



Breakwater Investment Management, LLC  
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September 7, 2021

This Brochure, “Breakwater Investment Management ADV Part 2” provides information about the qualifications and business practices of Breakwater Investment Management, LLC (“Breakwater”). If you have any questions about the contents of this Brochure, please contact us at 206.621.8832 or [info@breakwater.com](mailto:info@breakwater.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission nor by any state securities authority.

Breakwater is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Breakwater Investment Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

Since the publication of our last ADV Brochure, dated February 5, 2021, Beth Steinhaus is now the owner and managing member of Breakwater Investment Management. Jay Turley remains involved in the company in an advisory role.

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## **Advisory Business**

Breakwater Investment Management, LLC is referred to in this document as “Breakwater,” “the company,” “us,” “we,” or “our.” In this document we refer to current and prospective clients of Breakwater as “you,” “your,” or “client.” Breakwater is a Washington State Limited Liability Company founded in August 2009. The owner of Breakwater is Bethany A. Steinhaus (Beth). Breakwater was founded by Joseph F. Turley (Jay).

Breakwater offers investment advisory and financial planning services to its clients. Advice and services are tailored to the stated objectives of you, the client(s).

### *Investment Advisory*

We manage investment portfolios on a separately managed account basis for individuals, high net worth individuals, qualified retirement plans, trusts, businesses, and non-profit organizations. We will work with you to determine your investment objectives and investor risk profile. We will allocate your portfolio, taking into consideration the overall management style selected by you. You may impose restrictions on investing in certain securities or types of securities. You must clearly state these restrictions to us in writing.

We work with new clients to develop a plan to transition from your existing portfolio to the desired portfolio. During the transition, we are sensitive to the tax implications of changing positions in a portfolio. Please note that it may take years until we have transitioned your portfolio in a tax-efficient manner. We will then monitor and update the allocations that make up your portfolio.

Pursuant to your agreement, you grant us ongoing and continuous discretionary authority to execute our investment recommendations without prior approval in accordance with your objectives, as understood by us or as stated in your Investment Policy Statement (or similar document and/or notes and discussions from meetings used to establish your objectives and suitability.) Under this authority, you allow us to purchase and sell securities and instruments in your account, and act on your behalf in most matters necessary or incidental to the handling of your account, including the selection and retention of subadvisors, as applicable. The exception to this management is that we do not receive or vote proxies on issues held in the account or receive annual reports (see page 9). This responsibility remains with you.

### *Financial Planning*

In addition to managing your investment portfolio, we may consult with you on various financial areas including college financial planning, retirement planning, and personal cash flow analysis, among other things.

Financial planning services may include:

- Investment Planning/Investment Policy Statements
- Financial Independence/Retirement Planning
- Capital Needs Analysis (Goal Funding)
- Income Tax Planning
- Estate Planning
- Education Planning
- Risk Management (Life and Disability Insurance)
- Employee Benefit and Stock Option Planning
- Tax minimization strategies

Some written plans may include a personal balance sheet and financial projections. Any reports, financial statement projections, and analyses are intended exclusively for your use in developing and implementing your financial plan. You are ultimately responsible for the assumptions and personal data upon which Breakwater's projections are based. The financial plan assumptions and reports are primarily a tool to alert you to certain potential financial outcomes. The reports are not intended to, nor do they provide any guarantee about future events including your investment returns. In fact, there is little evidence that economic outcomes can be accurately forecasted. The implementation of the plan is solely your responsibility.

We provide financial planning services consistent with our understanding of your financial and tax status and risk profile. We may also provide general non-securities financial planning on topics that may include tax and budgetary planning, estate planning, and business planning.

### *Breakwater Absorption of Transaction Costs for Certain Existing Clients*

A program was put in place in 2009 to facilitate the transfer of accounts to Breakwater for clients that worked with Jay Turley at another firm prior to the inception of Breakwater. This program is closed to new accounts. As was the case in the prior firm, clients in the program pay no management fees on cash and pay no trading fees. Trading fees are paid by Breakwater. In theory this program creates an incentive for us to not recommend cash holdings and discourages us from trading. In practice we believe there is no difference between our management and our recommendations for clients in the program and those not in it. Furthermore, since our two primary custodians now waive most trading costs, this issue is moot.

#### *Advisory Services to 401(k) Plans*

Breakwater may enter into agreements with 401(k) Plan Sponsors to recommend investment options available to participants in a Plan, comprised of stand-alone mutual funds or ETFs; and we may recommend, as appropriate, replacements of investment options.

#### *Trustee Services to Trust Accounts*

Jay Turley, as an individual, as well as Breakwater as a corporation, serve in the capacity of trustee and/or corporate trustee. Typically, responsibilities include managing disbursements from the trust accounts consistent with the governing trust documents, investment management or selection of investment managers, and various reporting and filings for taxes and to the beneficiaries.

#### *Assets*

As of September 7, 2021, we managed a total of \$221,913,501.12 in client assets, all of which was discretionary.

### **Fees and Compensation**

#### *Advisory Agreements*

The specific manner in which fees are charged by us is established in your written investment advisory agreement. We generally bill fees on a monthly basis in arrears. Fees are deducted directly from your investment accounts. Management fees are based on the market value of assets at the close of business on the last business day of the month as determined by the custodian. Fees are prorated for capital contributions and withdrawals made during the applicable calendar month. You share responsibility for verifying the accuracy of fee calculations.

Our fees are exclusive of brokerage commissions, transaction fees, taxes, margin expense, wire fees, fund internal fees, fund early redemption fees, and other related costs and expenses which shall be incurred by the client.

#### *Standard Fee Schedule*

1.25% on entire balance for assets up to \$500,000

1.00% on entire balance for assets between \$500,001 and \$1,000,000

0.85% on entire balance for assets between \$1,000,001 and \$5,000,000

Fees on assets in excess of \$5,000,000 are negotiated

#### *Financial Planning Agreements*

In general, planning services are offered without additional charge to investment advisory clients. For non-investment advisory clients, fees for planning services are based on an hourly rate of \$350.00 per hour or a flat fee of \$1,000.00 to \$20,000.00, based on the complexity of the engagement. We occasionally do pro bono (free) planning for clients, based on their financial need. Special arrangements may be made with you should you wish to retain financial planning services on an ongoing basis.

### *Trustee Services*

Trustee services are calculated and quoted on a per account or relationship basis. Pricing is impacted by reporting complexity, whether Breakwater is also managing the assets and general attractiveness of the engagement.

### *Negotiation*

Notwithstanding the above, all fees are negotiable on a client-by-client basis. Not all clients will pay the same fee. There is no minimum balance to open or maintain an account.

### *Terminating engagements*

You can terminate our engagement at any time by giving us written notice (email or letter). For investment management services, your account will be charged for the days prior to receipt of your notice. In all cases we will be cooperative in resolving disputes and helpful if you wish to move your investments to the care of another firm. Our goal is excellent service any time you work with us, whether you are engaging us or leaving us.

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

### *Performance-Based Fees*

We do not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

### *Side-By-Side Management*

We provide investment advisory services to other clients in addition to you. Not all clients receive the same investment advice, nor do they pay the same fee. We strive and are always obligated to act in the best interests of each of our clients .

## **Types of Clients**

It is more important to us to work with people who are pleasant in nature and kind to animals, than those who meet a threshold level of wealth or investable assets. We provide portfolio management services to individuals, high net worth individuals, qualified retirement plans, trusts, non-profit organizations, and businesses. We provide financial planning services to individual clients.

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

Investment advice may be offered on any investments held by a client at the start of the advisory relationship.

There is no guarantee that we will achieve any level of performance, and you will at times experience a loss when implementing an investment strategy. The primary vehicles to be used in the investment portfolio are passive exchange traded funds (ETFs) and, secondarily, mutual funds. Doing so prioritizes low costs, tax efficiency, transparency, low tracking error, and liquidity as the primary objectives to capture asset class returns in the appropriate asset classes.

We generally seek to offer you global investment portfolios. In an attempt to diversify risk and home country bias, portfolios will frequently have a significant amount (more than half) of their investments in a combination of international bonds, international stocks and international real estate. Portfolios will typically have significant exposure to emerging markets and currency risks.

Our investment philosophy and strategy are based on traditional academic principles of modern portfolio theory and academic research that have demonstrated that investment markets are generally efficient. Attempts by “active” investment managers and mutual funds to exceed the performance of their respective benchmark (i.e. index) frequently have resulted in poor and underperforming results.

Our analysis is grounded in our educational background and training, and utilizes financial newspapers, journals and magazines as well as research reports prepared by others, corporate rating services, prospectuses, filings with the Securities and Exchange Commission and company press releases. We also periodically attend investment and academic presentations and conferences.

Breakwater generally uses a passive investment strategy that is not actively managed. We do not attempt to take defensive positions in declining markets based upon the predictions of ‘experts’ or the ebb and flow of business activity and are more comfortable staying the course. We believe that the risks of not being invested are huge compared to the risks of being invested, and that a well-diversified passive index investment portfolio that is periodically rebalanced offers the investor the greatest opportunity to pursue their financial goals. We believe that investing is not a competition for market returns or a race with your neighbor. It is about providing long-term financial security. No investment strategy will make up for inadequate savings.



In order to help manage risk, a portfolio must be properly diversified at all times. This means not simply owning a large number of stocks and bonds, but spreading investment assets over many asset classes, each of which may behave differently in response to varying economic and market conditions. By building a portfolio that invests in asset classes that are less than perfectly correlated with one another, we strive to create a more optimized portfolio that minimizes risk for a given level of return or maximizes return for a given level of risk.

The second part of our approach to portfolio management involves managing costs. We strive to seek low-cost investments within each asset class, we monitor trading costs, we attempt to be very tax-efficient (typically harvesting tax losses when they are material,) and we keep our management fees competitive.

As with any investment, there is the possibility that you could lose all or part of your investment, including all of your initial, subsequent, and unrealized gains on investments managed by Breakwater. Your account's performance could also trail that of other investments. During a general downturn in the securities markets, multiple asset classes may be negatively affected.

We are a small firm with one principal executive who is also our Chief Investment Officer (CIO). This fact leads to "key person risk," or the risk that some sort of incapacitation could happen to Beth Steinhaus that would impact the stewardship of your portfolio.

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. Our firm and the individuals employed by the firm have an unblemished compliance record.

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

We do not have any other financial industry affiliations.

## **Code of Ethics**

We have no greater responsibility than to put your interests before our own. We have a culture of transparency and integrity. Our Code of Ethics is designed to codify a culture of placing clients' interests first and treating clients as we would wish to be treated if we were clients.

Our Code of Ethics is adopted for all employees of the firm. It codifies the expectation of a high standard of business conduct and fiduciary duty to you. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, and personal securities trading procedures, among other things.

All employees of Breakwater must acknowledge the terms of the Code of Ethics annually, or as amended. Prompt reporting of internal violations is mandatory. Our Chief Compliance Officer, Beth Steinhaus, regularly evaluates employee performance to ensure compliance with the Code of Ethics. A copy of the Code of Ethics is available to you or any prospective client upon request. We welcome discussion on this important topic.

Breakwater or individuals associated with us may buy and sell some of the same securities for our own accounts that we buy and sell for you. We may buy or sell securities for our own accounts for reasons not related to the strategies adopted by our clients. We will disclose to you any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice. We will only place trades in our personal account after we believe there will be no more client trading in that particular security for the day.

It is our policy that the firm will not affect any principal or agency cross-securities transactions for your accounts. We will also not cross trades between your and another client's accounts. All trades are executed in publicly traded markets.

## **Brokerage Practices**

We may recommend that you establish brokerage accounts with a particular registered broker-dealer, to maintain custody of your assets and to affect trades for your account ("Custodian".) We are independently owned and operated and not affiliated with or beholden to the Custodian. The Custodian provides us with access to its institutional trading and custody services, which are typically not available to the Custodian's retail investors. These services generally are available to independent investment advisors at no charge to them so long as some minimum amount of our Clients' assets is maintained in accounts at the Custodian. The Custodian's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our Client accounts maintained in its custody, the Custodian does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the Custodian or that settle into Custodian accounts.

The Custodian also makes available to us other products and services that benefit us but may not benefit your accounts. Some of these other products and services assist us in managing and administering your accounts. These include software and other technology that provide access to your account data (such as trade confirmations and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of our fees from your accounts; and assist with back-office functions, recordkeeping and Client reporting.

The Custodian also makes available to us other services intended to help us manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Custodian may make available, arrange and/or pay for these types of services rendered to us by independent third parties. The Custodian may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us.

Our recommendation that you maintain your assets in accounts at the Custodian may be based in part on the benefit to us of the availability of some of the foregoing products and services which allow us to conduct business more efficiently and serve you and our clients better and not solely on the nature, cost or quality of custody and brokerage services provided by the Custodian, which may create a potential conflict of interest.

## **Review of Accounts**

All reviews are either conducted or supervised by Beth Steinhaus. The frequency of reviews is based on your investment objectives and cash deposits and withdrawals, on an as-needed basis. More frequent reviews may be triggered by a change in your investment objectives, tax considerations, large deposits or withdrawals, large sales or purchases, or changes in macro-economic climate. You have a duty to notify us of material changes in your financial situation.

If you are a financial planning client, you will receive your financial plan recommendations in the form of a detailed email at the time service is completed. Financial plans are not reviewed after delivery.

Investment advisory clients receive standard account statements from the Custodian of their accounts on a monthly basis.

## **Client Referrals and Other Compensation**

We are not compensated for any referrals we provide, nor do we compensate anyone who refers clients to us with anything other than gratitude.

## **Custody**

You should receive regular statements from the custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare such official custodial records to performance evaluations that we may provide to you. Our statements and reports may vary from custodial statements based on accounting procedures and reporting dates. All securities are valued by the Custodian.

While clients maintain their funds at a qualified custodian independent of us, we do directly deduct management fees from your accounts. The SEC considers this action to be a form of custody. It is ultimately the 3<sup>rd</sup> party, independent custodian that is responsible for the safe keeping and reporting of client assets.

Breakwater, and advisor Jay Turley, serve as trustees for a limited number of trusts. Because of this dual advisor trustee role, Breakwater is deemed to have custody of certain Client funds or securities in those trust accounts. As such, we are subject to certain annual independent audit or surprise examination requirements relating to those accounts. On an annual basis Breakwater engages an independent public accountant to conduct the surprise exam or audit and create a report. The accountant must file a Form ADV-E along with a copy of the audit or surprise examination report within 120 days of the audit or surprise examination. Once filed, the Form ADV-E and the report are available to the public on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Investment Discretion**

We receive discretionary authority from you at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, such discretion is to be exercised in a manner consistent with our understanding of the stated investment objectives for your particular account.

When considering and selecting securities and determining amounts for investments, we will observe the guidelines for your investment policies, limitations, and restrictions, if any. Any investment guidelines and restrictions must be provided to us in writing.

## **Voting Client Securities**

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on your behalf. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. For ERISA accounts (typically 401(k) accounts,) the plan trustee votes proxies. Clients will receive proxies and other solicitations directly from their custodian or a transfer agent. Please contact Beth Steinhaus at (206) 621-8832 if you have questions about a particular solicitation.

## **Financial Information**

We are financially sound and have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you, and we have not been the subject of a bankruptcy proceeding.

Please contact us if you wish to discuss any part of this document. Thank you.



**BETHANY A. STEINHAUS, CFP®**

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Telephone: 206-621-8832  
[www.breakwater.com](http://www.breakwater.com)

Supplement Last Updated:

September 7, 2021

This Brochure Supplement “Breakwater Investment Management ADV Part 2B Brochure Supplement” provides information about Beth Steinhaus that supplements the Breakwater Investment Management, LLC ADV Part 2A Brochure. You should have received a copy of that Brochure. Please contact Beth at 206.621.8832 or [info@breakwater.com](mailto:info@breakwater.com), if you did not receive the Breakwater Investment Management, LLC Brochure or if you have any questions about the contents of this Supplement.

Additional information about Beth Steinhaus is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Beth is 5311241.

**BETHANY A. STEINHAUS, CFP®**

Year of Birth: 1982

**Item 2 – Educational Background and Business Experience****Educational Background:**

- Master of Education, Teaching English to Speakers of Other Languages, Seattle University 2009
- Visiting Student, Universidad de Salamanca 2004
- Bachelor of Arts, University of Michigan 2004

Beth is also a CFP® (Certified Financial Planner) designee. The CFP designation is issued by the Certified Financial Planner Board of Standards, Inc. A CFP candidate must have a bachelor's degree or higher from an accredited college or university, and 3 years full-time personal financial planning experience. The candidate must complete a CFP-board registered program or hold one of the following: CPA, ChFC, CLU, CFA, Ph.D. in business or economics, Doctor of Business Administration or an Attorney's License. CFP candidates must pass the CFP Certification Examinations. To maintain the designation, she must attend at least 30 hours of continuing education every two years.

**Business Experience:**

- Breakwater Investment Management 2009-Present, Managing Member, Chief Compliance Officer, Financial Advisor
- Ameriprise Financial Services 2007-2009, Operations Manager

**Item 3 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Beth has no legal or disciplinary events related to the financial services industry.

**Item 4 – Other Business Activities**

Seattle Neighborhood Group Board of Directors, Board Treasurer. Otherwise, Beth is not involved in any investment related business activities outside of her work with Breakwater.

**Item 5 – Additional Compensation**

Beth's compensation comes solely from Breakwater Investment Management, LLC.

**Item 6 – Supervision**

Breakwater Investment Management, LLC supervises its investment advisor representatives through a system of internal control procedures overseen by our Chief Compliance Officer, Beth Steinhaus. This oversight includes review of client portfolios, investment advisor representative personal securities transactions, and correspondence. You can reach Beth at 206-621-8832.



## **JOSEPH (JAY) TURLEY**

Breakwater Investment Management, LLC  
1001 Fourth Avenue, Suite 4050  
Seattle, WA 98154  
Telephone: 206-624-9000  
[www.breakwater.com](http://www.breakwater.com)

Supplement Last Updated:

September 7, 2021

This Brochure Supplement “Breakwater Investment Management ADV Part 2B Brochure Supplement” provides information about Jay Turley that supplements the Breakwater Investment Management, LLC ADV Part 2A Brochure. You should have received a copy of that Brochure. Please contact Beth at 206.621.8832 or [info@breakwater.com](mailto:info@breakwater.com), if you did not receive the Breakwater Investment Management, LLC Brochure or if you have any questions about the contents of this Supplement.

Additional information about Jay Turley is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Mr. Turley is 1265535.



## **JOSEPH (JAY) TURLEY**

Year of Birth: 1959

### **Item 2 – Educational Background and Business Experience**

#### Educational Background:

- MBA, Foster School of Business, University of Washington 1992
- Visiting Student, Graduate School of Business, University of Cape Town 1991
- Bachelor of Science, Babson College 1983

Jay was until recently a CFA (Chartered Financial Analyst) charterholder. The CFA designation is issued by the CFA Institute. A CFA candidate must meet all of the following education or experience requirements: Undergraduate degree and four years of professional experience involving investment decision-making. CFA candidates must pass an examination for each of the 3 levels.

Jay also formerly held the CFP® (Certified Financial Planner) designation. The CFP designation is issued by the Certified Financial Planner Board of Standards, Inc. A CFP candidate must have a bachelor's degree or higher from an accredited college or university, and 3 years full-time personal financial planning experience. The candidate must complete a CFP-board registered program or hold one of the following: CPA, ChFC, CLU, CFA, Ph.D. in business or economics, Doctor of Business Administration or an Attorney's License. CFP candidates must pass the CFP Certification Examinations. To maintain the designation, he must attend at least 30 hours of continuing education every two years.

#### Business Experience:

- Breakwater Investment Management 2009-Present, Advisor
- Ameriprise Financial Services 2003-2009, Investment Advisor Representative

### **Item 3 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Jay has no legal or disciplinary events related to the financial services industry.

### **Item 4 – Other Business Activities**

Jay does not have business activities outside of Breakwater Investment Management, LLC.

### **Item 5 – Additional Compensation**

Jay's compensation comes solely from Breakwater Investment Management, LLC.

### **Item 6 – Supervision**

Breakwater Investment Management, LLC supervises its investment advisor representatives through a system of internal control procedures overseen by our Chief Compliance Officer, Beth Steinhaus. This oversight includes review of client portfolios, investment advisor representative personal securities transactions and correspondence. You can reach Beth at 206-621-8832.

# BREAKWATER INVESTMENT MANAGEMENT, LLC

## INITIAL NOTICE OF PRIVACY PRACTICES

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Breakwater Investment Management, LLC, an investment advisory firm, is committed to safeguarding the confidential information of its clients. We do collect nonpublic personal information to provide you with accurate and pertinent financial advice. We hold all nonpublic personal information you provide to us in the strictest confidence. If we were to change our firm policy, we would be prohibited under the law from doing so without advising you first.

You may direct us not to make disclosures (other than disclosures required by law) regarding nonpublic personal information to nonaffiliated third parties. If you wish to opt out of disclosures to non-affiliated third parties please contact us at (206) 624-9000.

Breakwater Investment Management, LLC collects personal information about you from the following sources:

- Applications or other forms.
- Discussions with nonaffiliated third parties.
- Information about your transactions with us or others.
- Questionnaires.
- Tax Returns.
- Estate Planning Documents.
- Insurance Policies.

Breakwater Investment Management, LLC uses your personal information in the following manner:

- We do not sell your personal information to anyone.
- We limit employee and agent access to information only to those who have a business or professional reason for knowing, and only to

nonaffiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or so that our firm can discuss your financial situation with your accountant or lawyer.)

- We will provide notice of changes in our information sharing practices. If, at any time in the future, it is necessary to disclose any of your personal information in a way that is inconsistent with this policy, we will give you advance notice of the proposed change so you will have the opportunity to opt out of such disclosure.
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- For nonaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws.

# Breakwater Investment Management, LLC

## Client Relationship Summary

September 07, 2021

### Item 1. Introduction

**Breakwater Investment Management, LLC** (“Breakwater,” “firm,” “we,” “us,” and “our”) is an investment advisor registered with the Securities and Exchange Commission (“SEC”). Brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisors, and investing.

### Item 2. Relationships and Services

#### What investment services and advice can you provide me?

We offer portfolio management, financial planning services, 401(k) plan consulting, and certain trustee services to our clients, as described below.

As part of our standard engagement for portfolio management services we will review your financial circumstances, and design, implement, and manage your investment portfolio on an ongoing basis. We will work with you to determine your investment objectives and investor risk profile. We will allocate your portfolio, taking into consideration the overall management style selected by you, your investment objectives, and suitability. We manage accounts on a discretionary basis. You will be required to authorize us to execute transactions within your investment portfolio *without* obtaining your consent prior to each transaction (i.e., “discretionary management”). You may impose restrictions on our ability to invest in certain securities or types of securities within your account. We will monitor your investments on an ongoing basis and review your account at least annually.

In addition to managing your investment portfolio, we may offer financial planning services and advice on various financial areas, including, without limitation, college financial planning, retirement planning, and personal cash flow at no additional cost. Clients may receive a written plan that may include a personal balance sheet and financial projections. Any reports, financial statement projections, and analyses are intended exclusively for your use in developing and implementing your financial plan. You are ultimately responsible for the assumptions and personal data upon which our projections are based and for the monitoring and management of any assets held outside of your

investment accounts. You will make the ultimate investment decision with respect to such “held away” assets and you are responsible for implementation of the plan. Special arrangements may be made for clients wishing to retain financial planning services independent of our portfolio management services.

Breakwater may enter into agreements with 401(k) plan sponsors to recommend investment options available to participants in a plan, comprised of stand-alone mutual funds or exchange traded funds (“ETFs”); and we may recommend, as appropriate, replacements of investment options. This service is non-discretionary in nature – the client always makes the ultimate investment decision.

Breakwater as a limited liability company may serve in the capacity of corporate trustee. Typically, responsibilities include managing disbursements from the trust accounts consistent with the governing trust documents, investment management or selection of investment managers, and various reporting and filings for taxes and to the beneficiaries.

We primarily advise clients on investments in ETFs and mutual funds. Each of these products has their own internal fees you will pay. The underlying holdings of the funds we recommend typically consist of domestic and international stocks, bonds, and real estate. There are no account or fee minimums to open or maintain an advisory relationship with our firm. *More detailed information can be found in our Form ADV Part 2A at Items 4 and 7.*

#### Conversation Starters. Ask your financial professional—

- *Given my financial situation, should I choose an investment advisory service? Why or why not?*
- *How will you choose investments to recommend to me?*
- *What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?*

### Item 3. Fees, Costs, Conflicts, and Standard of Conduct

#### What fees will I pay?

Breakwater charges annual fees for portfolio management services based on a percentage of the assets in your account. Fees are charged monthly in arrears. Our advisory fees do not include brokerage commissions, transaction fees, taxes, margin expense,

wire fees, fund interval fees, management fees, early redemption fees, and other similar charges and costs, which shall be separately borne by the client. The more assets there are in your account, the greater the fees paid. The firm may therefore have an incentive to encourage you to increase/maintain the assets in your account.

In general, financial planning services are offered to portfolio management clients without additional charge. For non-portfolio management clients, fees for planning services are based on an hourly rate of \$350.00 per hour or a flat fee of \$1,000.00 to \$20,000.00, based on the complexity of the engagement.

401(k) Plan services incur asset-based fees or flat fees, depending on the nature of the services to be provided. Trustee services are calculated and quoted on a per account or relationship basis. Pricing is impacted by reporting complexity, whether Breakwater is also managing the assets, and general attractiveness of the engagement.

**You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.** *More detailed information can be found in Breakwater's form ADV, Part 2A (Items 5.A., B., C., and D.)*

**Conversation Starter.** *Ask your financial professional— Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

**What are your legal obligations to me when acting as my investment advisor? How else does your firm make money and what conflicts of interest do you have?**

*When we act as your investment advisor, we must act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means.*

**Example 1:** The value of your asset-based advisory fee account goes up, and while the annual percentage we charge may stay the same, the total compensation you pay us goes up proportionately.

**Example 2:** Your account value goes down, but you still must pay us an asset-based fee advisory fee proportional to your assets under management.

All our revenue comes from management fees on accounts. We do not receive commissions or additional compensation of any kind from recommending specific products or revenue sharing or to clients or from referrals. *More detailed information can be found in Breakwater's Form ADV Part 2A.*

**Conversation Starter.** *Ask your financial professional— How might your conflicts of interest affect me, and how will you address them?*

**How do your financial professionals make money?**

*Our financial professionals are paid based on the revenue the firm receives from clients for managing the accounts. We do not have contests or incentives to offer certain products over other products. We do not receive commissions.*

#### **Item 4. Disciplinary History**

**Do you or your financial professionals have legal or disciplinary history?**

No. We encourage you to visit [Investor.gov/CRS](http://Investor.gov/CRS) for a free and simple search tool to research us and our financial professionals.

**Conversation Starter.** *Ask your financial professional— As a financial professional, do you have any disciplinary history? For what type of conduct?*

#### **Item 5. Additional Information**

You can find additional information regarding our firm, including our Form ADV Part 2A by visiting [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and searching for our firm by its name or unique CRD number (150841). You can obtain a copy of this relationship summary by visiting our website at <https://www.breakwater.com/> or by contacting us by telephone at 206-624-9000. We are available to answer any of your questions.

**Conversation Starter.** *Ask your financial professional— Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?*