights that a client may have under federal and state securities laws.

#### **Item 5 – Fees and Compensation**

Forms of payment are based on the types of services being provided, term of service, applicable Service Tier, etc., and will be stated in your engagement agreement with the firm. Payment is made via electronic transfer, check or teller's draft from a U.S. financial institution as well as through qualified, unaffiliated third-party processors or your custodian of record maintaining your account; both requiring your prior authorization. We do not accept cash, money orders or similar forms of payment for advisory engagements.

#### Method of Compensation and Fee Schedule

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<sup>3</sup> The term "assets under management" and rounding to the nearest \$100,000 are as defined by the SEC's 2010 *General Instructions for Part 2 of Form ADV*.

## ***Financial Planning Fees***

Financial planning engagements are provided in two ways: Annual service package paid monthly or on an hourly basis. Prior to entering into an agreement with our firm we will provide you with a cost estimate. Our fee will take into consideration factors such as the complexity of your financial profile, the depth of services to be provided through the engagement, assets that comprise your overall portfolio, number of accounts comprising the portfolio, whether you or our firm will implement the transactions for your account(s), time involved in the engagement, among others.

### ***Annual Service Package (paid quarterly)***

Annual service package services are an annual engagement that include the development of a financial plan, assistance with the implementation of those recommendations and ongoing support. A typical annual service package engagement will comprise 4 - 6 client meetings over the course of the first year followed by quarterly check-ins and discussion. The prices quoted for plans vary depending on the complexity of the case with a minimum annual fee of \$4,100 or \$1,025 a quarter. The fee may be negotiable in certain cases. Fees for this service may be paid by electronic funds transfer. This service may be terminated with 30 days' notice. Prior to the completion of a twelve month term, early termination fees may be assessed as described below in *Termination of Services*. Upon termination of any account, the fee will be prorated and any unearned fee will be refunded to the client.

If a client requires a second initial meeting with us to decide whether to retain our firm, a fee of \$500 shall apply and be credited to any fees charged should you decide to engage us for Comprehensive Financial Planning. This fee is for client on-boarding, data gathering, and setting the basis for the financial plan. This work will commence immediately after the fee is paid and the client has provided the necessary information to proceed, and will be completed within the first 90 days of the date the fee is paid. Therefore, the upfront portion of the fee will not be paid more than 6 months in advance.

### ***Hourly Fee***

Financial planning is also available on an hourly basis for general inquiries or needs-based work. The rate is \$375 per hour; billed in 10 minute increments and a partial increment will be treated as a whole increment. An estimate of the time required will be given at the outset of the engagement. Half of the estimated fee is payable upon signing the agreement and the balance is due upon delivery.

***Only clients that have utilized the Subscription financial planning service for a minimum of 12 months are eligible for hourly financial planning services.***

## ***Portfolio Management Fees***

### ***Implementation Services and Investment Supervisory Services***

Accounts for which we provide implementation assistance or investment supervisory services are assessed an asset-based fee and the calculation is based on the reporting period ending value of your account(s) as of the last US market day of the previous calendar quarter. We assess our asset-based fee based on a straight tier; all of the client's assets managed by our firm are

assessed a single percentage rate that declines as asset levels increase. The fee will be billed quarterly, in arrears, per the following table.

	<b><u>Investment Management Only^</u></b>	<b><u>Basecamp</u></b>	<b><u>Summit</u></b>	<b><u>Launch</u></b>	<b><u>Areté</u></b>
<b>Included AUM:</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$500,000</b>	<b>\$1,000,000</b>	<b>\$3,000,000</b>
<b><u>Assets Under Management</u></b>					
\$0 - \$299,999	1.45%	1.09%	\$500K Included	\$1M Included	\$3M Included
\$300,000 - \$499,999	1.30%	0.98%	\$500K Included	\$1M Included	\$3M Included
\$500,000 - \$999,999	1.15%	0.86%	0.69%	\$1M Included	\$3M Included
\$1,000,000 - \$2,999,999	0.85%	0.64%	0.51%	0.34%	\$3M Included
\$3,000,000 - \$4,999,999	0.75%	0.56%	0.45%	0.30%	0.23%
>\$5,000,000	0.55%	0.41%	0.33%	0.22%	0.17%
	^\$1,450/year minimum AUM fee Note 1: Billing of AUM above included amount commences at fee tier immediately above included AUM level. Note 2: - \$2,250 Establishment fee may apply for non-resident account holders Note 3: - \$500 Closure fee may apply for non-resident account holders, waived if client relationship terminates after 4 years.				

For the benefit of discounting your asset-based fee, we may aggregate investment supervisory services accounts for the same individual or two or more accounts within the same family, or accounts where a family member has power of attorney over another family member's or incompetent person's account.

Should investment objectives be substantially different for any two or more household accounts, requiring different investment approaches or operational requirements, fee schedules may be separately applied. We have a minimum fee of \$1450 for directly managed accounts.

Portfolios are assessed in accordance with account asset values disclosed on the statement that you will receive from your custodian of record for the purpose of verifying the computation of the advisory fee. In the rare absence of a reportable market value, our firm may seek a third-party opinion from a recognized industry source (e.g., unaffiliated public accounting firm), and you may choose to separately seek such an opinion at your own expense as to the valuation of "hard-to-price" securities if necessary.

Arete Wealth Strategists will concurrently send you and the custodian of record a written notice ("invoice") each billing period that describes the advisory fees to be deducted from your account at our firm's request. Billing notices will be delivered prior to the deduction of fees. The notice will include the total fee assessed, covered time period, calculation formula utilized, and reference to the assets under management in which the fee had been based.

Your first billing cycle will begin once your agreement is executed and account assets have settled into your account held by the custodian of record. Fees for partial quarters will be prorated based on the remaining days in the reporting period in which Arete Wealth Strategists services the account. Fee payments will generally be assessed within the first 15 days of the beginning of each billing cycle.

By signing our firm's engagement agreement as well as the selected custodian account opening documents you will be authorizing the withdrawal of transactional (see following section) and advisory fees from your account. The withdrawal of these fees will be accomplished by the selected custodian, not by our firm, and the custodian will remit our fees directly to our firm. Please note that you share in the responsibility to verify the accuracy of fee calculations; the custodian may not verify the accuracy of advisory fee assessments for you.

Alternatively, you may request to directly pay our advisory firm its investment supervisory services fee in lieu of having the advisory fee withdrawn from your investment account. Our valuation assessment will remain the same as described above, and the client's direct payment must be received by our firm within 15 days of invoice. There is a \$29 billing fee per quarter applicable for this service.

#### *Investment Management Services (Third-Party Investment Managers)*

An annualized asset-based fee will be charged to your account under a third-party investment manager program. Each program has a stated fee range that will be described to you through the use of the third-party investment manager disclosure documents and prior to your selection of the manager; from 0.25% to 0.65% (25 to 65 basis points) depending upon the program selected, investment strategies involved, portfolio holdings, asset size of the account, and the services provided to the client. Our firm charges an advisory fee for our role in facilitating the investment with the third party management firm, based on the above listed fee schedule. We have a minimum fee of \$600 for third-party management accounts.

Investment management services account fees are paid quarterly and may be due either in advance or arrears depending on the selected third-party manager. The fee will be calculated based on the reporting period ending value of your account (e.g., the last market day of the quarter), and account asset values are in consonance with the statement you will receive from your custodian of record for the purpose of verifying the computation of the advisory fee.

Your first billing cycle will begin once your agreement is executed and account assets have settled into your account held by the custodian of record. Fees for partial quarters will be prorated based on the remaining days in the reporting period. Fee payments will generally be assessed within 15 days of the beginning of each billing cycle.

Third-party investment management services fees will be noted on your quarterly account statement you will receive from your custodian of record. We are not directly involved in the billing process of investment management accounts. By signing our firm's and/or the third-party investment manager's engagement agreement(s), as well as the selected custodian account opening documents, you will be authorizing the withdrawal of advisory fees and transactional charges from your account. Please note that you share in the responsibility to verify the accuracy of fee calculations; the custodian may not verify the accuracy of advisory fee assessments for you.

## Retirement Plan Services

Total Assets Under Management	Investment Management Fee	Per Participant Fee
\$100K - \$199,999K	1.20%	\$25
\$200K - \$499,999K	0.95%	\$25
\$500K - \$999,999M	0.75%	\$20
\$1.0M - \$2,999,999M	0.55%	\$15
\$3M - \$4,999,999M	0.45%	\$15
\$5M - \$9,999,999M	0.30%	\$15

Fees for this service are deducted directly from the plan assets by the Custodian, and AWS's fee is remitted to AWS. Fees are debited from the plan assets on a quarterly basis, in arrears.

In addition to Assets Under Management (AUM) fees we also charge a one-time plan setup fee;

### a. 401(K) plans

- i. Solo 401(K) plans - Setup fee of \$450
- ii. 401(K) plans - Setup fee of \$575

### b. SEP/SIMPLE IRA

- i. Set-up fee of \$450 + \$25 per participant

### c. Cash Balance and Defined Benefit Plans

- i. A rate of \$375/hour rate applies for time spent.

The one-time setup fee is due in full prior to the beginning of the engagement, and is non-refundable.

## 529 Education Savings Account Investment Management

For an ongoing flat fee of \$100 per account, per quarter, we implement our own custom-designed investment glidepaths and provide management services for your 529 account(s).

## Workshop/Seminar Fees

Workshop attendees may be assessed a fee that ranges from \$0 to \$500 per session. The fee is announced in advance and will be determined by the length of the event, the number and expertise of the presenters involved, and whether or not educational materials are being provided. Payment will be due at the beginning of any event.

### Service Tier Fees

As referenced in Item 4 above, Arete Wealth Strategists has introduced five Service Tiers through which its financial planning services, portfolio management services, and 529 Education Savings Account management services are delivered. The specific services rendered and fees charged will depend on the particular Service Tier agreed to between us, and are described below:

#### Exhibit A Service Tiers & Fees

	Investment Management Only	Basecamp	Ascent	Summit	Areté
<b>Quarterly Base Service Fees</b>					
First Year Quarterly Service Fee:	\$0	\$1,025	\$2,025	\$4,000	\$7,500
Ongoing Quarterly Service Fee:	\$0	\$950	\$1,900	\$3,800	\$7,000
Included Assets Under Management:	\$0	\$100,000	\$500,000	\$1,000,000	\$3,000,000
<b><u>A La Carte Services:</u></b>	<i>Services are described below</i>				
Global Mobility:		\$250	Included	Included	Included
Business Owners Services:		\$400	\$400	Included	Included
Retirement Distribution Management:		\$500	\$500	Included	Included
<b><u>Assets Under Management</u></b>					
	Base Fee ^1,2	75% of Base	60% of Base	40% of Base	30% of Base
\$0 - \$299,999	1.45%	\$100K Included + 1.09% above	\$500K Included	\$1M Included	\$3M Included
\$300,000 - \$499,999	1.30%	0.98%	\$500K Included	\$1M Included	\$3M Included

\$500,000 - \$999,999	1.15%	0.86%	0.69%	\$1M Included	\$3M Included
\$1,000,000 - \$2,999,999	0.85%	0.64%	0.51%	0.34%	\$3M Included
\$3,000,000 - \$4,999,999	0.75%	0.56%	0.45%	0.30%	0.23%
>\$5,000,000	0.41%	0.41%	0.33%	0.22%	0.17%
<sup>^</sup> \$1,450/year minimum AUM fee Note 1: Billing of AUM above included amount commences at fee tier immediately above included AUM level. Note 2: - \$2,250 Establishment fee may apply for non-resident account holders Note 3: - \$500 Closure fee may apply for non-resident account holders, waived if client relationship terminates after 4 years.					

<b>Investment Management</b>	Includes household level investing, rebalancing, Tax Loss Harvesting, Morningstar Office access, eMoney aggregation, & basic foreign exchange				
Arete Investment Management	Included	Included	Included	Included	Included
Management of held-away accounts (i.e. Not custodied with one of our supported custodians):	Included (Min balance applies)	Included (Min balance applies)	Included	Included	Included
529 Account Management:	Qtrly Fee Applies	Qtrly Fee Applies	Included	Included	Included
Separate Account Management:	0.45%	0.45%	0.45%	0.45%	0.45%
<b>Financial Planning</b>					
Annual Check-in:	Included	Included	Included	Included	Included
Integrated/Comprehensive Financial Planning:		Included	Included	Included	Included
What-If Scenario Analysis:		Hourly	Included	Included	Included
Special Financial Analysis / Life Transitions:		Hourly	Included	Included	Included
Retirement Income Planning (Separate projections, tools and resources for those shortly about to retire or in retirement):			Included	Included	Included
Detailed Estate Planning (Complex trust structures, Ethical will):				Included	Included
<b>Personal Tax</b>					



Personal Tax Preparation:			Integration with Recommended Provider	Included	Included
2nd Look Tax Review:			Included	Included	Included
Back-door ROTH analysis			Included	Included	Included
Beginning of Year CPA Letter with important investment related tax info			Included	Included	Included
Q4 Tax Planning Meeting:				Included	Included

<u>Service</u>					
Meetings in First Year:		5	6	8	10
Meeting Frequency per year (Ongoing)~:		2	4	5	6
Total Email & Support Time (hours):		5	8	16	64
Delivery of Advice:		Meeting Centric	Meeting Centric	Continuous	Continuous
Virtual vs In-person Meetings:		Virtual	Virtual & In-person	Virtual & In-person	Virtual & In-person
Response Times:		Within 4 business days	Within 2 business days	Next business day	Same business day
Watching Brief (Retirement, mortgage, insurance):		NA	Included	Included	Included
Coordinated Implementation Assistance with Service Provider:		NA	Included	Included	Included

As indicated in the table above, all Service Tiers except Investment Management Only include a certain amount of assets under management upon which no AUM fees are charged. Above the threshold of included assets under management, AUM fees are charged at the rate immediately above the rate that would otherwise be applicable to the included assets under management. For example, a client in the Basecamp Service tier with \$350,000 under our management would only be charged a flat AUM fee in the amount of 0.98% on \$250,000 (or \$2,450 per year), given that the first \$100K is included in the Service Tier. Fees are generally charged quarterly in arrears, and asset-based fees are based on the aggregate value of a client's accounts as of the last day of the calendar quarter. If a client requires a second initial meeting with us to decide whether to retain our firm ("Fit Meeting #2"), a fee of \$500 shall apply and be credited to any fees charged should you decide to engage us under a Service Tier. All other fees described above generally commence

between the Fit Meeting #2 and the first Discovery Meeting after the client has signed our client service agreement.

The a la carte services described above are inclusive of the following:

- Global Mobility: US entry / departure checklist, global mobility planning (PFICs, investment structuring, overseas tax impact), HEART expatriation test, HEART expatriation minimization strategy, and coordination with the client's CPA/lawyer.
- Business Owner Services: Exit/succession planning, buy/sell analysis, retirement plan setup, coordination with the client's CPA/lawyer, Advanced tax/risk mitigation strategies
- Retirement Distribution Management: Pre and post-retirement glide-path rebalancing, personalized retirement risk analysis, retirement income style analysis (Income portfolio, Sequence of Withdrawals Rate, Time-segmentation), reconfiguration of portfolio(s) for retirement income / Income Conductor style, tax aware account distribution, and longevity annuity analysis and recommendation. Lastly, managing the client's distribution of assets from retirement accounts.

To the extent a client prefers investment management by way of a Separately Managed Account (SMA), we will manage such separate accounts for an additional annual fee of 0.45% of the value of the separate account under our management (billed quarterly in arrears).

Upon your request, we may quote services in addition to what is included in the applicable Service Tier at either an hourly rate or for a fixed fee at our discretion. To the extent additional services are to be rendered on an hourly basis, such hourly fees shall be charged \$350 an hour [monthly in arrears]. To the extent additional services are to be rendered for a fixed fee, 50% of such fee is due upon commencement of the additional services and the remaining 50% shall be due upon completion.

### ***Negotiability of Fees***

The services to be provided to you and their specific fees will be detailed in your engagement agreement. Published fees may be discounted at the discretion of our firm. Arete Wealth Strategists strives to offer fees that are fair and reasonable in light of the experience of our firm and the services to be provided to you. We are obligated under statute to inform you that similar services may be made available from others and potentially at a lesser fee.

### ***Additional Client Fees***

Any transactional or service fees (sometimes termed *brokerage fees*), individual retirement account fees, qualified retirement plan fees, account termination fees, or wire transfer fees will be borne by the account holder and per the fee schedule of your custodian of record. Mr. Murphy will ensure you receive an initial copy of the firm's preferred custodian of record's fee schedule at the beginning of the engagement, and you will be notified of any future changes to these fees by the custodian of record and/or third party administrator for certain tax-qualified plans. Fees paid by our clients to our firm for our advisory services are separate from any of these fees or other similar charges. In addition, advisory fees for our firm's services are separate from any transactional charges a client may pay, as well as those for mutual funds, exchange-traded funds (ETFs), index mutual funds or other investments of this type.

Per annum interest at the current maximum statutory rate may be assessed on fee balances due more than 30 days; we may refer past due accounts to collections or legal counsel for processing. We reserve the right to suspend some or all services once an account is deemed past due.

Additional information about our fees in relationship to our brokerage practices are noted in Items 12 and 14 of this document.

#### External Compensation for the Sale of Securities to Clients

Our firm does not charge or receive a commission or a mark-up on securities transactions, nor will the firm or an associate be paid a commission on the purchase of a securities holding that is recommended to a client. We are not compensated on any securities lending (hypothecation), and our asset-based fee is based on the net equity value of an account; not the total value of the account that includes a margin loan.

We do not receive “trailer” or SEC Rule 12b-1 fees from an investment company that may be recommended to you. Fees charged by such issuers are detailed in prospectuses or product descriptions and interested investors are always encouraged to read these documents before investing. Our firm and its associates receive none of these described or similar fees or charges.

You retain the option to purchase recommended or similar investments through your own selected service provider.

#### Termination of Services

Either party may terminate the agreement at any time, which will typically be in writing. If you verbally notify our firm of the termination and, if in two business days following this notification you have not sent in your notice in writing, we will make a written notice of the termination in our records and send you our own termination notice as a substitute. Our firm will not be responsible for investment allocation, advice or transactional services (except for limited closing transactions) upon receipt of a termination notice. It will also be necessary that we inform the custodian of record and/or third-party investment manager that the relationship between our firm and the client has been terminated.

If you did not receive our Form ADV Part 2 firm brochure at least 48 hours prior to entering into the investment advisory contract, then you have the right to terminate the engagement without penalty within five business days after entering into the agreement. Should a client terminate an engagement involving a Service Tier, excluding Investment Management only, or fixed fees after this five-day time period, the client may be assessed fees as per the following formula;

- Prior to 3 months since the commencement of the engagement, cancellation fee = 1 x quarters fee.
- Between 3 - 6 months of the commencement of the engagement, cancellation fee =  $\frac{2}{3}$ 's of a quarter's fee.
- > 6 months of the commencement of the engagement =  $\frac{1}{3}$  of a quarter's fee.

Clients in the Investment Management only Service Tier that terminate an engagement may incur a \$500 closure fee unless such termination occurs after 4 years have elapsed since the original engagement, subject to discretion.

Due to various operational costs borne by our firm, if an educational workshop attendee cancels in advance of the first session and the cancellation occurs within 24 hours of our first session, fees are not subject to a refund but we will consider crediting the educational workshop fee to a future session.

Portfolio management services engagements clients that terminate their agreement after the five-day period will be assessed fees on a per-day prorated basis for services incurred from either (i) as a new client, the date of the engagement to the date of the firm's receipt of the written notice of termination, or (ii) all other accounts, the last billing period to the date of the firm's physical or constructive receipt of written termination notice.

If you were required to provide an initial deposit of \$500 or more for our financial planning services engagement, you provided all requisite information, and such plans or services have not been delivered to you within six months or less time from the date of the engagement, you may be entitled to a refund. The firm will return any prepaid, unearned fees within 30 days of the firm's receipt of termination notice. Earned fees in excess of any prepaid deposit will be billed at the time of termination and will be due by the client upon receipt of the firm's invoice.

Our firm's return of payment to a client for financial planning fees will only be completed via check or electronic transfer from our firm's US-based financial institution; no credits or "transaction reversals" will be issued. We will only coordinate remuneration of prepaid asset-based fees to an investment account via the custodian of record. Note that most third-party investment managers coordinate remuneration of prepaid asset-based fees via your investment account at your custodian of record. Note that the return of prepaid fees will never involve a personal check, cash or money order from our advisory firm or from an associate of our firm.

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

Our firm's advisory fees will not be based on a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as performance-based fees. We believe such compensation creates an incentive for a firm to recommend an investment that may carry a higher degree of risk to a client. We do not use a performance-based fee structure because of the conflict of interest this type of fee structure poses.

Our fees will also not be based on side-by-side management, which refers to a firm simultaneously managing accounts that do pay performance-based fees (such as a hedge fund) and those that do not; this type of arrangement, and the conflict of interest it may pose, does not conform to our firm's practices.

#### **Item 7 – Types of Clients**

Arete Wealth Strategists provides advisory services to individuals and high net worth individuals of all investment experience, as well as small businesses including other investment advisory firms.

We do not require minimum income, asset levels or other similar preconditions for our financial planning services. Our portfolio management clients are required to maintain a minimum of \$100,000 of investable assets with our firm, and we will inform interested parties, in advance, of any account requirements involving recommended third-party investment managers.

Mr. Murphy reserves the right to waive or reduce certain fees based on unique individual circumstances, special arrangements or pre-existing relationships, and he may also decline services to a prospective client for any non-discriminatory reason.

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

### **Methods of Analysis and Investment Strategies**

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

When we are engaged to provide investment advice, we will first gather and consider several factors, including your:

- current financial situation and need
- interim and long-term goals and objectives
- level of investment knowledge
- tolerance or appetite for risk
- reasonable investment restrictions involving your portfolio

Arete Wealth Strategists employs fundamental analyses. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements.

Our research is drawn from sources that include financial periodicals, reports from economists and other industry professionals, as well as corporate rating services.

#### ***Investment Strategy***

We recognize that each client's needs and goals are different; subsequently client portfolio strategies and underlying investment vehicles will vary. Our firm and recommended third-party investment managers may employ active, Core + Satellite and passive account management strategies in order to seek growth while concurrently managing risk through appropriate asset allocation. The following defines the common strategies utilized within a client's portfolio, *in alphabetical order*:

#### **Active Asset Management**

A portfolio manager engaging in an active asset management strategy believes it is possible to create a profit from identifying or leveraging mispriced securities, or producing similar returns with less risk, or producing returns greater than a stated benchmark, such as a well-known index. For example, a "large cap stock" fund manager might attempt to outperform the Standard & Poor's

500 Index by purchasing underpriced stocks or derivative instruments representing these positions.

At times, a portfolio manager may attempt to preserve capital during times of high risk through the use of cash and cash equivalents, and the percentage of account holdings invested in the market may vary substantially based on what is believed to be the prevailing risk in the market. For example, if a manager feels risk in the stock market is low, he might increase exposure to equities to attempt to take advantage of growth opportunities. When risk in the stock market is considered high, all of or a portion of the portfolio's equity exposure may be moved to more stable short-term fixed income instruments and cash equivalent alternatives in order to preserve capital.

### Core + Satellite

This strategy blends passive (or index) and active investing, where passive investments are used as the basis or "core" of a portfolio and actively-managed investments are added as "satellite" positions. With this strategy, the portfolio core holdings are indexed to potentially more efficient asset classes, while outlying selections are generally limited to active holdings in an attempt to outperform a particular category (sector), or a selection of particular positions to increase core diversification, or to improve portfolio performance.

For example, the core of a portfolio may be built with low-cost index funds or ETFs; satellite holdings would include active investment managers (mutual funds) with unique strategies that are believed capable of adding value beyond a stated benchmark over a full market cycle. The core may represent the majority of the total portfolio, using primarily index funds or index-based ETFs. The remainder of the portfolio may then employ mutual funds or ETFs that take a shorter duration to assist in the over-or-under allocation to specific sectors, regions, assets classes, etc.

### Passive Account Management

Our passive strategy is based on Modern Portfolio Theory; selecting securities whose price movements have historically low correlations to create efficient portfolios that offer the highest expected return for a given level of risk, or one with the lowest level of risk for a given expected return. This practice does not employ market timing or stock selection methods of investing but rather a long term, buy-and-hold strategy with periodic rebalancing of the account to maintain desired risk levels.

### **Recommended Investments**

We will strive to create portfolios that contain investment vehicles that are diversified, tax-efficient, and low-cost whenever practical; typically holdings are a broad range of mutual funds, ETFs, closed-end funds, and individual securities (e.g., stocks and bonds). For certain clients, we may recommend master limited partnerships, direct participation programs, and real estate investment trusts.

### Investment Strategy and Method of Analysis Material Risks

The firm believes its strategies and investment recommendations are designed to produce the appropriate potential return for the given level of risk; however, there is no guarantee that an investment objective will be achieved. Each client, as an investor, must be able to bear the risk of

loss that is associated with their account, which may include the loss of some of or their entire principal. Examples of such risk are noted in the following paragraphs for your consideration.

### ***Active Management Strategy Risks***

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

### ***Company Risk***

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

### ***Core + Satellite Strategies***

Strategies involving Core + Satellite investing may have the potential to be affected by “active risk” (or “tracking error risk”), which might be defined as a deviation from a stated benchmark. Since the core portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a satellite portfolio or position, or from a “sample” or “optimized” index fund or ETF that may not as closely align the stated benchmark. In these instances, a portfolio manager may choose to reduce the weighting of a satellite holding, utilize very active satellites, or use a “replicate index” position as part of its core holdings to minimize the effects of the tracking error in relation to the overall portfolio.

### ***Failure to Implement***

As a financial planning client, you are free to accept or reject any or all of the recommendations made to you. While no advisory firm can guarantee future performance, no plan can succeed if it is not implemented. Clients who choose not to take the steps recommended in their financial plan may face an increased risk that their stated goals and objectives will not be achieved.

### ***Financial Risk***

Excessive borrowing to finance a business operation increases profitability risk because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### ***Fundamental Analysis***

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



If a security's price adjusts rapidly to new information, a fundamental analysis may result in unfavorable performance.

### ***Inflation Risk***

When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

### ***Management Risk***

An investment with a firm varies with the success and failure of its investment strategies, research, analysis and determination of its portfolio. If an investment strategy were not to produce expected returns, the value of the investment would decrease.

### ***Market Risk***

When the stock market as a whole or an industry as a whole falls, it can cause the prices of individual stocks to fall indiscriminately. This is also called *systemic* or *systematic* risk.

### ***Passive Investing***

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

### ***Research Data***

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

### ***Socially Conscious Investing***

If you would like your portfolio to be invested according to socially conscious principles, you should note that returns on investments of this type may be limited and because of this limitation you may not be able to be as well diversified among various asset classes. The number of publicly traded companies that meet socially conscious investment parameters is also limited, and due to this limitation, there is a probability of similarity or overlap of holdings, especially among socially conscious mutual funds or ETFs. Therefore, there could be a more pronounced positive or negative impact on a socially conscious portfolio, which could be more volatile than a fully diversified portfolio.

### **Security-Specific Material Risks**

#### ***Equity (Stock) Market Risk***



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

### ***ETF, Mutual Fund and Closed-End Fund Risks***

The risk of owning ETFs, mutual funds and closed-end funds (CEFs) reflect their underlying securities (e.g., stocks, bonds, etc.). ETFs, CEFs and mutual funds may carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. Also, certain funds may be too large to move quickly in response to market fluctuations, meaning that investors may miss out on gains or be exposed to losses for a longer time than if they were in a more nimble portfolio. We do not recommend leveraged or inverse ETFs/CEFs to our advisory clients due to their inherent heightened risk.

### ***Fixed Income Risks***

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

**Credit Risk** - The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF share values that hold these issues. Bondholders are creditors of an issuer and typically have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.

**Duration Risk** - Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

**Interest Rate Risk** - The risk that the value of the fixed income holding will decrease because of an increase in interest rates.

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

**Reinvestment Risk** - With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

### ***Index Investing***

Certain ETFs and indexed funds have the potential to be affected by “active risk” (or “tracking error risk”), which might be defined as a deviation from a stated benchmark.

### ***Master Limited Partnerships (MLPs)/Direct Participation Programs (DPPs)***

Investing in MLPs/DPPs involves certain risks related to investing in their underlying assets, as well as the risks associated with pooled investment vehicles (certain pooled investments may be less regulated than others). In addition, MLPs/DPPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with the specific industry or region. A potential benefit derived from a MLP/DPP is also dependent on the holding being treated as a partnership for federal income tax purposes; if part or all of the MLP/DPP is not, it may have potential adverse tax effects on a portfolio.

### ***QDI Ratios***

While various investment holdings may be known for their potential tax-efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these investment vehicles or holding periods within that may not benefit. Shorter holding periods, as well as commodities and currencies (that may be part of fund or portfolio), may be considered “non-qualified” under certain tax code provisions. A holding’s QDI will be considered when tax-efficiency is an important aspect of the client’s portfolio.

### ***Real Estate Investment Trusts (REITs)***

Risks involved in REIT investing may include (i) following the sale or distribution of assets an investor may receive less than their principal invested, (ii) a lack of a public market in certain issues, (iii) limited liquidity and transferability, (iv) fluctuations involving the value of the assets within the REIT, (v) a reliance on the investment manager to select and manage assets, (vi) changes in interest rates, laws, operating expenses, and insurance costs, (vii) tenant turnover, and (viii) the impact of current market conditions.

### ***Third-Party Managers***

We will review with you the Form ADV Part 2A of any recommended third-party investment manager to ensure you are familiar with the investment strategy and types of investment vehicles they employ so that they align with your investment policy, as well as discuss the risks these may impose on the account for your consideration.

### **Item 9 – Disciplinary Information**

Neither the firm nor its management has been involved in any material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon our offering advisory business or its integrity.

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

Internal policies require associated persons to conduct business activities in a manner that avoids conflicts of interest between the firm and its clients, or that may be contrary to law. Arete Wealth Strategists will provide disclosure to each client prior to and throughout the term of an

engagement regarding any conflicts of interest which might reasonably compromise its impartiality or independence.

Neither the firm, management, nor its associates are registered or have an application pending to register as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) member firm, nor are we required to be registered with such entities. Neither our firm nor its management is or has a material relationship with any of the following types of entities:

- accountant or an accounting firm
- lawyer or law firm
- real estate broker or dealer
- pension consultant
- sponsor or syndicator of limited partnerships
- investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)

Upon your request, you may be provided a referral to various professionals, such as an accountant or an attorney. While these referrals are based on the best information made available, the firm does not guarantee the quality or adequacy of the work provided by these referred professionals. There is not an agreement with these entities nor are referral fees received from these professionals for such informal referrals. Any fees charged by these other entities for their services are completely separate from fees charged by our firm.

Mr. Murphy is licensed to sell life and health insurance but does not engage in product sales with our clients or anyone else, for which additional compensation is received. As a fee-only adviser, Mr. Murphy does not participate in insurance sales with any party.

As referenced in Item 4 of this brochure, we provide recommendation to pre-screened, third-party investment managers (who are also required to be registered as investment advisors) to service part of or the entire client portfolio, and in which both firms inevitably are paid a portion of an advisory fee as described in Item 5. Since our firm’s compensation does not differ among the various third-party investment manager programs offered, our firm and/or an associate does not have an incentive to recommend one investment manager over another with whom our firm may have less favorable compensation arrangements. Therefore, there are no perceived conflicts of interest.

Clients are welcome to review all of our third-party investment program offerings and their stated fee ranges, and should review their fee schedule referenced in their agreement with our firm before the engagement. In addition, there is the potential for clients fees assessed via a third-party investment manager engagement to be higher than had a client obtained those services directly from that investment manager. As stated in Item 5, each client has the option to purchase recommended or similar investments through their own selected service provider, and it should be noted that certain third-party investment managers may not be available to self-directed investors.

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

Arete Wealth Strategists holds itself to a *fiduciary standard*, which means the firm and its associates will act in the utmost good faith, performing in a manner believed to be in the best interest of its clients. Our firm believes that business methodologies, ethics rules, and adopted policies are designed to eliminate or at least minimize material conflicts of interest and to appropriately manage any material conflicts of interest that may remain. You should be aware that no set of rules can possibly anticipate or relieve all material conflicts of interest. Our firm will disclose to its advisory clients any material conflict of interest relating to the firm, its representatives, or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice (such as roles described in earlier paragraphs and in accompanying brochure supplements).

### Code of Ethics Description

The firm has adopted a Code of Ethics that establishes policies for ethical conduct for all its personnel, and accepts the obligation not only to comply with all applicable laws and regulations but also to act in an ethical and professionally responsible manner in all professional services and activities. Firm policies include prohibitions against insider trading, circulation of industry rumors, and certain political contributions, among others. Our firm periodically reviews and amends the firm's Code of Ethics to ensure they remain current, and he requires all personnel to annually attest to their understanding of and adherence to the Code of Ethics. A copy of the firm's Code of Ethics is made available to any client or prospective client upon request.

Associates that are CERTIFIED FINANCIAL PLANNER<sup>™</sup> Practitioners, such as Mr. Murphy, also adhere to the Certified Financial Planner Board of Standards, Inc.'s Code of Ethics. These principles include:

#### ***Principle 1 – Integrity***

An advisor will provide professional services with integrity. Integrity demands honesty and candor which must not be subordinated to personal gain and advantage. Advisors are placed by clients in positions of trust by clients, and the ultimate source of that trust is the advisor's personal integrity. Allowance can be made for innocent error and legitimate differences of opinion; but integrity cannot co-exist with deceit or subordination of one's principles.

#### ***Principle 2 – Objectivity***

An advisor will provide professional services objectively. Objectivity requires intellectual honesty and impartiality. Regardless of the particular service rendered or the capacity in which an advisor functions, an advisor should protect the integrity of their work, maintain objectivity and avoid subordination of their judgment.

#### ***Principle 3 – Competence***

Advisors will maintain the necessary knowledge and skill to provide professional services competently. Competence means attaining and maintaining an adequate level of knowledge and skill, and applies that knowledge effectively in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation with other professionals is appropriate or referral to other professionals necessary. Advisors make a continuing commitment to learning and professional improvement.

#### ***Principle 4 – Fairness***

Advisors will be fair and reasonable in all professional relationships. Fairness requires impartiality, intellectual honesty and disclosure of material conflict(s) of interest. It involves a subordination of one's own feelings, prejudices and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated and is an essential trait of any professional.

#### ***Principle 5 – Confidentiality***

Advisors will protect the confidentiality of all client information. Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

#### ***Principle 6 – Professionalism***

Advisors will act in a manner that demonstrates exemplary professional conduct. Professionalism requires behaving with dignity and courtesy to all who use their services, fellow professionals, and those in related professions. Advisors cooperate with fellow advisors to enhance and maintain the profession's public image and improve the quality of services.

#### ***Principle 7 – Diligence***

Advisors will provide professional services diligently. Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

#### **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

No associate of the firm is authorized to recommend to a client, or effect a transaction for a client, involving any security in which the firm or a "related person" (e.g., associate, an immediate family member, etc.) has a material financial interest, such as in the capacity as an underwriter or advisor to an issuer of securities, etc.

An associate is prohibited from borrowing from or lending to a client unless the client is an approved financial institution.

The firm is able to provide a broad range of advisory services to its clients, including financial planning and portfolio management services.

#### **Advisory Firm/Personnel Purchases of Same Securities Recommended to Clients and Conflicts of Interest**

Arete Wealth Strategists does not trade for its own account (e.g., proprietary account trading). The firm's related persons may buy or sell securities that are the same as, similar to, or different from, those recommended to clients for their accounts. A recommendation made to one client may be different in nature or in timing from a recommendation made to a different client; clients often have different objectives and risk tolerances. At no time will the firm or a related person receive preferential treatment over a client.

Internal policy requires personnel to generally be “last in” and “last out” for the trading day when trading occurs in close proximity to client trades. Scalping (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e., a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e., a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading. Any exceptions or trading pre-clearance must be approved by the firm in advance of the transaction in a related person’s account, and the firm maintains required personal securities transaction records per regulation.

## **Item 12 – Brokerage Practices**

### **Factors Used to Select Broker/Dealers for Client Transactions**

Our advisory firm does not maintain physical custody of your assets.<sup>4</sup> Your account must be maintained by a qualified custodian (generally a broker/dealer, bank or trust company) that is frequently reviewed for its capabilities to serve in that capacity by their respective industry regulatory authority. Our firm is not a custodian nor is there an affiliate that is a custodian.

If you engage us to provide periodic investment consultation through a financial planning engagement, you may choose to keep your assets with your present custodian/service provider. Should you prefer a new service provider, a recommendation may be made to you by our firm that is based on your needs, overall cost, and ease of use.

Investment management services accounts are maintained at one or more custodians of record that have been selected by the respective third-party investment manager and they will be disclosed in the third-party investment manager’s disclosure documents and account opening forms.

We prefer that our investment supervisory services clients use our selected custodians.<sup>4</sup> Our firm is independently owned and operated; it is not legally affiliated with any custodian we may recommend to you. While we recommend that you use a particular custodian for your account, you will decide whether to do so and will open your account with them by entering into an account agreement directly with them. We do not technically open the account for you, although we will assist you in doing so.

The custodians we recommend to you offer our firm various services which include custody of client assets, trade execution, clearance and settlement, etc. Our firm may receive certain benefits from our preferred custodian through participation in their independent advisor support program, some of which may not be made available to a “retail investor.” These benefits may include the following products and services (provided either without cost or at a discount):

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

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<sup>4</sup> See Item 15 for the definition of term “custody” as well as what entities we have an agreement to serve as custodian for client accounts.



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

Some of the noted products and services made available to our firm by a custodian may benefit our advisory firm but may not directly benefit a client account, and certain research and other previously referenced services may qualify as "brokerage or research services" (sometimes referred to as "soft dollars") under Section 28(e) of the Securities Exchange Act of 1934. The availability of these services benefits our firm because we do not have to produce or purchase them as long as clients maintain assets in accounts at our recommended custodian. There is a conflict of interest since our firm has an incentive to select or recommend a custodian based on our firm's interest in receiving these benefits rather than your interest in receiving favorable trade execution.

It is important to mention that the benefit received by our firm through participation in any custodian's program does not depend on the amount of brokerage transactions directed to that custodian, and our selection of a custodian is primarily supported by the scope, quality, and cost of services provided as a whole -- not just those services that benefit only our advisory firm. Further, we will act in the best interest of our clients regardless of the custodian we may select.

Our firm conducts periodic assessments of any recommended service provider which generally involves a review of the range and quality of services, reasonableness of fees, among other items, and in comparison to industry peers.

### Best Execution

"Best execution" means the most favorable terms for a transaction based on all relevant factors, including those listed in the paragraph titled *Factors Used to Select Broker/Dealers for Client Transactions*. We recognize our obligation in seeking best execution for our clients; however, it is our belief that the determinative factor is not always the lowest possible cost but whether the selected custodian's transactions represent the best "qualitative execution" while taking into consideration the full range of services provided. Therefore, the firm will seek services involving competitive rates but it may not necessarily correlate into the lowest possible rate for each transaction.

We have determined having investment supervisory services account trading completed through our recommended custodian is consistent with the firm's obligation to seek best execution of your trades. A review is regularly conducted with regard to recommending a custodian to our clients in light of our duty to seek best execution.

### Directed Brokerage

Our internal policy and operational relationship with our preferred custodian requires client accounts custodied with them to have trades executed per their order routing requirements. We do not direct which executing broker should be selected for client account trades; whether that is an affiliate of our preferred custodian or another executing broker of our custodian's choice. As a result you may pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices on transactions than might otherwise be the case.

In addition, since we routinely recommend a custodian for our advisory clients, and that custodian may choose to use the execution services of its broker affiliate for some or all of our client account transactions, there is an inherent conflict of interest involving our recommendation since our advisory firm receives various products or services described in this section from that custodian. Note that we are not compensated for trade routing/order flow, nor are we paid commissions on such trades; we do not receive interest on our client accounts' cash balances.

As our client you may direct your custodian of record to use a particular broker to execute some or all account transactions. In these circumstances you will be responsible for negotiating, in advance of each trade, the terms and/or arrangements involving your account with that broker, and whether the selected broker is affiliated with your custodian of record or not. We will not be obligated to seek better execution services or prices from these other brokers, and we may be unable to aggregate your transactions for execution via our recommended custodian with other orders for accounts managed by our firm. As a result, you may pay higher commissions or other transaction costs, potentially experience greater spreads, or receive less favorable net prices on transactions for their account than would otherwise be the case.

### Aggregating Securities Transactions for Client Accounts

Trade aggregation involves the purchase or sale of the same security for several clients/accounts at approximately the same time. This may also be termed "blocked," "bunched" or "batched" orders. Aggregated orders are effected in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through separately placed orders. Our firm may but is not obligated to aggregate orders, and the firm does not receive additional compensation or remuneration as a result of aggregated transactions.

Transaction charges and/or prices may vary due to account size and/or confirmation receipt method. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which a related person may invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.*

Please note that when trade aggregation is not allowed or infeasible and necessitates individual transactions (e.g., withdrawal or liquidation requests, odd-lot trades, non-discretionary accounts, etc.), an account may potentially be assessed higher costs or less favorable prices than those where aggregation has occurred. We review firm trading processes on a periodic basis to ensure they remain within stated policies and regulation. You will be informed, in advance, should trading practices change at any point in the future.



## Trade Errors

The firm corrects its trade errors through an account maintained by our custodian, and the firm may be responsible for trading error losses that occur within a client account. Should there be a gain following the correction of a trading error, the firm will credit the client's account.

## **Item 13 – Review of Accounts**

### Schedule for Periodic Review of Client Accounts

#### ***Financial Planning Services***

Periodic reviews are recommended if you are receiving our financial planning services, and we believe they should occur at least on an annual basis if practical. Reviews will be conducted by your assigned investment advisor representative and may involve analysis and possible revision of your previous financial plan or investment allocation. A copy of revised plans or asset allocation reports will be provided to you upon request. Unless provided for in your engagement agreement, reviews are generally conducted under a new or amended agreement.

#### ***Investment Management Services***

For accounts served by a recommended third-party investment manager, we will periodically review reports provided to you by your third-party investment manager and contact you at least annually to review your financial situation and objectives. We will communicate information to your third-party investment manager as warranted and assist you in understanding and evaluating the services provided by the third-party manager. In certain instances, you may be able to communicate directly with your selected third-party investment manager but we ask that you coordinate the session through our firm.

#### ***Investment Supervisory Services***

Portfolios are reviewed on a frequent basis by Mr. Murphy. Client reviews are completed by your investment advisor representative, and we recommend that they occur on at least an annual basis; preferably more frequently if feasible. A copy of a revised investment guideline or asset allocation reports will be provided to the client upon request.

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

#### ***Financial Planning Services***

You should contact our firm for additional reviews when you anticipate or have experienced changes in your financial situation (i.e., changes in employment, an inheritance, the birth of a new child, etc.), or if you prefer to modify investment account requirements. Non-periodic reviews are conducted by Mr. Murphy, which may occur under a new or amended agreement. A copy of revised plans or asset allocation reports will be provided to the client upon request.

#### ***Investment Supervisory Services/Investment Management Services***

Additional reviews by your portfolio managers and/or our firm's supervisory personnel may be triggered by news or research related to a specific holding, a change in our view of the investment merits of a holding, or news related to the macroeconomic climate affecting a sector or holding

within that sector. A portfolio may be reviewed for an additional holding or when an increase in a current position is under consideration. Account cash levels above or below what we deem appropriate for the investment environment, given the client's stated tolerance for risk and investment objectives, may also trigger a review.

#### Content of Client Provided Reports and Frequency

Whether you have opened and maintained an investment account on your own or with our assistance, you will receive account statements sent directly from mutual fund companies, transfer agents, custodians or brokerage companies where your investments are held. We urge you to carefully review these account statements for accuracy and clarity, and to ask questions when something is not clear.

Our firm may provide portfolio “snapshots” if we are engaged to provide periodic asset allocation or investment advice. However, we do not provide ongoing performance reporting under our financial planning engagements. Investment supervisory services accounts may receive performance reports from our firm that have been generated from our custodian’s data systems. Investment management services clients may receive portfolio performance reports directly from their third-party manager. We do not provide our own performance reporting involving a third-party investment management account.

Clients are urged to carefully review and compare account statements that they have received directly from their custodian of record with any performance report they may receive from our firm or their third-party investment manager.

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

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

These passive websites may provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public may also choose to telephone association staff to inquire about an individual within their area, and would receive the same or similar information.

A portion of these participant’s membership fees may be used so that their name will be listed in some or all of these entities’ websites (or other listings). Prospective clients locating our advisory firm or an associate via these methods are not actively marketed by the noted associations. Clients who find our firm in this way do not pay more for their services than clients referred in any other fashion. The firm does not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

#### **Item 15 – Custody**

Your assets will be maintained by an unaffiliated, qualified custodian, such as a bank, trust company, broker/dealer, mutual fund companies or transfer agent. Your assets are not held by our

firm or any associate or our firm. The custodians we typically recommend are TD Ameritrade, Charles Schwab, Interactive Brokers LLC, Pershing LLC, and/or My529; All the aforementioned firms apart from My529 are FINRA and SIPC members.<sup>5</sup> My529 is not a FINRA nor SIPC member. Only funds held in the FDIC-insured accounts is eligible for Federal Deposit Insurance Corporation (FDIC) insurance.

In keeping with this policy involving our client funds or securities, Arete Wealth Strategists:

- Restricts the firm or an associate from serving as trustee or having general power of attorney over a client account;
- Prohibits any associate from having authority to directly withdraw securities or cash assets from a client account. Although we may be deemed to have “constructive custody” of your assets since we may request the withdrawal of advisory fees from an account, we will only do so through the engagement of a qualified custodian maintaining your account assets, via your prior written approval, and following our delivery of our written notice;
- Does not accept or forward client securities (i.e., stock certificates) erroneously delivered to our firm;
- Will not collect advance fees of \$500 or more for services that are to be performed six months or more into the future; and
- Will not authorize an associate to have knowledge of a client’s account access information (i.e., online 401(k), brokerage or bank accounts) if such access would allow physical control over account assets.

Your custodian of record will provide you with your investment account transaction confirmations and account statements, which will include all debits and credits as well as our firm’s advisory fee for that period. Statements are provided on at least a quarterly basis and confirmations are provided as transactions occur within your account. Our advisory firm will not create an account statement for a client nor serve as the sole recipient of a client account statement.

Should you ever receive periodic reports from our advisory firm that includes investment performance information, you are urged to carefully review and compare your account statements that you have received directly from your custodian of record with any performance report from our firm.

## **Item 16 – Investment Discretion**

### ***Investment Supervisory Services***

We generally provide our investment supervisory services on a *discretionary basis*. Similar to a limited power of attorney, discretionary authority allows our firm to implement investment decisions, such as the purchase or sale of a security on behalf of your account, without requiring your prior authorization for each transaction in order to meet your stated investment objectives. This authority will be granted through your execution of both our engagement agreement and the selected custodian’s account opening documents. Note that your custodian of record will

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<sup>5</sup> Arete Wealth Strategists is not a SIPC member, nor are we required to be. You may learn more about the Securities Investor Protection Corporation (SIPC) and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

specifically limit our firm's authority within your account to the placement of trade orders and the request for the deduction of our advisory fees.

Our firm prefers to not manage client accounts on a *non-discretionary basis* but we may accommodate such requests on a case-by-case basis. Such account authority requires your ongoing prior approval involving the investment and reinvestment of account assets, portfolio rebalancing, or for our firm to give instructions to the custodian maintaining your account (i.e., wire instructions, etc.). Should you find it necessary to require such restrictions, we may not offer a reduced fee due to the additional operational costs involved managing your account.

You will be required to execute our firm's client services agreement that describes our limited account authority, as well as the custodian of record's account opening document that includes their limited power of attorney form or clause. Please note that in light of the requirement for your pre-approval you must make yourself available and keep our firm updated on your contact information so that instructions can be efficiently effected on your behalf.

### ***Investment Management Services***

Third-party investment managers generally provide their services on a discretionary basis. If you require your account be managed on a non-discretionary basis, you should be aware that most third-party investment managers retain the right to either refuse or terminate an account, or continue to manage the account under a higher asset-based fee due to increased operational costs. We will inform you in advance of the recommended third-party manager's requirements involving investment authority. Note that we do not have discretionary authority over a client account under this type of engagement.

### ***Financial Planning Engagements***

If you ask us to assist you in any trade execution (including account rebalancing) under an investment consultation component of our financial planning engagement, such as assisting you with your held-away assets, it will only be accomplished on a *non-discretionary basis* as previously defined.

### **Item 17 – Voting Client Securities**

You may periodically receive proxies or other similar solicitations sent directly from your selected custodian or transfer agent. Should we receive a duplicate copy, note that we do not forward these or any correspondence relating to the voting of your securities, class action litigation, or other corporate actions.

Our firm does not vote proxies on your behalf, to include those accounts we serve on a discretionary basis. We will not offer guidance involving any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets. We will, however, answer limited questions with respect to what a proxy voting request or other corporate matter may be and how to reach the issuer or their legal representative.

If your account is supervised by a third-party investment manager, you should thoroughly review the third-party investment manager's Form ADV Part 2 to determine their proxy voting policies. Otherwise, you will maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities that are beneficially owned by you shall be voted, as well as making all other elections relative to mergers, acquisitions, tender offers or other legal matters or events pertaining to your holdings. You should consider contacting the issuer or your legal counsel involving specific questions you may have with respect to a particular proxy solicitation or corporate action.

### **Item 18 – Financial Information**

Arete Wealth Strategists will not take physical custody of your assets, nor do we serve an account under a discretionary agreement that allows such control. Fee withdrawals must be done through a qualified intermediary, per your prior written agreement, and following your receipt of our firm's written notice.

Engagements with our firm do not require that we collect fees from you of \$500 or more for our advisory services that we have agreed to perform six months or more into the future.

Neither Arete Wealth Strategists nor its management serve as general partner for a partnership or trustee for a trust in which the firm's advisory clients are either partners of the partnership or beneficiaries of the trust.

Neither the firm nor its management has a financial condition likely to impair the ability to meet commitments to our clients. The firm and its management have not been the subject of a bankruptcy petition at any time.

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