

# ST. CLAIR

## ADVISORS LLC

Family Office Services | Investment Advisory | Wealth Transfer Planning

## Firm Brochure

*This brochure provides information about the qualifications and business practices of St. Clair Advisors, LLC. If you have any questions about the contents of this brochure, please contact David Sommer at (216) 925-5670 or by email at [dws@saintclairllc.com](mailto:dws@saintclairllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about St. Clair Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). St. Clair Advisors, LLC's CRD number is: 155064.*

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*Registration does not imply a certain level of skill or training.*

March 30, 2023

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### **Item 3: Material Changes**

The United States Securities and Exchange Commission (“SEC”) adopted “Amendments to Form ADV” in July 2010. This Firm Brochure, dated as of March 30, 2023, is our newest disclosure document prepared in accordance with the SEC’s requirements and rules. This Item 2 is used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year, December 31. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

There were no material changes during the previous fiscal year.

## **Item 4: Advisory Business**

### **Description of the Advisory Firm**

St. Clair Advisors ("SCA," "we," "our," or "us") was founded in 2010 as an independent, practitioner owned, multi-family office serving the broad financial needs of a select group of wealthy families, business owners and corporate executives. Our clients demand an objective, integrated approach to wealth management – one that links comprehensive tax and financial planning with sophisticated investment counseling. We meet these demands by providing comprehensive, integrated wealth management services.

St. Clair Advisors is managed by its four Principals:

Ronald E. Bates – Chairman

David W. Sommer – Chief Executive Officer, Chief Investment Officer and CCO

Craig A. Steinbrink – Chief Operating Officer

Fred G. Botek – Director of Tax and Family Office Services

### **Types of Advisory Services**

Our wealth management services include investment advisory, tax planning and compliance, wealth transfer and charitable planning. Specifically, these services include:

- Development of an appropriate integrated asset allocation plan
- Selection and placement of appropriate investment strategies and/or individual securities
- Objective investment performance evaluation
- Estate planning and net worth analysis
- Tax planning and compliance
- Cash flow analysis and budgeting
- Bill Pay Services
- Property/Casualty and Life Insurance reviews

We integrate our investment advisory and financial planning services to create efficient, highly customized financial plans that result in the simplification of our clients' financial affairs. Once we develop these plans, we add further value by serving as the single point of contact for other professionals that currently provide services to its clients which results in the efficient implementation of the plan.

### **Selection of Other Advisors**

We may direct client assets to third-party money managers for management on a discretionary basis. Before selecting these managers, we will ensure that third-party

managers are properly licensed and/or registered and that such third-party money manager's investment strategies meet client objectives.

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

Within the scope of our responsibilities as investment counsel to clients, we use third-party money managers, mutual funds, ETFs, individual equities, fixed income instruments, debt securities, real estate, hedge funds, REITs, private placements, and government securities. We may also use other securities to help diversify a portfolio when appropriate.

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

We offer the same suite of services to all clients. However, client financial plans and investment portfolios are dependent upon each client's specific financial situation. The implementation and execution of these plans can differ among clients and is dictated by each client's specific goals, objectives, time horizon, tax bracket and tolerance for risk.

Clients may impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent us from properly implementing recommended investment strategies, or if the restrictions would require us to deviate from our standard suite of services, we reserve the right to terminate our relationship as investment adviser with such client.

### **Wrap Fee Programs**

We do not participate in any wrap fee programs.

### **Amounts under Management**

SCA has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$744,084,174	None	12/31/2022

## **SCA Item 5: Fees and Compensation**

### **Fee Schedule**

The fees for our comprehensive Wealth Management Services are based on a percentage of assets advised upon. The Wealth Management Service base fee ranges from 0.20% to 1% per year of assets under management. Depending upon the complexity of the client's financial affairs and/or the amount of assets under management, some or all our services may be provided, and a fixed annual retainer fee or hourly charges may be negotiated. Our Wealth Management fee may vary from client to client.

### **Payment of Fees**

Fees are paid quarterly, in advance, but never more than one quarter in advance. Clients may terminate their Investment Advisory Agreement with thirty days' written notice. Refunds are given on a prorated basis based on the number of days remaining in a quarter at the point of termination. Fees are paid by a clients' custodian directly from the client's accounts to us with client's prior written authorization.

### **Clients Are Responsible for Third-party Fees**

Clients are responsible for the payment of all third-party fees which could include external money managers' fees, custodian fees, investment platform fees, mutual fund fees, transaction fees, performance reporting fees, wire fees, etc. Those fees are separate and distinct from the fees and expenses charged by us. Please see Item 12 of this brochure regarding broker/custodian fees and practices.

### **Outside Compensation for the Sale of Securities to Clients**

Neither SCA nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

We provide investment advice and/or management supervisory services to High-Net-Worth Individuals, individuals (other than High-Net-Worth) and other related entities, including foundations and trusts.

### **Minimum Account Size**

Our minimum account size is \$5,000,000, which we may waive.

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

### **Methods of Analysis**

We believe the most prudent way to assume risk in client portfolios is to first determine how much risk is appropriate for a client, construct a diversified portfolio reflecting that level of risk, and then make disciplined, incremental allocation decisions to maintain that risk level. We also believe that effective diversification requires an investment policy that goes beyond the traditional asset classes of equities and fixed income and includes “alternative” asset classes that may exhibit diverse correlations to both stocks and bonds.

We are an “open architecture” advisor which means we objectively combine active and passive strategies in client portfolios to maximize after tax, after fee returns while seeking to minimize risk. As such, we select from a wide array of potential investment strategies and managers on behalf of clients.

The first question that we must answer is whether active management is warranted in each asset class, or whether it would be more efficient to gain exposure to an asset class via a passive approach such as an index fund or ETF. We favor an active approach in less efficient asset classes.

Taking an active approach to gaining access to an asset class requires the selection of an actively managed investment strategy. We select active third-party managers based on the following criteria:

- Sound and intuitive investment thesis
- Rigorous investment process that is repeatable over time
- Risk-adjusted, after tax, after fee performance that justifies an active management fee

- Performance through varied market environments that is consistent with expectations, based on the investment thesis
- Strong peer rankings over multiple periods
- Experienced portfolio management team
- Well-established back-office, compliance, and client service functions
- Available capacity, particularly in constrained asset classes

We will always act in the best interests of our clients, including the determination of which third-party manager(s) to recommend to clients. We do not receive any additional compensation from these managers, and we are only compensated based upon the fees set forth in Item 5.

We do not accept any payment in return for choosing any investment strategy. We partner with independent third-party due diligence and research providers to monitor and evaluate individual securities and investment strategies on an ongoing basis.

SCA defines the alternative asset class as consisting of both “liquid alternatives” that provide full transparency and daily liquidity, and “private placement alternatives” which typically require multiyear holding periods and limited liquidity. In either case, we seek proven asset classes that have provided meaningful long-term appreciation and/or demonstrated meaningful diversification benefits versus publicly traded equities and fixed income. Examples of these asset classes include master limited partnerships, real estate, private equity/debt, hedged equity, absolute return / low volatility, and high yield debt strategies. These investment strategies provide additional diversification in clients’ portfolios as well as providing client portfolios with a wider array of tactical allocations.

*Investing in any investment strategy and/or individual security involves a risk of loss, which clients should be prepared to bear.*

## Investment Objectives

Our investment philosophy is based upon broad diversification and includes five distinct investment objectives. As previously described, we strive to ensure that clients are exposed to an appropriate level of investment risk based upon their circumstances. Below is a description of each objective:

**Conservative:** The Conservative objective is appropriate for investors seeking investments primarily focused on the preservation of capital with a secondary desire for some growth and a modest level of current income. Investors in this category may utilize a modest equity allocation as a long-term inflation hedge to preserve purchasing power but must be willing to tolerate some fluctuations in principal.

**Income and Growth:** The Income and Growth objective is appropriate for investors seeking modest current income generation with a secondary provision for capital



appreciation. Investors in this category expect below average returns for accepting below average principal volatility.

**Moderate:** The Moderate objective is appropriate for investors seeking long-term investment appreciation from a combination of modest current income generation and capital appreciation. Investors in this category expect average returns in exchange for accepting average principal volatility.

**Growth:** The Growth objective is appropriate for investors primarily focused on achieving long-term capital appreciation, with a modest fixed income allocation to dampen volatility. Investors in this category expect to have above average returns for accepting above average risk.

**Aggressive Growth:** The Aggressive Growth objective is our most aggressive investment objective. This strategy is appropriate for investors seeking the highest long-term capital appreciation in exchange for significant portfolio risk and volatility. Investors in this category have no expectation of current income and can accept significant principal fluctuations.

## Private Placements

From time to time, we recommend certain unregistered securities, known as private placements, to clients. In all cases, the private placements are offered by third parties, unaffiliated with us. In every instance, the private placement offering will have a disclosure document, called a Confidential Memorandum, or a Private Placement Memorandum ("PPM") that will be delivered to the client prior to investing. This document details the fees, expenses, and risks, among other things, of the investment.

## Material Risks Involved

The investment strategies implemented in client portfolios may include exposure to publicly traded equity and fixed income securities as well as illiquid alternative investments. These illiquid alternative investment strategies include, but are not limited to private equity, private debt, private real estate, illiquid hedge, and other illiquid alternative investment strategies. Each of these has different risk characteristics:

- **Publicly-Traded Equities:** Risks include: market risk (the risk that an investment will decline in value); liquidity risk (the risk that a client will be unable to sell an asset at the price the client wants; economic risk (the risk of a general downturn in the economy, affecting a wide range of financial markets); and tax risk (the risk that the value of investments will be adversely affected by changing tax rates).
- **Publicly Traded Fixed Income:** Risks of investing in fixed income are credit risk (the risk that the issuer of a bond may default on its payment obligations) and interest rate risk

(the risk that the value of a bond may change due to a change in the absolute level of interest rates).

- **Illiquid Alternative Investments (Private Placements):** These investments are particularly subject to liquidity risk. Some of these investments require a long-time horizon – frequently as long as 10 to 12 years – to realize an investment return. In addition, the fees related to some illiquid alternative investments typically are much higher than fees for conventional investments, such as mutual funds. This may reduce client’s returns. As with all investments, the return of client principal is not guaranteed. Material loss of value is possible.

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

We generally seek investment strategies or securities that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets, with the exception of some illiquid alternative investments. The investment decisions made by us and/or the money management firms selected by us will not always be profitable. As with all investments, the return of Client principal is not guaranteed. Material loss of value is possible.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of SCA or the integrity of SCA management.

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

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

Neither SCA nor its management persons are registered as a broker/dealer or as representatives of a broker/dealer.

### **Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither SCA nor its management persons are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

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

SCA does not have any relationships material to its registration.

We partner with independent third-party due diligence and research providers to monitor and evaluate individual securities and investment strategies on an ongoing basis. Some of these providers may offer reduced due diligence fees in exchange for placing client assets on proprietary platforms or in proprietary investment strategies managed by these third-party providers. In evaluating whether to recommend that clients utilize any specific platform or strategy, we may consider the reduction in due diligence fees as part of the total mix of factors SCA considers and not solely on the nature, cost, or quality of the structure, which may create a potential conflict of interest.

From time to time, we may recommend a private placement investment to our clients. In such instances, all potential conflicts of interest are disclosed in writing to the client in advance of their investment and clients have no obligation to invest in private placement investments.

We are fiduciaries under the Investment Advisers Act of 1940 when we provide investment advice regarding retirement plans or individual retirement accounts. We are also fiduciaries within the meaning of Title I of ERISA. We must act in our clients' best interest and not put our interests ahead of our clients' interests. By charging a fee for our services, we create a conflict of interest with our clients.

SCA Partners may serve as Trustees for existing clients and prospective clients in their individual capacities. These relationships result in potential conflicts of interest and will be disclosed in writing to affected clients.

## **Selection of Other Advisors or Managers and How This Advisor is Compensated for Those Selections**

SCA has no affiliations with other advisors or managers.

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

### **Code of Ethics**

SCA has adopted a Code of Ethics for all employees describing its standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating

to the confidentiality of client information, a prohibition on insider trading, personal securities trading procedures, restrictions on accepting significant gifts, among other activities. All employees must acknowledge the terms of the Code of Ethics annually, or as amended. Any current or potential SCA client may request a copy of SCA's Code of Ethics by calling (216) 925-5670.

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

From time to time, our employees may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for employees to buy or sell the same securities before or after recommending the same securities to clients resulting in an employee profiting from the recommendations they provide to clients. We monitor employee trading to reasonably prevent conflicts of interest between us and our clients.

## **Item 12: Brokerage Practices**

### **Factors Used to Select Custodians and/or Broker-Dealers**

Client assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank. SCA, independently owned and not affiliated with any broker-dealer, seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are most advantageous when compared to other available providers. We consider a wide range of factors which may include quality of professional services, competitive pricing, reputation, financial strength, capability to execute, clear and settle trades, as well as availability of other products and services that benefit us and our clients (as discussed below):

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades
- Capabilities to facilitate transfers and payments to and from accounts
- Breadth of investment products made available
- 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 them
- Reputation, financial strength, and stability of the provider
- Their prior service to SCA and to its other clients
- Availability of other products and services that benefit us

We recommend that clients use Charles Schwab & Co., Inc., a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Schwab will hold client assets in a brokerage account and buy/sell securities when we or a designated money manager instructs them to. While we recommend that clients use Schwab as custodian/broker, our clients decide whether to do so and will open an account with Schwab by entering into an account agreement directly with Schwab. Even though a client's assets are maintained at Schwab, SCA and its designated money managers can still use other brokers to execute trades for their accounts (see Brokerage and Custody Costs).

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment than is required of our clients.

### **Products and Services Available to SCA from Schwab**

Schwab Advisors Services is Schwab's business serving independent investment advisory firms like SCA. They provide us and our clients with access to its institutional brokerage-trading, custody, reporting and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer client accounts while others help us manage and grow our business.

### **Brokerage and Clearing Costs**

For client accounts held at Schwab, Schwab generally does not charge separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into a Schwab account (for some accounts, Schwab may charge 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 our clients' accounts were negotiated based on our commitment to maintain \$10 million of client assets in accounts at Schwab. The commitment benefits our clients because the overall commission rates/asset-based fees paid by our clients is lower than they would be if we had not made the commitment. In addition to commissions or asset-based fees, Schwab charges a flat dollar amount as "prime broker" or "trade away" fee for each trade that we or a designated money manager execute through a different broker-dealer, but where the securities bought or funds from securities sold are deposited into a Schwab account. These fees are in addition to the commissions or other compensation our clients pay the executing broker-dealer. Because of this, to minimize client trading costs, we have determined that having Schwab execute most of the trades for clients' accounts is consistent with its duty to seek "best execution" of trades.

### **Services that benefit SCA Clients**

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 of which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

### **Services That May Not Directly Benefit SCA's Clients**

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients. These products and services assist us in managing and administering client accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of client 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 data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping, and client reporting

### **Services That Generally Benefit Only SCA**

Schwab also offers other services intended to help us manage and further develop our business. These services include:

- Educational conferences and events
- Technology, compliance, legal and business consulting
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our employees.

St. Clair Advisors is independently owned by its partners and not affiliated with any other firm.

### **Research and Other Soft-Dollar Benefits**

SCA receives no soft dollar benefits from our broker, Schwab Institutional Investor Services.

### **Brokerage for Client Referrals**

SCA receives no referrals from a broker-dealer or third-party in exchange for using that broker-dealer or third-party.

### **Clients Directing Which Broker/Dealer/Custodian to Use**

SCA does not allow clients to direct brokerage.

### **Aggregating (Block) Trading for Multiple Client Accounts**

SCA maintains the ability to aggregate (block) trade purchases across accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that clients are at a disadvantage because SCA obtains best execution for its clients through its custodian.

## **Item 13: Reviews of Accounts**

### **Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

A SCA Investment Advisor is assigned to each client portfolio and is responsible for monitoring and maintaining compliance with client specific guidelines. Portfolios are reviewed regularly and at least annually. We encourage clients to meet with a representative of the firm on a regular basis to review the structure and performance of their portfolios.

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

More frequent informal reviews may be triggered by market conditions, news events, excess cash balances or any other event that we consider significant. Clients are encouraged to contact us whenever their financial situation changes as this may trigger an adjustment to the construction of the portfolio.

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

Each client will receive an account statement sent directly from the Custodian of their assets. In addition, we will prepare an objective investment performance review and either deliver a hard copy to clients on a quarterly basis or make it available to clients electronically on a quarterly basis. Our clients may also access their portfolio information online from the custodian's website, if desired.

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

### **Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales or Other Prizes)**

Other than the fees paid by its clients and described in item 5, SCA does not receive any economic benefit, directly or indirectly from any third-party for advice rendered to SCA clients.

SCA receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and related conflicts of interest are described above (see item 12 – Brokerage Practices). The availability to us of Schwab products and services is not based on giving investment advice, such as buying securities for its clients.

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

SCA does not directly or indirectly compensate any person who is not an SCA supervised person for client referrals.

## **Item 15: Custody**

All client assets are held in custody by a qualified custodian. Clients will receive statements from their custodian, and we urge clients to compare statements received from the custodian with statements received from us. As part of its financial consulting service, we may be granted authority to pay client bills from client deposit or custodial accounts, or act in a fiduciary capacity. As a result, we are subject to an annual surprise audit of these funds by a qualified public accounting firm.



## **Item 16: Investment Discretion**

For those client portfolios where we provide ongoing supervision, clients give us written discretionary authority over their accounts with respect to investment strategies and/or securities to be bought or sold and the amount of client funds invested in these strategies and / or securities to be bought or sold. We fully disclose details of this relationship to the client before commencing any advisory relationship. Clients provide us discretionary authority via a limited power of attorney in the Investment Advisory Agreement and in the contract between the client and the Custodian.

Clients may impose restrictions on our discretionary authority. However, if the restrictions prevent us from properly servicing the client account, or if the restrictions would require us to deviate from our standard suite of services, we reserve the right to terminate our relationship as investment adviser with such client.

## **Item 17: Voting Client Securities (Proxy Voting)**

SCA can accept voting authority for client securities. When we accept voting authority for client securities, we will always seek to vote in the best interests of clients. SCA proxy voting policy ensures that proxies are voted in the best interests of the client and in a manner consistent with each client's stated investment objectives that SCA believes will maximize the client's investment return. Where the Firm is required to vote proxies, the proxies are voted by a proxy voting service on behalf of SCA per the advisory firm's recommended and our approved proxy voting procedures. Clients may obtain the voting record on client securities by contacting us at the phone number or e-mail address listed on the cover page of this brochure. Clients may obtain a copy of SCA's proxy voting policies and procedures upon request.

## **Item 18: Financial Information**

### **Balance Sheet**

SCA does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and, therefore, does not need to include a balance sheet with this brochure.

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

Neither SCA nor its management have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to clients.

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

SCA has not been the subject of a bankruptcy petition in the last ten years.