



## PROSPERITY PLANNING

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### **Part 2A of Form ADV: Firm Brochure**

March 9, 2023

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This brochure provides information about the qualifications and business practices of Prosperity Planning, Inc. If you have any questions about the contents of this brochure, please contact us at 816-587-7526 or [info@prosperityplanninginc.com](mailto:info@prosperityplanninginc.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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Prosperity Planning, Inc. also 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. Our firm's CRD number is 298268.

## **Item 2. Material Changes**

There are no material changes in this brochure from the last amendment on 08/23/2022 of Prosperity Planning, Inc.

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## Item 4. Advisory Business

Prosperity Planning, Inc. is a SEC-registered investment adviser with its principal place of business located in Missouri. The firm was founded in April 2004 as an S Corporation under the laws of the State of Missouri and began conducting business as an SEC-registered investment adviser in 2018.

The firm's principal shareholders include:

- Lucinda Lynn Richey, President
- Kenneth Austin Borum, Vice President
- Ryan Kent Noble, Principal
- Daniel Scott, Reiter, Principal

As of December 31, 2022, Prosperity Planning, Inc.'s Regulatory Assets Under Management totaled \$ 342,073,314 in 1,112 accounts, of which \$ 335,663,908 in 1104 accounts was discretionary and \$ 6,409,406 in 8 accounts was non-discretionary.

Prosperity Planning, Inc. offers the following advisory services to our clients:

### **PORTFOLIO MANAGEMENT SERVICES**

We provide continuous and regular investment supervisory services on a discretionary as well as nondiscretionary basis. We provide our clients with a personalized mix of investments that are appropriate for their investment goals as determined through personal discussions and our data-gathering process. Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. We encourage broad-based diversification across a globally diversified portfolio of equities, bonds, real estate, commodities, and cash, primarily using mutual funds and exchange-traded funds. We then review the client portfolios at least annually and rebalance or make recommendations as needed based on the client's individual needs. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

### **FINANCIAL PLANNING SERVICES**

We provide a range of financial planning services, personalized to the needs of clients. Financial planning is a process that helps clients understand their overall financial situation, define specific goals, and take action toward reaching those goals. Our service may encompass one or more of the following topics: retirement planning, college funding, tax planning, portfolio analysis, investment management, risk management, estate planning, and other areas. Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company; recommendations are of a general nature.

### **PENSION CONSULTING SERVICES**

For business owners and self-employed clients, we provide advisory services to help establish a corporate retirement plan, enroll eligible employees, educate employees on investments available within the plan, and provide reporting services. Some of these services are arranged through various third-party administrators.

## Item 5. Fees and Compensation

### PORTFOLIO MANAGEMENT SERVICES FEES

The annualized fee for Portfolio Management Services is charged as a percentage of assets under management, according to the following schedule\*:

Amount Managed	Annual Fee
\$0 - \$500,000	1.15%
\$500,001 - \$1,000,000	0.80%
\$1,000,001 - \$2,500,000	0.70%
\$2,500,001 - \$5,000,000	0.60%
Over \$5,000,001	0.50%

*\*This is a blended fee schedule. For example a \$1,000,000 account would be billed as follows: 1.15% of the first \$500,000 and 0.8% of the remaining \$500,000. The effective fee would be 0.96%.*

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the market value of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Investment Advisory Agreement.

The initial fee will be based on the opening value of the Account and pro-rated from the date of the initial deposit to the end of the current quarter. Thereafter, the fee will be based on the Account value on the last business day of the prior calendar quarter. We will also prorate our fee for contributions or withdrawals of \$25,000 or more made on a single day. The value of the account will be determined by the Custodian in accordance with its normal procedures and such determination will be binding on the parties to this Agreement. The client authorizes us to direct or instruct the Custodian and further authorize the Custodian to pay the Advisory Fee from the Account directly to us in accordance with the fee schedule as shown in the client's investment advisory agreement.

A minimum of **\$500,000** of assets under management is required for this service. Portfolio Management clients meeting the investment minimum are eligible to receive financial planning services at no additional charge.

**Limited Negotiability of Advisory Fees and Investment Minimums:** Although Prosperity Planning, Inc. has established the aforementioned fee schedule, we retain the discretion to adjust fees and investment minimums on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule and investment minimums. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members of associated persons of our firm.

## FINANCIAL PLANNING SERVICES

### Financial Planning Provided In Conjunction with Portfolio Management Services

For some Portfolio Management Services clients, including those meeting the investment minimum, we provide financial planning services. These services may vary from client-to-client but could include one or more of the following topics: retirement planning, college funding, tax planning, portfolio analysis, investment management, risk management, estate planning, and other areas.

### Financial Planning For a Fee

Prosperity Planning, Inc. also offers financial planning services to clients. Specific services provided will vary from client-to-client but could include one or more of the following topics: retirement planning, college funding, tax planning, portfolio analysis, investment management, risk management, estate planning, and other areas. Fees for this service range from \$750-\$2500 per quarter and are determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client and are billed in advance.

## PENSION CONSULTING SERVICES

Fees are assessed as a percentage of assets under consultation and do not exceed 1.15% annually, depending on the assets, number of participants, services provided, and anticipated future assets, among other possible factors. The specific annual fee schedule is identified in the agreement between the firm and client. Billing methods vary by custodian platform and client requirements.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro-rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund/ETF Fees:** All fees paid to Prosperity Planning, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are responsible for other expenses which may include but are not limited to (a) fees charged by mutual funds, exchange-traded funds, or other managers of assets held in your Account, as explained in the funds' prospectuses; (b) fees charged by the Custodian such as account termination fees, check writing fees, and interest on margin loans; and (c) transaction fees imposed by a broker dealer with which Prosperity Planning, Inc. effects transactions for the client's Accounts. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** Prosperity Planning, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific

duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Prosperity Planning, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Prosperity Planning, Inc.'s advisory fees.

***Advisory Fees in General:*** Prosperity Planning believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

## Item 6. Performance-Based Fees and Side-By-Side Management

Prosperity Planning, Inc. does not charge performance-based fees and does not engage in side-by-side management.

## Item 7. Types of Clients

Prosperity Planning, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

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

### METHODS OF ANALYSIS

In formulating our investment advice, we use various tools and sources of information including financial planning software, general market information, historical data from investment fund providers, analysis from third parties, financial publications and journals, securities rating services, and portfolio analysis software.

**Risks for all forms of analysis:** The main risk associated with our methods of security analysis is the potential for reliance on inaccurate information, or the misinterpretation of accurate information.

**Risk for financial planning analysis:** Financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. All return assumptions use estimates of future returns of asset classes, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products. We use financial planning as a tool to guide our clients, but we cannot guarantee that clients will achieve the results shown in the plan.

### INVESTMENT STRATEGIES

Our primary investment strategy is a long-term, broad-based allocation of an investor's portfolio across globally diversified asset classes, including equities, bonds, real estate, commodities, and cash. We typically do not invest in individual securities, but rather through diversified, index-based mutual funds, and exchange traded funds. We believe this strategy increases an investor's exposure to the broader global economy and minimizes exposure to individual security risk. We use portfolios constructed around certain characteristics of publicly traded companies, which can provide higher expected returns over long periods of time. These portfolios systematically overweight stocks of smaller companies, lower-priced "value" stocks, and companies with higher profitability.

We favor investments that offer daily liquidity with clear objectives that can be measured against a relevant benchmark. We favor funds with relatively low operating expenses and low turnover (buying and selling of securities within the fund).

We design portfolios with tax considerations in mind, utilizing tax-qualified accounts and tax-efficient investments as appropriate for each client's situation. However, we are not tax advisors and we strongly recommend that you consult with a tax professional regarding the investment of your assets.

**Risks of investment strategy:** The risks associated with our strategy are that even a diversified long-term approach cannot guarantee a profit. Economic, political, and issuer specific events will cause the value of the securities, and the mutual funds that own them, to rise or fall. Currency, interest rate, and commodity price fluctuations may also affect security prices. Because of the inherent risk of loss associated with investing, we are unable to assure that our strategies or methods of analysis will be profitable or insulate our clients from losses.

Additional risks associated with our investment strategy are:

- **Mutual Fund and ETF Risk**—The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities within the ETF or mutual fund, which can vary widely. In very general terms, the higher the anticipated return of the fund, the higher the associated risk of loss.
  - Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.
  - An ETF is a portfolio of securities invested to track a market index similar to an index mutual fund, but the shares are traded on an exchange like an equity. An ETF share price fluctuates intraday depending on market conditions instead of having a net asset value (NAV) that is calculated once at the end of the day. The shares may trade at a premium or discount; and as a result, investors pay more or less when purchasing shares and receive more or less than when selling shares. The supply of ETF shares is regulated through a mechanism known as creation and redemption that involves large, specialized investors, known as authorized participants (APs). Authorized participants are large financial institutions with a high degree of buying power, such as market makers, banks or investment companies that provide market liquidity. When there is a shortage of shares in the market, the authorized participant creates more (creation). Conversely, the authorized participant will reduce shares in circulation (redemption) when supply falls short of demand. Multiple authorized participants help improve the liquidity of a particular ETF and stabilize the share price. To the extent that authorized participants cannot or are otherwise unwilling to engage in creation and redemption transactions, shares of an ETF tend to trade at a significant discount or premium and may face trading halts and delisting from the exchange. The performance of ETFs is subject to market risk, including the complete loss of principal. ETFs also have a trading risk based on cost inefficiency if the ETFs are actively traded and a liquidity risk if the ETFs has a large price spread and low trading volume. In addition, investors buying or selling shares in the secondary market pay brokerage commissions, which may be a cost not incurred by mutual funds.
- **Individual Securities Risk**—While we generally recommend mutual funds and ETFs for diversification, we may recommend holding individual securities in some cases, for example to avoid taxation of unrealized gains. When investing in stock positions, there is additional company-specific or industry-specific risk that is inherent in each investment. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price).
- **Non-U.S. Securities Risk**—The Adviser may invest and trade a portion of its assets in non-U.S. securities and

other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Foreign securities and other assets often trade in currencies other than the U.S. dollar, and the Adviser may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the Adviser's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Adviser's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Adviser's foreign currency holdings
- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries may lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.
- Emerging Markets Risk—To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- Sequence-of-returns risk- or sequence risk, is the risk that an investor will experience negative portfolio returns very late in their working lives and/or early in retirement. Sequence-of-returns risk is a significant threat because retirees have little time to make up for losses that are compounded by the simultaneous drawdown of income distributions.

## Item 9. Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10. Other Financial Industry Activities and Affiliations

Neither Prosperity Planning, Inc. nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

Neither Prosperity Planning, Inc. nor its representatives are registered as or have pending applications to become either a Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

Prosperity Planning, Inc. does not utilize nor select third party investment advisers.

Prosperity Planning, Inc. owns and operates a separate entity, Prosperity Business Advisors, LLC. Prosperity Business Advisors, LLC provides business advisory services including value measurement, growth consulting, tax planning, and exit planning. This presents a potential conflict of interest as Prosperity Planning, Inc. has an interest in referring clients or prospective clients to Prosperity Business Advisors, LLC.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Prosperity Planning, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Prosperity Planning, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [info@prosperityplanninginc.com](mailto:info@prosperityplanninginc.com), or by calling us at 816-587-7526.

Prosperity Planning, Inc. and individuals associated with our firm are prohibited from engaging in principal transactions.

Prosperity Planning, Inc. and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases prorata, with each account paying the average price. Our employee accounts may be included in the prorata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.

3. It is the expressed policy of our firm that no person employed by us may purchase or sell any reportable security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

## Item 12. Brokerage Practices

Prosperity Planning, Inc. requires discretionary clients to provide us with written authority to determine the broker dealer to use and the commission costs/transaction fees that will be charged to these clients for these transactions.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

As a matter of policy and practice, Prosperity Planning, Inc. does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Prosperity Planning, Inc. has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides our firm with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help our firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to

consultants and other third party service providers who provide a wide array of business related services and technology with whom Prosperity Planning, Inc. may contract directly.

Prosperity Planning, Inc. is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of Prosperity Planning, Inc.'s clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Prosperity Planning, Inc. will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

## Item 13. Review of Accounts

### PORTFOLIO MANAGEMENT SERVICES

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least annually by the investment adviser representative working with the client. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Because our allocations are strategic, we generally don't make allocation changes more than once or twice a year.

We make changes to portfolio under the following circumstances:

- Portfolio drift: Asset class performance causes the allocation to shift, requiring "rebalancing" back to the target allocation.
- Change in client goals: Client circumstances or financial plan assumptions change, necessitating a different stock/bond allocation.
- Fund substitution: Funds may close to new investors or we may find a better fund for the asset class.
- Special opportunities, such as the ability to minimize potential income tax exposure.
- Strategic adjustments: From time to time we may add or eliminate certain asset classes or change the weightings within asset classes based on expected returns.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, Prosperity Planning, Inc. will provide quarterly reports summarizing account investment results, balances and holdings.

## **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, formal reviews will be conducted for Financial Planning Services clients at least annually. Such reviews will be conducted by the investment adviser representative working with the client.

**REPORTS:** Financial Planning Services clients will receive a report at least annually.

## **PENSION CONSULTING SERVICES**

**REVIEWS:** Prosperity Planning, Inc. will review the investment options of the plan according to the agreed upon time intervals established in the IPS.

These accounts are reviewed by the investment adviser representative working with the client.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory relationship.

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

It is Prosperity Planning, Inc.'s policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Prosperity Planning, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15. Custody**

Prosperity Planning, Inc. does not have physical custody of client funds or securities. However, as previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure, our firm directly debits advisory fees from client accounts. In addition, we are deemed to have custody because in certain circumstances we will execute third-party transfers from client accounts at the direction of the client in the form of a standing letter of authorization .

In billing for our advisory fees, we advise the client's custodian of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also provide account reports directly to our clients on a quarterly basis and as needed. We urge our clients to carefully compare the information provided on these reports to ensure that all account transactions, holdings and values are correct and current and to contact us with questions. In the event of a discrepancy the custodian's data will prevail.

## Item 16. Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## Item 17. Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## Item 18. Financial Information

As an advisory firm that maintains discretionary authority for client accounts and is deemed to have custody, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Prosperity Planning, Inc. has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Prosperity Planning, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.