

# Firm brochure

## Part 2A of Form ADV

Wipfli Financial Advisors, LLC

SEC File Number: 801-56865

September 9, 2021

Contact: Gennady Bekasov, Chief Compliance Officer

10000 Innovation Drive

Suite 250

Milwaukee, WI 53226

Phone: 608 270 2918

Fax: 608 274 8085

[www.wipflifinancial.com](http://www.wipflifinancial.com)

This Brochure provides information about the qualifications and business practices of Wipfli Financial Advisors, LLC ("WFA"). If you have any questions about the contents of this Brochure, please contact us at 608 270 2918 or at [ComplianceTeam@wipflifinancial.com](mailto:ComplianceTeam@wipflifinancial.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. WFA is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. Additional information about WFA is also available on the SEC's website at <https://www.investor.gov>.

## Item 2: Material changes

Each new client of WFA will receive a copy of this Form ADV Part 2A Brochure (also known as the “Firm Brochure” or “Brochure”) and applicable Brochure Supplements (also known as Form ADV Part 2B) at or prior to entering into an advisory contract with WFA. Our Brochure Supplement describes the background and experience of each employee who serves on WFA’s Investment Committee and/or provides advisory services to our clients.

A summary of material changes to the Firm Brochure will be provided to WFA clients annually, within 120 days of WFA’s fiscal year-end, which will include an offer to provide a copy of the updated Brochure at any time and at no cost. Alternatively, WFA will deliver a summary of material changes of an updated Brochure to clients whenever a material<sup>1</sup> change occurs. Clients will also receive an updated Brochure Supplement if there is a material change for that individual. For those clients who have consented to the electronic delivery of documents, the Brochure will be delivered electronically. The summary found directly below is intended to highlight those changes in this Brochure that WFA believes its clients will find material. Clients are strongly encouraged to bring any questions or concerns about anything found throughout this Brochure to the attention of their regional advisor or to WFA’s chief compliance officer, who can be reached at 608 270 2918.

Our business, its operations and its services have experienced the following material changes during our most recent fiscal year, which ended on May 31, 2021, as well since our last Firm Brochure filing on July 27, 2020:

- Items 4 and 5 have been updated to describe a new process in which WFA engages separate account managers on behalf of our clients. We have switched from "three-party" agreements, where clients were required to enter into a separate investment advisory agreement with each manager, to sub-advisory relationships, where WFA engages each manager under a sub-advisory agreement between just the manager and WFA. Additionally, we added a description about how the managers' fees will be communicated to our clients.
- Item 4 has been further updated with a description of a unique potential conflict of interest WFA has when recommending a rollover from a client’s former employer-sponsored retirement plan to an IRA managed by WFA.
- Item 8 has been updated with a description of a new service provider, Fiducient Advisors, LLC, whom we have engaged to provide investment research, education and other support services to WFA on various investment-related topics.
- Item 8 has been further updated with a description of how WFA has addressed and continues to address business continuity during the global pandemic of the novel coronavirus (COVID-19) and additional unique investment risks associated with epidemics and pandemics.
- Item 12 has been updated to provide additional disclosures about WFA’s trading practices related to blocked (or aggregated) client trades.
- Item 16 has been updated with additional disclosures about service limitations when a client hires WFA for nondiscretionary investment management services.

**ANY QUESTIONS:** WFA’s chief compliance officer, Gennady Bekasov, is available to address any questions regarding the above changes or any other issues pertaining to this Brochure. Gennady can be reached at 608 270 2918 or via electronic mail at [ComplianceTeam@wipflifinancial.com](mailto:ComplianceTeam@wipflifinancial.com).

---

<sup>1</sup> In this context, material changes are based on whether there is a substantial likelihood that a reasonable investor or client would have considered that information important under the facts and circumstances.

Item 3: Table of contents

Item 1: Cover page ..... 1

Item 2: Material changes ..... 2

Item 3: Table of contents ..... 3

Item 4: Advisory business ..... 4

Item 5: Fees and compensation ..... 14

Item 6: Performance-based fees and side-by-side management ..... 20

Item 7: Types of clients ..... 20

Item 8: Methods of analysis, investment strategies and risk of loss ..... 20

Item 9: Disciplinary information ..... 25

Item 10: Other financial activities and affiliations ..... 25

Item 11: Code of ethics, participation or interest in client transactions and personal trading ..... 27

Item 12: Brokerage practices ..... 27

Item 13: Review of accounts ..... 30

Item 14: Client referrals and other compensation ..... 31

Item 15: Custody ..... 31

Item 16: Investment discretion ..... 32

Item 17: Voting client securities and securities class action services/policy ..... 33

Item 18: Financial information ..... 34

## Item 4: Advisory business

Wipfli Financial Advisors, LLC (“WFA,” “we,” “our” or “us”) is a limited liability company (“LLC”) formed in 1999 in the state of Delaware and registered as an investment advisor with the SEC that same year. Until May 2018, WFA served its clients and held the legal name of Hewins Financial Advisors, LLC (DBA Wipfli Hewins Investment Advisors). Effective May 31, 2018, the name of the company is Wipfli Financial Advisors, LLC, and its headquarters are in Milwaukee, Wisconsin.

WFA is wholly owned by Wipfli Financial, LLC, a Wisconsin limited liability company, which, in turn, is owned by the accounting and consulting firm, Wipfli LLP (“Wipfli”) (approximately 82% ownership as of May 31, 2021), and several members of WFA’s senior management (approximately 18%, in the aggregate). Wipfli Financial, LLC, is managed by a board of managers (“WF Board”), three of whom are elected by WFA principals, with the remaining four appointed by Wipfli. The WF Board is responsible for strategic decision-making, whereas our chief executive officer Jeff Pierce and other members of the senior management team oversee day-to-day operations of the firm.

Wipfli, the majority owner of Wipfli Financial, LLC, is an accounting and consulting firm with offices across the United States and India. Wipfli is organized as a partnership with over 220 individual partners, where no single partner owns more than 2% of the company.

For more information about WFA’s ownership structure, please refer to Schedule A of our Form ADV Part 1A, which is available at <https://www.investor.gov>, or by contacting us at 608 270 2918 or at [ComplianceTeam@wipflifinancial.com](mailto:ComplianceTeam@wipflifinancial.com).

As discussed below, WFA offers investment advisory and financial planning services to our clients (including individuals and couples, families, business entities, pension and profit-sharing plans, trusts, estates and charitable organizations). Clients are free to choose one service without any obligation to engage us for any other. We reserve the right to refuse any engagement we deem as an improper fit for our services.

### **A. INVESTMENT ADVISORY SERVICES**

We have three (3) service lines for investment advisory services: our standard investment advisory services, Avid investor services® and retirement plan services. Each investment advisory service line is described below, and fees for each service line are discussed in Item 5.

#### **1. Standard investment advisory services**

Our standard investment advisory services are available to individuals, couples, families, trusts and estates, qualified retirement plans and other employer-sponsored plans, business entities and charitable organizations. Clients can engage us to provide ongoing investment advisory services on a discretionary or nondiscretionary basis in accordance with their investment objectives. Our services and all conditions to our services are fully described in the written Investment Advisory Agreement, provided to and signed by each client. Once determined, the client’s investment objectives are then set forth in a written Investment Policy Statement (“IPS”) prepared by us and signed by the client. We do not have a minimum account size required for our standard investment advisory services; however, we will assess a minimum of \$5,000 in annual fees. As further described in Item 5 below, the majority of the time, WFA aggregates clients’ assets with assets of their lineal family members (defined as grandparents; parents, including domestic partners; and children, who may live in different residences), who are also our clients, to allow all members of the family to achieve fee breakpoints. However, there are times when a WFA regional advisory team will, in their sole discretion, elect not to aggregate certain client accounts (which typically occurs when such accounts require additional client

servicing). Moreover, when members of the same family have engaged WFA separately for different services (for example, parents are standard investment advisory services clients and their adult children are Avid investor services clients), we will not aggregate such family members' assets because it is operationally not feasible to apply fee breakpoints to materially different fee schedules. Consequently, similarly situated clients could be treated dissimilarly. For more information about our fees and various additional expenses, discounts and conflicts of interest, please refer to Items 5 and 10 below.

We provide investment advisory services specific to the needs of each client. These services are provided to the client by a dedicated WFA Investment Advisor Representative ("IAR"). The IAR ascertains, in consultation with the client, the client's financial situation, risk tolerance and investment objectives as well as other pertinent information. From this information, the IAR prepares a written IPS for the client's approval. The IPS can be modified at any time after a consultation between the client and the IAR. We generally recommend that clients allocate their investment assets among various exchange-traded funds ("ETF") and mutual funds; however, depending on the client's specific financial situation, objectives and risk tolerances, we will recommend Independent Third-Party Asset Managers (including Tax-Smart Indexing™) or Private Investment Funds where appropriate and as described below. All recommendations are made in accordance with the investment profile of the client and investment strategies discussed with the client. In certain circumstances, clients are permitted to impose reasonable restrictions regarding their investments — for example, through "socially responsible" investing.

As part of our investment advisory services, we make the following available to our clients:

- Access to professionally developed and monitored model portfolios comprised of mutual funds and ETFs suitable for investors with a wide range of risk tolerances;
- Access to mutual fund institutional share classes (which generally are less expensive for our clients); and
- When suitable and appropriate to the client, access to separate account managers and certain investments, which are usually not available to retail clients.

Clients are strongly encouraged to communicate to us any changes to their financial circumstances or any other material changes in their lives that could impact their investments.

A client's managed account portfolio can either be a cash account or a margin account. A margin account is a brokerage account that allows investors to borrow money, including money that could be used to buy securities. We do not recommend that clients borrow money (the use of margin accounts) for the purpose of building an investment portfolio; however, there are situations where clients desire a margin account and/or WFA recommends the use of margin for the limited purpose of either raising cash for an immediate disbursement or to facilitate investment changes so that the client remains invested in the market. Occasionally clients can use margin if more funds are withdrawn than there is cash available.

The custodian charges interest on the margined amount at a varying rate, based upon the amount borrowed, and uses securities in the account as collateral. The margin feature generally is not available unless the margined securities have been held in the account for at least 30 days.

Clients should be aware that if margin is used to purchase additional securities, the total value of eligible account assets increases, as does a client's asset-based management fee. The increased asset-based management fee that a client pays presents a conflict since it creates an incentive for WFA to recommend the use of margin. To help mitigate that conflict, WFA encourages our clients with margin

accounts to pay off the margin balance within a reasonable time, as appropriate for the client's specific situation. Using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk. The use of margin can cause significant adverse financial consequences in the event of a market correction. In addition, clients with margin accounts will be charged margin interest by the brokerage firm on the debit balance in their account. Buying securities on margin also subjects clients to additional costs and risks that should be carefully considered before opening a margin account. It should be noted, however, that we periodically negotiate margin rates with custodians, and some of our clients may benefit from these margin rates. Clients are strongly encouraged to compare available rates at the account custodians with those from banks or other commercial lenders prior to making a decision to use the margin feature in accounts managed by WFA. For more information regarding the risks of margin accounts and loss in general, please refer to Item 8 below.

**Please Note: Cash Positions.** Generally (with potential for exceptions), WFA seeks to keep clients' portfolios fully invested at all times and cash positions in portfolios are correspondingly kept to a minimum, typically to cover WFA's advisory fees and/or any potential transaction costs due to the custodian. From time to time, if requested by a client, WFA may keep larger cash positions in the client's portfolio for a short period of time. As such, all cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating WFA's advisory fee. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, WFA's advisory fee could exceed the interest paid by the client's money market fund.

As described in Item 8, portfolio rebalancing and tax-loss harvesting are part of the standard investment advisory services we provide for clients.

In addition to the "regular" model portfolios, our Investment Committee has developed a sustainable investing model ("ESG") and a socially responsible investing model ("SRI").

- The ESG model can be suitable for clients who wish to invest in companies that contribute to both environmental and social sustainability. Environmental factors such as greenhouse gas emission intensity, land use and biodiversity, toxic spills and releases, operational waste and water management may be used to include/exclude or overweight/underweight a company within the portfolio. Similarly, social sustainability variables such as factory farming, cluster munitions, tobacco, child labor and other considerations may also be applied as a parameter to exclude companies that are connected to these practices.
- The SRI model can be suitable for clients who wish to invest with social considerations in mind. The equity funds utilized in this portfolio employ Catholic values screens, which means they are avoiding practicable investing in companies engaged significantly in the following businesses/practices: the manufacturing, distribution or provision of tobacco, alcohol or gaming; or companies that engage in, sponsor or promote the areas of abortifacients, pornography or same-sex lifestyles.

Because of a relatively limited number of mutual funds and ETFs available that align with our investment approach and meet the requirements of ESG or SRI, there are some limitations to our tax-loss harvesting services when either an ESG or SRI model is employed. Please review Item 8 of this Brochure to understand these limitations, and make sure to discuss your specific situation with your WFA IAR. The ESG models are also available to Avid clients, subject to the same limitations described in Item 8.



Although clients can engage us for Financial Planning Services alone (as discussed in greater detail below), we provide Financial Planning Services in conjunction with our standard investment advisory services (see Items 4.B and 5 for additional servicing and fee information). We make use of an interactive planning tool to develop a thorough understanding of our clients and their financial lives. The use of this tool provides clients with immediate visual feedback of the financial results stemming from different assumptions and choices. This information is used to help clients establish investment objectives and risk tolerances.

In general, our clients' accounts are implemented via the custody platform at Schwab Advisor Services, a division of Charles Schwab & Co., Inc. (hereinafter referred to as "Schwab"), or at TD Ameritrade Institutional (hereinafter referred to as "TD Ameritrade"). To receive our services, clients enter into written account agreements with the applicable custodian. For fees associated with custodial services, please refer to Item 5.

**a. Independent sub-advisors/third-party asset managers**

To address a client's designated investment objectives, we sometimes recommend that a portion of the client's investment assets is allocated to one or more unaffiliated independent sub-advisors/third-party asset managers (collectively, "sub-advisors"). Factors that we consider before recommending a sub-advisor include, but are not limited to, the client's investment objectives, the overall size of the client's investment portfolio and the independent sub-advisor's investment strategy, investment team, performance history, reputation, financial strength, pricing and investment process. Some of these independent sub-advisors are not available to retail investors. Sub-advisors typically have minimum account sizes that can vary between \$250,000 and \$5,000,000, depending on the firm. We will discuss these account minimums with the client prior to making a recommendation to invest with a specific sub-advisor.

Some of the sub-advisors we recommend provide indexing solutions that incorporate the benefits of tax-loss harvesting at the individual stock level. We call this service Tax-Smart Indexing™ ("TSI™"), and we sometimes recommend an appropriate sub-advisor to those clients who seek an expanded opportunity set for tax-loss harvesting beyond the ETF or mutual fund level. Tax-loss harvesting strategies are discussed in detail in Item 8 of this Brochure.

WFA will engage a sub-advisor pursuant to the terms and conditions of a written sub-advisory agreement between WFA and the sub-advisor — clients do not need to enter into a separate agreement with the independent sub-advisor. The sub-advisor will have day-to-day responsibility for the discretionary management of the allocated assets, and we will continue to render investment advisory services regarding the assets placed with the sub-advisor, including both the initial and ongoing day-to-day relationship with the clients, ongoing monitoring and review of account performance and compliance with the client's investment objectives. The obligations of a sub-advisor will be limited to management of the allocated assets consistent with the objectives and/or strategy that WFA will designate to the sub-advisor. WFA will provide the sub-advisor's written disclosure Brochure (Form ADV Part 2A and Form CRS) to each client whose assets will be allocated to the sub-advisor to manage. Please remember that as with any other services we provide, there can be no assurance that a sub-advisor's services will be profitable for the client.

The sub-advisor will be permitted to debit the client's account for its management fee. Sub-advisors' fees are in addition to WFA's advisory fee referenced in Item 5 below. We do not receive any referral fees from these sub-advisors for allocating clients' assets to them. Additionally, WFA maintains discretionary authority to hire and/or fire these sub-advisors should we become concerned about a

manager's performance, its ability to meet the client's stated objectives or for any other reason that we deem appropriate for the client.

#### **b. Private investment funds**

WFA will recommend selected private investment funds for certain high-net-worth clients and for whom such investments are suitable and appropriate. Our role relative to private investment funds shall be limited to initial and ongoing due diligence and investment monitoring services. If a client chooses to become a private fund investor, the client will enter into a separate subscription agreement with the relevant private investment fund(s) and will incur separate fees that vary based upon the specifics of the fund(s). Assets invested in the private fund(s) are included in the calculation of WFA's investment advisory fees; we do not receive any commissions or other forms of remuneration for recommending any investment with a private investment fund.

Private funds are recommended only to clients that meet certain investor sophistication standards that are defined in the federal securities laws and regulations and within the issuer's offering documents. Each fund manager will have a sophistication standard that a client must meet to invest in a fund. Given the illiquid and risky nature of private fund investments, clients who decide to invest into these funds must be willing to commit to a long-term investment and tolerate the high risk associated with investing in them. Additionally, many private funds have high minimum investment amounts (typically between \$250,000 and \$500,000); therefore, such funds generally are recommended only to clients that have a level of assets that enables them to achieve appropriate diversification (by investment type and vintage year) within this segment.

Risks that are specific to investing in private funds are discussed in detail, among all other risks, in Item 8 of this Brochure.

### **2. Avid investor services — Investment advisory services for the emerging investor**

Avid services are discretionary investment advisory services — generally offered to individuals, couples and families — designed as a digital experience with the opportunity to interact virtually with an advisory professional. There are no minimum fees or minimum portfolio size for Avid service.

Avid clients receive investment advisory services, including:

- The services are specific to the needs of each client. These services are provided to the client by a WFA investment advisory representative ("IAR"). The IAR ascertains, in consultation with the client, the client's financial situation and investment objectives as well as other pertinent information. The client's risk tolerance is assessed using a digital questionnaire that the client completes. The client's answers to the questionnaire will map them to the appropriate WFA model portfolio comprised of mutual funds and/or exchange-traded funds (ETFs) that we select. From this information, a written IPS is prepared for the client's review. We have complete discretion over which model portfolios are available to Avid clients, and we strive to offer an assortment of model portfolios capable of meeting various risk tolerances and investment objectives. The IAR can modify the final investment portfolio selection at the start of the relationship after consultations with the client;
- Subject to some limitations, Avid clients will receive the rebalancing and tax loss harvesting services fully described in Item 8;
- Avid clients will have access to a secure online portal provided by WFA to review their portfolios;



- Avid services differ from our standard investment advisory services in that we do not recommend independent investment managers or private investment funds to Avid clients. Moreover, if an Avid client requests financial planning services, it will require additional agreements and fees as described in more detail in Item 5 of this Brochure.

Similar to our standard investment advisory services, Avid clients' accounts are implemented via the custody platform at TD Ameritrade or Schwab. To receive Avid services, clients enter into written account agreements with the applicable custodian. For fees associated with custodial services, please refer to Item 5 below.

### **3. Retirement plan services — Investment advisory services for employee benefit plans**

Through our retirement plan services ("RPS") business line, we provide investment advisory services to qualified employee benefit plans, including but not limited to 401(k) plans, profit-sharing plans and pension plans. Each employee benefit plan client ("Plan") that engages us for RPS generally can do so either on an ERISA Section 3(38) fiduciary basis or an ERISA Section 3(21) fiduciary basis. When a Plan engages us for RPS, we acknowledge our status as a fiduciary to the Plan, as defined in Sections 3(38) and 3(21) of ERISA, and we assume the duties, responsibilities and obligations of such a fiduciary. Typically, a Plan that engages us for RPS on an ERISA Section 3(38) basis does so on a discretionary basis, while a Plan that engages us on an ERISA Section 3(21) basis does so on a nondiscretionary basis.

Furthermore, WFA acknowledges that it adheres to impartial conduct standards, whereby we provide investment advice that is in the best interest of the Plan; we receive compensation that is not in excess of reasonable compensation (within the meaning of ERISA); and we will not make any materially misleading statements to the Plan regarding the advisor's services and recommendations, fees and compensation, material conflicts of interest and any other matters relevant to the Plan's investment decisions.

We do not require a Plan to have a minimum account size to receive RPS, and we do not charge a minimum fee for this service. We reserve the right to refuse to be engaged on an ERISA Section 3(38) basis or an ERISA Section 3(21) basis, or for any particular type of RPS, in any particular engagement.

As part of our RPS, we can be engaged to provide the following services to the Plan regardless of whether we are engaged on an ERISA Section 3(38) basis or an ERISA Section 3(21) basis:

- At the onset of the relationship, we work with the Plan's sponsor to analyze the Plan's investment objectives and guidelines to help develop an Investment Policy Statement ("IPS");
- No less frequently than annually, we review the IPS with the Plan's sponsor and assist them in making updates as necessary;
- In accordance with the IPS, we help design, implement and monitor investment options for the Plan's participants;
- At least annually, we meet with the Plan's sponsor to review performance of the Plan's investment options and participant statistics;
- We can provide periodic enrollment meetings for the Plan's participants that can be on-site or remote;
- We can provide periodic on-site and remote education to the Plan's participants regarding the benefits of saving for retirement and participating in the Plan; and
- We make our advisory staff available to participants to answer their questions regarding the Plan's investment options.

Details regarding the fees for RPS are discussed in detail in Item 5 of this Brochure.

For RPS, we recommend that the Plan appoints, under a separate engagement agreement, Wipfli as the Plan's Third-Party Administrator ("TPA") and the Plan's Recordkeeper. TPA and/or Recordkeeping fees are distinct and separate from our fees for investment advisory services.

### **Conflicts of interest considerations**

Wipfli is an accounting and consulting firm that is an affiliate and a majority owner of WFA, as described in further detail in Item 4 of this Brochure. As such, Wipfli indirectly controls WFA. We believe Wipfli's fees for their services to be reasonable and competitive, but we strongly encourage clients whom we refer to Wipfli to compare their fees with those of other reputable providers in the industry. While we do not receive any portion of the fees charged by Wipfli, or any referral fees from Wipfli, our recommendation of Wipfli to clients creates a conflict of interest that clients should be aware of. As affiliates, the profitability of WFA and Wipfli affects the compensation of owners and employees of both firms, and, because of shared ownership, WFA professionals have an incentive to recommend Wipfli to provide these services. To mitigate this conflict, WFA only recommends Wipfli when it is in the client's best interest to do so. No client is ever required to use Wipfli for any of its services (including TPA and/or Recordkeeping Services to Plans), and we will do our best to accommodate our services to work with clients' providers of choice. The inability of another TPA or Recordkeeper's system to work with our own could, however, limit our ability to provide RPS to certain Plans. We will discuss any such limitations with the Plan prior to entering into a written Investment Advisory Agreement.

## **B. OTHER SERVICES**

### **1. Financial planning and consulting services**

As previously described in Item 4.A., Financial Planning Services are included as part of our standard investment advisory services. We also provide financial planning as a standalone service.

For WFA's standard investment advisory services clients and standalone financial planning clients, we offer comprehensive Financial Planning Services, which include three phases. First, the client is engaged in an in-depth conversation with WFA's advisory team about the client's values, priorities and goals. Next, with financial information provided by the client, various life scenarios are considered for the client's financial plan using MyStoryboard, WFA's interactive financial planning tool, which considers the impact of and financial risks associated with particular decisions on achieving the client's overall financial goals. Finally, WFA will provide the client with recommendations in the form of a long-term financial and investment plan. Clients are then free to accept or ignore any or all such recommendations, and can hire WFA, or any other service provider, for similar or the same services or products, at costs that can be higher or lower than those incurred by the client if implemented through WFA. Additional financial planning services, such as executive compensation/stock option planning, business transition planning, complex estate planning and complex charitable planning, can be provided if needed and requested by the client. WFA can, at its discretion, waive any additional fees for these services.

Clients who do not have an investment advisory relationship with WFA can elect to receive Financial Planning Services pursuant to the terms of a written Financial Planning Agreement. The Financial Planning Agreement describes the scope of the services that will be provided and the fees that will be charged. Moreover, WFA can be engaged by employers to provide planning services to employees as

part of the employees' benefit package. The scope of planning services as well as the fee payable to WFA will be defined in a written agreement between WFA and the employer.

On a standalone, separate-fee basis, we can provide consulting services on various noninvestment financial issues. For these consulting services, the client will sign a separate agreement describing the scope of the services and the fees that will be charged. We can, in our sole discretion, waive any or all fees for consulting services.

Neither we, nor any of our employees, serve our clients as an accountant or attorney, and no portion of our services should be viewed as a substitute for such services. However, as indicated above and further in this Brochure, our affiliate, Wipfli LLP, is an accounting firm.

## **2. Recommendations for clients' held-away assets**

Clients can engage WFA to provide recommendations on assets that are held outside of WFA's management ("Held-Away Assets"). Typically, such Held-Away Assets are investment accounts that are part of a qualified retirement plan at the client's place of employment (e.g., 401(k) and 403(b) plans, pension plans and similar accounts) where the client does not work with another investment advisor helping them with investment selections and wishes WFA to provide recommendations within the limitations of the retirement plan, and download the portfolio's data for the purposes of providing a consolidated report. Typically, this service is not provided as a stand-alone service, and is only provided by WFA to existing clients pursuant to a written addendum to the client's Investment Advisory Agreement.

## **3. Other services**

We strongly believe that by collaborating with our clients' other professional advisors — such as accountants, attorneys and consultants — we can add value for clients, encourage collaboration, and increase planning opportunities. This is particularly true when it comes to our high-net-worth clients with multigenerational family enterprises. We take pride in our affiliation with the accounting and consulting firm, Wipfli, and upon a client's request, will collaborate with Wipfli on client servicing considerations, particularly for higher-net-worth families. Among the services that WFA provides are estate planning, tax planning from the investment management perspective and facilitation of tax payments. Wipfli provides estate planning consulting services (Wipfli does not serve as an attorney or prepare legal documents), preparation of income and gift tax returns, tax consulting services, maintenance of family enterprises' books and records, and can provide bill-paying services. Wipfli's services are provided pursuant to a separate engagement letter, for a separate fee negotiated in advance.

Clients are not required to use Wipfli for any of these services. Wipfli's fees may be higher or lower than those available from other professional providers for similar services. We do, however, recommend Wipfli's services to our high-net-worth clients from time to time. We do not receive any referral fees from Wipfli for these recommendations, but a referral to Wipfli creates a conflict of interest that clients should be aware of. Please refer to the text box in Item 4 above for additional considerations related to this conflict.

## **4. Third-party professionals/Wipfli**

To the extent requested by a client, we can recommend the services of other professionals for certain noninvestment purposes (e.g., attorneys, accountants, insurance agents, etc.). The recommendations can include engaging representatives of Wipfli, an accounting and consulting firm that is an affiliate of WFA, as described in detail earlier in this section of the Brochure. Any tax, accounting, consulting or

other services provided by Wipfli will be provided by their professionals under a separate engagement and in their separate licensed capacities, as discussed below (see Item 10).

Clients are not required to use Wipfli and retain absolute discretion over which professional services provider they use. Other providers' fees can be higher or lower than those of Wipfli. There are no referral arrangements between WFA and Wipfli, and WFA does not receive any referral fees from Wipfli for recommending Wipfli services to clients. Clients are free to accept or reject any such recommendation.

A small number of Wipfli associates are registered IARs of WFA, who dedicate a portion of their time to servicing WFA's investment advisory clients. When these Wipfli professionals provide services to WFA clients, they do so under WFA's supervision and in accordance with WFA's policies and procedures, including but not limited to all investment guidelines from WFA's Investment Committee and our Code of Ethics (see Item 11). For more information about these Wipfli professionals and methods of their compensation, please refer to Item 10 of this Brochure. Clients are also strongly encouraged to review WFA's registered IARs' Supplemental Form ADV Part 2B, where they can find information about each representative's qualifications, form of compensation and disciplinary history.

In order to add value to our high-net-worth clients who are also Wipfli tax clients ("Joint Clients"), we encourage collaboration with our affiliate and strategic partner to increase more comprehensive planning opportunities for Joint Clients. In January 2018, WFA commenced offering fee allowances to our qualifying high-net-worth Joint Clients. To be eligible for this allowance, the Joint Client must meet the following requirements:

- Must be both an investment advisory client of WFA and a personal tax client of Wipfli;
- Must have at least \$2,000,000 in billed assets under management with WFA; and
- Must have advisory fees assessed in accordance with WFA's Standard Investment Advisory Fee Schedule as set forth in Item 5.A.1. below.

Exceptions to this could be made on a case-by-case basis, as approved in writing by WFA's management. Exceptions and specific amounts of allowances are discussed in detail below in Item 5 of this Brochure.

## **5. Potential conflict of interest due to recommendations of retirement plan rollovers**

When a client or a prospective client of WFA leaves their employer, they typically have four options concerning their existing retirement plan, such as a 401(k) plan (or a combination of these options): 1) leave the assets in the former employer's plan, if the plan allows it, 2) roll the assets over to the new employer's plan, if applicable and if the new plan allows for such rollovers, 3) roll the assets over into an individual retirement account (IRA), or 4) take a cash distribution (**NOTE:** a cash distribution will be a taxable event and may result in additional penalties depending on the client's age. Typically, WFA advises strongly against this option, unless it is inevitable due to a hardship or similar circumstances). If WFA recommends that a client roll over their retirement plan assets into an IRA to be managed by WFA, such recommendation creates a conflict of interest because WFA will be earning ongoing investment management fees on the balance of the assets that have been rolled over. WFA's policies require each IAR who recommends a plan rollover to a client or prospective client to evaluate the recommended transaction from the client's best-interest perspective and document such review with the client. Clients are under no obligation to roll their retirement plan assets over to IRAs managed by WFA.

## **ADDITIONAL OBLIGATIONS AND DISCLOSURES REGARDING OUR SERVICES**

### **1. Client obligations and responsibilities**

We offer our clients a selection of services; clients who engage us for one of the services we provide are under no obligation to engage us for any of the other services.

We are not required to verify any information we receive from the client or from the client's other professionals, and the Investment Advisory Agreement expressly authorizes us to rely on information provided to us from the client and their attorney, accountant or other professionals.

It remains the client's responsibility to promptly notify us if there is ever any change to their financial situation or investment objectives so that our recommendations continue to be appropriate for their needs.

From time to time and if the client so chooses — in the course of working on the implementation part of the client's financial plan — our IARs introduce clients to unaffiliated third-party broker-dealers or insurance agencies to help clients with insurance solutions, including life insurance, disability and long-term care insurance. Our IARs would make such introductions only when they believe it is in the client's best interest to seek insurance coverage. Clients are under no obligation to buy insurance products from these third parties and are free to seek similar products from other providers or disregard WFA's recommendations altogether. Please review Items 5, 10 and 14 of this Brochure for important information related to fees and costs involved, as well as the receipt of compensation by our affiliate, conflicts of interest and other considerations related to these arrangements.

### **2. Courtesy (non-managed) accounts**

As a matter of accommodation and convenience to existing WFA clients who have other managed assets with us, we allow clients to establish courtesy accounts ("Courtesy Accounts") at Schwab or TD Ameritrade. Such Courtesy Accounts can only be established after the client signs a Courtesy Account Agreement. WFA does not assume the responsibility to monitor, trade or report on these accounts, or any securities that they may hold. Clients are strongly encouraged to effectuate their own trading in these Courtesy Accounts. WFA makes the best effort to accommodate non-solicited trade requests from clients, but only upon clients' explicit written instructions, and only after review and approval by a member of WFA's management team. WFA cannot guarantee timely execution of any such trades and reserves the right to reject any trade. Clients who wish to establish a Courtesy Account should review the Courtesy Account Agreement carefully prior to signing it. WFA will not charge any fees on Courtesy Accounts. Courtesy Accounts are not available to Avid clients.

### **3. Wrap fee program**

We do not participate in a wrap fee program.

### **4. Assets under management**

As of May 31, 2021, WFA had a total of \$4,979,403,438 in assets under management ("AUM"): \$3,981,243,014 on a discretionary basis, and \$998,160,424 on a nondiscretionary basis.



Item 5: Fees and compensation

A. INVESTMENT ADVISORY SERVICES

Our fees for all three of our investment advisory service lines (i.e., standard investment advisory services, Avid and RPS) are set forth below. In each instance, our annual fees for investment advisory services are paid quarterly in advance, based upon the market value of the AUM on the last business day of the previous quarter. The initial quarterly fee is based on the client account’s funding date(s) or the date(s) assets are transferred. Generally, as further set forth in our Investment Advisory Agreement, clients can elect to have WFA’s advisory fees deducted directly from their custodial accounts. The custodial agreement signed by the client typically authorizes the custodian to debit the account for the amount of our fees and to directly remit the fees to us in accordance with the procedures specified in their custodial agreement. In those circumstances in which the client has requested to be billed directly, payment is due upon receipt of our invoice.

Once effective, WFA’s Investment Advisory Agreement continues in effect until terminated by either WFA or the client through a written notice. After termination, we will provide a prorated refund on any unearned portion of the advisory fee that was paid in advance, in accordance with the terms of the Investment Advisory Agreement. Any refund due will be paid within five weeks of notice of termination.

1. Standard investment advisory services

Our annual fee for standard investment advisory services is tiered, based upon a percentage (%) of the market value of the AUM, including any margin balance in securities, as follows:

<u>ASSET BREAKPOINTS<sup>2</sup></u>	<u>ANNUAL FEE</u>
<b>First</b> \$2,000,000	1.00%
<b>Next</b> \$3,000,000	0.85%
<b>Next</b> \$5,000,000	0.40%
<b>Above</b> \$10,000,000	0.30%

There is a minimum quarterly fee of \$1,250, or 75 basis points (0.75%) of the assets – whichever is less. Clients can negotiate discounts from the above quoted fees. Any fee discounts must be approved by a member of our senior management (typically the chief financial officer) and documented. The fees above are for standard investment advisory services, which includes financial planning services, as detailed in each applicable Investment Advisory Agreement. If a client requires specific consulting

<sup>2</sup> As mentioned in Item 4, for purposes of calculating fee breakpoints, the majority of the time, WFA aggregates a client’s assets with assets of his/her/their lineal family members (defined as grandparents; parents, including domestic partners; and children, who may live in different residences), who also are WFA clients. However, there are times when a WFA regional advisory team will, in their sole discretion, elect to not aggregate certain client accounts (which occurs typically when such accounts require additional client servicing). Moreover, clients in different service offerings, who otherwise would be eligible for aggregation, will not be aggregated. Consequently, similarly situated clients will be treated dissimilarly and will not be able to achieve an asset breakpoint that they would have been entitled to if such aggregation occurred.



services, those services require a separate agreement and typically incur a separate fee; however, WFA can, in its sole discretion, waive any additional fees for these services.

As described in Item 4 of this Brochure, certain Joint Clients of WFA and Wipfli who meet the criteria specified are offered certain fee allowances. This means that the fee allowance achieved is the dollar amount which WFA will reimburse Wipfli for preparation of clients' taxes or other related tax services. Effective March 2018, the amounts of these allowances are set forth as follows:

- \$2,000,000 to \$3,499,999 of billed AUM — fee allowance of \$750
- \$3,500,000 to \$4,999,999 of billed AUM — fee allowance of \$1,250
- \$5,000,000 to \$9,999,999 of billed AUM — fee allowance of \$1,750
- \$10,000,000+ of billed AUM — a negotiable fee allowance of at least \$2,000, not to exceed \$5,000

Clients need to be aware that buying investments using margin increases the amount of fees paid to WFA. In addition, a client with a margin account is charged margin interest by the custodian on the margin debit balance in the client's account. Please refer to Items 4 and 8 for additional information.

**Please note:** WFA believes that it is important for the client to address financial planning issues on an ongoing basis. WFA's above advisory fee will remain the same regardless of whether or not the client determines to address financial planning issues with WFA. **Please also note:** In the event that the client is subject to the annual minimum fee, the client will pay a higher percentage fee than that set forth in the above fee schedule.

a. **Independent sub-advisors and private investment funds**

As described in Item 4, WFA maintains a sub-advisory relationship with most of the independent sub-advisors it currently recommends to clients. Annual fees charged by sub-advisors vary, but generally range from 0.175% to 0.37% of the amount of assets under management (minimum fees may apply). These fees are in addition to WFA's advisory fee and are typically debited directly by the sub-advisor from the client's account. WFA will provide to the client a detailed fee schedule of each recommended sub-advisor prior to allocating any portion of the client's portfolio to the manager(s).

The fees assessed by private funds will be outlined in the offering documents provided by the fund.

**Please note:** As discussed in Item 4 above, assets invested in the private fund(s) are included in the calculation of WFA's investment advisory fees. WFA calculates and assesses these fees quarterly using the fund's most recent value provided by the fund sponsor or manager. Annually, the fund sponsor provides the funds' audited financial statements, which include each fund's audit value. Annually, we reconcile our billing for each private fund with the quarterly fund reports and the audited value. If the fund's billed value(s) was higher than the subsequent quarterly report value, thus resulting in a higher quarterly fee to the client, we will make a refund to the client if the total of WFA advisory fee relative to the client's fund assets for the preceding four billing quarters exceeds \$100. In the event that WFA's advisory fee relative to the client's fund assets for the preceding four billing quarters would have been higher based upon the fund's subsequent audit value, no increased advisory fee shall be payable to WFA.

## **2. Avid investor services**

For Avid, the investment advisory fee is an annualized **flat fee of 0.90%** that is paid quarterly in advance based upon the market value of the AUM on the last business day of the previous quarter.

There are no minimum fees or minimum account size for Avid.

## **3. Retirement plan services (RPS)**

The annual fee for RPS, regardless of whether we are engaged as an ERISA 3(38) fiduciary or a 3(21) fiduciary, is tiered and based on a percentage (%) of the market value of the assets of the Plan under management, as follows:

<b><u>ASSET BREAKPOINTS</u></b>	<b><u>ANNUAL FEE</u></b>
<b>First</b> \$500,000	0.75%
<b>Next</b> \$1,500,000	0.50%
<b>Next</b> \$3,000,000	0.40%
<b>Next</b> \$5,000,000	0.25%
<b>Next</b> \$5,000,000	0.20%
<b>Above</b> \$15,000,000	0.10%

There are no minimum fees or minimum account size for RPS. Clients can negotiate discounts from the above quoted fees. Any fee discounts must be approved by a member of our senior management (typically the chief financial officer) and documented.

## **B. OTHER SERVICES**

### **1. Financial planning and consulting services**

As mentioned in Item 4 of this Brochure, new clients and existing Avid clients can engage WFA to perform standalone Financial Planning Services. These Financial Planning Services include retirement accumulation and/or distribution planning, cash flow planning, net worth and debt management, and risk management considerations. The standard fee for these services is \$2,500 for the first year and \$1,800 per year for all subsequent years. Should the client's circumstances require a customized level of financial planning, the scope of the services and the standard fee will be adjusted at WFA's discretion and agreed upon in advance with the client.

Clients can choose either a one-time or ongoing financial planning engagement with the following payment options available for the first year of services:

- \$700 paid up front, upon entering into a Financial Planning Agreement, and \$1,800 paid upon delivery of the financial planning recommendations, for the total of \$2,500 for the first year;
- \$700 paid up front followed by 12 monthly payments of \$150 each, for the total of \$2,500 for the first year.

With either option, WFA regional advisory teams can, at their discretion, adjust the amount of upfront payment, up or down, based on the discussion with the client. Clients should note that ongoing services typically require a 12-month commitment by the client.

Clients who choose to continue ongoing financial planning services after the first year will be billed \$150 per month for a total of \$1,800 per year for each subsequent year of services.

All payments, both for one-time and ongoing planning services, are invoiced and processed through a third-party nonaffiliated service, AdvicePay. Clients will be asked to set up their bank account at AdvicePay to enable ACH payments. While AdvicePay allows firms like WFA to receive payments directly from the client's bank account, it does not give WFA access to the bank account itself, nor to any of the client's bank account information. WFA is not able to initiate any additional payments via AdvicePay. Clients are not required to use AdvicePay and can elect to pay the full fees up front by check.

If, at any point during the planning process, the client decides to engage WFA for standard investment advisory services, WFA would end the monthly billing immediately and not assess any additional fees. No refund of any of the previous monthly billing costs will be made; however — at the discretion of the regional WFA office — financial planning fees already paid by the client could be applied as a credit towards the client's investment advisory fees.

## **2. Fees for recommendations on clients' held-away assets**

The fee for this service is an annual fee of 0.65% based on the value of the assets assessed as reported by the responsible party (e.g., third-party administrator or custodian) at quarter end, and is debited quarterly in advance — as described in Item 4 of this Brochure. This fee, which is separate and distinct and not in conjunction with any other fee assessed by WFA, is reflected in transaction history reports that are available on client portals. Generally, clients may select to either authorize WFA, in writing, to debit this fee from the client's managed nonqualified account held at a qualified custodian or to pay for this service by check. Assets in Held-Away Accounts will not be aggregated with the client's AUM for Investment Advisory Service fee calculation purposes as described above in Items 4 and 5 of this Brochure.

## **3. Fees for other services**

Fees for other related services range widely and depend on the complexity and scope of the services to be rendered. Fees will be negotiated in advance and documented as an Addendum to the client's Investment Advisory Agreement, to be agreed to in writing by both WFA and the client.

## **C. OTHER FEES**

Below is a description of some, but possibly not all, of the fees clients are expected to pay to third parties, in addition to our fees but in relation to the services we perform.

### **1. Custodial fees**

We generally recommend that either Schwab or TD Ameritrade serve as the custodian for our clients' advisory assets. To our RPS clients who use Wipfli LLP as their plan's TPA, as described in Item 4 of this Brochure, Wipfli and WFA will jointly recommend Mid-Atlantic Trust Company and its affiliated broker-dealer (jointly "MATC") as the custodian of the plan's assets and the trading platform to trade mutual funds that are part of the plan's portfolio(s). Fees charged by the custodian are separate from and in addition to the fees that clients pay to us.

**Asset-based pricing vs. transaction-based pricing arrangements and limitations.** There are two different arrangements for custodial fees at both Schwab and TD Ameritrade: asset-based pricing ("ABP") and transaction-based pricing ("TBP"). Under an ABP arrangement, the amount of custodial fees

that a client will pay is based upon a percentage (%) of the market value of the account. This differs from TBP, which assesses a separate commission/transaction fee against the account for each account transaction. Our investment decisions for your accounts are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by you to the account custodian.

Under either the ABP or TBP scenario, the fees charged by the respective custodian are separate from, and in addition to, the advisory fee payable by the client to WFA as described above. WFA does not receive any portion of these fees payable by you to the account custodian. We continue to believe that certain of our clients can benefit from an ABP arrangement. No client is under any obligation to enter into an ABP arrangement, and, if you do, you can request at any time to switch from ABP to TBP; however, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Thus, given the variances in trading volume, any decision by you to switch from ABP to TBP could prove to be economically disadvantageous.

Regardless of ABP vs. TBP arrangement, these fees are set forth and charged by the account custodian (Schwab or TD Ameritrade) and are subject to change. While WFA negotiates these fees from time to time with our custodians to benefit our clients, there is no guarantee that we will be able to negotiate any specific fees or fee ranges. Schwab and TD Ameritrade's custodial fees can be higher or lower than those charged by other custodians.

For clients using other custodians, fees will vary according to the custodian selected. Specifically, for our RPS clients who use MATC, custodial fees will be disclosed by the plan's TPA and agreed upon in advance by the client. For further information on our custody/brokerage practices, see Item 12.

## **2. Mutual fund and ETF fees**

Mutual fund and ETFs charge internal-management fees in addition to and separate from the advisory fee we charge. All mutual funds and ETFs have an internal expense ratio, which is the annual percentage of the funds' assets that the fund managers (not WFA or the account custodian) charge to manage the funds. In some mutual funds, that expense ratio often includes separately disclosed "12b-1 fees," which are annual marketing or distribution fees that the fund pays to advisors or brokers who recommend the funds to clients. WFA does not receive 12b-1 fees because, when selecting funds for our model portfolios, we focus on funds that do not pay those fees, funds with low expense ratios and "no-load" mutual funds. Under no circumstances does WFA receive any cash compensation from any mutual fund or ETF company. Moreover, whenever possible and appropriate, WFA will select institutional share classes<sup>3</sup> of those mutual funds that we recommend to clients.

Mutual fund and ETF fees are disclosed in fund prospectuses which clients shall receive from the account custodian. WFA encourages clients to review these prospectuses and speak with your WFA regional advisory team should you have any questions about a fund's fees or have any other concerns.

### **D. Please note: Use of DFA and Avantis mutual funds**

WFA utilizes mutual funds issued by various fund companies, including companies whose mutual funds are only available to the investing public through registered investment advisory firms under certain

---

<sup>3</sup> Institutional shares do not charge any loads and tend to have significantly lower expense ratios.

conditions, which can put restrictions on additional fund purchases and/or asset transfers to another custodian should WFA's services be terminated by the client or WFA. Among multiple fund companies that we currently use, there are two that can be potentially subject to such restrictions: Dimensional Fund Advisors ("DFA") and American Century Investments, also known as "Avantis". DFA mutual funds can only be purchased through firms that have been approved by DFA, and Avantis mutual funds can only be purchased through firms that qualify as "institutional investors" by the accounts' custodian. Consequently, if WFA's services are terminated (whether by the client or WFA), the client could face restrictions regarding additional purchases of DFA or Avantis funds or, in some cases, certain custodians may not be able to receive DFA and/or Avantis funds as part of the transfer of assets from Schwab or TD Ameritrade. Generally speaking, clients who consider terminating WFA services, whether to transfer their accounts to another advisor or switch their accounts to retail accounts at the same custodian, are strongly encouraged to review their DFA and Avantis holdings with their new advisor and/or custodian to determine whether any such restrictions on additional purchases or asset transfers may apply. Please remember that there may be tax implications should the new advisor or custodian require that DFA and/or Avantis mutual funds be liquidated.

## **FEE CONFLICTS**

### **1. Compensation received by an affiliate for introductions to a third-party broker-dealer/insurance agency**

As also described in Item 4 above, and Items 10 and 14 below, sometimes our IARs — in the process of working with clients on their financial plan implementation — make recommendations that clients seek new or additional insurance coverage, including life insurance, disability and long-term care insurance. These insurance solutions may include variable or fixed insurance products. Our affiliate Wipfli Insurance Services, LLC ("WIS") has an arrangement with Long Road Risk Management Services, LLC ("Long Road") to provide insurance solutions to WFA clients. Long Road is not affiliated with WFA or WIS, and no IAR of WFA is registered or licensed to sell insurance products. Clients who choose to purchase insurance coverage through Long Road will need to enter into a customer agreement with Long Road or its affiliate. When a client chooses to purchase an insurance product, as a result of such introduction, Long Road, through its affiliated broker-dealer or insurance agency, will pay a portion of the commission revenue to WIS. WFA does not receive any part of this commission revenue; however, this arrangement represents a conflict of interest for WFA because the same owners of WFA also have indirect ownership in WIS.

Our IARs/financial planners are required to always act in the client's best interest, including instances when they introduce clients to Long Road. Our clients are under no obligation to purchase products from Long Road and are free to seek insurance coverage from other providers of their choosing or disregard WFA's recommendations altogether.

### **2. Additional disclosure regarding employee accounts**

As an added benefit that is available only to WFA's employees, principals and immediate members of their families — which include spouses and children under age 21 (collectively, "Employees") — WFA will allow Employees to open accounts for their own benefit at Schwab and invest the assets in these accounts into one of WFA's model portfolios. This benefit is provided to Employees at no cost, but Employees bear all costs associated with trading and holding the mutual funds and/or ETFs in the accounts. Employees will generally not receive any additional services from WFA — such as financial planning, preparation of an IPS or personalized investment advice — and WFA's involvement in the accounts is limited to rebalancing the accounts according to WFA's Investment Committee's



recommendation and tax-loss harvesting. Employees are not permitted to place their own trades in these accounts.

### **3. Additional disclosure regarding accounts of Wipfli LLP associates**

WFA offers additional fee discounts off our regular Standard Investment Advisory fees to partners and employees of our affiliate and majority owner, Wipfli LLP (“Wipfli Employees”), as well as their family members. Wipfli Employees, their spouses and their children under age 21 are eligible to receive 25% off our regular fees for these services; other relatives of Wipfli Employees are eligible to receive 15% off.

## **Item 6: Performance-based fees and side-by-side management**

Neither WFA, nor any of our supervised persons, accepts performance-based fees. We do not engage in side-by-side management.

## **Item 7: Types of clients**

Our clients include individuals, couples, families, business entities, pension and profit-sharing plans, trusts, estates and charitable organizations located throughout the United States. Our minimum annual fee for standard investment advisory services is generally \$5,000, regardless of the value of the assets. However, our Avid investor services offering does not have any minimum annual fee or minimum asset level, and retirement plan services have no minimum fees. Fees for other services are set forth in Item 5 above.

As indicated above, WFA, in its sole discretion, may waive or modify its minimum fee or asset level, charge a lesser investment advisory fee, charge a flat fee or waive its fee entirely based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, grandfathered fee schedules, accounts of employees and their family members, accounts of employees of an affiliate, courtesy accounts, non-profit engagements, tribal engagements, competition, negotiations with client, etc.). **Please note:** As a result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisors for similar or lower fees. **Please also note:** If a client is subject to a minimum fee referenced in Item 5 above; the client will pay a higher percentage fee than the annual percentage fee referenced in fee schedules in Item 5 above.

## **Item 8: Methods of analysis, investment strategies and risk of loss**

### **A. BASIC STRATEGY**

The foundation of our investment philosophy is to be highly disciplined, mitigate risks through asset class diversification and invest for the long term. Our Investment Committee (the “IC”) incorporates research and due diligence into our approach to asset allocation, fund recommendations and portfolio monitoring. The IC operates under the leadership of our chief investment officer (“CIO”); in addition to the CIO, the IC is comprised of one of WFA’s principals and two independent contractors carefully selected by senior management and the CIO. These independent IC members are seasoned investment professionals with decades of experience and background that includes academia and institutional and private practice. Detailed information about each member of the IC, including their professional background, qualifications and disciplinary history, can be found in their respective Brochure Supplement as described in Item 2 of this Brochure. The IC develops model portfolios based on



Modern Portfolio Theory (“MPT”). The primary focus of MPT is to make investment decisions based on stated objectives and risk, evaluate investment performance at the portfolio level, eliminate risks attributable to specific securities through broad diversification and hold assets that are not highly correlated. MPT tells us that a portfolio can be constructed by combining asset classes in an optimal way so as to produce the highest return for a stated level of risk.

Regardless of the amount a specific client has to invest, we help the client to determine an appropriate asset allocation, given their objectives and risk tolerance. We then implement that allocation in a diversified portfolio. Depending on the size of the client’s investment portfolio, among other factors, we will use ETFs, mutual funds, TPAMs, private investment funds and other investment vehicles, if appropriate. Interim fluctuations in market value and rates of return may be experienced in order to achieve long-term objectives. We employ no tactical or market-timing elements within our overall strategy. However, individual funds and managers that we recommend, or those used by the client, may employ different strategies with different associated risks at times. To the extent that outside managers are used, WFA strongly encourages clients to review their Form ADV, offering documents and other disclosure materials prior to investing.

## **B. INVESTMENT STRATEGY RELATIONSHIP**

To augment our base of financial- and investment-related information, and for the purposes of additional sophisticated analysis, WFA has engaged Fiducient Advisors LLC (“Fiducient”). Fiducient is among the largest investment consulting firms in the country and provides research, education, decision-making support and advice to a broad array of institutional investors and ultra-high-net-worth clients. Through our relationship with Fiducient, we have access to their breadth of resources, including:

- Capital market projections related to risk, return and correlations of asset classes,
- Asset allocation software,
- Recommended investment management organizations and products (in the form of ETF, mutual fund, separate account vehicles and private market investment funds), based on in-depth qualitative and quantitative due diligence (some of these money managers provide their services to Fiducient clients at reduced minimums and/or discounted fees), and
- Research on various investment topics.

## **C. CAPITAL MARKET EXPECTATIONS**

In developing appropriate asset allocations for clients, we perform asset allocation analyses based on long-term, forward-looking capital market expectations and correlations among the various asset classes. These expectations are imprecise by nature; it is not possible to predict future performance. There can be no assurance that future returns will approximate the long-term rates of return experienced for each asset class, that future performance of an asset mix will fall within the simulated range of returns or that any modeled return will be achieved.

## **D. REBALANCING AND TAX-LOSS HARVESTING**

Based upon the client’s prior written agreement to do so, we have, without further approval, the authorization to rebalance the client’s portfolio and/or perform tax-loss harvesting in accordance with the client’s approved asset allocation.

Over time, the value of different asset and sub-asset classes of a client's portfolio can rise or fall so that their percentages fall outside the asset allocation range defined in the client's IPS. We periodically review client accounts to determine if rebalancing is advisable and, if so, reallocate the account in accordance with the client-approved strategic asset allocations. Cash inflows/outflows are deployed in a manner consistent with a client's strategic asset allocation.

Tax-loss harvesting is the process of selling selected securities at a loss to help offset capital-gains tax liabilities. To take advantage of such tax losses, our Investment Advisory Agreements state that we may, without further client approval, sell investments and replace those investments with other investments within the same asset class. In general, after the required time lapse, we will return the client's investments back to the original investments if it is advisable from a tax perspective.

As mentioned in Item 4 of this Brochure, there are limitations to our tax-loss harvesting abilities when clients elect to use ESG or SRI models due to a relatively limited number of mutual funds that align with the investment approach and meet the criteria. Clients in ESG or SRI models would need to accept that temporary replacement securities will not meet the criteria. Tax-loss harvesting is not available to Avid clients who elect to invest into an ESG model. Clients are strongly encouraged to discuss these limitations with their WFA IAR prior to making a decision to invest into any of these models.

As appropriate, tax-loss harvesting also occurs in a portfolio managed by one or more sub-advisors under the TSI™ program, as described in detail in Item 4 of this Brochure.

#### **E. INVESTMENT RISK**

The following is an outline of the main risks pertaining to the asset classes utilized by WFA:

- **Market risk:** The price of a security can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- **Equity risk:** Historically, the equity markets have moved in cycles, and the value of equity securities can fluctuate significantly from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies can suffer a decline in response. These factors contribute to price volatility.
- **Business risk:** This risk is associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it — a lengthy process — before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Foreign risk:** Investments in foreign securities pose special risks — including currency fluctuation and political risks — and such investments can be more volatile than that of a United States-only investment. The risks are generally greater for investments in emerging markets.
- **Currency risk:** Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as "exchange rate risk."
- **Political and legislative risk:** Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, bringing significant impact, especially for companies operating outside of the

United States or those companies who conduct a substantial amount of their business outside of the United States.

- **Pandemic risk:** Disease outbreaks (epidemics and pandemics) that affect local and/or global economies can materially and adversely impact investment funds, managers, clients' portfolios and/or our business. For example, uncertainties regarding the novel coronavirus (COVID-19) outbreak have resulted in serious economic disruptions across the globe. These types of outbreaks can be expected to cause severe decreases in core business activities such as manufacturing, purchasing, tourism and workplace participation, among others. These disruptions lead to instability in the marketplace, including stock market losses and overall volatility, which was, for example, observed globally during parts of year 2020 in connection with COVID-19. In the face of such instability, governments may take extreme and unpredictable measures to combat the spread of disease and mitigate the resulting market disruptions and losses. WFA has a business continuity plan ("BCP") reasonably designed to ensure that we maintain normal business operations and continue to provide services to our clients. We periodically test our BCP, and we invest significant funds and resources into technology to ensure the continuity of our business operations. However, in the event of a pandemic or another disease outbreak, there can be no assurance that WFA and/or any mutual fund or ETF company, or any manager or service provider that we use, will be able to maintain normal business operations for an extended period of time or will not lose the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impacts of a pandemic or disease outbreaks are unknown, resulting in a high degree of uncertainty for potentially extended periods of time.
- **Fixed income-credit risk:** This is the risk that principal and/or interest on a fixed-income investment will not be paid in a timely manner or in full, due to changes in the financial condition of the issuer. Generally, the higher the perceived credit risk, the higher the rate of interest investors will receive on their investment.

Many bonds are rated by a third-party Nationally Recognized Statistical Rating Organization ("NRSRO") – for example, Moody's Investor Services or Standard & Poor's Inc. While ratings may assist investors in determining the creditworthiness of the issuer, they are not a guarantee of performance. Treasury bills, notes and bonds are guaranteed by the full faith and credit of the United States, and therefore are deemed to carry no risk of default.

- **Fixed income-interest rate risk:** This is the risk that the value of an interest-bearing investment will change, due to changes in the general level of interest rates in the market. The market value of a bond fluctuates inversely to the change in interest rates; that is, as interest rates rise, bond prices fall and vice versa.

Interest rate risk is commonly measured by a bond's duration; the greater a bond's duration, the greater the impact on its price due to a change in interest rates. Investors can incur a gain or loss from bonds sold prior to the final maturity date.

- **Fixed income-municipal securities risk:** To the extent an account is invested in bonds issued by local governments, such bonds are subject to the fixed income risks described above as well as additional risks which are:
  - *Legislative risk:* The risk that change in legislation (e.g., changes in the tax code) will have an effect on the value of tax-exempt interest income; and

- **Liquidity risk:** The risk that investors are not able to find a buyer when they want to sell and could be forced to sell their holdings at a significant discount.

Liquidity risk is greater for bonds with lower ratings, bonds that are part of a small issue, recently downgraded bonds or bonds by an issuer who issues infrequently.

- **Liquidity risk:** The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is typically reflected in a wide bid-ask spread or large price movements. It is also a risk associated with an investment in private funds.
- **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.
- **Opportunity cost risk:** The risk that an investor can forego profits or returns from other investments.
- **Financial risk:** Excessive borrowing to finance a business's operations increases the risk of profitability, 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.
- **Risks for investing in nonliquid alternative investments:**

From time to time, WFA will recommend to certain qualifying clients that a portion of such clients' assets be invested in private funds, private fund-of-funds and/or other alternative investments (collectively, "Nonliquid Alternative Investments"). Nonliquid Alternative Investments are not suitable for all of WFA's clients and are offered only to those qualifying clients for whom WFA believes such an investment is suitable and in line with their overall investment strategy. Nonliquid Alternative Investments typically are available to only a limited number of sophisticated investors who meet the definition of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), or "qualified client" under the Investment Advisers Act of 1940, or "qualified purchaser" under the Investment Company Act of 1940.

Nonliquid Alternative Investments present special risks for WFA's clients, including without limitation, limited liquidity, higher fees and expenses, volatile performance, no assurance of investment returns, heightened risk of loss, limited transparency, additional reliance on underlying management of the investment, special tax considerations, subjective valuations, use of leverage and limited regulatory oversight. When a Nonliquid Alternative Investment invests part or all of its assets in real estate properties, there are additional risks that are unique to real estate investing, including but not limited to: limitations of the appraisal value; the borrower's financial conditions (if the underlying property has been obtained by a loan), including the risk of foreclosures on the property; neighborhood values; the supply of and demand for properties of like kind; and certain city, state and/or federal regulations. Additionally, real estate investing is also subject to possible loss due to uninsured losses from natural and man-made disasters.

The above list is not exhaustive of all risks related to an investment in Nonliquid Alternative Investments. A more comprehensive discussion of the risks associated with a particular Nonliquid Investment is set forth in that fund's offering documents, which will be provided to each client subscribing to a Nonliquid Alternative Investment, for review and consideration. It is important that each potential, qualified investor carefully read each offering or private placement memorandum prior to investing.

- **Margin risk:** As stated in Items 4 and 5 above, some WFA clients have margin accounts. WFA does not recommend the use of margin for investment purposes. Prior to opening a margin account, there are a number of risks that clients need to consider. These risks include, but are not limited to, the following:
  - You can lose more assets than you deposit in the margin account. A decline in the value of securities that are purchased on margin will require you to provide additional monies to the account to avoid the forced sale of those securities or other securities in your margin account.
  - The brokerage firm can force the sale of securities in your account. If the equity in your account falls below the maintenance margin requirements under the law or the custodian's higher "house" requirements, the custodian can sell the securities in your account to cover the margin deficiency. You will be responsible for any short fall in the account after such a sale.
  - The custodian can sell your securities without contacting you. Some investors mistakenly believe that a custodian must contact them for a margin call to be valid, and that the custodian cannot liquidate securities in their accounts to meet the call unless such firm has contacted them first. This is not the case. While most custodians will attempt to notify their customers of margin calls, they are not required to do so.
  - You are not entitled to an extension of time on a margin call. While an extension of time to meet initial margin requirements may be granted to you by the custodian under certain conditions, they are not required to provide any extension. In addition, they also are not required to provide an extension of time to meet a maintenance margin call.

You are strongly encouraged to contact your custodian regarding any concerns you have with your margin account(s).

Different types of investments involve varying degrees of risk, and no client should assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies we recommend or undertake) will be profitable or equal to any specific performance levels. All investments represent some level of risk, and an investor should understand that losses can and do occur. Significant losses of invested capital are possible. Moreover, diversification does not protect a portfolio from loss, and it should not be assumed that the broad diversification that is part of our investment strategy is guaranteed to produce profitable results. Individual funds that comprise clients' portfolios may employ different strategies with different associated risks.

## Item 9: Disciplinary information

WFA has not been the subject of any disciplinary actions.

## Item 10: Other financial activities and affiliations

WFA is an investment advisor registered with the SEC.

### **A. BROKER-DEALER/INSURANCE AFFILIATIONS: WIPFLI INSURANCE SERVICES, LLC**

Our affiliated company, Wipfli Insurance Services, LLC ("WIS") — Firm CRD Number 171954 — is registered with the SEC as a broker-dealer and is a member of the Financial Industry Regulatory Authority ("FINRA"). In addition, WIS is an insurance agency domiciled in the state of Wisconsin. WIS



does not have clients and is not directly involved in sales of products or services. As described above in Item 5 of this Brochure, WFA may serve as an intermediary between the client and third-party insurance providers when WFA's IARs/financial planners recommend that clients seek insurance solutions as part of their financial plan implementations. **Please review** the discussion above in Item 5 regarding the conflict of interest presented by this arrangement.

**B. AFFILIATED CPA FIRM: WIPFLI LLP (BY AND THROUGH ITS AFFILIATION WITH WIPFLI FINANCIAL, LLC)**

As described in further detail in Item 4 of this Brochure, WFA is affiliated with Wipfli, a certified public accounting firm headquartered in Milwaukee, Wisconsin. Wipfli owns approximately 82% of Wipfli Financial, LLC, which, in turn, wholly owns WFA. Furthermore, WFA views Wipfli as a strategic partner that helps add value to our clients.

Many of our clients are also tax and accounting clients of Wipfli. There are no referral arrangements between WFA and Wipfli, and neither firm receives any referral fees from the other. However, as one of our indirect owners, Wipfli, along with Wipfli Financial, receives a share of WFA profits. **Please review** important disclosures in Item 4 above regarding a conflict of interest presented by this affiliation.

Additionally, a small number of WFA associates prepare tax returns through our affiliated accounting firm, Wipfli. All such associates undergo tax training provided by Wipfli, and in their capacity as tax preparers, are supervised by Wipfli tax professionals. For these services, the WFA tax preparer does not receive compensation from Wipfli; however, this activity could indirectly result in that individual receiving an indirect benefit, such as additional assets from that client to be managed by WFA, which would be one factor attributable to such individual's eligibility to receive a discretionary bonus. Notably, WFA does receive reimbursement from Wipfli for the amount of time these WFA professionals spend on tax preparation services on behalf of Wipfli. In these circumstances, WFA will invoice Wipfli, typically at month-end, based on a pro-rata amount of a professional's salary and the amount of time spent for tax preparation services. For more information about these outside business activities, including conflict of interest considerations, we encourage our clients to refer to the individual's corresponding WFA Form ADV Part 2B.

As described in more detail in Items 4 and 5 of this Brochure, for certain Joint Clients, Wipfli receives a fee allowance from WFA. That fee allowance benefits the client(s) because it effectively reduces the client's invoice from Wipfli for their tax services.

To the extent that our clients specifically request accounting, tax preparation, retirement plan TPA, bill-paying or other services offered by Wipfli, we recommend the services of Wipfli (see Item 4 of this Brochure). These services will be rendered pursuant to a separate written agreement between the client and Wipfli and will require separate fees payable to Wipfli.

The share of our profits that Wipfli receives provides an incentive to partners of Wipfli to refer investment advisory or financial planning work to us. Further, many of our employees are personally familiar with some of Wipfli's employees — as well as with the quality of the services performed by Wipfli — and will have a natural predisposition to recommend Wipfli for tax, accounting or other services. We strongly believe that collaboration with Wipfli on Joint Clients adds value for these clients; however, our recommendation that a client engage Wipfli for services presents a conflict of interest which clients should be aware of.

No client is under any obligation to engage the services of Wipfli, or any other individual or entity we recommend. Generally, clients to whom we recommend Wipfli's services pay the standard fees for the services charged by Wipfli, and clients should know the same services are available from other firms,



often at a lower cost. Please also refer to the text box in Item 4 for additional considerations relating to conflicts of interest.

## **Item 11: Code of ethics, participation or interest in client transactions and personal trading**

As a fiduciary to its clients, WFA has an ongoing responsibility to ensure that clients' interests always come first. In doing so, WFA must avoid actual and potential conflicts of interest with its clients. To comply with these duties and responsibilities, WFA has adopted a Code of Ethics, which serves to establish a standard of business conduct for all of our employees and is based upon fundamental principles of openness, integrity, honesty and trust. A copy of our Code of Ethics is available at no cost upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, we also maintain and enforce written policies reasonably designed to prevent the misuse of material, nonpublic information by WFA or its employees. These policies are addressed in a formally adopted Insider Trading Policy, which is incorporated in the Code of Ethics.

Although recommendations to buy and sell individual securities (such as stocks and bonds) are a relatively small part of WFA's services, and trading for clients in these securities is limited, we require all principals and employees to disclose personal trading accounts to the firm and preclear all personal trades in reportable securities. Within 10 days of becoming affiliated with WFA, each principal, employee or member of the Board of Managers is required to disclose all personal brokerage accounts in which trading takes place or may take place. Prior to buying or selling a reportable security for his/her own benefit, each affiliated person is required to preclear the trade. The chief compliance officer, in collaboration with the chief operating officer or a designee, reviews all preclearance requests for compliance with our Code of Ethics. Affiliated persons who violate the Code of Ethics are subject to disciplinary action up to termination of employment.

## **Item 12: Brokerage practices**

### **A. THE CUSTODIANS AND BROKERS WE USE**

WFA does not maintain custody of clients' assets that we manage, although the firm is deemed to have custody of clients' assets if they give us authority to withdraw assets from their account (see Item 15 of this Brochure). Clients' assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Schwab or TD Ameritrade as qualified custodians. Both Schwab and TD Ameritrade are registered broker-dealers and each firm is a member of the SIPC. We are independently owned and operated and are not affiliated with either Schwab or TD Ameritrade. Schwab and TD Ameritrade will hold clients' assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that clients use Schwab or TD Ameritrade as custodian/broker, clients will decide whether to do so and will open their account with Schwab or TD Ameritrade by entering into an account agreement directly with them. We do not open the accounts for clients, although we can assist them in doing so. Even though a client's account is maintained at Schwab or TD Ameritrade, we can still use other brokers to execute trades for their account, as described below (see "Your Brokerage and Custody Costs").

## **B. HOW WE SELECT BROKERS AND CUSTODIANS**

We seek to use a custodian and/or broker that will hold clients' assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear and settle trades (buy and sell securities for a client's account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength and stability;
- Prior service to us and our other clients;
- Availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab and TD Ameritrade"); and
- Technology platform.

## **C. YOUR BROKERAGE AND CUSTODY COSTS**

For clients whose accounts are maintained by Schwab and TD Ameritrade, custody services are generally not charged separately, but are compensated by either charging clients a commission on trades that are executed or that are settled into their Schwab or TD Ameritrade account or an asset-based fee on their account. Detailed explanation of these fees and commissions, including the difference between Asset-Based Pricing ("ABP") and Transaction-Based Pricing ("TBP"), is provided in Item 5 of this Brochure under "Custodial Fees." Schwab and TD Ameritrade's respective TBP (commission) rates and ABP fees applicable to our clients' accounts were negotiated and are often being renegotiated by WFA to benefit our clients. We have determined that having either Schwab or TD Ameritrade execute trades in clients' accounts is consistent with our duty to seek "best execution" of their trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

## **D. PRODUCTS AND SERVICES AVAILABLE TO WFA FROM SCHWAB AND TD AMERITRADE**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business that specializes in serving independent investment advisory firms like WFA. TD Ameritrade provides these services under the name TD Ameritrade Institutional. Schwab and TD Ameritrade provide us and our clients with access to their institutional brokerage services (trading, custody, reporting and related services), many of which are not typically available to retail customers of either brokerage firm. Schwab and TD Ameritrade also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business.

Schwab and TD Ameritrade's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The following is a more detailed description of these support services:

**Services that benefit our clients.** Schwab and TD Ameritrade's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets. The investment products available through Schwab and TD Ameritrade include some to which we might not otherwise have access or that would require a significantly higher minimum-initial investment by our clients. The Schwab and TD Ameritrade services described in this paragraph generally benefit clients and their accounts.

**Services that do not directly benefit our clients.** Schwab and TD Ameritrade also offer other products and services that benefit WFA, but do not directly benefit clients or their accounts. These products and services assist us in managing and administering our clients' accounts; they include investment research, both Schwab or TD Ameritrade's own and that of third parties. We could use this research to service all or many of our clients' accounts, including accounts not maintained at Schwab or TD Ameritrade. In addition to investment research, Schwab and TD Ameritrade also offer software and other technology that provide us with access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution; provide pricing and other market data; facilitate payment of our fees from our clients' accounts; and assist with back-office functions, recordkeeping and client reporting.

**Services from Schwab that generally only benefit WFA.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and networking events;
- Consulting on technology, compliance, legal and business needs;
- Publications and conferences on practice management and business succession;
- Access to various consultants and other service providers; and
- Marketing consulting and support.

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Sometimes Schwab also discounts or waive its fees for some of these services or pays all or a portion of a third party's fees. From time to time, Schwab provides us with other benefits such as occasional business entertainment of our personnel. Currently, we do not use any such services offered by TD Ameritrade, although some of them are available to us upon request.

#### **E. OUR INTEREST IN SCHWAB AND TD AMERITRADE'S SERVICES**

The availability of these services from Schwab or TD Ameritrade, as applicable, benefits us because we do not have to produce or purchase them; we are not required to pay for Schwab or TD Ameritrade's services. These services are not contingent upon us committing any specific amount of business to Schwab or TD Ameritrade in trading commissions or assets in custody; however, when determining what services to offer to us, both Schwab and TD Ameritrade take into consideration the amount of client assets that we custody with them and trading volumes. We have an incentive to recommend that you maintain your account with Schwab or TD Ameritrade, based on our interest in receiving their services that benefit our business, rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This presents a potential conflict of interest. We believe, however, that our selection of Schwab or TD Ameritrade, as a custodian and broker, is in the best interests of our clients. Our selection is primarily supported by the

scope, quality and price of Schwab and TD Ameritrade's services (see "How We Select Brokers and Custodians") – not just services that only benefit us.

#### **F. DIRECTED BROKERAGE**

Typically, WFA is not able to accommodate clients' request to place transactions through a specific broker-dealer of the client's choice. Consequently, we will not be able to provide our typical services to clients who desire to direct their trades to a broker-dealer of their choosing.

#### **G. TRADE ERRORS**

If we ever cause a trade error in a client's account, the client will be made whole. If the correction of the trade error caused by us results in a loss, we are responsible for that loss. Schwab and TD Ameritrade have slightly different policies regarding how they deal with scenarios when a trade error results in a gain. Under certain circumstances, Schwab's policy permits the client to keep the gain. If the circumstances of the trade error make it unfeasible to offer the gain to the client, or if the client foregoes the gain (e.g., for tax reasons), Schwab will donate the amount of the gain to a charity of their choice. TD Ameritrade removes all trade-error gains from clients' accounts and donates them to a charity of their choice. If a trade error is committed in an RPS account held at MATC, as described in Item 5 of this Brochure, WFA will work with MATC and the client's TPA to resolve the error and make the client whole.

#### **H. AGGREGATION AND ALLOCATION OF CLIENT TRADES**

As an advisor and a fiduciary to our clients, we must always place our clients' interests first and foremost. Our trading practices and procedures prohibit unfair trading practices, and therefore we seek to disclose and avoid any actual or potential conflicts of interest or resolve such conflicts in the client's favor. When practical, trades may be bunched in a single order (a "block") in an effort to achieve best execution. Block orders are generally completed (or "filled") on the same day the trade is placed. If a block order is filled (full or partial fill) at several prices through multiple trades, an average price will be calculated for all trades executed, and all accounts in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. Average prices may vary between the different custodians. While the occurrence of partial fills (i.e., a block order that is not fully executed within the same day) is rare, all partial fills shall be allocated to client accounts on a pro rata basis subject to minimal rounding. While this policy is consistently applied, WFA may deviate from this policy if the standard method of aggregating or allocating trades would result in unfair or inequitable treatment to some or all of its clients.

#### **I. INITIAL PUBLIC OFFERINGS**

We do not purchase or allocate to Initial Public Offerings ("IPOs") of securities, nor do we recommend IPOs to our clients.

### **Item 13: Review of accounts**

For those clients to whom we provide Investment Advisory Services, account reviews are conducted regularly. Ongoing reviews are conducted to watch for variances to allocations, cash inflows and opportunities for tax-loss harvesting. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives, account performance and

any personal or financial changes with their IAR, on at least an annual basis and any time there is a material change.

We also conduct account reviews upon the occurrence of a triggering event, such as a change in a client's investment objectives and/or their financial situation, market corrections, fund management changes and client requests.

The custodian provides detailed account statements to clients on at least a quarterly basis. These statements include all transactions for the period including details of the investment advisory fees we charge. We also make available to all clients, via an electronic client portal, various portfolio reports. Most of these reports can be run by the client at any time and include detailed information on portfolio holdings, asset allocation percentages and current and historical performance data. We strongly encourage our clients to compare portfolio holdings and transaction history on these electronic reports from WFA with the account statements received from their custodian. Should there be any material discrepancy, the custodian's report should be relied upon. The custodian does not, however, verify the accuracy of our fees prior to deducting them from clients' account(s). If clients have any questions or concerns about the amount they are charged, or any other information on their quarterly report or account statements, they should contact WFA.

#### **Item 14: Client referrals and other compensation**

From time to time, WFA enters into written solicitor agreements to compensate non-supervised persons for client referrals. All such solicitor arrangements are in accordance with the requirements set forth in Rule 206(4)-3 of the Investment Advisers Act of 1940. All solicitors will be required to enter into a written agreement with WFA, the terms of which specify that either WFA or the solicitor can terminate the agreement at any time. Solicitors are required to provide a solicitor disclosure statement to all referred clients which outlines, among other things, compensation of a referral fee, which is based on a percentage of the client's advisory fee collected by WFA from the referred client for Investment Advisory Services provided by WFA. Referral fees are not charged directly or indirectly to the client. To the extent that applicable state laws require solicitors to be registered as IARs, we will require the solicitor to be appropriately registered.

As discussed above at Item 12, we receive economic benefit from Schwab and TD Ameritrade in the form of support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. In addition, Schwab and TD Ameritrade also have agreed to pay for certain products and services which we would otherwise have to pay for once the value of our clients' assets in accounts at Schwab and TD Ameritrade reaches a certain amount. These products and services, how they benefit us, and the related conflicts of interest are described above in Item 12.

#### **Item 15: Custody**

WFA does not take physical custody of our clients' assets. Custody is maintained by a qualified custodian.

Pursuant to federal rules and regulations, WFA is deemed to have custody when, for certain clients, we or an affiliate:

- Act in a capacity of Trustee, Guardian, Power of Attorney, Custodian or similar authority;



- Have entered into an arrangement with the client, per the client's request, in which we are able to withdraw funds from the client's account (including bill-pay services or other withdrawals made pursuant to standing letters of client authorization); and/or
- Have client-authorized access to an account, with the ability to withdraw or transfer funds from the account.

The SEC requires that firms who have custody for the reasons listed above are subject to an annual surprise audit to be conducted by an independent CPA firm which is registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). We have complied with the requirements concerning such surprise audits and will continue to do so in the future.

We are also deemed to have constructive custody over those client accounts where we are able to deduct our fees directly from the account. As long as we comply with certain regulatory requirements, this constructive custody does not mandate that we undergo a surprise audit for those accounts.

As noted above in Item 13, WFA's clients receive account statements directly from the qualified custodian at least quarterly; however, the custodian does not verify our calculation of fees. We perform quarterly testing to ensure that our fees are charged in accordance with the client's Agreement, and clients are strongly encouraged to review the amount of our fees deducted from their accounts and compare them with the fee schedule(s) in their Investment Advisory Agreements. If any assumed or suspected discrepancies are noted, or if there are any questions regarding the fees, we recommend that clients speak with their financial advisor or with our chief compliance officer, who can be reached 608 270 2918.

## Item 16: Investment discretion

### A. DISCRETIONARY AND NONDISCRETIONARY MANAGEMENT

As discussed above in Item 4, our clients receiving standard investment advisory services have a choice to engage us on a discretionary or nondiscretionary basis. In either case, the client will sign an Investment Advisory Agreement which specifies which kind of service we will render. For both types of clients, we are authorized, by the client, to rebalance the client's portfolio and perform tax-loss harvesting without specific client approval. Please see Item 8 for an explanation of rebalancing and tax-loss harvesting. Avid services are provided only on a discretionary basis, and our retirement plan services, provided on an ERISA 3(38) basis, are only offered on a discretionary basis.

For clients who retain us on a discretionary basis, the Investment Advisory Agreement grants us full authority to buy, sell or otherwise effect investment transactions involving the assets in the client's name, including but not limited to the authority to make a sub-asset allocation to a sub-advisor and specific investment adjustments without seeking client approval.

With respect to our nondiscretionary advisory services, we generally maintain ongoing responsibility to make recommendations based upon the needs and objectives of the client. If such recommendations are accepted and approved by the client, we are responsible for arranging or effecting the purchase or sale. For nondiscretionary clients, we do not have the authorization to change either the client's asset allocation or specific investments without prior approval from the client.

#### 1. Nondiscretionary service limitations

Clients who decide to engage WFA on a nondiscretionary investment advisory basis must be willing to accept that Advisor cannot execute any account transactions without obtaining prior consent and approval from the client. Therefore, in the event that WFA would like to make a transaction for a client's

account (for example, to adjust an individual holding or due to a general market correction), and the client is unavailable, WFA will be unable to place the transaction(s) — as it would for its discretionary clients — without first obtaining Client's consent and approval.

## **Item 17: Voting client securities and securities class action services/policy**

### **A. VOTING CLIENT SECURITIES**

WFA will vote proxies on behalf of our clients who request us to do so. Typically, we accept proxy voting responsibilities for securities in those accounts that we manage and maintain discretionary investment authority (in limited circumstances after discussing with the client, we will accept requests to vote in nondiscretionary accounts). We have engaged a nonaffiliated third-party proxy voting service provider ("Proxy Service"). Proxy Service is charged with identifying the proxies that we need to vote, voting those proxies as we have directed them to and submitting them to the issuer promptly and accurately.

Our policy is to vote proxies in our clients' best interest (i.e., to maximize shareholder value). To that end, we have subscribed to the services of Glass Lewis & Co. ("Glass Lewis") to provide independent proxy research and voting recommendations. Glass Lewis's voting and policy recommendations are designed to maximize shareholder value. WFA's Investment Committee (the "IC") reviews Glass Lewis's guidelines and practices no less frequently than annually to determine if their policies continue to be in the best interest of our clients. In the rare event that Glass Lewis does not provide a recommendation, the IC will review the proxy and make a voting recommendation that we believe to be in clients' best interest. Should the IC determine that a proxy will have little, or no, impact on shareholder value, we could refrain from voting. When our IC determines the optimal vote, it will review both the short- and long-term implications of the proposal to be voted on. If the IC determines that we have, or are perceived to have, a material conflict of interest in voting a certain proxy, we could choose to remove ourselves from the voting process for that particular ballot.

Should a client wish to be voting their own proxies, they should notify WFA no later than at the time of opening their account(s) at a qualified custodian. In such a case, the client will be responsible for voting all proxies in the affected account(s). WFA will not accept authorization to vote proxies in any Courtesy (Non-Managed) accounts.

For those of our clients who are qualified retirement plans subject to ERISA, we typically do not accept proxy voting responsibilities, unless such authority has not been delegated to another named fiduciary in the plan's written documents, and our own policies do not preclude us from accepting these responsibilities or providing advice or information about a particular proxy vote to an ERISA client. Our clients can obtain a copy of our Proxy Voting Policy as well as certain proxy voting records — including information on votes cast on behalf of our clients — by requesting such documents from our chief compliance officer who can be reached at 608 270 2918.

### **B. SECURITIES CLASS ACTION SERVICES/POLICY**

WFA has retained the services of Chicago Clearing Corporation ("CCC") to file claims in certain securities class action settlement proceedings on our clients' behalf ("Class Action Services"). CCC is responsible for tracking, reviewing and analyzing notices regarding the existence of class action settlements and, as applicable, accounts for, reports and distributes to the qualified custodian any settlement payments resulting from claims filed on the clients' behalf. For this service, CCC charges a fee equal to 20% of any settlement payment recovered from each claim filed on our clients' behalf, which is deducted from their settlement payment. Unless clients notify WFA to the contrary (in

writing), in accordance with the terms of the clients' Investment Advisory Agreement, we deem that they have consented to these Class Action Services and understand that such consent can be revoked at any time by providing written notification to WFA.

Clients should also understand and agree that it is their responsibility to understand their legal rights and obligations associated with any ownership or interest in any security, and to determine whether allowing WFA and CCC authorization to perform these Class Action Services is appropriate and in line with their interests. To the extent a client does not consent to such Class Action Services, the client will be responsible for monitoring and filing all securities class action claims on their own behalf.

NOTE: Employee benefit plans are ineligible to participate in Class Action Services performed by CCC, and thus are responsible for monitoring and filing all securities class action claims.

### Item 18: Financial information

We do not require prepayment of fees of more than \$1,200 per client six months or more in advance.

We do not believe there are any financial conditions that are likely to impair our ability to meet our contractual commitments related to our discretionary authority over certain client accounts.

We have not been the subject of a bankruptcy petition.

### Any questions?

Our chief compliance officer remains available to address any questions that a client or prospective client may have regarding the above disclosures, conflicts of interest and other arrangements. Our chief compliance officer can be reached at 608 270 2918.