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This brochure provides information about the qualifications and business practices of Conservative Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact by telephone at (323) 876-3300 or email at ([phil@phildemuth.com](mailto:phil@phildemuth.com)). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

Additional information about Conservative Wealth Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD# 138925.

Please note that the use of the term "registered investment adviser" and description of Conservative Wealth Management, LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplement for more information on the qualifications of our firm.

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## ITEM 2: MATERIAL CHANGES

Conservative Wealth Management, LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update. We must state that we are only discussing material changes since the last annual update of our Brochure, and provide the date of the most recent annual update.

Since our last annual amendment filed on January 6, 2022, we have no material changes to report.

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## ITEM 4: ADVISORY BUSINESS

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed in the State of California and has been in business as an investment adviser since 2006. The firm is one hundred percent owned by Dr. Philip DeMuth.

### **Types of Advisory Services Offered**

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#### **Asset Management:**

We emphasize continuous and regular account supervision. As part of our asset management service, we create a portfolio, consisting of individual stocks or bonds, exchange-traded funds (“ETFs”), mutual funds and other public securities or investments. The client’s investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. The management of their financial resources is ultimately based on an analysis of the client’s current situation, goals, and objectives. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based on the client’s individual needs, stated goals and objectives. Each client has the opportunity to place restrictions on the types of investments to be held in the portfolio.

Our overall assessment of the client’s financial situation usually includes general recommendations for a course of activity or specific action to be taken on behalf of the client. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. We may also refer clients to an accountant, attorney or another specialist, as necessary for non-advisory related services.

### **Tailoring of Advisory Services**

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- (i) We offer individualized investment advice to clients utilizing our firm’s Asset Management service.
- (ii) We allow clients to impose restrictions on investing in certain securities or types of securities despite the level of difficulty this would entail in managing their account.

### **Participation in Wrap Fee Programs**

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We do not offer wrap fee programs.

## **Regulatory Assets Under Management**

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We manage \$42,690,349 on a discretionary basis and \$285,821,331 on a non-discretionary basis for a total amount of assets under management of \$328,511,680 as of 12/31/2021.

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## **ITEM 5: FEES AND COMPENSATION**

### **Compensation for Our Advisory Services**

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The maximum annual fee charged for this service will not exceed 0.88%, depending on the scope and complexity of the portfolio. Fees to be assessed will be outlined in the advisory agreement to be signed by the client. Annualized fees are billed on a pro-rata basis quarterly in arrears based on the value of the account(s) on the time-weighted daily average of the quarter. Unless otherwise indicated in writing, our firm will bill on cash. Fees are negotiable and will be deducted from client account(s). Adjustments will be made for deposits and withdrawals during the quarter. As part of this process, Clients understand the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

### **Other Types of Fees & Expenses**

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Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm through which trades are executed. Our firm's recommended custodian, Fidelity, eliminated transaction fees for U.S. listed equities and exchange traded funds for clients who opt into electronic delivery of statements or maintain at least \$1 million in assets at Fidelity. Clients who do not meet either criteria will be subject to transaction fees charged by Fidelity for U.S. listed equities and exchange traded funds. Also, clients will pay the following separately incurred expenses, of which we do not receive any part: charges imposed directly by a mutual fund, index fund, or exchange-traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

### **Termination & Refunds**

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We charge our advisory fees quarterly in arrears. Either party may terminate the agreement at any time by providing written notice to the other party. You will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the client. Refunds will be given on a pro-rata basis.

## Commissionable Securities Sales

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We do not sell securities for a commission. To sell securities for a commission, we would need to have our associated persons registered with a broker-dealer. We have chosen not to do so.

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### ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge performance fees to our clients.

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### ITEM 7: TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations; and
- Corporations, limited liability companies and/or other business types.

We do not require a minimum account balance for our asset management service. However, most new client relationships should involve a total of at least \$10 million dollars in investable assets.

Clients who opt into electronic delivery of statements or maintain at least \$1 million in assets at Fidelity will not be charged transaction fees for U.S. listed equities and exchange traded funds.

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### ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

After evaluating a client's objectives and risk tolerance, a portfolio is constructed using quantitative methods ("Monte Carlo" analysis). The starting point would be a global market investable portfolio, which is then tilted in ways that have been found historically profitable. On the equity side, this typically involves overweighting certain factors such as value stocks, momentum stocks, high quality/high profitability stocks, small company stocks, and low volatility ("low beta") stocks, and zero/low dividend stocks, among others. On the fixed income side, this involves using broad indexes of taxable or municipal bonds. The portfolio can be supplemented using "liquid alternative" mutual funds that seek to deliver positive returns that are uncorrelated with the stock and bond markets. Finally, a small allocation is usually made to "real" assets such as commodity funds and liquid and traded funds of real estate investment trusts (REITs). The underlying mix of asset classes will change from time to time as academic research into financial economics progresses.

Once the portfolio is invested, the portfolio manager weighs the global macroeconomic risk outlook on an ongoing basis and tactically weights the allocation between stocks and bonds

at the margins. Additionally, the valuation and momentum of the underlying asset classes is evaluated and adjustments to the portfolio are proposed as market conditions warrant.

## **Risk of Loss**

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Investing in securities involves risk of loss that clients should be prepared to bear. While your investments in securities may increase and your account(s) could enjoy a gain, it is also possible that they may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in securities and that your investments are appropriately diversified according to your investment objectives. We invite you to ask us any questions you may have.

**Capital Risk:** Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100% of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

**Equity (Stock) Market Risk:** Common stocks are susceptible to general stock market fluctuations and, volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities, the ETF, or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

**Fixed Income Securities Risk:** Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

**Liquidity Risk:** Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out

of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Market Risk:** The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

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### **Description of Material, Significant or Unusual Risks**

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We generally invest client's cash balances in money market funds. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to comprehensive portfolio management, asset management service and portfolio monitoring, as applicable.

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### **ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

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### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We have no other financial industry activities and affiliations to disclose.

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### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.



Therefore, to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) concerning transactions effected by our members, officers and employees for their personal accounts. To monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons.

An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually after that, all supervised persons will sign an acknowledgment that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Neither our firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. To minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities within 24 hours before buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

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## ITEM 12: BROKERAGE PRACTICES

### **Selecting a Brokerage Firm**

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Our firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

Our firm has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides our firm with "institutional platform services." Our firm is independently operated and owned and is not affiliated with Fidelity. The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity may make certain research and brokerage services available at no additional cost to our firm. Research products and services provided by Fidelity may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Fidelity to our firm in the performance of our investment decision-making responsibilities. Our firm typically makes little or no use of this research. The research above and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of Fidelity as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend Fidelity and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Our clients may pay a transaction fee or commission to Fidelity that is higher than another qualified broker-dealer might charge to effect the same transaction where our firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided to the client as a whole.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

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### **Soft Dollars**

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Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

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### **Client Brokerage Commissions**

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Fidelity does not make client brokerage commissions generated by client transactions available for our firm's use.

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### **Client Transactions in Return for Soft Dollars**

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Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

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### **Brokerage for Client Referrals**

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Our firm does not receive brokerage for client referrals.

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### **Directed Brokerage**

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Neither our firm nor any of our firm's representatives have discretionary authority in determining the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are affected. Our firm routinely recommends/requests/requires that clients direct us to execute through a specified broker-dealer. Our firm recommends the use of Fidelity. Each client will be required to establish their account(s) with Fidelity if not already done. Please note that not all advisers have this requirement.

## **Client-Directed Brokerage**

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Our firm does not allow client-directed brokerage outside our recommendations.

## **Aggregation of Purchase or Sale**

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All accounts are managed on an individualized basis according to the client's investment objectives financial goals, risk tolerance, etc. As such, our firm does not perform aggregate trading. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts by providing equitable pricing to all accounts, our firm emphasizes an individualized management experience.

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## **ITEM 13: REVIEW OF ACCOUNTS**

We review accounts on at least a quarterly basis for our Asset Management clients. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions and investment policies, if applicable. Philip DeMuth, Managing Director and Chief Compliance Officer, will conduct reviews of all client accounts.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

We write quarterly letters to clients describing their accounts' investment performance in general terms. We also provide access to specific quarterly reports for all clients.

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## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **Referral Fees:**

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In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm does not provide cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals).

### **Other Compensation:**

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Fidelity may charge commissions (ticket charges) for executing transactions for certain types of securities for clients. We do not receive any part of these separate charges. It is important to note that Fidelity does not maintain supervisory relationships with respect to us or our representatives nor are they in any way affiliated with us. We are independently owned and operated. We may recommend/require that clients establish accounts with Fidelity to maintain custody of clients' assets and to effect trades for their accounts. Fidelity

may provide us with access to their institutional trading and custody services, which are typically not available to Fidelity retail investors. Fidelity'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 Clients' accounts maintained in their custody, Fidelity does not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees or securities trades that are executed through Fidelity or that settle into Fidelity.

Fidelity also makes available to us other products and services that may benefit us but which may not directly benefit our clients. These types of services will help us in managing and administering client accounts. These include software and other technology that provide access to client account data (i.e. trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from clients' accounts; and assist with back-office functions, record-keeping, and client reporting. Many of these services are used to service our clients' accounts. We place trades for our Clients' accounts subject to our duty to seek best execution. We may use broker-dealers other than Fidelity to execute trades for client accounts maintained at Fidelity, but this practice may result in additional costs to clients so that we are more likely to place trades through Fidelity rather than other broker-dealers. Fidelity's execution quality may be different than other broker-dealers.

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## ITEM 15: CUSTODY

All of our clients receive monthly account statements directly from their custodian. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. When we make account statements available to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those made available by our firm.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards. As such, our firm has adopted the following safeguarding procedures in conjunction with our custodian, Fidelity:

- Fidelity's forms, used to establish a standing letter of authorization, include the name and account number on the receiving account and must be signed by the client.
- Fidelity's SLOA forms currently require client's signature.
- Fidelity performs verification on all SLOA forms and sends a transfer of notice to the client promptly following the transaction.

- Clients always have the ability to terminate (or amend) an SLOA in writing.
- Our firm has no authority, or ability, to amend the third party designated on a standing instruction.
- Our firm maintains records showing the third party is not a related party of our firm or located at our firm.
- Fidelity notifies the client in writing when a new standing instruction is set up. Clients also receive an annual mailing reconfirming the existence of the standing instruction.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

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#### ITEM 16: INVESTMENT DISCRETION

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Should clients grant our firm non-discretionary authority, our firm would be required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

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#### ITEM 17: VOTING CLIENT SECURITIES

We do not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. If proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy vote or other solicitation.

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#### ITEM 18: FINANCIAL INFORMATION

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- We have never been the subject of a bankruptcy proceeding.