

## ***Part 2A of Form ADV***

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March 20, 2023

This brochure provides information about the qualifications and business practices of Lodestone Wealth Management. If you have any questions about the contents of this brochure, please contact us at (509)413-2386. 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. Registration as an investment adviser does not imply any certain level of skill or training.

Additional information about Lodestone Wealth Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

Since our last annual update in March 2022, we have made no material changes.

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## Item 4: Advisory Business

### Business Owners

Lodestone Wealth Management has been operating as a registered investment advisor since October 2009. Our two principal owners are Daniel Murphy and Andrew McDirmid. Lodestone Wealth Management is referred to in this document as “Lodestone Wealth Management,” “the Company,” “us” “we,” or “our.” We refer to current and prospective clients as “you,” “client,” or “your.”

### Advisory Services

We provide discretionary portfolio management and financial planning to our clients. Each client, upon account opening, fills out a Client Profile giving us insight to each clients’ financial information, investment objectives, and risk tolerance.

We design portfolios using a variety of different types of investments, but most commonly we use an array of publicly traded exchange-traded funds, mutual funds, and individual stocks and fixed income securities. We use one or more third-party investment advisors as part of our overall portfolio management allocation when we believe the use of the third-party advisor provides additional benefit to the client, such as providing access to certain mutual funds that would otherwise not be available given high investment minimums. When we select another advisor, we determine which program(s) or strategies are most appropriate for the client, but we do not make the individual investment decisions; we continually monitor the portfolio and will change the advisor selection when appropriate.

For accredited investors only, we may recommend a small allocation of the client’s overall portfolio be invested into a privately held security, such as a non-traded REIT. When a client purchases a privately held security, that is done on a non-discretionary basis; clients will receive the investment’s offering document and will sign subscription documents to purchase the security. Privately held positions are included in the client’s overall portfolio value for billing purposes.

Your portfolio is customized based on your individual needs. Clients may impose restrictions on investing in certain securities or types of securities. Any client trading restrictions will be in writing. We do not accept restrictions that fall outside our standard suite of services or investment products.

We review client portfolios on a continuous basis to ensure allocations and portfolios are in line with each client’s goals and objectives, whether they are managed by us or managed by a third-party investment advisor.

We include basic financial planning services in our annual management fee. When the scope of a client's planning needs is greater in scope and complexity than what we generally include in our management fee, or the client has requested we provide standalone planning services without portfolio management services, we will provide requested planning services on an hourly or fixed fee basis. Depending on the advisory representative working with you, planning services may also include tax planning or estate planning.

**Important Information for Retirement Investors:** When we recommend that you rollover retirement assets or transfer existing retirement assets, such as a 401(k) or an IRA, to our management, we have a conflict of interest. This is because we will generally earn additional revenue when we manage more assets. In making the recommendation, however, we do so only after determining that the recommendation is in your best interest. Further, in making any recommendation to transfer or rollover retirement assets, we do so as a "fiduciary," as that term is defined in ERISA or the Internal Revenue Code, or both. We also acknowledge we are a fiduciary under ERISA or the Internal Revenue Code with respect to our ongoing investment advisory recommendations and discretionary asset management services, as described in the advisory agreement we execute with you. To the extent we provide non-fiduciary services to you, those will be described in the advisory agreement.

#### Wrap Fee Program

Lodestone Wealth Management does not participate in or sponsor in any wrap fee program.

#### Assets Under Management

As of 12/31/2022 we managed assets of \$221,562,996, all on a discretionary basis.

### Item 5: Fees and Compensation

#### Fees

Lodestone Wealth Management charges an annual, asset-based management fee, billed at the start of each quarter in advance of the services being provided. Our management fee is based on the dollar value of the account on the last day of each quarter as valued by your account custodian. Privately held positions are reflected in the client's custodial account and included in the client's overall portfolio value for billing purposes. Lodestone Wealth Management always relies on third parties to provide valuations; we never value investment positions ourselves.

We charge a single, fixed percentage based on your total assets under our management. For example, if we manage a portfolio of \$1,000,000, the annual fee is 1%.

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
\$0 to \$500,000	1.25%
\$500,001 to \$2,500,000	1.00%
\$2,500,001 to \$5,000,000	0.75%
Over \$5,000,000	Negotiable

Our management fees are negotiable, and clients do not all pay the same fee. On an exceptional basis and at the client's request, we charge an annual fixed dollar amount rather than an asset-based fee.

This flat fee arrangement would be more likely with a smaller account and may result in the percentage rate being higher than our stated fee schedule. Your specific fee arrangement will be described in your written Investment Advisory Agreement with us.

Fees are deducted directly from the client's custodial account based on written authorization provided in your Investment Advisory Agreement with us and your account-opening paperwork.

We offer financial planning at a fixed rate, which generally ranges from \$1500-\$3500, depending on the scope and complexity of the services requested. Financial planning fees are billable upon completion of services. Clients typically pay us via check.

### Other Fees

Transaction fees (commissions) are paid directly to your broker-dealer/custodian for execution securities transactions. We provide examples below of brokerage/custodial fees you may incur; this list is not mean to be all-inclusive. All applicable brokerage/custodial fees will be fully disclosed by your custodian and are separate from any investment advisory fee you pay to Lodestone Wealth Management. Lodestone Wealth Management does not receive any portion of the brokerage or custodial fees you pay.

- transaction fees
- periodic distribution fees
- wire transfer fees
- reorganization fees
- outgoing account transfer fees
- return check fees
- transfer agent fees

### Fee Payment and Refunds

Client accounts are charged their quarterly fee in advance before services are performed. In cases when the advisory agreement does not span the full billing period, fees are prorated from the date of inception through the date of termination based on the account value. The total quarterly fee is reduced by the number of days remaining in the quarter at time of termination. The Client may terminate the advisory agreement at any time with written notice to us.

### Mutual Fund Fees

The above referenced fees do not include brokerage commissions and other costs related to the execution of transactions on behalf of clients. Such costs will be paid by advisor clients in addition to the fees discussed above. Moreover, mutual funds that are held by advisory clients will bear their own internal transaction and execution costs, as well as directly compensate their investment managers, along with internal administrative services. Some mutual funds pay 12(b)1 fees, distribution fees, and/or shareholder services fees to broker/dealers that offer such mutual funds to their clients. These charges affect the Net Asset Value of these mutual fund shares and are thus indirectly borne by the mutual fund shareholders such as a Lodestone Wealth Management client. This practice may present a conflict of interest and may provide an incentive to recommend investment products based on the

compensation received. It is disclosed to Clients at account opening that 12(b)1 fees may be received by advisors. It is also disclosed that all funds through the advisory are purchased as “no-load” funds.

Lodestone Wealth Management in no way whatsoever charges extra for solicitors or other referrals. Clients have the option to purchase investment products that Lodestone Wealth Management has recommended through other brokers or agents that are not affiliated with Lodestone Wealth Management.

## Item 6: Performance Based Fees, Side-by-side Management

Lodestone Wealth Management does not charge fees that are based upon a share of capital gains or capital appreciation of clients’ assets and this Item is not applicable to our firm.

## Item 7: Types of Clients

Lodestone Wealth Management generally provides investment advice to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and corporations or business entities other than those listed here. We generally require a minimum of \$250,000 but do reserve the right to waive that minimum.

## Item 8: Methods of Analysis and Investment Strategies; Risks of Loss

### Methods of Analysis and Investment Strategies

We use Fundamental Analysis to formulate investment advice, looking at financial information and health of securities based on the overall state of the economy. Also used are the following investment strategies: Long term purchases (securities held at least 1 year), Short term purchases (securities held less than 1 year), and Trading (securities may be held less than 30 days). Investing using our analysis and strategies does not guarantee against risk and possible loss of capital. Investing in any security involves risk and possible loss of capital that clients should be prepared to bear.

### Risks of Loss

**Asset Class Risk:** Securities in your accounts(s), or in underlying investments such as mutual funds, may under perform in comparison to the general securities markets or other asset classes.

**Equity Securities Risk:** Equity securities are subject to changes in value that may be attributable to market perception of a particular issuer or general stock market fluctuations that affect all issuers. Investments in equity securities may be more volatile than other types of investments.

**Growth Securities Risk:** Growth companies are companies whose earnings growth potential appears to be greater than the market, in general, and whose revenue growth is expected to continue over an extended period. Stocks of growth companies or “growth securities” have market values that may be more volatile than those of other types of investments. Growth securities typically do not pay a dividend.

**Issuer Risk:** Your accounts(s) performance depends on the performance of individual securities in which your account invests. Any issuer may perform poorly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, disruptions in supply, labor problems or shortages, corporate restructurings,

fraudulent disclosures, or other factors. Changes to the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.

**Management Risk:** The performance of your accounts(s) is subject to the risk that our investment management strategy may not produce the intended results.

**Market Risk:** Your accounts(s) could lose money over short periods of time due to short term market movements and over longer periods of time due to market downturns. The value of a security may decline due to general market conditions, economic trends, or events that are not specifically related to the issuer of the security or to factors that affect a particular industry or industries. During a general downturn in the securities markets, multiple asset classes may be negatively affected.

**Larger Company Securities Risk:** Securities of companies with larger market capitalizations may underperform securities of companies with smaller and mid-sized market capitalizations in certain economic environments. Larger, more established companies might be unable to react as quickly to new competitive challenges, such as changes in technology and consumer tastes. Some larger companies may be unable to grow at rates higher than the faster growing smaller companies, especially during extended periods of economic expansion.

**Liquidity Risk:** A security may not be able to be sold at the time desired without adversely affecting the price.

**Regulatory Risk:** Changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

**Small Company Risk:** Securities of companies with smaller market capitalization, historically, tend to be more volatile and less liquid than larger company stocks. Smaller companies may have no, or relatively short, operating histories; or be newly public companies. Some of these companies have aggressive capital structures, including high debt levels, or are involved in rapidly growing or changing industries, or new technologies, which pose additional risks.

**Value Style Investment Risk:** Value stocks can perform differently from the market as a whole and from other types of stocks. Value stocks may be purchased based upon the belief that a given security may be out of favor. Value investing seeks to identify stocks that have depressed valuations, based upon a number of factors which are thought to be temporary in nature, and to sell them at superior profits when their prices rise after the issues which caused the valuation of the stock to be depressed are resolved. While certain value stocks may increase in value more quickly during periods of anticipated economic upturn, they may also lose value more quickly in periods of anticipated economic downturn. Furthermore, there is a risk that the factors which caused the depressed valuations are longer term or even permanent in nature, and that there will not be any rise in value. Finally, there is the increased risk that such companies may not have sufficient resources to continue as ongoing businesses, which may result in the stock of such companies to become worthless.

## Item 9: Disciplinary Information

Lodestone Wealth Management, Dan Murphy, and/or Andrew McDirmid have no legal or disciplinary actions against them.

## Item 10: Other Financial Industry Activities and Affiliations

One of Lodestone Wealth Management's principal owners, Dan Murphy, is a registered representative of an unaffiliated broker-dealer, Northwest Investment Advisors, Inc. (NWIA), and a licensed insurance agent. He maintains his registration and licensing for the purpose of providing clients with access to certain investment products and solutions not offered on our investment advisory platform, such as variable annuities.

When Dan recommends a broker-dealer or insurance product, he receives a commission for the sale of that product. He also typically receives trailing commissions on products he previously sold. A conflict of interest exists as these commissionable securities and insurance product sales create an incentive to recommend products based on the compensation earned. To mitigate this potential conflict, Dan will only recommend such transactions when they are in the client's best interest. Additional information about Dan's other industry affiliations can be found in his ADV Part 2B brochure supplement.

Lodestone Wealth Management's other principal owner, Andrew McDirmid, is a licensed CPA. He provides periodic CPA services through an outside CPA firm. While the CPA firm is not affiliated with Lodestone Wealth Management, it is owned by a family member of Andrew's. Clients using any of the CPA firm's services will do so under a separate engagement directly with the CPA firm. Lodestone Wealth Management does not receive any compensation for referrals. Additional information about Andrew's outside business activities can be found in his brochure supplement.

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

Lodestone Wealth Management has adopted a Code of Ethics that requires all employees to ensure that the Company conducts its business with the highest level of ethical standards and upholds its fiduciary duties to its clients. We have a duty to exercise our authority and responsibility for your benefit and to place our client's interest first and retain from having outside interest that conflict with the interest of our clients. Prohibited acts include, but are not limited to employing any device, scheme, or artifice to defraud, making any untrue statements of material fact, or engaging in any fraudulent, deceitful, or manipulative practice. Our controls in this area focus upon securities transactions made by our employees that have access to material information about the trading of Lodestone Wealth Management. Using our contact information on the cover page of this brochure, clients and prospective clients may contact us by phone, US Mail, or email to request a copy of our Code of Ethics.

Our employees and IARs may buy, sell and hold the same securities that our IARs also recommend to clients. We perform investment services for various clients with varying investment goals and risk profiles. As such, the investment advice may differ between clients and investments made by our



IARs. We do not have an obligation to recommend for purchase or sale a security that Lodestone Wealth Management's principals, employees, or IARs may purchase, sell, or hold. When we decide to liquidate a security, we will always give priority to the client's orders before those of our related person accounts. We have procedures dealing with insider trading, employee related accounts, "front running" and other issues that may present a potential conflict when such purchases, sales or recommendations are made. In general, these policies and procedures are intended to eliminate, to the extent possible, the adverse effect on clients of any such potential conflicts of interest.

## Item 12: Brokerage Practices, Referrals, and Aggregate Trading

### Brokerage Practices

All client assets must be held with a "qualified custodian," often a broker-dealer. Lodestone Wealth Management does not maintain custody of your assets, beyond fee deduction and third-party standing money movement instructions, practices we describe in **Item 15: Custody**.

We recommend three different custodians: Charles Schwab & Co., Inc. ("Schwab"), TD Ameritrade Institutional (TD), and Fidelity Investments (Fidelity), all registered broker-dealers, members of SIPC. Clients may choose a custodian; if they have no preference, we generally recommend Schwab. We are independently owned and operated and are not affiliated with any of the custodians. The custodian will hold your assets in a brokerage account and buy and sell securities as we instruct. While we may recommend you use a certain custodian, you will decide whether to do so and will open your account with the custodian by entering into an account agreement directly with them. We don't open the account for you, though we may assist you with the process and handle the administrative aspects.

Each custodian provides us with access to institutional trading and operations services, which are typically not available to retail investors. These services are offered to independent investment advisors at no charge in exchange for keeping a minimum amount of account assets at the custodian. We review a range of factors to determine whether the terms the custodian provides are most advantageous to you overall compared with other available providers and their services such as:

- Combination of transaction execution services and asset custody services, generally without a separate fee for custody
- Capability to execute, clear, and settle trades
- Capability to facilitate transfers and payments to and from accounts
- Breadth of available investment products
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services and willingness to negotiate prices
- Reputation, financial strength, security, and stability
- Availability of other products and services that benefit us, as discussed below

Lodestone Wealth Management does not use Soft Dollar Benefits.

The Charles Schwab Corporation acquired TD Ameritrade and plans to fully integrate the Schwab and TD Ameritrade institutional platforms and move all TD Ameritrade clients to Schwab. The scheduled timeline for that is the second half of 2023. We believe the two firms offer similar services and pricing to clients and will have minimal impact on our disclosures to clients, other than to remove reference to TD Ameritrade.

#### Brokerage Client Referrals

Lodestone Wealth Management does not receive referrals from broker-dealers it chooses to conduct business with.

#### Aggregate Purchase/Sale of Securities

When we believe we will obtain better pricing for clients, we may aggregate client buy and sell transactions into a single block trade. We are not obligated to aggregate trades and make the decision on a case-by-case basis.

### Item 13: Review of Accounts

#### Account Review

Lodestone Wealth Management client accounts are downloaded daily into our review programs and reviewed continuously by each clients IAR. Accounts are reviewed using Morningstar Office, Custodian websites and other programs to ensure they still meet client objectives and tolerances. Portfolios that are managed by third-party managers will be reviewed at least quarterly. Other factors that would trigger a review would be direct contact with clients expressing concern regarding their accounts(s).

#### Account Reporting

Your account Custodian provides trade confirmations and monthly statements directly to you. Upon request we will arrange for you to receive written reports regarding your portfolio composition, a summary of all transaction within the portfolio (including expenses), realized gain & loss information, and performance information. The reports may be created and distributed by the Custodian of the portfolio assets or other third parties contracted to do so.

### Item 14: Client Referrals, Other Compensation

Lodestone Wealth Management does not compensate anyone, related persons or otherwise, for client referrals.

We receive an economic benefit from our custodians in the form of the support and services it makes available to us. You do not pay more for assets maintained at the custodians as a result of these arrangements. However, we benefit from the arrangements 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 our custodians, how they benefit us, and the related conflicts of interest are described above under Item 12. The availability to us of each custodians' products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## Item 15: Custody

All client assets are held by a qualified custodian, and while Lodestone Wealth Management does not hold client funds or securities, we are deemed to have custody in two limited circumstances: to deduct investment advisory fees from your account(s) and to carry out your standing instructions to move money to a designated third party (generally this means any account ownership different from your custodial account).

You authorize us to deduct fees through our signed advisory agreement and in the custodial account opening paperwork you sign.

In limited circumstances, you may provide the custodian with a single signed authorization to move money from your account to a third-party, which is called a standing letter of authorization, or "SLOA," and we are permitted to implement that money movement without receiving your written signature each time. We are in compliance with the conditions set forth by the SEC relating to SLOAs and, therefore, do not obtain a surprise exam for those assets.

All deductions and money transfers from your account are shown on the statements sent directly to you by your qualified custodian at least quarterly. You are encouraged to review these statements carefully and compare the amounts on the custodial statements with any statements we send, and the fee schedule outlined in your Investment Advisory Agreement.

## Item 16: Investment Discretion

We conduct client transactions with discretionary authority on behalf of our clients. This authority allows us to buy and sell securities in your account without first obtaining your specific consent. This authority is granted in the written Investment Advisory Agreement entered between us. There are no restrictions upon the securities that may be purchased, sold, or held in your accounts(s) unless you provide these restrictions to us in writing.

## Item 17: Voting Client Securities

Lodestone Wealth Management does not vote client proxies/securities. Clients will receive proxies or other solicitations directly from the Custodian or Transfer Agent. Clients can contact Lodestone Wealth Management via telephone, US mail, electronic mail, or in person for discussion of voting or a particular solicitation.

## Item 18: Financial Information

Lodestone Wealth Management does not require pre-payment of investment advisory fees greater than \$1200 and more than six months in advance, and therefore, a balance sheet is not required.

Lodestone Wealth Management has no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.