

# Jaykay Wealth Advisors, Inc.

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Jaykay Wealth Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 713-780-4575 or by email at: [kanchan@advisorusa.com](mailto:kanchan@advisorusa.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Jaykay Wealth Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Jaykay Wealth Advisors, Inc.'s CRD number is: 170192.*

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Registration does not imply a certain level of skill or training.  
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## Item 2: Material Changes

The material changes made since last annual amendment filed by Jaykay Wealth Advisors, Inc. in March 2020 are as follows:

- We have updated our assets under management. Please see item 4 – Advisory Business for additional information.
- We have updated our service offerings and amended the fee schedule. Please see items 4- Advisory Business and item 5 – Fees and Compensation for more information.
- We have added the use of Charles Schwab Advisor Services as an additional custodian option for our managed accounts. Please refer to *Item 12- Brokerage Practices* for more specific information.

In the future, this item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

We will ensure that you receive a summary of any material changes to this and JKWAI Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Disclosure Brochure may be requested by contacting us at 713-780-4575 or by email at: [kanchan@advisorusa.com](mailto:kanchan@advisorusa.com).

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Jaykay Wealth Advisors, Inc. (hereinafter “JKWAI”) is a Corporation organized in the State of Texas. The firm was formed in December 2003, and the principal owners are Jayanth Kabad, Kanchan Kabad and Anasuya Kabad. In 2018 the firm reached the level of assets under management where it changed its primary regulatory authority to the U.S. Securities and Exchange Commission.

### **B. Types of Advisory Services**

JKWAI offers the following services to advisory clients:

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

JKWAI offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client.

Portfolio management services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

JKWAI evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. JKWAI will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

JKWAI seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of JKWAI’s economic, investment or other financial interests. To meet its fiduciary obligations, JKWAI attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and, accordingly, JKWAI’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is JKWAI’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent that might have a limited supply, among its clients on a fair and equitable basis over time.

## ***Guided Wealth Portfolios (GWP)***

GWP offers clients the ability to participate in a centrally managed, algorithm-based investment program, which is made available to users and clients through a web-based, interactive account management portal (“Investor Portal”). Investment recommendations to buy and sell open-end mutual funds and exchange-traded funds are generated through proprietary, automated, computer algorithms (collectively, the “Algorithm”) of Xulu, Inc., doing business as FutureAdvisor (“FutureAdvisor”), based upon model portfolios constructed by LPL and selected for the account as described below (such model portfolio selected for the account, the “Model Portfolio”). Communications concerning GWP are intended to occur primarily through electronic means (including but not limited to, through email communications or through the Investor Portal), although JKWAI will be available to discuss investment strategies, objectives or the account in general in person or via telephone.

A preview of the Program (the “Educational Tool”) is provided for a period of up to forty-five (45) days to help users determine whether they would like to become advisory clients and receive ongoing financial advice from LPL, FutureAdvisor and JKWAI by enrolling in the advisory service (the “Managed Service”). The Educational Tool and Managed Service are described in more detail below and in the GWP Program Brochure. Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or JKWAI, do not enter into an advisory agreement with LPL, FutureAdvisor or JKWAI do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services.

A minimum account value of \$5,000 is required to enroll in the Managed Service

## ***Financial Planning***

Financial plans and financial planning may include but are not limited to investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning.

## ***Referral of Third-Party Money Managers***

### **SEI Asset Management Program**

The SEI Asset Management Program (SEI Program) is an institutional asset allocation program that JKWAI uses in the management of assets for client accounts. If you enroll in the SEI Asset Management Program, JKWAI will assist you in the establishment of a SEI Program Account (the Account) at SEI Private Trust Company (SEI). All Account transactions are processed and cleared through SEI. The SEI Program uses asset allocation portfolios developed by SEI Investments. The portfolios consist of SEI Family of Institutional Mutual Funds (Mutual Funds) and other securities approved by SEI to be held in an account. The SEI Program uses the

Portfolio Managers selected and subject to oversight by SEI and who have entered into a sub-advisory agreement with SEI.

JKWAI will provide SEI with the asset allocation policy that you select for your account. JKWAI will direct SEI to reallocate your investments in accordance with your Asset Allocation Policy. In addition, based on JKWAI instructions, SEI will rebalance the investments within your account at least annually so that the market value of the shares of each mutual fund held in your account is the same percentage of the total market value of your account as required by your Asset Allocation Policy. SEI and its Portfolio Managers will have discretionary authority over the assets and transactions in the Account. JKWAI will have discretionary authority to re-allocate your portfolios among the various Portfolio Managers as needed. SEI has the authority to replace a previously selected Portfolio Manager or SEI Fund without your prior approval.

Custody of all SEI Program Client Account assets is held at SEI Private Trust Company.

### ***Retirement Plan Services***

JKWAI offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the following services:

#### **Fiduciary Consulting Services**

JKWAI provides the following Fiduciary Retirement Plan Consulting Services:

- **Non-Discretionary Investment Advice.** JKWAI will provide you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your Plan's investment policy statement.
- **Investment Selection Services.** JKWAI will provide you with recommendations of investment options consistent with ERISA section 404(c).
- **Investment Due Diligence Review.** JKWAI will provide you with periodic due diligence reviews of the Plan's reports, investment options and recommendations.
- **Investment Monitoring.** JKWAI will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and JKWAI will make recommendations to maintain or remove and replace investment options.
- **Default Investment Alternative Advice.** JKWAI will provide you with non-discretionary investment advice to assist you with the development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an



investment election. You will retain the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).

- Individualized Participant Advice. Upon request, JKWAI will provide one-on-one advice to Plan participants regarding their individual situations.

For Fiduciary Consulting Services, all recommendations of investment options and portfolios will be submitted to you for your ultimate approval or rejection. For retirement plan Fiduciary Consulting Services, the retirement plan sponsor client or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Fiduciary Consulting Services are not management services, and JKWAI does not serve as administrator or trustee of the plan. JKWAI does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees).

JKWAI acknowledges that in performing the Fiduciary Consulting Services listed above that it is acting as a “fiduciary” as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 (“ERISA”) for purposes of providing non-discretionary investment advice only. JKWAI will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause JKWAI to be a fiduciary as a matter of law. However, in providing the Fiduciary Consulting Services, JKWAI (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client’s retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client’s retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client’s retirement plan or the interpretation of Client’s retirement plan documents, (b) is not an “investment manager” as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the “Administrator” of Client’s retirement plan as defined in ERISA.

#### Non-Fiduciary Services

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the Plan as the term “fiduciary” is defined in Section 3(21)(A)(ii) of ERISA. The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Agreement.

JKWAI provides clients with the following Non-Fiduciary Retirement Plan Consulting Services:

- Participant Education. JKWAI will provide education services to Plan participants about general investment principles and the investment alternatives available under the Plan. JKWAI's assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. JKWAI will assist you with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- Qualified Plan Development. JKWAI will assist you with the establishment of a qualified plan by working with you and a selected Third Party Administrator. If you have not already selected a Third Party Administrator, we shall assist you with the review and selection of a Third Party Administrator for the Plan.
- Due Diligence Review. JKWAI will provide you with periodic due diligence reviews of your Plan's fees and expenses and your Plan's service providers.
- Benchmarking. JKWAI will provide you benchmarking services and will provide analysis concerning the operations of the Plan.

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, we can discuss those investments and investment strategies that we believe may tend to reduce these risks for a particular client's circumstances and plan participants.

Clients and plan participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based upon discussions with the client, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client and other employees. It is still the clients' responsibility to ask questions if the client does not fully understand the risks associated with any investment. All plan participants are strongly encouraged to read prospectuses, when applicable, and ask questions prior to investing.

We strive to render our best judgment for clients. Still, JKWAI cannot assure that investments will be profitable or assure that no losses will occur in their portfolios. Past performance is an important consideration with respect to any investment or investment advisor, but it is not necessarily an accurate predictor of future performance.

JKWAI will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section

2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learns of such error or omission.

### ***Educational Seminars/Workshops***

JKWAI occasionally provides seminars/workshops in areas such as financial planning, retirement planning, estate planning, college planning and charitable planning or other relevant financial topics. Seminars/workshops are always offered on an impersonal basis and do not focus on the individual needs of participants.

### ***Services Limited to Specific Types of Investments***

JKWAI generally limits its investment advice to mutual funds, equities, fixed income securities, real estate funds, real estate investment trusts (REITs), Business Development Companies, insurance products including annuities, private placements and hedge funds. JKWAI may use other securities as well to help diversify a portfolio when applicable.

## **C. Client Tailored Services and Client Imposed Restrictions**

JKWAI offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client's current situation (income, tax levels, and risk tolerance levels). Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent JKWAI from properly servicing the client account, or if the restrictions would

require JKWAI to deviate from its standard suite of services, JKWAI reserves the right to end the relationship.

## **D. Wrap Fee Programs**

JKWAI offer services exclusively through wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee is charged to a client for services described in this brochure, JKWAI will receive all or a portion of the fee charged.

## **E. Assets Under Management**

JKWAI has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$153,698,855	0	03/15/2021

# **Item 5: Fees and Compensation**

## **A. Fee Schedule**

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

JKWAI will not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of Client.

JKWAI is compensated based on percentage of assets under management. Fees for accounts offered through various platforms may differ.

Householding:

All accounts with a shared address will be considered a household provided the average account size of the household is at least \$1 Million. In calculating the fees, the assets of the grouped accounts in a household will be combined to determine the total fee.

The following are the fees charged by Jaykay Wealth Advisors, Inc. for services provided:

<b>Total Assets Under Advisement</b>	<b>Annual Fee</b>
Up to \$500,000	1.50%
\$500,001 to \$1,000,000	1.20%
\$1,000,001 to \$3,000,000	1.00%
\$3,000,001 to \$5,000,000	0.80%
\$5,000,001 to \$7,000,000	0.70%
\$7,000,001 to \$10,000,000	0.60%
\$10,000,001 to \$15,000,000	0.55%
\$15,000,001 to \$20,000,000	0.50%
\$20,000,001 to \$25,000,000	0.45%
\$25,000,001 to \$30,000,000	0.40%
\$30,000,001 and above	0.35 %

These fees are negotiable, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract.

Clients can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from their account and paid directly to our firm by the qualified custodian(s) of their account or clients will have the option to pay our firm or the qualified custodian upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to JKWAI.

Clients may terminate the agreement without penalty, for full refund of JKWAI's fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract with thirty days' written notice.

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, separate manager fees, transactions fees, etc.). These fees are separate from and distinct from the fees and expenses charged by JKWAI. Fees charged by JKWAI may be withdrawn from accounts or billed separately by the third party (i.e. custodian) or JKWAI and based on billing schedule of the third party (i.e. custodian).

### **GWP Asset Management Fees:**

Client will be charged up to a maximum of 1.1% of their assets under management to participate in the GWP Platform.

GWP Managed Service clients are charged an account fee consisting of an LPL program fee of 0.35% and an advisor fee of up to 1.00%. In the future, a strategist fee may apply. However, LPL Research currently serves as the sole portfolio strategist and does not charge a fee for its services. FutureAdvisor is compensated directly by LPL for its services, including the Algorithm and related software, through an annual sub-advisory fee (tiered based on assets under management by FutureAdvisor, at a rate ranging from 0.10% to 0.17%). As each asset tier is reached, LPL's share of the compensation shall increase and clients will not benefit from such asset tiers.

GWP Educational Tool provides access to sample recommendations at no charge to users. However, if users decide to implement sample recommendations by executing trades, they will be charged fees, commissions, or expenses by the applicable broker or adviser, as well as underlying investment fees and expenses. Account fees are paid quarterly in advance.

Excluding GWP, LPL serves as program sponsor, investment advisor and broker-dealer for the LPL advisory programs. In the Managed Service of GWP, LPL is appointed by each client as custodian of account assets and broker-dealer with respect to processing securities transactions for the accounts. In general, FutureAdvisor, in its capacity as investment advisor, will submit transactions through LPL; however, FutureAdvisor may choose to execute transactions through a broker-dealer other than LPL, subject to its duty to seek to achieve best execution. When securities transactions are effected through LPL, there are no brokerage commissions charged to the account. If FutureAdvisor chooses to execute a transaction through a broker-dealer other than LPL, the execution price may include a commission or fee imposed by the executing broker-dealer. In evaluating whether to execute a trade through a broker-dealer other than LPL, Future Advisor will consider the fact that the account will not be charged a commission if the transaction is effected through LPL.

### ***Financial Planning Fees***

Clients may terminate the agreement without penalty, for full refund of JKWAI's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement with upon written notice.

### ***Fixed Fees***

The rate for creating client financial plans is between \$1500 and \$30,000. The fees are negotiable, and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement.

### ***Hourly Fees***

The hourly rate for creating client financial plans is \$250 per hour. The fees are negotiable, and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement.

### ***Fees for Third-Party Money Manager***

#### **SEI Asset Management Program**

JKWAI offers third party asset management services through the SEI Program. Clients enter into a Tri-Party Agreement between the client, JKWAI, and SEI. JKWAI and SEI act as co-advisors in the Tri-Party Agreement. JKWAI has discretion to move the client assets between SEI portfolio strategies.

Clients in the SEI Program will pay JKWAI a maximum Advisory Fee of 1.5% based on assets under management. The fee charged by SEI will be disclosed in the Tri-Party agreement between JKWAI, SEI and you. The custody of all funds and securities are maintained by SEI. SEI Trust Company may charge a separate custodial fee for the custody services it provides to your account. A complete description of SEI's advisory services, fee schedules and account minimums will be disclosed in their Firm Brochure which will be provided to you by SEI prior to or at the time an agreement for services is executed and the account is established.

SEI earns fees in one of three ways for the services it provides.

1. SEI mutual funds have internal expenses. SEI receives the internal expenses related to the SEI mutual fund offerings.
2. SEI provides strategic asset management solutions. SEI charges for these asset management services.
3. SEI provides a platform to support advisers and client services and custodian services.

Each quarter, SEI sends you an account statement that includes details of the fees charged to your account.

SEI Program Management Fees (management fees) are payable quarterly, in arrears, net of income, withholding or other taxes, based on assets under management at the end of the quarter. Management Fees are automatically deducted from your account. Each quarter, SEI sends you an account statement that includes a management fee notification which shows the computed fee, any adjustments to the fee, an explanation of any adjustment and the net management fee to be deducted later in the period from your account. Management fees are paid to JKWAI.

You may terminate the SEI Program Account at any time by notifying JKWAI. Termination will be effective upon 30 days written notice to the other party. If services are terminated within five business days of executing the client agreement, services will be terminated without penalty. After the initial five business days, you may be responsible for payment of fees for the number of days services were provided by JKWAI prior to receipt of the notice of termination.

JKWAI may invest a portion of your assets in mutual funds, exchange traded funds (ETFs) or other approved investments that are managed by SEI. These products charge an investment management fee on client's assets invested in these securities. If you are invested in a SEI mutual fund, SEI is paid an investment management fee by the mutual fund, therefore, SEI will not charge a custodian fee.

### *Fees for Retirement Plan Services*

For retirement plan sponsor clients, JKWAI will charge an annual fee that is calculated as a percentage of the value of plan assets. This fee is negotiable based upon the complexity of the plan, the size of the plan assets, the actual services requested and the potential for additional deposits.

If JKWAI charges an annual fee based upon the value of the plan assets, we charge an annual fee of up to 0.25%.

For retirement plan sponsors fees are billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period.

Fee invoices will be sent directly to the Plan and are due upon receipt of the billing notice. The services will terminate upon thirty (30) days following either party providing the other party with written notice. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.



JKWAI does not reasonably expect to receive any other compensation, direct or indirect, for its Services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

### ***Fees for Educational Seminars/Workshops***

No fees are charged to attend our seminars or workshops.

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***

Portfolio management fees are withdrawn directly from the client's accounts with client's written authorization or may be invoiced and billed directly to the client; clients may select the method in which they are billed. Fees are paid quarterly.

### ***Payment of Financial Planning Fees***

Fixed or Hourly Financial Planning fees are paid via check.

## **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by JKWAI. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

JKWAI collects its fees in arrears and in advance. Managed accounts held at LPL and Schwab are billed in advance. Managed Account held at SEI are billed in arrears.

Refunds for fees paid in advance will be returned within fourteen days to the client via check or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee by 365.)

## **E. Outside Compensation For the Sale of Securities to Clients**

Jayanth R. Kabad, Anasuya Kabad and Trevor A. McCarley are registered representatives of **LPL Financial** and accept compensation for the sale of securities to JKWAI clients.

### ***1. This is a Conflict of Interest***

The supervised persons will accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which the supervised persons receives compensation, they will document the conflict of interest in the client file and inform the client of the conflict of interest.

### ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase JKWAI recommended products through other brokers or agents that are not affiliated with JKWAI.

### ***3. Commissions are not the Primary Source of Income for JKWAI***

Commissions are not JKWAI's primary source of compensation.

### ***4. Advisory Fees in Addition to Commissions or Markups***

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or investment products recommended to clients.

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

JKWAI does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

JKWAI generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Charitable Organizations

### ***Minimum Account Size***

The minimum account size required to establish an account with JKWAI is \$ 1,000,000. To reach this minimum, clients can aggregate all household accounts. However, JKWAI may waive this requirement under certain circumstances. The minimum fixed fee generally charged for financial planning services on a fixed fee basis is \$1,500. The minimum hourly fee generally charged for financial planning and consulting services is \$250.

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

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

#### ***Methods of Analysis***

JKWAI's methods of analysis include modern portfolio theory.

**Modern portfolio theory** is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets.

#### ***Investment Strategies***

JKWAI uses long term trading.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

#### ***Methods of Analysis***

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns.

Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off

differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### ***Investment Strategies***

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned below).

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary and include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a

potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Real Estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Private placements** carry a substantial risk as they are subject to less regulation than publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

### **Annuity Risk**

- **Costs and Fees** – Annuities are one of the most expensive types of investments available in the financial marketplace.
- **Illiquid Investment** – Most annuity contracts charge stiff surrender penalties for early withdrawal, plus a 10% premature distribution penalty to investors who take withdrawals before age 59½.
- **Economic Risks:** Most fixed annuities do not contain a cost of living adjustment clause. Consequently, the spending power provided by the monthly payment may decline significantly over the life of the annuity contract because of inflation. Annuities with inflation protection are available, but they are significantly more expensive.
- **Death and survivorship risk.** In a conventional fixed annuity, once the annuitant has turned over a lump sum premium to the insurance company, it will not be returned. The annuitant could die after receiving only a few monthly payments, but the insurance company may not be obligated to give the annuitant's estate any of the money back. A related risk is based on the financial consequences for a surviving spouse. In a standard single-life annuity contract, a survivor receives nothing after the annuitant dies. That may put a severe dent in a spouse's retirement income. To counteract this risk, consider a joint life annuity.
- **Company failure risk.** All investments carry a level of risk. Make sure you consider the financial strength of the insurance company issuing the annuity. You want to be sure the company will still be around, and financially sound, during your payout phase. Private annuity contracts are not guaranteed by the FDIC, SIPC, or any other federal agency. If

the insurance company that issues an annuity contract fails, no one in the federal government is obligated to protect the annuitant from financial loss. Most states have guaranty associations that provide a level of protection to citizens in that state if an insurance company also doing business in that state fails. A typical limit of state protection, if it applies at all, is \$100,000.

- **Taxation Risk:** All withdrawals received from an annuity contract that are not considered to be a return of principal are taxed as ordinary income, regardless of the holding period of the contract. There is no chance to qualify for capital gains treatment.

Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Jayanth R. Kabad, Anasuya Kabad and Trevor A. McCarley are registered representatives of LPL Financial.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither JKWAI nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Jayanth R. Kabad, Anasuya Kabad and Trevor A. McCarley are registered representatives of LPL Financial. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. JKWAI always acts in the best interest of the client, including with respect to the sale of commissionable products to advisory clients. Clients are in no way required to purchase such services or products through any representative of JKWAI in such individual's outside capacities. As discussed previously, Jayanth R. Kabad, Anasuya Kabad and Trevor A. McCarley are registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about JKWAI's clients, even if client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact us at 713-780-4575.

Jayanth Rao Kabad, Anasuya Kabad, Trevor A. McCarley and Kanchan Kabad are licensed insurance agents, but only Jayanth Rao Kabad, Anasuya Kabad and Trevor A. McCarley currently work in the profession. From time to time, they will offer clients advice or products from this activity through LPL insurance associates or other insurance brokerages. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. JKWAI always acts in the best interest of the client, including in the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any representative of JKWAI in their capacity as a licensed insurance agent.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

JKWAI Planning utilizes the SEI Asset Management Platform, previously described in *Item 5* of this disclosure brochure, designed to allow us to select third-party money managers for you. Once your assets are placed with a third-party money manager on the SEI Platform, SEI will pay us a portion of the Advisory Fees you are charged. Receiving direct or indirect compensation for the management of assets by third-party asset managers creates a material conflict of interest, because JKWAI has an incentive to place assets based on compensation.

JKWAI addresses this material conflict of interest through a process of placing assets solely on the suitability information provided by the client and documented on account applications. The investment advisor representative will monitor the client's investments, and whether or not those investments are reflective of the risk tolerance, time horizon, and investment objective of the account. Please refer to *Items 4 and 5* for full details regarding the programs.

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

### **A. Code of Ethics**

JKWAI has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

JKWAI does not recommend that clients buy or sell any security in which a related person to JKWAI or JKWAI has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of JKWAI may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of JKWAI to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. JKWAI will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of JKWAI may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of JKWAI



to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, JKWAI will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

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

##### **LPL Financial, LLC.**

While JKWAI has no formal soft dollar program in which soft dollars are used to pay for third party services, JKWAI does receive support services and/or products from LPL Financial, many of which assist the JKWAI to better monitor and service program accounts maintained at LPL Financial; however, some of the services and products benefit JKWAI and not client accounts. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provide access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products and services used by JKWAI in furtherance of its investment advisory business operations

LPL Financial may provide these services and products directly or may arrange for third party vendors to provide the services or products to Advisor. In the case of third-party vendors, LPL Financial may pay for some or all of the third party's fees.

These support services are provided to JKWAI based on the overall relationship between JKWAI and LPL Financial. It is not the result of soft dollar arrangements or any other express arrangements with LPL Financial that involves the execution of client transactions as a condition to the receipt of services. JKWAI will continue to receive the services regardless of the volume of client transactions executed with LPL Financial. Clients do not pay more for services

as a result of this arrangement. There is no corresponding commitment made by the JKWAI to LPL or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement. However, because Advisor receives these benefits from LPL Financial, there is a potential conflict of interest. The receipt of these products and services presents a financial incentive for Advisor to recommend that its clients use LPL Financial's custodial platform rather than another custodian's platform.

## **Charles Schwab**

JKWAI may recommend/require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc ("Schwab"), a FINRA-registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although JKWAI may recommend/require the clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. JKWAI is independently owned and operated and not affiliated with Schwab. JKWAI may recommend additional unaffiliated broker-dealers to affect fixed income transactions.

Effective October 7, 2019, Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap arrangement. You will still incur commissions and fees for certain types of transactions in a non-wrap fee arrangement. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide).

Schwab provides JKWAI with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained at Schwab Institutional. These services are not contingent upon JKWAI committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require significantly higher minimum initial investment.

Schwab Institutional also makes available to JKWAI other products are services that benefit JKWAI but may not directly benefit clients' accounts. Many of these products and services may be used to service all or some substantial number of JKWAI' accounts, including accounts not maintained Schwab.

Schwab's products and services that assist JKWAI in managing and administering clients' accounts include software and other technology that (i) provides access to client account data

(such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of JKWAI's fees from some of its accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help JKWAI manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to JKWAI. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of JKWAI personnel. While as a fiduciary, JKWAI endeavors to act in its clients' best interests, JKWAI's recommendation that clients maintain their assets in accounts at Schwab may take into account availability of some of the foregoing products and services and other arrangements not solely on the nature of cost or quality of custody and brokerage services provided by Schwab, which may create a conflict of interest.

### **SEI Trust Company**

SEI Trust provides JKWAI with access to their institutional trading and custody services. The services from SEI Trust include brokerage, custody, research and access to mutual funds and other investments.

SEI Trust is the custodian that supports the SEI Asset Management program. A complete description of SEI's advisory services, fee schedules and account minimums will be disclosed in their Firm Brochure which will be provided to you by SEI prior to or at the time an agreement for services is executed and the account is established.

### **2. *Brokerage for Client Referrals***

JKWAI receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

JKWAI typically requires clients to use either LPL Financial LLC, Charles Schwab or SEI Investment Company, to execute transactions.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

JKWAI may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by JKWAI when it is believed such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

JKWAI uses the average price allocation method for transaction allocation.

Under this procedure JKWAI will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which JKWAI or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither JKWAI nor our associated persons receive any additional compensation as a result of block trades.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client portfolio management accounts are reviewed at least annually by Jayanth Kabad or Anasuya Kabad with regard to clients' respective investment policies and risk tolerance levels.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Jayanth Kabad or Anasuya Kabad. There is only one level of review for financial plans, and that is the total review conducted to create the financial plan.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Portfolio management reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance). With respect to financial plans, JKWAI's services will generally conclude upon delivery of the financial plan.

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each portfolio management client will receive at least quarterly a written report that details the client's account including assets held and asset value, which report will come from the custodian and at least annually a written report from JKWAI. Each financial planning client will receive the financial plan upon completion.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

JKWAI receives an economic benefit from Schwab in the form of the support products and services it makes available to me and other independent investment advisers whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability of Schwab's products and services is not based on me giving particular investment advice, such as buying particular securities for my clients.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

JKWAI does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

When it deducts fees directly from client accounts at a selected custodian, JKWAI will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

JKWAI provides discretionary investment advisory services to clients. The Investment Advisory Contract established with each client outlines the discretionary authority for trading. Where investment discretion has been granted, JKWAI generally manages the client's account and makes investment decisions without consultation with the client as to what securities to buy or sell, when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, or the price per share. In some instances, JKWAI's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to JKWAI.)

### **SEI Program Discretion**

Client will grant JKWAI discretionary authority (without first consulting with Client) to establish and/or terminate a relationship with a Portfolio Manager within the SEI Platform for purposes of managing the Account or a portion of the Account determined by JKWAI. Client will also grant the Portfolio Manager selected by JKWAI with the discretionary authority (in the sole discretion of the Portfolio Manager without first consulting with Client) to make all decisions to buy, sell or hold securities, cash or other investments for such portion of the Account managed by the Portfolio Manager. Client will also grant the Portfolio Manager selected by JKWAI with the power and authority to carry out these decisions by giving instructions, on behalf of Client, to brokers and dealers and the qualified custodian(s) of the Account. Client authorizes JKWAI to provide a copy of this Agreement to the qualified custodian or any broker or dealer, through which transactions will be implemented on behalf of Client, as evidence of Portfolio Manager's authority under this Agreement.

## **Item 17: Voting Client Securities (Proxy Voting)**

JKWAI will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

JKWAI neither requires nor solicits prepayment of more than \$1200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither JKWAI nor its management has any financial condition that is likely to reasonably impair JKWAI's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

JKWAI has not been the subject of a bankruptcy petition in the last ten years.