

# Sound Financial, LLC. Wrap Fee Program Brochure

*This wrap fee program brochure provides information about the qualifications and business practices of Sound Financial, LLC. If you have any questions about the contents of this brochure, please contact us at (425) 332-6568 or by email at: [info@sfgwa.com](mailto:info@sfgwa.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 Sound Financial, LLC. is also available on the SEC's website at <https://www.sfgwa.com>. Sound Financial, LLC's CRD number is: 292271.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

The material changes in this this Wrap Fee Program Brochure from the last annual updating amendment of Sound Financial on 03/30/2022 are described below. This list summarizes changes to policies, practices or conflicts of interests concerning this Wrap Fee Program Brochure only.

- Sound Financial has transitioned to registration with the United States Securities and Exchange Commission from its prior registration at the state level.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Sound Financial, LLC. (hereinafter “SFG”) provides portfolio management to clients under this wrap fee program as sponsor and utilizes AssetMark and/or Betterment LLC as the portfolio manager. AssetMark and Betterment LLC are not a related person of SFG; however, SFG has an agreement in place with AssetMark and Betterment LLC, to serve as a third-party advisor.

Total Assets Under Management	Annual Fee
\$0 - \$1,000,000	1.50%
\$1,000,001 - \$3,000,000	1.00%
\$3,000,001 - \$7,000,000	0.50%
\$7,000,001 +	0.12%

Portfolio management fees are withdrawn directly from the client’s accounts with client’s written authorization on a quarterly basis.

Clients may terminate the agreement without penalty, for full refund of SFG’s fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

### B. Contribution Cost Factors

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client’s account, the adviser’s ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

### C. Additional Fees

SFG will wrap third party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.) for wrap fee portfolio management accounts. SFG will charge clients one fee, and pay all transaction fees using the fee collected from the client. Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that SFG has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs.

Certain other fees are not included in the wrap fee and are paid for separately by the client.

These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, fees associated with “step out” transactions if the account uses different custodians or broker-dealers, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

#### **D. Compensation of Client Participation**

The Client receives a planning fee refund if they engage SFG for a wrap account, which creates a distinctive conflict of interest for SFG. Compensation received may be less than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, SFG may have a financial disincentive to recommend the wrap fee program to clients.

### **Item 5: Types of Clients**

SFG generally offers advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Corporations / Business Entities

There is an account minimum of \$10,000, which may be waived by SFG in its discretion.

### **Item 6: Portfolio Manager Selection and Evaluation**

#### **A. Selecting/Reviewing Portfolio Managers**

SFG will utilize AssetMark / Betterment LLC for management of this wrap fee program.

SFG will use industry standards to calculate portfolio manager performance.

A third party reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is reviewed by the third-party advisor.

#### **B. Related Persons**

AssetMark and Betterment LLC act as portfolio manager for a wrap fee program, which is an investment program where the client pays one stated fee that includes management fees, transaction costs, and certain other administrative fees. The wrap fee program is sponsored by SFG; AssetMark and/or Betterment LLC manage the investments in the wrap fee program. AssetMark and Betterment LLC are not a related person of SFG;

however, SFG has an agreement in place with AssetMark and Betterment LLC to serve as a third-party advisor.

### **C. Advisory Business**

SFG offers ongoing wrap fee portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. SFG creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- Determine investment strategy
- Asset allocation
- Assessment of risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

SFG evaluates the current investments of each client with respect to their risk tolerance levels and time horizon.

Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Portfolio management accounts participating in the wrap fee program will not have to pay for transaction or trading fees. SFG will charge clients one fee, and pay transaction fees using the advisory fee collected from the client. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that SFG has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs. To address this conflict, SFG will always act in the best interest of its clients consistent with its fiduciary duty as an investment adviser.

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

SFG generally limits its investment advice to mutual funds, and insurance products including annuities, although SFG primarily recommends Passive Structured Investing. SFG may use other securities as well to help diversify a portfolio when applicable.

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

SFG will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by SFG on behalf of the client. SFG may use model allocations together with a

specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients are not permitted to impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

SFG gathers information about all client assets, and financial goals for the future, helping them understand how the risks of all the assets interplay across the portfolio, not just the risk inherent in the investment portfolio as measured by a standard risk questionnaire.

### ***Wrap Fee Programs***

As discussed herein, SFG sponsors this wrap fee program while AssetMark / Betterment LLC acts as portfolio manager. SFG manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than it would manage non-wrap fee accounts. The fees paid to the wrap account program will be given to SFG as a management fee.

### ***Amounts Under Management***

SFG has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$103,376,265	\$16,123,438	April 2022

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

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

Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

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

#### **Methods of Analysis**

SFG's methods of analysis includes modern portfolio theory.

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

#### **Investment Strategies**

SFG uses/recommends long term investing.

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

## ***Material Risks Involved***

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### **Methods of Analysis**

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### **Investment Strategies**

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

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

## ***Risks of Specific Securities Utilized***

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

**Annuities** are retirement products for those who may have the ability to pay a premium now and want to guarantee they receive certain payments or a return on investment in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

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



### ***Voting Client Securities (Proxy Voting)***

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

## **Item 7: Client Information Provided to Portfolio Managers**

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

## **Item 8: Client Contact with Portfolio Managers**

SFG does not restrict clients from contacting portfolio managers. SFG's representatives can be contacted during regular business hours using the information on the Form ADV Part 2B cover page.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceedings***

There are no administrative proceedings to report.

#### ***Self-Regulatory Organization (SRO) Proceedings***

There are no self-regulatory organization proceedings to report.

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

Neither SFG nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

#### ***Registration as a Futures Commission Merchant, Commodity Pool***

### ***Operator, or a Commodity Trading Advisor***

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

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

Cory Edwin Shepherd is an independent licensed insurance agent and from time to time may offer clients advice or products from those activities. Clients should be aware that these services may involve a conflict of interest; however, SFG always acts in the best interest of the client. Clients are free to obtain these services or products through another provider and always have the right to utilize or decline the services of any SFG representative in such individual's outside capacity.

Paul Leroy Adams is an independent licensed insurance agent and from time to time may offer clients advice or products from those activities. Clients should be aware that these services may involve a conflict of interest; however, SFG always acts in the best interest of the client. Clients are free to obtain these services or products through another provider and always have the right to utilize or decline the services of any SFG representative in such individual's outside capacity.

All material conflicts of interest under Section 260.238 (k) of the California Corporations Code are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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

SFG may direct clients to third-party investment advisers to manage client assets. Clients will pay SFG its standard fee in addition to the advisory fee of the third-party adviser. SFG will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients, and the aggregate advisory fee will not exceed any limit imposed by regulatory agencies. SFG will confirm that all recommended advisers are licensed, notice filed, or exempt in the states in which SFG is recommending them to clients.

## **B. Code of Ethics, Client Referrals, and Financial Information**

### ***Code of Ethics***

SFG has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality,

Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. SFG's Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

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

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

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

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

From time to time, representatives of SFG may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of SFG to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, SFG will never engage in trading that operates to the client's disadvantage if representatives of SFG buy or sell securities at or around the same time as clients.

### ***Frequency and Nature of Periodic Reviews***

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

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

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

Each client will receive a quarterly account statement from the custodian.

### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

SFG also participates in the institutional advisor program (the "Program") offered by TD Ameritrade. TD Ameritrade offers to independent investment advisor services which

include custody of securities, trade execution, clearance and settlement of transactions. SFG receives some benefits from TD Ameritrade through its participation in the Program. As part of the Program, SFG may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between SFG's participation in the Program and the investment advice it gives to its clients, although SFG receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving SFG participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have SFG's fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to SFG by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by SFG's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit SFG but may not benefit its client accounts. These products or services may assist SFG in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help SFG manage and further develop its business enterprise. The benefits received by SFG or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, SFG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SFG or its related persons in and of itself creates a conflict of interest and may indirectly influence SFG's choice of TD Ameritrade for custody and brokerage services.

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

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

### ***Balance Sheet***

SFG neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

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

SFG does not have any financial condition that would impair its ability to meet contractual commitments to clients.

***Bankruptcy Petitions in Previous Ten Years***

SFG has not been the subject of a bankruptcy petition.