



## FIRM BROCHURE

Form ADV Part 2A

MARCH 30, 2023

**BSW Wealth Partners, Inc., a Public Benefit Corporation**

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This brochure provides information about the qualifications and business practices of BSW Wealth Partners, Inc., a Public Benefit Corporation ("BSW"). If you have any questions about the contents of this brochure, please contact us at 303-444-9696 or [info@bsw.com](mailto:info@bsw.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about BSW is available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BSW is registered with the United States Securities and Exchange Commission ("SEC") as an investment adviser and conducts itself accordingly. Such registration requires that we conduct our business in accordance with the Investment Advisers Act of 1940 but does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

## Item 2 - Material Changes

BSW is required to disclose material changes to each update to its Form ADV Part 2A (the “Brochure”).

This Brochure dated March 30, 2023 replaces the March 30, 2022 version. Key updates were made to the following sections since the last annual amendment:

- Item 10 – Other Financial Industry Activities and Affiliations – was revised to remove reference to R3 Returns, LLC (“R3”). R3 is a wholly-owned subsidiary of BSW, previously registered as an investment adviser with the Securities and Exchange Commission. R3 ceased providing advisory services in March 2023 and withdrew as a registered investment adviser effective March 31, 2023.
- Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – was revised to remove reference to R3. BSW formerly had a potential conflict of interest due to the fact that BSW could recommend and/or direct the investment of client assets to be managed by R3. Since R3's withdrawal as an investment adviser, there is no longer a conflict of interest.
- Item 14 – Client Referrals and Other Compensation – was revised to align BSW's discussion regarding the compensation BSW may pay unaffiliated or affiliated solicitors with Rule 206(4)-1.

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## Item 4 - Advisory Business

**Overview:** BSW Wealth Partners, Inc. a Public Benefit Corporation is a Colorado Public Benefit Corporation ("PBC") founded in 1992. BSW is a fee-only, woman-founded, independent wealth advisor providing financial and investment advice to private investors from offices in Boulder and Denver. BSW's clients are primarily successful individuals and families - sometimes spanning multiple generations - who want to Make Life Better and a partner's assistance in protecting and growing their capital over the long-term. BSW also provides consulting services to companies and their corporate executives, as well as to 401(k) plan sponsors.

Beginning March 14, 2019, advisory services are provided by BSW Wealth Partners, Inc., a Public Benefit Corporation as the successor to BSW Wealth Partners, LLC. In 2019, BSW elected to change its corporate and legal structure from a limited liability company to a Public Benefit Corporation ("PBC"). PBCs are for-profit enterprises that also vow to do good in the world and by their stakeholders. BSW's statement of public purpose is:

To 'Make Life Better' for BSW clients, staff and our broader community by building a long-term sustainable and environmentally considerate business that helps our clients and stakeholders achieve both financial security and lives of meaning, abundance, and fulfillment.

**Ownership:** BSW is currently owned by ten individuals. David Wolf is the only individual owning more than 25% of BSW.

**Services:** BSW provides investment management and other financial advisory services. Services are based on a client's individual needs and may include:

### **Investment Supervisory Services:**

- Analyzing client's investments coming under BSW's supervision;
- Determining client's short-term and long-term investment objectives, time horizon, concerns, experience, and risk profile;

- Developing an investment plan and related financial strategies designed to achieve client's objectives, including investment policy guidelines;
- Implementing investment strategies as appropriate, including portfolio monitoring, periodic rebalancing, and specific portfolio changes, as appropriate;
- Monitoring client's portfolio on a regular basis and recommending specific changes as necessary;
- Maintaining regular communication with the client; and
- Preparing periodic investment reports for client.

**Planning Services:**

- Preparing periodic financial security analyses;
- Reviewing annual contribution and withdrawal summary; and
- Managing required minimum distributions.

**Other Financial Advisory Services:**

- Wealth Planning: Helping clients understand the level of assets, allocation, savings, and long-term investment returns needed to achieve their financial goals.
- Tax & Estate Planning / Coordination: Discussing general tax, wealth transfer and estate planning concepts with clients and qualified attorneys, CPA's and other professionals to fully develop suitable strategies. BSW does not provide legal advice and its Tax & Estate Planning advice should not be considered legal or tax advice. BSW will coordinate the resulting strategies with client's investment and financial planning, as appropriate.
- Diversification Planning: Designing and implementing strategies to manage risk and handle concentrated positions of various assets such as real estate, business

assets, inherited stock, founder's stock, optioned stock, and highly appreciated (low basis) stock.

- Charitable Gifting Strategies: Discussing and evaluating strategies to meet client's charitable objectives, including the potential economic and tax implications of such strategies. This may include assisting with establishing, funding and managing charitable trusts, foundations, and not-for-profit entities.
- Employee Stock Options: Designing and implementing strategies for the funding, exercise, and sale of employee stock options, including analysis of the economic and income tax implications of such strategies.
- Business/Exit/Pre-Liquidity Planning: Assisting clients who expect to have a "liquidity event" (such as their company plans to go public or will be acquired by another company) within the next 12 months.
- Specialized Planning: Assisting with cash flow planning; college planning; retirement planning; debt planning; and philanthropic planning.

#### **Visionary Impact Investing/Custom Impact Mandates:**

Curating bespoke investment opportunities to address a broad range of impact themes spanning the investable universe. Visionary impact investing allows clients to align and direct their investments to the issues they care most about supporting.

#### **Executive Financial Advising:**

Financial planning is also offered as "packaged" consulting services for corporate executives. Under this arrangement, companies engage BSW to provide a suite of financial planning and consulting services to their corporate executives. The corporate executives receive strategic financial planning guidance which generally includes confirmation of the executive's investment goals, objectives, risk profile, time horizon considerations, savings and spending targets, values and impact alignment, and goal setting. Additional planning services may include investment

and retirement planning, education/college planning, debt planning, insurance review, estate planning, and tax and charitable planning. Executive Financial Advising is offered as a fixed fee service for specific consulting projections within specific time parameters. BSW's financial planning and consulting fees are negotiable.

**Non-Fiduciary 401(k) Services:**

BSW provides non-fiduciary consulting services to 401(k) plan sponsors and participants including:

- Strategic guidance, planning and education in the form of assisting in group enrollment meetings designed to increase plan participation among employees and investment and financial understanding by employees. Also, assisting with annual education of participants regarding general investment principles and the investment alternatives under the plan.
- Coordinating annual benefits committee discussions including participating in annual plan oversight committee meetings and providing input and direction relating to the plan operation. Attending annual meeting with benefits director to answer questions.
- Values alignment to support participants, benefits director and benefit committee with the alignment of 401(k) plan with participant and organizational values.
- Providing an annual impact investment report.
- Assisting with financial education seminars on-site and/or virtual.
- Facilitating one-on-one participant meetings on-site and/or virtual.

**Account Restrictions:** Clients may impose reasonable restrictions on investing in certain securities, types of securities or industry sectors by including such restrictions in BSW's written investment policy guidelines.

Because some types of investments involve certain additional degrees of risk, they will only be implemented or recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability.

**Wrap Fee Programs:** BSW does not participate in, nor is it a sponsor of, any wrap fee programs.

**Assets Under Management:** As of December 31, 2022, BSW's total assets under management were approximately \$1,624,159,003.

- Assets managed on a discretionary basis were approximately \$1,581,172,331.
- Assets managed on a non-discretionary basis were approximately \$42,986,672.

**General Statement of Ethical Principles**

- BSW will, at all times, place the interests of its clients first;
- All personal securities transactions will be conducted in such a manner as to avoid any actual or potential conflict of interest or any abuse of BSW's position of trust and responsibility;
- BSW will not take inappropriate advantage of its position;
- BSW will uphold the fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential;
- BSW will uphold the principle that independence in the investment decision-making process is paramount; and
- BSW will always act with honesty, integrity, and professionalism.

**ERISA/IRC Fiduciary Acknowledgment:** When BSW provides investment advice to a client regarding the client's retirement plan account or individual retirement account, it does so as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts. The way BSW makes money creates some conflicts with client interests, so BSW operates under a special rule that requires it to act in the client's best interest and not put its interests ahead of the client's.

Under this special rule's provisions, BSW must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put its financial interests ahead of the client's when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;



- Follow policies and procedures designed to ensure that BSW gives advice that is in the client's best interest;
- Charge no more than is reasonable for BSW's services; and
- Give the client basic information about conflicts of interest.

## Item 5 - Fees and Compensation

BSW is an independent, fee-only advisory firm. As such, BSW is compensated for its services using one or more of the methods described below. BSW's billing method will be disclosed to and agreed to by client per the terms of the client's written investment advisory or consulting agreement with BSW.

**Compensation Methods:** BSW's fees are described generally below and detailed in each client's advisory agreement or applicable account documents.

Wealth Management, Private Client, Family Office and Institutional clients may choose between: (1) an asset-based fee; or (2) a fixed fee, as further described below. Clients with a Custom Impact Mandate pay a combination of asset-based fees and fixed fees, as further described below. All fees are subject to negotiation.

- (1) **Asset Based Fee:** BSW generally charges an asset-based fee for its asset management and advisory services, calculated according to the following fee schedule:

For Wealth Management and Private Clients:

<b><u>ASSETS BASED BREAKPOINTS</u></b>	<b><u>ANNUAL RATE</u></b>
First \$3,000,000 of client assets	1.00%
Next \$2,000,000 of client assets	0.75%
Amount over \$5,000,000	0.50%

For Family Office clients:

<u>ASSETS BASED BREAKPOINTS</u>	<u>ANNUAL RATE</u>
First \$10,000,000 of client assets	0.65%
Next \$40,000,000 of client assets	0.35%
Amount over \$50,000,000	0.15%

Institutional clients typically pay an asset-based fee at the annual rate of 0.50% on the first \$50 million of assets under management and 0.35% thereafter.

Clients engaging BSW for visionary impact investing (also referred to as a Custom Impact Mandate) typically pay a fixed fee of \$12,500 per quarter plus an asset-based fee at the annual rate of 1.00% on the total value of the portfolio; upon completion of the mandate commitment period, clients pay an asset-based fee at the annual rate of 1.00% on the total value of the custom impact portfolio.

**Minimum Fee:** BSW's minimum fee varies based on the service selected by each client, subject to the following minimum fee schedule:

<u>SERVICE</u>	<u>MINIMUM FEE</u>
Wealth Management	\$2,500 per quarter
Private Client	\$5,000 per quarter
Family Office	\$16,250 per quarter
Institutional	\$2,500 per quarter
Custom Impact Mandate	\$12,500 per quarter during the commitment period

**Please Note:** BSW, in its sole discretion, may waive or reduce its minimum fee requirements based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, legacy fee arrangements, related accounts, account composition, competitive pricing, negotiations with the client, etc.). As a result, similarly situated clients could pay different fees. BSW believes its fees are competitive with those fees charged by other investment advisors for comparable services. However, similar advisory services may

be available from other investment advisers for similar or lower fees.

- (2) **Fixed Fee:** BSW and the client may agree to negotiate a fixed quarterly fee instead of an asset-based fee for BSW's investment management, and/or advisory services. Fixed fees often arise where BSW provides non-discretionary investment management services. The fixed fee is negotiable by the client and BSW.

Clients can direct BSW to maintain "unsupervised assets" within the portfolio for the convenience of the client. BSW generally does not charge a management fee on unsupervised assets and is not responsible for the supervision or suitability of such assets. However, BSW can charge a fee on certain unsupervised assets such as the case when BSW is asked to provide ongoing reporting of unsupervised assets.

**Reporting Services.** BSW can also provide, for a separate fee, account reporting services, which can incorporate client investment assets that are not part of the assets that BSW manages (the "unsupervised assets"). Unless agreed to otherwise, in writing, the client and/or the client's other advisor(s) that maintain trading authority, and not BSW, shall be exclusively responsible for the investment performance of the unsupervised assets. Unless also agreed to otherwise, in writing, BSW does not provide investment management, monitoring or implementation services for the unsupervised assets. The client can engage BSW to provide investment management services for the unsupervised assets pursuant to the terms and conditions of the Investment Advisory Agreement between BSW and the client. To the extent BSW provides account reporting services for any assets not managed by BSW, an additional fee will apply, depending on the manner in which account data is provided to BSW. Manually priced account data will be subject to an annual fee of \$150 per account, while account data that is automatically fed directly to BSW will be subject to an annual fee of \$75 per account.

#### **Financial Planning for Corporate Executive:**

Financial planning is offered as "packaged" consulting service for corporate executives. Under this arrangement, a fixed fee for specific consulting projects within specific time parameters is established. BSW's financial planning and consulting fees are negotiable, but generally range from \$7,500 to \$25,000 annually

on a fixed fee basis, depending upon the number of executives and the level and scope of the services(s) required.

**Non-Fiduciary 401(k) Consulting Services:**

Plan Sponsors may choose between: (1) an asset-based fee or (2) a fixed fee depending on the size of the plan and scope of services. Asset based fees are typically 0.50% for the first \$3 million of plan assets, 0.40% for the next \$2 million of plan assets, and 0.30% thereafter. BSW's minimum fee is \$1,500 per year.

**Hourly Fee:** When providing services outside of the scope of an investment advisory or consulting agreement, BSW may charge an hourly fee. BSW's hourly billing rate is generally \$1,500 per hour.

**Negotiability of Advisory Fees:** BSW uses the above fee schedules as a guideline as all fees are negotiable. BSW retains the discretion to negotiate alternative fees and fee arrangements, or waive fees entirely, based on particular elements of the client portfolio, such as the complexity of the client, assets to be placed under management, anticipated future additional assets, the existence of related accounts, portfolio style, account composition, employee-related accounts, and reports, among other factors. In certain instances, BSW may offer group discounts to employees/owners of a firm, company, or employer.

**Travel Expenses:** Travel related expenses incurred by BSW on client's behalf will be reimbursed by the client.

**Other Expenses:** In addition to BSW's compensation described above, the client will incur various trading commissions, transaction fees, mutual fund expenses, separately managed account or sub-manager fees and administrative costs in the implementation of BSW's recommendations. BSW will receive no compensation from these sources.

**Impact of Margin Balance on Fees.** BSW generally does not recommend the use of margin loans to purchase securities. Use of margin to purchase securities is an investment strategy with a high level of inherent risk. However, to the extent a client determines to use margin to purchase securities in an account managed by BSW, BSW will include the entire market value of such margined assets when computing its advisory fee. In addition, BSW generally

disregards any margin balance owed by a client account when calculating its advisory fee. Prior to using margin for any reason, clients are advised to see Item 8 below for further discussion of the features, risks, and conflicts associated with the use of margin loans.

**Cash Positions.** Depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), BSW may maintain cash and cash equivalent positions (such as money market funds, etc.) for defensive, liquidity, or other purposes. Unless otherwise agreed in writing, all such cash and cash equivalent positions are included as part of assets under management for purposes of calculating BSW's advisory fee.

**Accrued Income.** Accrued interest, dividends, and other forms of accrued income are included in BSW's assets under management for the purposes of calculating BSW's advisory fee.

Method and Timing: BSW's fees are billed and payable quarterly in advance based on the total value of all assets under BSW's supervision on the last day of the previous quarter. For Non-Fiduciary 401(k) Consulting clients, the fee is based on the value of the plan assets as of the last day of the previous quarter. Clients may select whether fees are to be deducted from client's BSW managed assets or paid from other sources.

Due to the illiquid nature of certain investments, BSW can utilize fair valuation methodologies in an attempt to represent the amount at which an asset could be acquired or sold in a current transaction between willing parties in which the parties each acted knowledgeably, prudently, and without compulsion. The valuations of investments in private equity, real estate, or other illiquid investments can be modified by BSW, in its sole discretion, if and to the extent that it shall determine that such modifications are advisable in order to reflect market or liquidity conditions or other factors affecting value.

It is the nature of private equity and other such illiquid investments to provide initial valuation estimates, and then refined estimates and/or actual numbers frequently months after the original estimates are distributed. As a consequence, it is BSW's policy to use the best information currently available for reporting and billing purposes for a given quarter. Also, consequently, BSW often receives updated pricing information months after a private equity or other

illiquid investment has been valued for reporting and billing purposes.

**Termination and Refunds:** Client or BSW may terminate their agreement at any time upon written notice. For Non-Fiduciary 401(k) Consulting clients, this written notice must be provided at least thirty (30) days in advance. If BSW and client's relationship is terminated prior to the end of a billing period, BSW will prorate and refund the paid but unearned portion of client's fee for that period back to the client.

## **Item 6 – Performance-Based Fees**

BSW is required to disclose if any accounts are charged performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client). This type of fee structure may, under certain circumstances, create a conflict with client interests. BSW does not charge any performance-based management fees.

## **Item 7 - Types of Clients**

BSW advises and provides financial planning services to a diverse cross-section of clients, including:

- Individuals and Families (other than high net worth individuals);
- High net worth individuals;
- Pension and Profit-sharing plans;
- Trusts and Estates;
- Corporations;
- Plan Sponsors;
- Charitable and other not-for-profit organizations;
- Other business entities not included above.

BSW does not have a required minimum account size though, as indicated previously in **Item 5 – Fees and Compensation**, BSW does have a minimum quarterly fee, which may be waived or reduced at BSW's sole discretion.

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

BSW takes a top-down approach to tactical asset allocation and uses a relative growth/valuation framework to determine sub-asset classes. This top-down framework allows BSW to assess the investing environment and provide recommendations as to when and where it may be advantageous to modify exposures within the asset classes.

**Growth Strategies:** BSW's growth strategies consist of investments spanning a broad range of asset classes that are selected for their long-term risk/return characteristics as well as their correlation to the overall markets and BSW's portfolio as a whole. The resulting blended allocation is used as the foundation for the client's growth portfolio. The portfolio is rebalanced at the macro asset class level based on either a time-based trigger or threshold-based trigger (tied to the iShares ACWI ETF's closing price on the NASDAQ). Portfolio rebalancing is discretionary and will be based on individual portfolio considerations. There is no guarantee as to the number of times a portfolio is rebalanced in a given year.

Other asset classes and opportunistic investments are added to the growth portfolio to create a customized allocation that is appropriate for client's investment objectives, time horizon, and risk tolerance. Examples of investments which may be included as part of BSW's growth strategies include equities, mutual funds, exchange traded funds, real estate, hedge funds, and private equity placements.

**Risks Associated with Growth Strategies:** Investing for growth involves risks of loss that clients should be prepared to bear including total loss of investment placement vehicles and alternative investments' principal, fluctuation of investment values, illiquidity, inability to liquidate investments without incurring losses, total loss of purchasing power and total loss of income. More specifically, the following risks specific to investing in private described in greater detail:

**Risk of Private Investment Vehicles:** BSW recommends that certain clients invest in privately placed collective investment vehicles, such as private equity placements. Because private investment vehicles are not registered investment companies, they are not

subject to the same regulatory reporting or oversight as a registered entity.

**Alternative Investments:** BSW may use alternative investments when permitted by the particular client's investment objectives. These funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the client. There are numerous other risks in investing in these securities.

**Fixed Income Strategies:** Fixed income investments such as bonds, notes, and certificates of deposit are intended to provide diversification, generate income, and to preserve and protect assets. Generally, the stabilizing influence of fixed income comes at the cost of lower returns relative to growth investments. BSW's fixed income portfolios generally consist of high quality domestically issued bonds, both taxable and tax-free. Examples of investments which may be included as part of BSW's fixed income strategies include individual government, municipal, and corporate bonds, certificates of deposits, direct loans, mutual funds, exchange traded funds and money markets.

**Material Risks Associated with Fixed Income Strategies:** Fixed Income investing involves risks of loss that clients should be prepared to bear including loss of purchasing power, loss of income, fluctuation of investment values, total loss of investment principal, illiquidity, and inability to liquidate investments without incurring losses.

**Risks Associated with Impact Strategies:** Impact investing strategies will generally favor certain economic sectors and/or issuer types over others. Although BSW strives to maintain adequate and sufficient diversification across economic sectors, issuer types, and asset allocation, portfolio concentration may occur. Impact strategies may also narrow the opportunity set of potential investments which may negatively affect investment returns. Investing for impact involves risks of loss that clients should be prepared to bear including loss of investment principal, fluctuation of investment values, illiquidity, inability to liquidate investments without incurring losses, loss of purchasing power and loss of income.

**Risks associated with investments offered through BSW may include:**

All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy



will meet its objective. BSW will keep in mind each client's investment objectives, risk tolerance, time horizon and other pertinent information when recommending an investment or investment strategy. However, investing in securities involves the risk of loss of principal that clients should be prepared to bear.

**Credit Risk:** The financial soundness of an issuer (borrower) is often measured by a credit rating agency such as Standard & Poor's, Moody's or Fitch. The rating agencies attempt to measure the ability of an issuer to pay the interest and principal payments on their debt. Typically, the higher the issuer's credit rating the lower the expected investment return will be.

**Liquidity Risk:** Liquidity risk is the risk that there may be limited buyers for a security when an investor wants to sell. Typically, this results in a discounted sale price in order to attract a buyer.

**Default Risk:** A default occurs when an issuer fails to make payment on a principal or interest payment.

**Event Risk:** Event risk is difficult to predict because it may involve natural disasters such as earthquakes or hurricanes, as well as changes in circumstance from regulators or political bodies.

**Political Risk:** Political risk is the risk associated with the laws of the country, or to events that may occur there. Particular political events such as a government's change in policy could restrict the flow of capital.

**Market Risk:** Market risk refers to the financial markets as a whole declining, causing the value of all securities to decline regardless of the individual characteristics of a particular security.

**Mutual Funds and Exchange Traded Funds (ETFs) Risks:** An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

**Duration Risk:** Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by

its maturity date, coupon rate, and call feature. Duration is a way to compare how different bonds will react to interest rate changes. If a bond has a duration of five (5) years, it means that the value of that security will decline by approximately five percent (5%) for every one percent (1%) increase in interest rates.

**Inflation Risk:** Inflation is the decline in the purchasing power of a dollar, meaning today's dollar will buy less tomorrow.

**Interest Rate Risk:** Interest rate risk refers to the relationship between the value of a bond and changing interest rates. A rise in interest rates will cause a decline in the value of a bond holding.

**Reinvestment Risk:** Reinvestment risk is the risk that future interest and principal payments may be reinvested at lower yields due to declining interest rates.

**Tax Risk:** For municipal bonds, depending on the client's state of residence, the interest earned on certain bonds may not be tax-exempt at the state level. Also, changes in federal tax policy may impact the tax treatment of interest and capital gains of an investment.

**Disclosure Risk:** The amount of public information available on any public or private investment.

**Regulatory Risk:** Market participants are subject to rules and regulations imposed by one or more regulators. Changes to these rules and regulations could have an adverse effect on the value of an investment.

**Concentration Risk:** The risk of amplified losses that may occur from having a large portion of your holdings in a particular investment, asset class or market segment relative to your overall portfolio.

**Margin Risk:** BSW does not generally recommend the use of margin loans as an investment strategy, in which the client would leverage borrowed assets as collateral for the purchase of additional securities. However, BSW may recommend that a client establish a margin account with the client's broker-dealer/custodian or their affiliated banks (each, a "Lender") to access margin loans to address the client's unique financial planning and cash flow management needs. For example, BSW may deem it advisable for a client to borrow money on margin to pay bills or other expenses such as

financing the purchase, construction, or maintenance of a real estate project. Unlike a traditional real estate-backed loan, a margin loan has potential benefits, including: enabling borrowers to access funds in a shorter period of time, providing greater repayment flexibility, and, potentially, certain tax benefits. Clients interested in learning more about margin loans and the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor.

The terms and conditions of each margin are contained in a separate agreement between the client and the Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients. The following describes some of the risks associated with margin loans, which BSW recommends clients consider and fully understand before participating in a margin loan program:

Increased Portfolio Risk, Including the Risk for Potential Losses in the Event of a Downturn: Borrowing money on margin to pay bills or other expenses increases a client's level of exposure to market risk and volatility. The more money a client borrows on margin, the greater the market risk. This is especially true in the event of a significant downturn in the value of the assets used to collateralize the margin loan. In some circumstances, clients may lose more money than they originally invested and borrowed. As the marginable investments in a client's portfolio provide the collateral for the margin loan, the value of that collateral fluctuates according to market activity, while the amount the client borrows stays the same.

The Potential Obligation to Post Collateral or Repay the margin loan if the Lender Determines that the Value of Collateralized Securities is No Longer Sufficient to Support the Value of the loan: The Lender will generally require a certain minimum value of equity to continue service of the loan (the "Maintenance Requirement"). If the value of the client's portfolio securities decline in value, so does the value of the collateral supporting the margin loan. If the value of the collateral declines to an amount where it is no longer sufficient to support the borrower's line of credit or loan, the Lender will issue a "Maintenance Call" (also referred to as a "margin call"). In that event, the client would be required to post additional collateral or repay the loan within a specified period of time. The Lender commonly reserves the right to increase its Maintenance Requirement at any time, without

having to provide prior written notice to the borrower. As a result, borrowers are subject to risk of repayment of the loan and should be aware of such risks when foregoing a traditional mortgage to finance a real estate purchase.

The Risk that the Lender may Liquidate the Client's Securities to Satisfy its Demand for Additional Collateral or Repayment: The Lender commonly reserves the right to render the borrower's repayment immediately due, and/or terminate the loan at any time without cause, at which point, the outstanding margin loan balance would become immediately due and payable. However, if the borrower is unable to add additional collateral to their account or repay the loan with readily available cash, the Lender can typically liquidate the borrower's securities and keep the cash to satisfy the Maintenance Call. When liquidating the securities of the borrower's investment portfolio, the Lender usually reserves the right to decide which securities to sell to protect its interests and is not necessarily required to provide written notice of its intentions to liquidate. Accordingly, clients who borrow money through a margin loan should be aware of this risk and that such risk is not limited to the margin in the client's account which could result in the client having to owe additional money or collateral to the Lender after the positions are liquidated. It is therefore possible that a client can lose more money than what the client originally invested into the portfolio.

Liquidity Risk: Margin loans also have a significant effect on the liquidity of a client's portfolio. Namely, a security (whether an equity, mutual fund or ETF) that is used as collateral for a margin loan is unavailable for a borrower to liquidate as long as the loan is outstanding. Decreased liquidity increases portfolio risk and restricts a client's access to their funds, which clients should strongly consider before using a margin loan.

Risk of Margin as an Investment Strategy and Associated Conflict of Interest: Although BSW does not recommend the use of margin as an investment strategy, in which the client would borrow money leveraged against securities it holds to purchase additional securities, clients choosing to do so would be subjected to the risks described above. In addition, if a client determines to use margin to purchase assets that BSW will manage, BSW will include the entire market value of the margined assets when computing its advisory fee. A conflict of interest would arise if BSW recommends that a client apply for a margin loan instead of

selling securities that BSW manages for a fee to meet liquidity needs, the recommendation presents a conflict of interest because selling securities (instead of leveraging those securities to access a margin loan) would decrease BSW's investment advisory fee.

## **Item 9 - 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 them or the integrity of their management.

As of the date of this Brochure, BSW does not have any legal, financial or other disciplinary items to report to you.

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

BSW's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

BSW is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. BSW does not have any current relationships or arrangements to disclose.

BSW does not receive compensation, directly or indirectly, from any source to whom it may refer or recommend clients.

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

**Code of Ethics:** As required by the Advisers Act, BSW has adopted a written Code of Ethics (the "Code") that emphasizes a set of high standards of conduct for all employees to observe. The Code governs a number of potential conflicts of interest which exist when providing advisory services to BSW clients. This Code is designed to enable BSW to meet its fiduciary obligation to BSW clients (or

prospective clients) and to instill a culture of compliance within BSW. An additional benefit of the Code is to assist BSW in preventing violations of securities laws.

The Code is distributed to each employee at the time of hire and annually thereafter, and it is available on BSW's intranet. BSW also supplements the Code with ongoing monitoring of employee activity.

The Code includes (among other things):

- Requirements related to confidentiality of client information;
- Prohibitions on:
  - Insider trading (if we are in possession of material, non-public information);
  - The acceptance of gifts and entertainment that exceed our policy standards;
- Requirements and reporting of gifts and/or entertainment;
- Pre-clearance of certain securities transactions;
- Reporting of personal securities transactions; and,
- Disclosure of accounts over which employees have beneficial interest.

On a quarterly basis, BSW requires all employees to certify that they are in compliance with the Code.

**Potential Conflicts of Interest:** BSW offers many different products and services and there are several potential conflicts of interest which may arise, including, but not limited to, those identified below. BSW has adopted and continues to adopt, policies and procedures to address such potential conflicts of interest.

BSW often directs the investment of client assets to outside managers. Certain of BSW's outside manager(s) employees/owners have retained BSW for personal advisory services. In these instances, BSW may provide a group discount for employees/owners of the manager. These arrangements may create a conflict of interest as BSW is incentivized to transact business through the outside manager(s) by virtue of BSW's interest in continuing and expanding its advisory relationship with employees/owners of the outside manager(s).

**Participation or Interest in Client Transactions:** BSW does not recommend to clients, or buy or sell for client accounts, securities in which BSW or a related person has a material financial interest.

**Personal Trading:** BSW employees may trade for their own accounts in securities which are purchased or sold for BSW's clients. Because BSW permits such personal trading, this creates the potential conflict that employees could use their knowledge of pending client transactions in an attempt to benefit their own personal transactions. For example, if an employee owns a security the employee knows BSW will be selling out of a client's account, the employee could sell the personal holding ahead of time in an effort to obtain a higher price than might exist when the client account holdings are sold.

To address conflicts related to personal trading, the Code requires employees to pre-approve certain types of securities transactions. In order to avoid either an actual or apparent conflict of interest, BSW will disclose the names of all such securities to client upon request.

You may request a copy of BSW's Code by contacting us at the address, telephone number or email on the cover of this Brochure.

## **Item 12 - Brokerage Practices**

**The Custodians and Brokers We Use:** BSW does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 – Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We often recommend that our clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, or Fidelity Investments ("Fidelity") as the qualified custodian.

We are independently owned and operated and are not affiliated with Schwab, Fidelity or any of the custodians or brokers we use. Schwab, Fidelity, or such other custodian will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we may recommend that you use Schwab or Fidelity as custodian/broker, you will decide whether to do so and will open your account with Schwab or Fidelity by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client Referrals and Other Compensation). You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab or Fidelity, and we anticipate that most trades will be executed through Schwab or Fidelity respectively, we can still use other brokers to execute trades for your account as described below.

**Broker/Dealer Selection:** BSW will recommend and select custodians/broker-dealers in a manner it believes to be consistent with its duty to seek “best execution,” which is the obligation to seek to execute securities transactions for a client on terms that are the most favorable to the client under the circumstances. BSW does not charge a premium or commission on transactions, beyond the actual cost imposed by the custodian/broker-dealer. When considering whether the terms provided are, overall, most advantageous to you when compared with other available providers and their services, we take into account a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities in your account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payments, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength, security, and stability;
- Prior service to us and our clients;
- Availability of other products and services that benefit us, as described below.

**Your Brokerage and Custody Costs:** For our clients' accounts that Schwab or Fidelity maintain, Schwab and Fidelity generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or that settle into your Schwab or Fidelity account. Certain trades (for example, mutual funds and ETFs) do not incur commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Pro-



gram. Similarly, Fidelity is compensated by earning interest on uninvested cash in your Fidelity account. For some accounts, Schwab charges you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab's commission rates and asset-based fees applicable to BSW client accounts were negotiated based on the condition that our clients collectively maintain a minimum asset threshold in accounts at Schwab. This commitment benefits you because the overall commission rates or asset-based fees you pay are lower than they would be otherwise. In addition to commissions or asset-based fees, Schwab and Fidelity charge you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab or Fidelity account respectively. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your Schwab account, and Fidelity execute most trades for your Fidelity account.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades for Schwab custodied accounts is consistent with our duty to seek "best execution" of your trades. Similarly, we have determined that having Fidelity execute most trades for Fidelity custodied accounts is consistent with our duty to seek best execution. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "Broker/Dealer Selection"). By using another broker or dealer you may pay lower transaction costs.

Products and Services Available to Us from Schwab: Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like BSW. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through BSW. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited

basis (we do not have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

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

Services that do not directly benefit you: Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts;
- Assist with back-office functions, recordkeeping, and client reporting.

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

- Educational conferences and events;
- Consulting on technology and business needs;
- Consulting on legal and compliance related needs;
- Publications and conferences on practice management and business succession;
- Access to employee benefits providers, human capital consultants, and insurance providers;
- Marketing consulting and support.

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, BSW would be required to pay for those services from our own resources.

Our Interest in Schwab's Services: The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services. Schwab has also agreed to pay for certain technology, research, marketing, and compliance consulting products and services on our behalf once the value of our clients' assets in accounts at Schwab reaches certain thresholds. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "Broker/Dealer Selection") and not Schwab's services that benefit only us.

Aggregate Trading: As a general matter, BSW will seek to allocate securities purchased for client accounts in a fair and equitable manner and will select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction. If BSW buys or sells the same securities on behalf of more than one client, it may, but is under no obligation to, aggregate or bunch, to the extent permitted by applicable law and regulations, the securities to be purchased or sold for multiple clients in order to seek more favorable prices, lower brokerage commissions or achieve more efficient execution. In such cases, BSW will place an aggregate order with the broker on behalf of all such clients or its affiliates, partners, or employees or accounts in which BSW or its affiliates, partners, or employees have an interest. Securities purchased or proceeds of securities sold through

aggregated orders will be allocated to the account of each client that bought or sold such securities at the average execution price. If less than the total of the aggregated orders are executed, purchased securities or proceeds will be allocated pro rata among the participating clients in proportion to their planned participation in the aggregated orders, or other applicable criteria determined in good faith by BSW.

**Directed Brokerage:** BSW permits clients to direct transactions to the broker/dealer of their choice. When applicable in such circumstances, BSW will advise the client that client may be unable to achieve most favorable execution of their transactions and/or that directing brokerage may cost them more money including higher brokerage commissions and transaction costs and/or less favorable prices than client accounts for which BSW selects the broker.

**Research and Other Soft Dollar Benefits:** While BSW has no formal soft-dollar program in which soft-dollars are used to pay for third-party services, BSW may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft-dollar benefits"). BSW may enter into soft-dollar arrangements within the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will be advantaged from soft-dollar benefits, whether or not the client's transactions paid for it. BSW benefits by not having to produce or pay for the research, products or services, and BSW will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that BSW's acceptance of soft-dollar benefits may result in higher commissions charged to the client.

**Cross Transactions:** BSW may engage in cross transactions to the extent permitted by, and in accordance with, the advisory agreement and all applicable laws and regulations. Cross transactions may be deemed to occur in instances where, for example, one BSW client is reducing an allocation to an Underlying Manager or position and another BSW client simultaneously is increasing its allocation of such Underlying Manager or position. As it has no affiliated broker-dealer engaged in the trading of securities, BSW does not engage in agency cross transactions.

Certain of the sub-advisors engaged by BSW may also engage in cross transactions to the extent permitted by, and in accordance

with, the advisory agreement and all applicable laws and regulations.

Because BSW ultimately retains discretionary authority over client accounts, including those accounts allocated to a sub-advisor, engaging in cross transactions presents a conflict of interest in that BSW represents both the buyer and the seller in the transaction. This conflict is mitigated through sub-advisor's cross trading procedures, which do not permit cross transactions to be effectuated unless beneficial to both the buying and selling client, including in consideration of the price of the subject security.

### **Item 13 - Review of Accounts**

**Reviews:** Client accounts are electronically updated each business day. Account holdings are monitored on an ongoing basis. All client accounts are reconciled on at least a quarterly basis. Client portfolios are reviewed in detail at least quarterly. In addition, accounts are reviewed in the event of investment policy changes, changes to BSW's recommended portfolio and changes in individual client circumstances.

**Reviewer:** Accounts are reviewed by the client's portfolio manager, investment advisor representative, and/or a principal of the firm. Accounts are reviewed for investment allocation, holdings, performance, and risk relative to client's goals and objectives.

**Reports:** Clients receive trading confirmations and statements from all firms having custody of client's liquid assets. Clients also have access through an online portal (the BSW Vault) to reports and account valuations prepared by BSW ("dynamic reports"). Dynamic reports available through the BSW Vault evaluate holdings, asset allocation, investment returns, and performance. Printed reports will be prepared upon request by the client.

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

BSW is required to provide each client with information regarding any relationships where BSW compensates individuals for client referrals.

BSW receives an economic benefit from Schwab and Fidelity in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts at Schwab or Fidelity, respectively. In addition, they have also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab/Fidelity reaches a certain size. You do not pay more for assets maintained at Schwab or Fidelity as a result of these arrangements. However, BSW benefits from the arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab and Fidelity, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

If a client is introduced to BSW by either an unaffiliated or an affiliated solicitor, BSW may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-1 of the Investment Advisers Act of 1940 and any corresponding state securities law requirements. Any such referral fee shall be paid solely from BSW's investment advisory fee and shall not result in any additional charge to the client. If the client is introduced to BSW by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall provide each solicited client with a written disclosure statement disclosing the nature of their solicitor relationship, whether the solicitor is a client or non-client of BSW, and the terms of the solicitation arrangement between BSW and the solicitor, including the compensation to be received by the solicitor from BSW and any material conflicts of interest resulting from BSW's relationship with the solicitor and/or the solicitor's referral compensation arrangement with BSW.

BSW will occasionally host client events for which BSW may be reimbursed for expenses via sponsorship(s) from entities such as unaffiliated registered investment advisory firms, professional (attorney, CPA, etc.) firms, and investment managers. In order to avoid an actual or apparent conflict of interest, BSW confers no preference on sponsors and makes no representations or agreements with sponsors as to current or future utilization of the sponsor's investments or services.

## **Item 15 - Custody**

All clients' accounts and assets are held in custody by unaffiliated qualified custodians, banks, broker/dealers, mutual fund company,

or transfer agent; not with or by BSW or any of its associates. However, with respect to certain assets, we do possess a level of authority and/or legal capacity and for this reason BSW is considered to have custody of such assets. Such capacity comes from our ability to debit advisory fees from the client's account, our standing letters of authorization for certain clients, and our general power of attorney for certain clients.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains the client's investment assets. BSW urges each client to carefully review such statements and compare such official custodial records to the dynamic reports available through the BSW Vault. BSW statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients should not hesitate to contact BSW if there are any questions regarding their statements.

### **Item 16 - Investment Discretion**

BSW manages most client accounts on a discretionary basis. Prior to granting BSW discretionary authority, the client will approve such authority in client's written advisory agreement with BSW and shall execute all appropriate authorizations with qualified custodians for such authority. The client may elect to limit the scope of such authority at any time by providing written notice to BSW.

### **Item 17 - Voting Client Securities**

BSW abstains from voting proxies, except where permitted in the client's advisory agreement. When voting on behalf of a client, BSW will only cast proxy votes consistent with the best interest of the client and will identify any conflicts of interest that may arise related to voting proxies and disclose these to clients accordingly. BSW will retain documentation of any proxy research, vote information and related records related to the voting of proxies on behalf of clients.

### **Item 18 - Financial Information**

As an advisory firm having custody and exercising discretionary authority regarding client accounts, we are also required to disclose any financial condition reasonably likely to impair our ability to meet our contractual obligations to clients. BSW has no financial

commitment that impairs its ability to meet our contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

The requirement to provide an audited balance sheet is not applicable to BSW as it does not require or solicit prepayment of advisory fees six months or more in advance.