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Part 2A Brochure

This brochure provides information about the qualifications and business practices of Clarus Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (623) 583-6840. 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. Clarus Wealth Advisors, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Clarus Wealth Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Clarus Wealth Advisors, LLC. is 281160.

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## ITEM 2 – MATERIAL CHANGES

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This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

There were no material changes on our fees, services, strategies and/or other affiliations to report since our last Annual Amendment filing dated February 3, 2023.

- Item 12 was updated to reflect language regarding the use of Schwab Advisor Services™ (“Schwab”) as a recommended Custodian. Refer to Item 12 for additional information regarding our relationship and services offered with each recommended Custodian. Language regarding brokerage and trading costs and how we select the Custodian is disclosed in Item 12.
- Item 14 was amended to disclose our Firm does not receive any direct compensation in return for any referrals made to individuals or firms in our professional network. Individuals and firms in our financial professional network may refer clients to our Firm and no cash compensation is exchanged.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer (“CCO”) Theresa Fanning at 623-583-6840 or contact **[tfanning@claruswealthadvisors.com](mailto:tfanning@claruswealthadvisors.com)**.

We encourage you to read this document in its entirety.

<b>ITEM 3 – TABLE OF CONTENTS</b>	
<b>ITEM 1 – COVER PAGE</b>	<b><u>1</u></b>
<b>ITEM 2 – MATERIAL CHANGES</b>	<b><u>2</u></b>
<b>ITEM 3 – TABLE OF CONTENTS</b>	<b><u>3</u></b>
<b>ITEM 4 – ADVISORY BUSINESS</b>	<b><u>4</u></b>
<b>ITEM 5 - FEES AND COMPENSATION</b>	<b><u>8</u></b>
<b>ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT</b>	<b><u>11</u></b>
<b>ITEM 7 - TYPES OF CLIENTS</b>	<b><u>11</u></b>
<b>ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS</b>	<b><u>11</u></b>
<b>ITEM 9 - DISCIPLINARY INFORMATION</b>	<b><u>17</u></b>
<b>ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS</b>	<b><u>17</u></b>
<b>ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b>	<b><u>19</u></b>
<b>ITEM 12 - BROKERAGE PRACTICES</b>	<b><u>20</u></b>
<b>ITEM 13 - REVIEW OF ACCOUNTS</b>	<b><u>25</u></b>
<b>ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION</b>	<b><u>26</u></b>
<b>ITEM 15 - CUSTODY</b>	<b><u>27</u></b>
<b>ITEM 16 - INVESTMENT DISCRETION</b>	<b><u>28</u></b>
<b>ITEM 17 - VOTING CLIENT SECURITIES</b>	<b><u>29</u></b>
<b>ITEM 18 - FINANCIAL INFORMATION</b>	<b><u>29</u></b>

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## ITEM 4 – ADVISORY BUSINESS

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This Disclosure document is being offered to you by Clarus Wealth Advisors, LLC (“CWA” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

Clarus Wealth Advisors is an independent, fee-only investment advisory firm providing portfolio management to clients. The firm was established by Joshua Cooper and Bert Cooper in 2015. Clarus Wealth Advisors is owned by Clarus Wealth Advisors, LLC. Clarus Wealth Advisors became a registered investment adviser in 2015.

We are committed to helping clients build, manage, and preserve their wealth, and to provide assistance to clients to help achieve their stated financial goals. We may offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and Clarus Wealth Advisors execute an engagement letter or client agreement.

### ***Investment Management and Supervision Services***

We offer discretionary investment management and investment supervisory services for a fee based on a percentage of your assets under management. These services include investment analysis, allocation of investments, quarterly portfolio statements and ongoing monitoring services for the portfolio. We primarily allocate client assets among various mutual funds, exchange-traded funds (“ETFs”), and individual debt (bonds) and equity securities in accordance with their stated investment objectives.

We determine your portfolio composition based on your needs, portfolio restrictions, if any, financial goals and risk tolerances. We will work with you to obtain necessary information regarding your financial condition, investment objectives, liquidity requirements, risk tolerance, time horizons, and any restrictions on investing. Clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account, however we retain the right to decline to enter into a management agreement with any clients whose investment are contrary to our firm’s investment strategies. (Please see Item 16, Investment Discretion for additional information concerning discretionary authority.) This enables us to determine the portfolio best suited for your investment objective and needs.

In performing our services, we shall not be required to verify any information received from you or from other professionals. If you request, we may recommend and/or engage the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional.

Once we have determined the types of investments to be included in your portfolio, and allocated them, we will provide ongoing portfolio review and management services. This approach requires us to review your portfolio at least quarterly.

We will rebalance the portfolio, as we deem appropriate, to meet your financial objectives. We will trade these portfolios and rebalance them based on the combination of our market views and your objectives, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

In all cases, you have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities. We do not and will not have custody of your funds or securities. We do have limited authority to direct the Custodian to deduct investment advisory fees, but only with the appropriate authorization from you.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that may adversely affect an account's performance. This could result in capital losses in your account.

Where appropriate, we provide advice about any type of legacy position held in client portfolios. Typically, these are assets that are ineligible to be custodied at our primary custodian. Clients will engage us to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance, annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). If these accounts can be held at a custodian and no advisory fee is charged to the account, the account will pay custodial charges.

### ***Financial Planning***

Through the Financial Planning process, the Clarus Wealth Advisors team strives to engage our clients in conversations around the family's goals, objectives, priorities, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each family in mind, the Clarus Wealth Advisors team will offer wealth planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer and family legacy objectives. Clarus Wealth Advisors does not provide tax or legal advice. We will work with your independent tax/legal advisor (CPA, Estate Attorney, Insurance broker, etc.) to help create a plan tailored to your specific needs. Such services include various reports on

specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets and periodic updates.

Our specific services in preparing your plan include:

- Review and clarification of your financial goals.
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management and estate planning.
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession and other personal goals.
- Development of a goal-oriented investment plan, with input from various advisors to or clients around tax suggestions, asset allocation, expenses, risk and liquidity factors for each goal. This includes IRA and qualified plans, taxable and trust accounts that require special attention.
- Design of a risk management plan including risk tolerance, risk avoidance, mitigation and transfer, including liquidity as well as various insurance and possible company benefits.
- Crafting and implementation of, in conjunction with your estate and/or corporate attorneys as tax advisor, an estate plan to provide for you and/or your heirs in the event of an incapacity or death.

A written evaluation of each client's initial situation or Financial Plan is provided to the client. An annual review will be provided by the Adviser, if indicated by the Client and Advisor per the Financial Planning Agreement. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

### ***Consulting Services***

We also provide clients investment advice on a more limited basis on one or more isolated areas of concern such as estate planning, real estate, retirement planning, or any other specific topic. Additionally, we may provide advice on non-securities matters in connection with the rendering of estate planning, insurance, real estate, and/or annuity advice. Client will also be required to select their own investment managers, broker-dealer and/or insurance companies for the implementation of consulting recommendations. If Client needs brokerage and/or other financial services, Consultant may recommend the use of one of several investment managers, brokers, banks, custodians, insurance companies or other financial professionals ("Firms"). Then Client must independently evaluate these Firms before opening an account or transacting business and has the right to effect business through any firm they choose.

***Co-Branded Investment Advisor Representatives***

Our firm offers services through our network of investment advisor representatives ("Advisor Representatives" or "IARs"). IARs may have their own legal business entities whose trade names and logos are used for marketing purposes and may appear on marketing materials or client statements. The Client should understand that the businesses are legal entities of the IAR and not of our firm Clarus Wealth Advisors. The IARs are under the supervision of our firm Clarus Wealth Advisors, and the advisory services of the IAR are provided through our firm Clarus Wealth Advisors.

***Wrap Fee Programs***

We do not place client assets into a wrap fee program.

***Disclosure Regarding Rollover Recommendations***

A client or prospect leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) rollover to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Our Firm may recommend an investor roll over plan assets to an IRA for which our Firm provides investment advisory services. As a result, our Firm and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave their plan assets with their previous employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to our Firm. Our Firm therefore has an economic incentive to encourage a client to roll plan assets into an IRA that our Firm will manage, which presents a conflict of interest. To mitigate the conflict of interest, there are various factors that our Firm will consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus those of our Firm, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. All rollover recommendations are also reviewed by our Firm's Chief Compliance Officer in a best effort to determine that the recommendation to a client was reasonable or that the client has determined to make the rollover after being provided ample information about their options. No client is under any obligation to roll over plan assets to an IRA advised by our Firm or to engage our Firm to monitor and/or advise on the account while maintained with the client's employer. Our Firm's Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding this disclosure.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

### **Assets**

As of December 31, 2022, we have \$200,340,863 in total regulatory assets under management. There is a total of \$122,476,021 in assets under discretionary management and \$77,864,842 in assets under non-discretionary management.

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## **ITEM 5 - FEES AND COMPENSATION**

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### ***Investment Management Fees and Compensation***

Clarus Wealth Advisors charges a fee as compensation for providing Investment Management services on your account. These services include advisory and consulting services, trade entry, investment supervision, and other account maintenance activities. The custodian may charge custodial fees, transaction costs, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below.

In addition, some mutual fund assets deposited in the account may have been subject to a deferred sales charges and 12 (b) (1) fees and other mutual fund annual expenses as described in the fund's prospectus. Furthermore, some existing variable annuities may be subject to trailing service fees, deferred sales charges, and mortality and expense fees. These fees are independent of our fees and should be disclosed by the custodian or contained in each fund's prospectus. You should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

The fees for accounts are based on an annual percentage of assets under management. The monthly initial fee will be based upon the average daily balance from the date the assets are in the account through the end of the month in arrears. Thereafter, the fee is charged monthly in arrears based on the average daily balance from the previous month.

Our investment advisory fees shall not exceed 2.00%. The specific advisory fees are set forth in your Investment Advisory Agreement. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fees may be negotiated. Negotiated lesser fees are based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount



of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as “house-holding” portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of house-holding accounts for fee purposes looks at the overall family dynamic and relationship. When applicable and noted in Appendix A of the Investment Management Agreement, legacy positions will also be excluded from the fee calculation.

Clients generally provide Clarus Wealth Advisors and/or certain independent managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than monthly detailing all account transactions, including any amounts paid to Clarus Wealth Advisors. Alternatively, clients may elect to have Clarus Wealth Advisors send a separate invoice for direct payment. You are encouraged to review your account statements for accuracy. We will receive a duplicate copy of the custodian’s statement that was delivered to you.

There may be a possibility for price or account value discrepancies due to month-end transactions in an account. Dividends or trade date settlements may occur and our third party billing software may report a slight difference in account valuation at month end compared to what is reported on your Statement from the Custodian. Our firm has the ability to produce billing summaries, which can be provided upon request.

Either Clarus Wealth Advisors or you may terminate the management agreement, upon immediate written notice to the other party. The management fee will be prorated to the date of termination, for the month in which the cancellation notice was given and any unearned fees will be refunded to you. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets.

### ***Consulting Services***

The fee for general consulting services is a fixed fee. Under a fixed fee arrangement, any fee will be agreed upon in advance of services being performed. The fee will be determined based on factors of the consulting project and fully detailed in our agreement. The fee is payable upon signing the agreement. We will complete work within six months of the date your fee is paid, in cases where you pay in advance. If the work is not

completed in such a time, we will refund your fee on a pro-rated basis. The fixed fee typically ranges between \$250 and \$50,000. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

You may terminate the consulting service agreement by providing us with written notice. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you based on an hourly rate of \$250.00.

Client may request subsequent, additional, special reviews, or requests for consulting services. These additional services may be subject to an additional charge. Additional services will be based on an agreed fixed fee. Fees are disclosed in the Consulting Agreement, Exhibit B.

#### ***Additional Fees and Expenses***

In addition to the advisory fees paid to Clarus Wealth Advisors, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include transaction fees, custodial fees, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, regulatory fees assessed from SEC and/or FINRA, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our brokerage practices are described at length in Item 12, below. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our firm does not share in any of these additional fees and expenses outlined above.

#### ***Administrative Services Provided By Orion, LLC***

CWA has contracted with Orion Advisor Services, LLC (referred to as "Orion") to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation, client database maintenance, quarterly performance evaluations, payable reports, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion will have access to client accounts, but Orion will not serve as an investment advisor to our clients. CWA and Orion are non-affiliated companies. Orion charges our firm an annual fee for each account administered by Orion. Please note, that the CWA advisory fee charged to the client will not increase due to the annual fee CWA pays to Orion. The annual fee is paid from the portion of the management fee retained by us.

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#### ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees) nor engage in side-by-side management.

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#### ITEM 7 - TYPES OF CLIENTS

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We provide advisory services to individuals, high net worth individuals, estates, family trusts, and corporate investment plans.

We have a minimum requirement of \$50,000 of investable assets to open an account with Clarus Wealth Advisors. We may, in our sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. Clarus Wealth Advisors only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. We may aggregate the portfolios of family members to meet the minimum portfolio size.

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#### ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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Clarus Wealth Advisors/CWA strives to provide its clients with a diverse lineup of managed portfolios to suit varying risk profiles and return goals. Our managers utilize numerous investment methodologies to create portfolios with varying exposures to multiple asset classes, regions, cap-sizes, factors, and styles. The overarching investment philosophy of the firm is to maximize portfolio value given a target amount of risk. Our time horizon is generally long-term, as we believe 3-5 years is the minimum time-frame to appropriately evaluate manager performance. We utilize numerous research providers to gather and analyze market and individual security data, including but not limited to: Morningstar, Dimensional Fund Advisors, Ned Davis Research, and Seeking Alpha. The firm has constructed its portfolio lineup to incorporate the following investment styles: Strategic asset allocation, tactical, equity, and blended portfolios.

CWA's strategic asset allocation methodologies follow the basic principles of Modern Portfolio Theory ("MPT"), efficiently maximizing return given a certain amount of risk, but also incorporate elements of active management to differentiate and provide value. Our managers dictate allocation exposures to varying asset classes, regions, cap-sizes, factors, and styles to produce these portfolios, and these allocations can change at the manager's discretion at any time. While the primary philosophy of our strategic asset allocation portfolios aligns with the spirit of "MPT," our managers will incorporate additional

techniques to provide clients value, including but not limited to: sector rotation, risk management, graduated exposure, and portfolio tilting. Some portfolios will also utilize mutual fund selection to add value, including a suite of portfolios that solely use Dimensional Fund Advisors (“DFA”) mutual funds.

CWA’s tactical portfolios aim to provide clients appropriate asset allocation exposures to suit the perceived risk of the current market environment. The market environment is determined using a blend of proprietary third-party research and custom-built portfolios. Client assets are then positioned according to that market environment and the risk profile of the portfolio, providing a risk-managed approach to investing.

CWA’s equity portfolios comprise of varying methodologies, including the influence of weather on economies and individuals, dividend-paying large cap value, and market leadership. The equity portfolios hold multiple stocks and/or ETFs to achieve a diverse blend of holdings within their target methodology. Our managers retain discretion over the fund selection and allocation percentages for each position, though they utilize third-party research to do their due diligence on the fundamental and technical makeup of the securities before incorporating them into the portfolios.

CWA’s blended models are multi-strategy, multi-methodology portfolios that exist to provide ample diversification for an individual client. Utilizing a blended model approach may help reduce portfolio volatility over long-term time frames. We believe that different investment methodologies thrive in different market environments, and by blending various styles together, we can provide clients with a smoother investment experience. The CWA Investment Committee (“IC”) meets regularly to evaluate CWA portfolio allocations. The IC will also discuss current market conditions, macro-economic trends, model performance, asset class performance, and individual security performance, to ensure the committee understands varying opinions and analysis on the market and is providing clients with appropriate solutions.

### ***Methods of Analysis of Individual Securities and Associated Risks***

CWA does its due diligence on every investment, whether it is a mutual fund, ETF, stock, or bond, by reviewing a variety of factors. The firm’s managers consider the following factors when evaluating whether a security is appropriate for inclusion into model portfolios: risk, exposure type, cap-size, region, expected relative return, underlying securities, correlation to existing positions, manager tenure and track record, expense, and yield, among others. As a firm, we select funds and managers with a favorable set of these factors and incorporate the funds based on the risk level of the portfolio and other factors described in the “Methods of Analysis” section above.

Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that certain data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information. Additionally, CWA has no control over the underlying investments in a mutual fund and/or ETF. Managers of different funds held by the client may purchase the same security, thus increasing the risk to the client if that security were to fall in value. Managers may also deviate from the stated investment mandate or strategy of the mutual fund and/or ETF, a circumstance that could make the holding(s) less suitable for the client's portfolio. Finally, past performance is not an indication of future results. While we do our best to select funds and managers that pass our criteria, past success does not ensure future success.

We may include mutual funds and exchange traded funds, ("ETFs") in our investment strategies. Our policy is to purchase institutional share classes of those mutual funds selected for the client's portfolio. The institutional share class generally has the lowest expense ratio. The expense ratio is the annual fee that all mutual funds charge their shareholders. It expresses the percentage of assets deducted each fiscal year for funds expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund and one share class may have a lower expense ratio than another share class. These expenses come from client assets which could impact the client's account performance. Mutual fund expense ratios are in addition to our fee, and we do not receive any portion of these charges. If an institutional share class is not available for the mutual fund selected, the adviser will purchase the least expensive share class available for the mutual fund. As share classes with lower expense ratios become available, we may use them in the client's portfolio, and/or convert the existing mutual fund position to the lower cost share class. Clients who transfer mutual funds into their accounts with our firm would bear the expense of any contingent or deferred sales loads incurred upon selling the product. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting). All mutual fund expenses and fees are disclosed in the respective mutual fund prospectus.

To best protect our clients from undue risk, regardless of individual client risk profile, Clarus Wealth Advisors strictly prohibits model portfolio investment in the following: Leveraged ETFs or mutual funds, Cannabis stocks, Crypto-Currency stocks, securities without daily liquidity, private equity, and VIX-oriented securities.

Clarus may have clients who hold illiquid, privately-issued securities of issuers. We do not recommend or sell these investments. Clients may hold these assets in their custodial account for convenience purposes. These assets are unmanaged and unbilled.

### ***Risks***

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

You should be aware that your account is subject to the following risks:

- **Stock Market Risk** – The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.
- **Managed Portfolio Risk** – The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.
- **Industry Risk** – The portfolio's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- **Non-U.S. Securities Risk** – Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political and economic instability.
- **Emerging Markets Risk** – To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **Currency Risk** – The value of your portfolio's investments may fall as a result of changes in exchange rates.

- **Interest Rate Risk** - The value of fixed income securities rises or falls based on the underlying interest rate environment. If rates rise, the value of most fixed income securities could go down.
- **Credit Risk** - Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.
- **Inflation Risk** - Most fixed income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.
- **ETF and Mutual Fund Risk** – When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.
- **Management Risk** – Your investment with us varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio.
- **Independent Managers** - We may select certain Independent Managers to manage a portion of its clients' assets. In these situations, we continue to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, we generally may not have the ability to supervise the Independent Managers on a day-to-day basis.
- **Options Risk** - Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **Illiquid Risk**- To the extent non-liquid investments such as limited partnerships, limited liability companies or non-traded real estate investment trusts (REITs) are held in client accounts, it is Clarus' Policy not to supervise or bill on non-illiquid investments.
- **Cybersecurity Risk** - In addition to the Material Investment Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at our Firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential

information, and generally compromise our Firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

- **Margin Risk** - Buying on margin means borrowing money from a broker-dealer to purchase stock. Margin trading allows an investor to buy more stock than would be normally available. Once the account is opened and operational, up to 50% of the purchase price of a stock may be borrowed. This portion of the purchase price that is deposited is known as the initial margin. Some brokerages require a deposit of more than 50% of the purchase price. Not all stocks qualify to be bought on margin. When a stock is sold in a margin account, the proceeds go to the broker-dealer against the repayment of the loan until it is fully paid. There is also a restriction called the maintenance margin, which is the minimum account balance that must be maintained before a broker-dealer will force an investor to deposit more funds or sell stock to pay down the loan balance. This action is known as a margin call. If for any reason an investor does not meet a margin call, the brokerage has the right to sell the securities in the account to increase the account equity until the account equity is above the maintenance margin. Additionally, the broker-dealer may not be required to consult an investor before selling securities for this purpose. Under most margin agreements, the broker-dealer can sell the securities in the account without waiting for the investor to meet the margin call, and an investor cannot control which stock is sold to cover the margin call. Use of margin is a loan to the investor and the investor is charged interest. The interest charges are applied against the account unless the investor decides to make payments. Over time, the debt level increases as interest charges accrue against the account value. As debt increases, the interest charges also increase, and so on. Therefore, buying on margin is mainly used for short-term investments. The longer an investment is held, the greater the return is needed to break even. In volatile markets, prices can fall very quickly and an investor can lose more money than has been invested.



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## ITEM 9 - DISCIPLINARY INFORMATION

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We do not have any legal, financial or other “disciplinary” item to report.

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## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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### **Licensed Insurance Agents**

A number of the Firm’s Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that Supervised Persons recommend the purchase of insurance products where the Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm does not directly share in any compensation earned by the Supervised Persons in this capacity. Supervised Persons will share in the commission earned for the sale of fixed insurance products. However, clients should note that they are under no obligation to purchase any insurance products through Clarus Wealth Advisors.

### **Broker/Dealer**

Certain IARs of Clarus Wealth Advisors are registered representatives of Crown Capital Securities LP (“Crown Capital”) a securities broker-dealer, and will be compensated for effecting securities transactions or providing advisory services. A portion of the time of Clarus Wealth Advisors and these IARs is spent in connection with broker/dealer activities.

As a broker-dealer, Crown Capital engages in a broad range of activities normally associated with securities brokerage firms. Pursuant to the investment advice given by Clarus Wealth Advisors or its IARs, investments in securities may be recommended for clients. If Crown Capital is selected as the broker-dealer, Crown Capital and its registered representatives, including IARs of Clarus Wealth Advisors, may receive commissions for executing securities transactions. When IARs of Clarus Wealth Advisors receive commissions in connection with the advice given to advisory clients, Clarus Wealth Advisors may reduce a portion of its fees by the amount of the commissions earned by Clarus Wealth Advisors’ IARs.

You are advised that if Crown Capital is selected as the broker-dealer, the transaction charges may be higher or lower than the charges you may pay if the transactions were executed at other broker/dealers. You should note, however, that you are under no obligation to purchase securities through IARs of Clarus Wealth Advisors or Crown Capital.

Clarus Wealth Advisors may provide advice regarding investment company securities. You should be aware that, in addition to the advisory fees you pay in connection with any Clarus Wealth Advisors program, each investment company also pays its own separate investment advisory fees and other expenses. Such fees and expenses are disclosed in the

mutual fund's prospectus. In addition, clients should be aware that mutual funds may be purchased separately, independent of the investment management services of Clarus Wealth Advisors.

Moreover, you should note that under the rules and regulations of FINRA, Crown Capital has an obligation to maintain certain client records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives. These obligations require Crown Capital to coordinate with, and have the cooperation of its registered representatives that operate as, or are otherwise associated with, investment advisers other than Crown Capital.

Certain IARs of Clarus Wealth Advisors may, in their capacity as registered representatives of Crown Capital, or as agents appointed with various life, disability or other insurance companies, receive commissions, 12(b)-1 fees, trails, or other compensation from the respective product sponsors and/or as a result of effecting securities transactions for clients. As previously noted, when commissions or fees are received by Clarus Wealth Advisors or these IARs in connection with the advice given to advisory clients, Clarus Wealth Advisors may, but is not obligated to, reduce its fee proportionate to the amount of the commission or fee earned by Clarus Wealth Advisors or these IARs. However, clients should note that they are under no obligation to purchase any investment products through Clarus Wealth Advisors or its IARs.

Clients should be aware that the ability to receive additional compensation by Clarus Wealth Advisors and its management persons or IARs creates conflicts of interest that impair the objectivity of the Firm and these individuals when making advisory recommendations. Clarus Wealth Advisors endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps, among others to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for the Firm and our employees to earn compensation from advisory clients in addition to the Firm's advisory fees;
- we disclose to clients that they have the right to decide to purchase recommended investment products from our employees;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives, and risk tolerance;

- the Firm conducts regular reviews of each client advisory account to verify that all recommendations made to a client are in the best interest of the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Our firm does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

Our firm nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

#### ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Clarus Wealth Advisors and persons associated with us are allowed to invest for their own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for your account, and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any potential conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information and other situations where there is a possibility for conflicts of interest.

The Code of Ethics is designed to protect our clients by deterring misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of Clarus Wealth Advisors, guard against violation of the

securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm's ethical principles.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

- A director, officer or employee of Clarus Wealth Advisors shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No director, officer or employee of Clarus Wealth Advisors shall prefer his or her own interest to that of the advisory client.
- We maintain a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Clarus Wealth Advisors.
- We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
- We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

#### *Investment Policy*

None of our associated persons may affect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the Firm's procedures.

You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Part 2; Attn: Chief Compliance Officer.

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## ITEM 12 - BROKERAGE PRACTICES

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Our Firm does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (refer to Item 15—Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab) or TD Ameritrade, Inc. ("TD Ameritrade"), both registered brokerdealer(s), member SIPC, as the qualified custodian of your account (referred to as "Custodian(s)" through this document). We are independently owned and operated and are not affiliated with the Custodians. The

Custodian will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use the 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. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Custodian, we can still use other brokers to execute trades for your account as described below (see “Your brokerage and custody costs”).

### ***How We Select The Custodian***

We seek to recommend a Custodian that will hold your assets and execute transactions. When considering whether the terms that Custodian provides are, overall, most advantageous to you when compared with other available providers and their services, we consider a wide range of factors, including:

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

### ***Your Brokerage and Trading Costs***

For our clients’ accounts that the Custodian maintains, the Custodian generally does not charge you separately for custody services but is compensated by charging you

commissions or other fees on trades that it executes or that settle into your Custodian account. Certain trades (for example, many mutual funds, and U.S. exchange-listed equities and ETFs) may not incur Custodian commissions or transaction fees. Custodian is also compensated by earning interest on the uninvested cash in your account in Custodian's Cash Features Program.

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

### ***Products and Services Available to us from Custodian***

The Custodian(s) provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Custodian retail customers. However, certain retail investors may be able to get institutional brokerage services from Custodian without going through our firm. Custodian also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Custodian's support services are generally available at no charge to us. Following is a more detailed description of Custodian's support services:

***Services that benefit you.*** The Custodian'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 the Custodian include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The Custodian's services described in this paragraph generally benefit you and your account.

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

- Provide access to client account data (such as duplicate trade confirmations and account statements)

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, record keeping, and client reporting

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

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

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

### ***Our Interest in the Custodian's Services***

The availability of these services from the Custodian benefits us because we do not have to produce or purchase them. We don't have to pay for the Custodian's services. These services are not contingent upon us committing any specific amount of business to Custodian in trading commissions or assets in custody. The fact that we receive these benefits from Custodian is an incentive for us to recommend the use of the Custodian rather than making such decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. In some cases, the services that Custodian pays for are provided by an affiliate of ours or by another party that has some pecuniary, financial, or other interests in us (or in which we have such an interest). This creates an additional conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Custodian as custodian and broker is in the best interests of our clients. Our selection is primarily

supported by the scope, quality, and price of Custodian's services (see "How we select brokers/custodians") and not Schwab's services that benefit only us.

### ***Brokerage for Client Referrals***

Our Firm does not receive client referrals from any custodian or third party in exchange for using that broker-dealer or third party.

### ***Aggregation and Allocation of Transactions***

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

If we do not receive a complete fill for an aggregated order, we will allocate the order on a pro-rata basis. If we determine that a pro-rata allocation is not appropriate under the particular circumstances, we will base the allocation on other relevant factors, which may include:

1. When only a small percentage of the order is executed, with respect to purchase allocations, allocations may be given to accounts high in cash; given to accounts low in cash;
2. We may allocate shares to the account with the smallest order, or to 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;
3. We may allocate to one account when that account has limitations in its investment guidelines prohibiting it from purchasing other securities that we expect to produce similar investment results and that can be purchased by other accounts in the block;
4. If an account reaches an investment guideline limit and cannot participate in an allocation, we may reallocate shares to other accounts. For example, this may be due to unforeseen changes in an account's assets after an order is placed;
5. If a pro-rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, we may exclude the account(s) from the allocation.
6. We will document the reasons for any deviation from a pro-rata allocation.

### ***Trade Errors***

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it



is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gains results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

### ***Soft Dollars***

Soft dollars are revenue programs offered by Custodians whereby an advisor enters into an agreement to place security trades with the broker in exchange for research and other services. Our Firm does not participate in soft dollar programs sponsored or offered by any Custodian. However, we do receive certain economic benefits from the Custodians as detailed above.

All Client accounts are traded within their respective account[s], unless specifically directed otherwise. We will not engage in any principal transactions (i.e., trade of any security from or to the Advisor's own account) or cross transactions with other Client accounts (i.e., purchase of a security into one Client account from another Client's account[s]). In selecting the Custodian, our Firm will not be obligated to select competitive bids on securities transactions and does not have an obligation to seek the lowest available transaction costs. These costs are determined by the Custodian.

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

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## ITEM 13 - REVIEW OF ACCOUNTS

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The underlying securities within the investment supervisory services are monitored at least quarterly. These reviews will be made by our investment adviser representatives. Client meetings are typically held no less than once a year and are usually conducted in person or by telephone.

The purpose of all these reviews is to ensure that the investment plan continues to be implemented in a manner which matches your objectives and risk tolerances. More frequent reviews may be triggered by material changes in variables such as your individual

circumstances, or the market, political or economic environment. You are urged to notify us of any changes in your personal circumstances.

### **Statements and Reports**

Clarus Wealth Advisors, through the custodian, will have the ability to provide clients with Performance/Position summary reports upon request. Reports may also be provided at every client meeting. Communication to clients will be done on an as needed basis with a minimum of 1 contact per calendar quarter.

The Custodian will provide monthly statements of the assets in our Account, the purchase date, the cost and the current market value for the period (or since the opening of the Account). The monthly fee will be reflected on the periodic account statement provided by the Custodian. The Custodian will make available to you a statement no less than monthly showing all amounts paid from the Account including all management fees paid by Custodian to Clarus Wealth Advisors. In case of an error in such reports, you shall notify Clarus Wealth Advisors promptly, and Clarus Wealth Advisors will use good faith efforts to make corrections to such reports in a timely manner. You are urged to compare the reports provided by Clarus Wealth Advisors against the account statements you receive directly from your account custodian.

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### **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

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Our Firm may be asked to recommend a financial professional, such as an attorney, accountant, or mortgage broker. In such cases, our Firm does not receive any direct compensation in return for any referrals made to individuals or firms in our professional network. Clients must independently evaluate these firms or individuals before engaging in business with them and clients have the right to choose any financial professional to conduct business. Individuals and firms in our financial professional network may refer clients to our Firm. Again, our Firm does not pay any direct compensation in return for any referrals made to our Firm. Our Firm does recognize the fiduciary responsibility to place your interests first and have established policies in this regard to mitigate any conflicts of interest.

We receive an economic benefit from Custodian(s) in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at the Custodian. We benefit from the products and services provided because the cost of these services would otherwise be borne directly by us, and this creates a conflict. You should consider these conflicts of interest when selecting a custodian. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

Clarus Wealth Advisors does not receive nor pay out referral fees from or to other Registered Investment Advisors/ independent third parties.

Clarus Wealth Advisors does receive compensation on legacy assets from a now terminated sub-advisory relationship with another independent RIA, but it should be noted that Clarus Wealth Advisors is no longer actively soliciting clients to the unaffiliated firm.

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#### ITEM 15 - CUSTODY

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Custody has been defined by regulators as having access or control over client funds and/or securities. Our firm does not have physical custody of funds or securities, as it applies to investment advisors. The Custodian maintains actual custody of your assets. You will receive account statements directly from Custodian at least quarterly. They will be sent to the email or postal mailing address you provided to the Custodian. You should carefully review those statements promptly when you receive them. We also urge you to compare Custodian's account statements with the periodic portfolio reports you may receive from us.

#### **Deduction of Advisory Fees**

Our firm has custody of the funds and securities solely as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee. For all accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are

delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from our Firm. When you have questions about your account statements, you should contact our Firm or the qualified custodian preparing the statement. Please refer to Item 5 for more information about the deduction of adviser fees.

#### **Standing Letters of Authorization ("SLOA")**

Our firm is deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and, under that SLOA, it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow. We do not have a beneficial interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s), are delivered directly from the qualified custodian to each client or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us, your Advisor or the qualified custodian preparing the statement.

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#### **ITEM 16 - INVESTMENT DISCRETION**

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For discretionary accounts, prior to engaging our Firm to provide investment advisory services, you will enter a written Agreement with us granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, you will need to execute additional documents required by the Custodian to authorize and enable CWA, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment discretion held by CWA for you are:

- For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
- Any limitations on this discretionary authority shall be in writing. You may change/amend these limitations as required.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

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#### ITEM 17 - VOTING CLIENT SECURITIES

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We will not vote proxies under our limited discretionary authority. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact our office with questions about a particular solicitation by phone at 623-583-6840.

*Class Action Suits* A class action is a procedural device used in litigation to determine the rights of and remedies, if any, for large numbers of people whose cases involve common questions of law and/or fact. Class action suits frequently arise against companies that publicly issue securities, including securities recommended by investment advisors to clients. With respect to class action suits and claims, you will have the responsibility for class actions or bankruptcies, involving securities purchased for or held in your account. We do not provide such services and are not obligated to forward copies of class action notices we may receive to you.

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#### ITEM 18 - FINANCIAL INFORMATION

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We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.