

# Disclosure Brochure

March 17, 2023

## **Strategic Family Wealth Counselors, L.L.C.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Strategic Family Wealth Counselors, L.L.C. (hereinafter "SFWC" or the "firm"). If you have any questions about the contents of this brochure, please contact Michael T. Dwyer, III at (973) 575-3444. 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 Strategic Family Wealth Counselors, L.L.C. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Strategic Family Wealth Counselors, L.L.C. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since SFWC's last annual update dated March 30, 2022. The firm has no changes to disclose in relation to this Item.

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## Item 4. Advisory Business

Since March 2000, SFWC has been in business as an independent registered investment adviser, dedicated to providing its clients with a wide range of investment related solutions necessary to assist them in their pursuit of financial success. SFWC's expansive service offerings include comprehensive wealth management, financial planning, and portfolio management. The firm's principal voting shareholder is Michael T. Dwyer, III. As of December 31, 2022, SFWC had \$1,045,643,454 in assets under management, of which \$918,928,772 was managed on a discretionary basis and \$126,714,682 was managed on a non-discretionary basis.

Prior to engaging SFWC to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with SFWC setting forth the terms and conditions under which SFWC renders its services (collectively the "*Agreement*").

This Disclosure Brochure describes the business of SFWC. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of SFWC's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on SFWC's behalf and is subject to SFWC's supervision or control.

### Financial Planning Services

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SFWC's financial planning services encompass a variety of functions addressing a multitude of investment and non-investment related matters. These services incorporate any or all of the following, without limitation:

- Preparation of statements of financial position
- Financial independence modeling
- Cash flow modeling
- Survivor income needs analyses
- Education planning analyses
- Estate planning strategies
- Asset protection strategies
- Risk management strategies
- Wealth transfer strategies
- Investor education services
- Preparation of investment policy statements
- Preparation of trust/retirement withdrawal strategies
- Bill paying services

SFWC's financial planning services are typically reserved for the firm's investment management clients, as explained below. However, in certain circumstances, SFWC also provides these services to non-investment management clients on a standalone basis.

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In performing its services, SFWC is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. SFWC recommends the services of itself, its *Supervised Persons* in their individual capacities as insurance producers/agents, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if SFWC recommends its own services. The client is under no obligation to act upon any of the recommendations made by SFWC under a financial planning or consulting engagement or to engage the services of any such recommended professional, including SFWC itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of SFWC's recommendations. Clients are advised that it remains their responsibility to promptly notify SFWC if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising SFWC's previous recommendations and/or services.

## **Investment Management and Wealth Management Services**

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SFWC manages clients' investment portfolios on a discretionary and/or non-discretionary basis. Typically portfolio management is rendered in conjunction with the firm's financial planning services under a single, coordinated offering (collectively, SFWC's "wealth management services").

SFWC primarily allocates clients' investment management assets among *Independent Managers* (as defined below), mutual funds, exchange-traded funds ("ETFs") and collective investment vehicles in accordance with the investment objectives of the client. The firm also provides advice with regard to legacy positions or investments otherwise held in its clients' portfolios.

Certain of the collective investment vehicles recommended by SFWC take the form of private placement securities. As such, SFWC limits such recommendations to clients who are deemed to be "accredited investors," as defined by Rule 501 under the Securities Act of 1933. SFWC also provides advice about any type of investment held in clients' portfolios.

SFWC also render non-discretionary investment management services to clients relative to variable life/annuity products that they own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, SFWC either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Where appropriate, the firm also provides advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the firm unless specifically agreed upon.

SFWC tailors its advisory services to the individual needs of clients. SFWC consults with clients initially and on an ongoing basis to develop an investment policy statement which determines risk tolerance, time horizon and other factors that may impact the clients' investment needs. SFWC ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify SFWC if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon SFWC's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in SFWC's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Use of Independent Managers

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As mentioned above, SFWC recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between SFWC or the client and the designated *Independent Managers*. SFWC renders services to the client relative to the discretionary selection of *Independent Managers*. SFWC also monitors and reviews the account performance and the client's investment objectives. SFWC receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, SFWC reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that SFWC considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, SFWC's investment advisory fee set forth above. As discussed above, the client incurs additional fees than those charged by SFWC, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to SFWC's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than SFWC. In such instances, SFWC may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Sponsor of Wrap Program

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SFWC previously sponsored the Strategic Family Wealth Counselors Program (the "*Program*"), a wrap fee program. For clients of the *Program*, SFWC provided its investment management services and arranged for brokerage transactions under a single annualized fee. SFWC no longer sponsors the *Program*. Therefore, clients incur additional expenses for brokerage transactions (as well as other expenses), as disclosed below in Item 5.

## Item 5. Fees and Compensation

SFWC offers its services on a fee basis, which includes fixed fees and fees based upon assets under management.

## Financial Planning Fees

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SFWC charges a fixed and/or hourly fee for the firm's standalone financial planning services. These fees are negotiable, but generally range from \$2,500 to \$1,000,000 on a fixed fee basis. In certain circumstances the firm will also negotiate a fee based upon the assets under advisement and/or the client's net worth. The fee is largely determined by the level and scope of the services and the professional engaged to render them. If the client engages SFWC for additional investment advisory services, SFWC may offset all or a portion of its fees for those services based upon the amount paid for the financial planning services.

Prior to engaging SFWC to provide financial planning services, the client is required to enter into a written agreement with SFWC setting forth the terms and conditions of the engagement. Generally, SFWC requires one-half of the financial planning fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

## Investment Management and Wealth Management Fees

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SFWC provides investment management services for an annual fee based upon a percentage of the assets under management. The annual fee varies between 0.10% and 1.50% of the assets being managed by SFWC, depending upon the size of a client's portfolio and the investment management services to be rendered. This fee is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. Certain of the firm's financial planning services may be included under this annual asset-based fee, as part of SFWC's wealth management offering.

SFWC's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. SFWC does not, however, receive any portion of these commissions, fees, and costs.

The Firm includes cash in a client's account in determining the valuation for billing purposes. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision. SFWC, in its sole discretion, will negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

Clients are advised that a conflict of interest exists for the firm to recommend that clients engage SFWC for additional services for compensation, including rolling over retirement accounts or moving other assets to the firm's management. Clients retain absolute discretion over all decisions regarding engaging the firm and are under no obligation to act upon any of the recommendations.



## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), SFWC generally recommends that clients utilize the brokerage and clearing services of Schwab Advisor Services (“*Schwab*”) and Fidelity Brokerage Services LLC (together with affiliates, “*Fidelity*” and together with Schwab or any other recommended broker-dealer “*the Custodians*”) for investment management accounts.

SFWC only implements its investment management recommendations after the client has arranged for and furnished SFWC with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, *Schwab*, any other broker-dealer recommended by SFWC, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers*, custodial fees, brokerage commissions and transaction fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Such charges, fees and commissions are exclusive of and in addition to SFWC's fees.

## **Fee Debit**

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SFWC's *Agreement* and the separate agreement with any *Financial Institutions* authorize SFWC or *Independent Managers* to debit the client's account for the amount of SFWC's fee and to directly remit that management fee to SFWC or the *Independent Managers*. Any *Financial Institutions* recommended by SFWC have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SFWC. Alternatively, clients may elect to have SFWC send an invoice for payment.

## **Fees for Management during Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between SFWC and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. SFWC's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to SFWC's right to terminate an account. Additions may be in cash or securities provided that SFWC reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to SFWC, subject to the usual and customary securities settlement procedures. However, SFWC designs its portfolios as long-term investments and the

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withdrawal of assets may impair the achievement of a client's investment objectives. SFWC may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

SFWC does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

SFWC provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimums Imposed By Independent Managers**

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SFWC does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than SFWC. In such instances, SFWC may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Methods of Analysis

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SFWC's primary methods of analysis are largely fundamental in nature.

*Fundamental analysis* involves the examination of the fundamental financial condition and competitive position of a company. SFWC involves an analysis of the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors, which is used to determine the firm's investment decisions. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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Each client has goals and objectives that are unique. The firm's approach recognizes that and takes the time to thoroughly listen to clients in an effort to gain an understanding of their individual situations, concerns and expectations. SFWC asks questions, listens to concerns and welcomes discussion as alternatives are considered. As such, SFWC's strategy for managing its clients' wealth involves a multi-tiered process, as follows:

1. The firm completes the initial discovery interview in an effort to review and develop an understanding of the client's current financial position, as well as to verify the client's short, intermediate and long term goals.
2. SFWC sends a discovery letter to verify the financial information gained during the interview process.
3. The firm prepares a detailed statement of financial position, current investment allocation and verification of goals and objectives.
4. SFWC prepares a written financial plan, outlining goals and recommendations regarding how to meet the client's objectives in the most appropriate manner. The firm also develops a Financial Independence Model in an effort to determine the minimum rate of return a client would need to earn in order to meet their financial objectives based on their available capital and time horizon. By determining this minimum investment hurdle rate, it allows SFWC to create portfolios that are designed with the goal of providing clients with the greatest opportunity of meeting their targeted investment return with the minimum amount of volatility.
5. SFWC then offers to develop an investment policy statement, which aids in the following ways:
  - a. Clarifies objectives and expectations for all concerned parties;
  - b. Approves specific procedures so that all parties concerned know what to expect;
  - c. Compels the investor and advisor to be more disciplined and systematic in their decision-making;

- d. Minimizes the potential for misunderstandings;
  - e. Establishes a record of decisions and an objective means to test whether those serving the investor are complying with the investor's requirements;
  - f. Provides a means to communicate to advisors, beneficiaries, and current and future fiduciaries on how the investor proposes to act upon their duties.
6. The firm seeks to identify appropriate investment managers to be utilized as part of the process, which include:
- a. Active versus passive management
  - b. Security selection of:
    - i. Mutual funds
    - ii. ETFs
    - iii. Separate account managers
    - iv. Individual stocks
    - v. Individual bonds
    - vi. Hedge funds
    - vii. Private equity
    - viii. Commodities
    - ix. Real estate
    - x. Managed futures
7. SFWC develops a timeline and implementation strategy in order to initiate recommendations.
8. The firm then initiates the investment strategy.
9. SFWC continues to monitor quarterly performance of investment assets against stated objectives.
10. On an annual basis, the firm updates cash flow models and Statements of Financial Positions in an effort to assure family objectives are being met, as well as incorporating any changes in financial situation or the client's philosophy.

### Risks of Loss

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#### *Mutual Funds and Exchange Traded Funds (ETFs)*

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.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The

trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Market Risks*

The profitability of a significant portion of SFWC's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that SFWC will be able to predict those price movements accurately.

### *Use of Independent Managers*

SFWC may recommend the use of *Independent Managers* for certain clients. SFWC will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, SFWC does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Use of Private Collective Investment Vehicles*

SFWC may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other

financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other offering documents explaining such risks.

### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by SFWC in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to SFWC will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin shall correspondingly increase the management fee payable to SFWC. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.



### **Item 9. Disciplinary Information**

SFWC is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. SFWC does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

SFWC is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

### **Receipt of Insurance Commission**

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Certain of SFWC's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While SFWC does not sell such insurance products to its investment advisory clients, SFWC does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that SFWC recommends the purchase of insurance products where SFWC's *Supervised Persons* receive insurance commissions or other additional compensation.

## Item 11. Code of Ethics

SFWC and persons associated with SFWC (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with the firm’s policies and procedures.

SFWC has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). SFWC’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by the firm or any of its associated persons. The *Code of Ethics* also requires that certain of SFWC’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When the firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact SFWC to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, SFWC generally recommends that clients utilize the brokerage and clearing services of *the Custodians*.

Factors which SFWC considers in recommending *the Custodians* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *The Custodians* enable the firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *the Custodians* may be higher or lower than those charged by other Financial Institutions.

The commissions paid by SFWC's clients to *the Custodians* comply with the firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where SFWC determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. SFWC seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist SFWC in its investment decision-making process. Such research will be used to service all of the firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because SFWC does not have to produce or pay for the products or services.

SFWC periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### Software and Support Provided by Financial Institutions

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SFWC receives without cost from *the Custodians* administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow SFWC to better monitor client accounts maintained at *the Custodians* and otherwise conduct its business. SFWC receives the Support without cost because the firm renders investment management services to clients that maintain assets at *the Custodians*. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits SFWC, but not its clients directly. Clients should be aware that SFWC's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence the firm's choice of broker-

dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, SFWC endeavors at all times to put the interests of its clients first and has determined that the recommendation of *the Custodians* is in the best interest of clients and satisfies the firm's duty to seek best execution.

Specifically, SFWC receives the following benefits from *the Custodians*: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at *the Custodians*. *The Custodians'* services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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 client accounts maintained in its custody, *the Custodians* generally do not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through *the Custodians* or that settle into accounts at *the Custodians*.

*The Custodians* also make available to the firm other products and services that benefit the firm but may not benefit its clients' accounts. These benefits may include national, regional or firm specific educational events organized and/or sponsored by *the Custodians*. Other potential benefits may include occasional business entertainment of personnel of SFWC by *the Custodians'* personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist SFWC in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the firm's accounts, including accounts not maintained at *the Custodians*. *The Custodians* also make available to SFWC other services intended to help the firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, *the Custodians* may make available, arrange and/or pay vendors for these

types of services rendered to the firm by independent third parties. *The Custodians* may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the firm. While, as a fiduciary, SFWC endeavors to act in its clients' best interests, the firm's recommendation that clients maintain their assets in accounts at *the Custodians* may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by *the Custodians*, which creates a conflict of interest.

### Brokerage for Client Referrals

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SFWC does not consider, in selecting or recommending broker/dealers, whether the firm receives client referrals from the Financial Institutions or other third party.

### Directed Brokerage

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The client may direct SFWC in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by SFWC (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, SFWC may decline a client's request to direct brokerage if, in the firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### Trade Aggregation

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Transactions for each client generally will be effected independently, unless SFWC decides to purchase or sell the same securities for several clients at approximately the same time. SFWC may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among SFWC's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which SFWC's Supervised Persons may invest, the firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. SFWC does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, the firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### Item 13. Review of Accounts

For those clients to whom SFWC provides investment management services, SFWC monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom SFWC provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of SFWC’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with SFWC and to keep SFWC informed of any changes thereto. SFWC contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom SFWC provides investment advisory services will also receive a report from SFWC that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance not less than annually. Clients should compare the account statements they receive from their custodian with those they receive from SFWC.

Those clients to whom SFWC provides financial planning services will receive reports from SFWC summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by SFWC.



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

SFWC is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. SFWC receives economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

In addition, SFWC is required to disclose any direct or indirect compensation that it provides for client referrals. SFWC does not compensate for referrals.

## Item 15. Custody

SFWC's *Agreement* and/or the separate agreement with any *Financial Institution* authorizes SFWC through such *Financial Institution* to debit the client's account for the amount of SFWC's fee and to directly remit that management fee to SFWC in accordance with applicable custody rules.

The *Financial Institutions* recommended by SFWC have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SFWC. In addition, as discussed in Item 13, SFWC also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from SFWC.

### **Surprise Independent Examination**

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As SFWC is deemed to have custody over certain clients' cash or bank accounts (for reasons other than those discussed above), the firm is required to engage an independent accounting firm to perform a surprise annual examination of those assets and accounts over which it maintains custody. Any related opinions issued by an independent accounting firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website. SFWC does not have direct access to client funds as they are maintained with an independent qualified custodian.

### **Standing Letters of Authorization**

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SFWC also has custody due to clients giving the firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the firm will keep records showing that the third party is not a related party of the firm or located at the same address as the firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

### Item 16. Investment Discretion

SFWC is given the authority to exercise discretion on behalf of clients. SFWC is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. SFWC is given this authority through a power-of-attorney included in the agreement between SFWC and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). SFWC takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

SFWC is required to disclose if it accepts authority to vote client securities. SFWC does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### Item 18. Financial Information

SFWC is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Strategic Family Wealth Counselors, L.L.C.**

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