

**Item 1 Cover Page**

**Serenity Investment Advisors**  
**d/b/a**  
**Serenity Wealth Management**  
333 S. Wabash Ave., Suite 2700  
Chicago, IL 60604

March 27, 2023

This brochure provides information about the qualifications and business practices of Serenity Wealth Management. If you have any questions about the contents of this brochure, please contact us at 312-734-1415. 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 as a registered investment advisor does not imply a certain level of skill or training.

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

## **Item 2 Material Changes**

There have been no material changes made to this brochure since our last annual update filing on March 16, 2022.

The material changes discussed above are only those changes that have been made to this brochure since the firm's last annual update of the brochure. The date of the last annual update of the brochure was March 22, 2022.

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#### **Item 4 Advisory Business**

Serenity Investment Advisors, d/b/a Serenity Wealth Management, is a company that was formed in April 2020 and is a registered investment advisor with the Illinois securities regulators since May 2020. As of January 31, 2022, the firm has exceeded the client assets under management level to remain registered with the state and has filed an application for registration with the SEC.

The principal owner of Serenity Wealth Management is Richard D. Little, President.

##### Advisory Services

Serenity Wealth Management (“Serenity” or “Advisor”) principal service is providing fee-based investment advisory services. The Advisor practices custom management of portfolios, on a discretionary basis, according to the client’s objectives. The Advisor’s primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The Advisor may use exchange listed securities, over-the-counter securities, foreign securities, warrants, corporate debt securities, commercial paper, CDs, municipal securities, mutual funds, United States government securities, and options in securities to accomplish this objective. The Advisor measures and selects mutual funds by using various criteria, such as the fund manager’s tenure, and/or overall career performance. The Advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The Advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The Advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. The Advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client’s risk tolerance.

##### Pension Consulting Services

Serenity will evaluate the existing qualified retirement plan solutions, including the plan design, fiduciary compliance program, custodial and recordkeeping arrangements, third-party administration services, investment policy statement and management process, employee communication and education program, and retiree/rollover transitional consulting services.

Based on the evaluation, Serenity will make objective recommendations to the plan sponsor. Upon approval, Serenity will implement, manage, and monitor the recommendations with the authorization of the plan sponsor.

As part of the process, Serenity will provide an investment policy statement. Serenity will recommend, monitor, and benchmark the selected investment platform according to the investment policy statement. Serenity may assist the client in completing the Investment Managers’ client questionnaire and opening account paperwork. Serenity will also assist in the development of the initial policy recommendations. In consideration for this service, Serenity will receive an investment advisory fee, billed quarterly in arrears, based on the value of the plan assets on the last day of the quarter. Third-party money managers / investment managers are hired by the client.

Serenity is only making recommendations to the client about who should be hired. The investment managers will have discretion as to the model portfolios / asset allocations and not the individual participants elections or asset allocation of any participants should they elect to customize their own portfolio. The client, prior to entering into an agreement with a third-party money manager recommended by Serenity will be provided with that manager's Form ADV Part 2A Brochure. In addition, Serenity and its client will agree in writing that the client's account will be managed by that selected third party money manager on a discretionary basis.

Serenity will recommend and refer clients to unaffiliated money managers or investment advisors. Through this arrangement, the client will then enter into an advisory agreement with the thirdparty money manager or investment advisor authorizing them to assist and advise the client in establishing investment objectives and develop an investment strategy to meet those objectives by identifying appropriate investments and monitoring such investments.

#### Financial Planning

In addition to investment supervisory services, Serenity may provide Financial Planning Services to some of its clients. The Advisor's Financial Planning services may include recommendations for portfolio customization based on the client's investment objectives, goals and financial situation, and allocation recommendations relating to investment strategies. Financial planning may also include non-investment advice such as developing strategies to achieve retirement or other financial goals, tax optimization strategies, cash flow and budgeting analysis and recommendations, financing and financial education, estate planning, and asset protection strategies.

Serenity will tailor its advisory services to its client's individual needs based on meetings and conversations with the client. If clients wish to impose certain restrictions on investing in certain securities or types of securities, the Advisor will address those restrictions with the client to have a clear understanding of the client's requirements.

Serenity does not provide portfolio management services to wrap fee programs.

As of December 31, 2022, Serenity had the following client assets under management:

Discretionary	\$88,746,380
Non-Discretionary	\$145,976,572

#### **Item 5 Fees and Compensation**

##### Asset Management Fee

Pursuant to an investment advisory contract signed by each client, the client will pay Serenity an annual management fee, payable quarterly in advance, based on the value of portfolio assets of the account at the opening of the quarter. New account fees will be prorated from the inception of the account to the end of the first quarter.

<b>Assets Under Management</b>	<b>Annual Fee</b>
First \$250,000	1.50%
Next \$750,000	1.00%
Assets over \$1 million	0.75%

These fees may be negotiated at the sole discretion of the Advisor. Asset management fees will be directly deducted from the client account on a quarterly basis by the qualified custodian. The client will give written authorization permitting the Advisor to be paid directly from their account held by the custodian. The custodian will send a statement at least quarterly to the client. Where it is not practical to deduct fees from client accounts, client will be sent an invoice on a quarterly basis for any outstanding advisory fees due.

#### Pension Consulting Fee

Plan Sponsor will pay the Advisor an annual consulting fee as compensation for its services, at an annual fixed rate based on the size of the Plan shown in the table below. The consulting fee is payable quarterly in advance. The consulting fee in the first quarter of the Agreement shall be prorated from the inception date to the end of the quarter. The Advisor shall invoice the Plan Sponsor for the consulting fee. The Plan Sponsor may, at its election, submit invoices for this consulting fee to the custodian of the Plan's assets for payment. The Plan Sponsor agrees to payment of these invoices, whether directly from the Plan Sponsor or from the Plan's custodian, promptly, and, under normal circumstances, by the end of the month in which the invoice is submitted. The consulting fee is negotiable. There will no pre-payment of fees.

<b>Plan Assets Under Management</b>	<b>Annual Fee</b>
Less than \$5 million	\$15,000
\$5 million to \$15 million	\$25,000
\$15 million to \$25 million	\$40,000
Over \$25 million	As Negotiated

#### Fixed Fees

Serenity will charge a fixed fee for comprehensive financial planning services ranging from \$2,500 to \$10,000 annually as contracted for with client in advance. Fixed fees may be negotiated in advance based at the discretion of the Advisor. Fixed fee-based clients are billed either in advance or on a monthly basis upon completion of work performed.

For each of the Advisor's services described above, if this Form ADV Part 2A Brochure was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with the Advisor, then the client has the right to terminate the contract without penalty within five business days after entering into the contract.

All fees paid to Serenity for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses.

At no time will Serenity accept or maintain custody of a client's funds or securities except for authorized fee deduction. Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisor's fee is separate and distinct from the custodian and execution fees.

Serenity's management fee is payable in advance. Upon termination, any fees paid in advance will be prorated to the date of termination and any unearned fees will be refunded to client.

Where acting in the capacity of an insurance agent, investment advisor representatives (IARs) of Serenity may as agent effect insurance transactions for typical and customary compensation. This practice presents a conflict of interest by creating an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Clients of Serenity are not required to utilize the IARs in their capacity as insurance agents for the purchase of investment products. Serenity has established a Code of Ethics to address conflicts of interest. See the response to Item 11 below for more information on the Code of Ethics. A client may be able to invest in products recommended by the firm directly, without the services of Serenity. In that case, the client would not receive the services provided by Serenity which are designed, among other things, to assist the client in determining which products or services are most appropriate to each client's financial condition and objectives. Clients should be aware that commissions from the sale of investment products does not represent 50% or more of the revenues received by Serenity. Serenity does not charge advisory fees on client assets invested in insurance products.

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

Serenity does not charge performance-based fees.

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

The Advisor will offer its services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and corporations or other business entities.

The Advisor does not have any minimum requirements for opening or maintaining an account.

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

The Advisor utilizes fundamental analysis techniques in formulating investment advice or managing assets for clients.

Fundamental analysis of businesses involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives; to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk.

In order to facilitate investing clients in suitable securities portfolios, Serenity has developed fifteen proprietary investment models across which allocations to multiple securities types and asset classes vary depending on the risk profiles of the clients. Generally, the higher the appetite for risk, the greater the portfolio weighting towards growth-oriented asset classes and away from stable-oriented asset classes. The securities types, asset classes and allocation percentages in these models are periodically updated by Serenity for various reasons, including overall market conditions, and how a security type or asset class responds to outside conditions. Clients have the ability to place restrictions on the securities used, securities types or asset classes in which they are invested, or may choose to have Serenity portfolio managers develop a customized portfolio.

Following are descriptions of the fifteen models developed by the Advisor and recommended to clients:

- **Sub 75k Aggressive** – An aggressive model for smaller accounts that can range from 90-95% stock exposure meant for younger, more aggressive clients
- **Sub 75k Growth Focus** – A growth focused model for smaller accounts that can range from 75-85% stock exposure
- **Sub 75k Moderate Aggressive** – A moderately aggressive model for smaller accounts that can range from 65-75% stock exposure for clients more than 5 years from retirement or for younger clients who are slightly more conservative
- **Sub 75k Balanced** – A balanced model for smaller accounts that can range from 55-65% stock exposure for clients within a few years of retirement or in their first 5-10 years of retirement depending on their risk tolerance
- **Sub 75k Conservative** – A conservative model for smaller accounts that can range from 45-55% stock exposure for clients in the later year of their retirement
- **Active/Passive Aggressive Model** – An aggressive blend for younger clients with a mix of ETF's and mutual funds with 85-95% stock exposure
- **Active/Passive Growth Model** – A growth blend for younger clients with a mix of ETF's and mutual funds with 75-85% stock exposure
- **Active/Passive Moderate Aggressive Model** – A moderately aggressive blend for clients with a mix of ETF's and mutual funds with 65-75% stock exposure
- **Active/Passive Balanced Model** – A balanced blend for older clients with a mix of ETF's and mutual funds with 55-65% stock exposure
- **Active/Passive Conservative Model** – A conservative blend for older clients with a mix of ETF's and mutual funds with 45-55% stock exposure
  
- **Tax Sensitive Aggressive** – An aggressive blend for younger clients with higher income in taxable account with a mix of ETF's and mutual funds with 85-95% stock exposure
- **Tax Sensitive Growth Focus** – An aggressive blend for clients with higher income in taxable account with a mix of ETF's and mutual funds with 75-85% stock exposure
- **Tax Sensitive Moderate Aggressive** – A moderately aggressive blend for clients with higher income in taxable account with a mix of ETF's and mutual funds with 65-75% stock exposure



- **Tax Sensitive Balanced** – A balanced blend for clients with higher income in taxable account with a mix of ETF's and mutual funds with 55-65% stock exposure
- **Tax Sensitive Conservative Focus** – A conservative blend for clients with higher income in taxable account with a mix of ETFs and mutual funds with 45-55% stock exposure

The investment strategies the Advisor will implement may include long-term purchases of securities held at least for one year; short-term purchases for securities sold within a year, and margin transactions.

Clients need to be aware that investing in securities involves risk of loss that clients need to be prepared to bear.

The methods of analysis and investment strategies followed by the Advisor are utilized across all of the Advisors clients, as applicable. One method of analysis or investment strategy is not more significant than the other as the Advisor is considering the client's portfolio, risk tolerance, time horizon and individual goals. However, the client should be aware that with any trading that occurs in the client account, the client will incur transaction and administrative costs.

Investing includes the risk that the value of an investment can be negatively affected by factors specifically related to the investment (e.g., capability of management, competition, new inventions by other companies, lawsuits against the company, labor issues, patent expiration, etc.), or to factors related to investing and the markets in general (e.g., the economy, wars, civil unrest or terrorism around the world, concern about oil prices or unemployment, etc.).

Risks of fundamental analysis may include risks that market actions, natural disasters, government actions, world political events or other events not directly related to the price or valuation of a specific company's fundamental analysis can adversely impact the stock price of a company causing a portfolio containing that security to lose value. Risks may also include that the historical data and projections on which the fundamental analysis is performed may not continue to be relevant to the operations of a company going forward, or that management changes or the business direction of management of the company may not permit the company to continue to produce metrics that are consistent with the prior company data utilized in the fundamental analysis, which may negatively affect the Advisor's estimate of the valuation of the company.

All investments involve some degree of risk. In finance, risk refers to the degree of uncertainty and/or potential financial loss inherent in an investment decision. In general, as investment risks rise, investors seek higher returns to compensate themselves for taking such risks.

Every saving and investment product have different risks and returns. Differences include how readily investors can get their money when they need it, how fast their money will grow, and how safe their money will be. The primary risks faced by investors include:

#### Business Risk

With a stock, you are purchasing a piece of ownership in a company. With a bond, you are loaning money to a company. Returns from both of these investments require that the company stays

in business. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. If there are assets, the company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing.

The business risk in purchasing an annuity is that the financial strength of the insurance company issuing the annuity may decline and not be able to pay out the annuity obligation.

#### Volatility Risk

Even when companies aren't in danger of failing, their stock price may fluctuate up or down. Large company stocks as a group, for example, have lost money on average about one out of every three years. A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

#### Inflation Risk

Inflation is a general upward movement of prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. The principal concern for individuals investing in cash equivalents is that inflation will erode returns.

#### Interest Rate Risk

Interest rate changes can affect a bond's value. If bonds are held to maturity the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than the face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower interest rate, you might have to sell it at a discount.

#### Liquidity Risk

This refers to the risk that investors won't find a market for their securities, potentially preventing them from buying or selling when they want. This can be the case with the more complicated investment products. It may also be the case with products that charge a penalty for early withdrawal or liquidation such as a certificate of deposit (CD).

The Advisor does not primarily recommend a particular type of security. However, clients are advised that many unexpected broad environmental factors can negatively impact the value of portfolio securities causing the loss of some or all of the investment, including changes in interest rates, political events, natural disasters, and acts of war or terrorism. Further, factors relevant to specific securities may have negative effects on their value, such as competition or government regulation. Also, the factors for which the company was selected for inclusion in a client portfolio may change, for example, due to changes in management, new product introductions, or lawsuits.

### **Item 9 Disciplinary Information**

Neither Serenity nor its management persons have had any legal or disciplinary events, currently or in the past.

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

Neither Serenity 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.

Neither Serenity nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Serenity does not currently have any relationships or arrangements that are material to its advisory business or clients with either a broker-dealer, municipal securities dealer, or government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund” and offshore fund), other investment advisor or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer or sponsor of syndicator of limited partnerships.

IARs of Serenity are also licensed and registered as insurance agents to sell life, accident and other lines of insurance for various insurance companies. Therefore, they will be able to purchase insurance products for any client in need of such services and will receive separate, yet typical compensation in the form of commissions for the purchase of insurance products. This creates a conflict of interest because of the receipt of additional compensation by the IARs. Clients are not obligated to use Serenity or its IARs for insurance products services. However, in such instances, there is no advisory fee associated with these insurance products, and clients will be made aware of all commissions associated with the products prior to the transactions.

Except for the pension consulting services described in Item 4 above, Serenity does not recommend or select other investment advisers for clients.

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

Serenity is registered with the SEC and maintains a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of Serenity deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Serenity are conducted in a manner that avoids any conflict of interest between such persons and clients of the adviser or its affiliates. Serenity collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve conflicts of interest. Serenity will provide a copy of the Code of Ethics to any client or prospective client upon request.

Serenity and/or its investment advisor representatives may from time-to-time purchase or sell products that they may recommend to clients. This practice creates conflicts of interest in that

personnel of Serenity can take advantage of the advance knowledge of firm securities trading and trade their personal accounts ahead of the client trades or recommend trades in client accounts that may affect the price of the securities owned by the Investment Advisor Representatives. To mitigate these conflicts, Serenity has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of Serenity deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Serenity are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates. Serenity collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed quarterly by the Chief Compliance Officer to identify and resolve potential conflicts of interest. Serenity's Code of Ethics is available upon request. Finally, supervised persons of registered investment advisors are fiduciaries by law and are required to put the client's interest before those of the firm and themselves.

Serenity requires that its investment advisor representatives follow its basic policies and ethical standards as set forth in its Code of Ethics.

Investment Advisor Representatives of Serenity may trade for their own accounts securities that are being traded for client accounts at or about the same time. To mitigate the conflict of interest in such circumstances, Serenity's policy is to require the trading of all relevant client account prior to the trading of their own accounts. The Chief Compliance Officer examines personal trading activities of Serenity's personnel to verify compliance with this policy.

## **Item 12 Brokerage Practices**

If requested by the client, Serenity may suggest brokers or dealers to be used based on execution and custodial services offered, cost, quality of service and industry reputation. Serenity will consider factors such as commission price, speed and quality of execution, client management tools, and convenience of access for both the Advisor and client in making its suggestion.

### **The custodian and brokers we use**

Serenity does not maintain custody of your assets, although we are deemed to have custody of your assets if you give us authority to withdraw assets from your account (see 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”), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “Your brokerage and custody costs”).

## **How we select brokers/custodians**

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are overall most advantageous 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 Schwab”)

## **Your brokerage and custody costs**

For our clients’ accounts that Schwab maintains, Schwab 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 Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab’s Cash Features Program. For some accounts, Schwab may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab’s commission rates and asset-based fees applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$100 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be otherwise. In addition to commissions and asset-based fees, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker/dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab 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”).

**Products and services available to us from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide our clients and us with access to their institutional brokerage services (trading, custody, reporting and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

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

- provide access to client account data (such as duplicate trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade 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, recordkeeping, and client reporting

**Services that generally benefit only us.** Schwab 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, compliance, legal, 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

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

### **Our interest in Schwab's services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. This creates an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/custodians") and not Schwab's services that benefit only us.

For any such products and services Serenity receives from Schwab or other custodians, it will follow procedures which ensure compliance with Section 28(e) of the Securities Exchange Act of 1934 or applicable state securities rules.

The firm seeks to obtain the most favorable net results for clients' price, execution quality, services and commissions. Although the firm seeks competitive commission rates, it may pay commissions on behalf of clients which may be higher than those available from other brokers in order to receive other services. The firm may enter into such transactions so long as it determines in good faith that the amount of commission paid was reasonable in relation to the value of the brokerage and research services provided by the broker. The services that may be considered in this determination of reasonableness may include (1) advice, either directly or through publications or writing, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) analysis and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or (3) effecting securities transactions and performing functions incidental thereto. Such research furnished by broker-dealers may be used to service any or all of Serenity's clients and may be used in connection with accounts other than those that pay commissions to the broker-dealers providing the research. In particular, third-party research provided by broker-dealers may be used to benefit all of the firm's clients. This creates a conflict of interest in that the firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution.

Benefits received may be used as soft dollars provided that:

- The service is primarily for the benefit of Serenity's clients
- The commission rates are competitive with rates charged by comparable broker-dealers; and
- Serenity does not guarantee a minimum amount of commissions to any broker-dealer.

Serenity does not receive client referrals from any broker-dealer or third party as a result of the firm selecting or recommending that broker-dealer to clients.

Serenity recommends that all clients use a particular broker-dealer for execution and/or custodial services. The broker-dealer is recommended based on criteria such as, but not limited to, reasonableness of commissions charged to the client, tools and services made available to the client and the Advisor, and convenience of access to the account trading and reporting. The client will provide authority to Serenity to direct all transactions through that broker-dealer in the investment advisory agreement.

As an investment advisory firm, Serenity has a fiduciary duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market, and the specific needs of the client. Serenity's primary objectives when placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. Serenity may not necessarily pay the lowest commission or commission equivalent as specific transactions may involve specialized services on the part of the broker.

Serenity does not permit clients to direct brokerage.

Serenity may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g., for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of Serenity's investment advisory agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. Serenity may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

### **Item 13 Review of Accounts**

The firm reviews client accounts on at least an annual basis, or when conditions would warrant a review based on market conditions or changes in client circumstances. Client accounts are



reviewed by Richard Little, President. The nature of the review is to determine if the client account is still in line with the client's stated objectives. Triggering factors may include Serenity becoming aware of a change in client's investment objective, a change in market conditions, change of employment, or a change in recommended asset allocation weightings in the account that exceed a predefined guideline.

The client is encouraged to notify the Advisor and Investment Advisor Representative if changes occur in his or her personal financial situation that might materially affect the investment plan.

The client will receive written statements no less than quarterly from the custodian. In addition, the client will receive other supporting reports from mutual funds, asset managers, trust companies or other custodians, insurance companies, broker-dealers and others who are involved with client accounts. Serenity will provide clients with a summary report that provides information concerning account performance, asset allocation, benchmarks, performance since inceptions and fees paid.

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

Serenity is not compensated by anyone for providing investment advice or other advisory services except as previously disclosed in this Brochure.

The Advisor engages independent solicitors to provide client referrals. If a client is referred to us by a solicitor, this practice is disclosed to the client in writing by the solicitor and the Advisor pays the solicitor out of its own funds—specifically, the Advisor generally pays the solicitor a portion of the advisory fees earned for managing the capital of the client or investor that was referred. The use of solicitors is strictly regulated under applicable federal and state law. The Advisor's policy is to fully comply with the requirements of Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended, and similar state rules, as applicable.

The Advisor may receive client referrals from Zoe Financial, Inc through its participation in Zoe Advisor Network (ZAN). Zoe Financial, Inc is independent of and unaffiliated with the Advisor and there is no employee relationship between them. Zoe Financial established the Zoe Advisor Network as a means of referring individuals and other investors seeking fee-only personal investment management services or financial planning services to independent investment advisors. Zoe Financial does not supervise the Advisor and has no responsibility for the Advisor's management of client portfolios or the Advisor's other advice or services. The Advisor pays Zoe Financial an on-going fee for each successful client referral. This fee is usually a percentage of the advisory fee that the client pays to the Advisor ("Solicitation Fee"). The Advisor will not charge clients referred through Zoe Advisor Network any fees or costs higher than its standard fee schedule offered to its clients. For information regarding additional or other fees paid directly or indirectly to Zoe Financial Inc, please refer to the Zoe Financial Disclosure and Acknowledgement Form.

## **Item 15 Custody**

Serenity does not have custody of client funds or securities, except for the withdrawal of advisory fees directly from client accounts (please see Item 5 which describes the safeguards around direct fee deduction). However, as noted in Item 13 above, clients will receive statements not less than quarterly from the qualified custodian, and we encourage you to review those statements carefully. Any discrepancies should be immediately brought to the firm's attention.

Serenity does not prepare and provide account statements to clients.

## **Item 16 Investment Discretion**

Serenity generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client for each transaction. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by Serenity.

Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by Serenity will be in accordance with each client's investment objectives and goals.

## **Item 17 Voting Client Securities**

Serenity will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, Serenity cannot give any advice or take any action with respect to the voting of these proxies. The client and Serenity agree to this by contract. Clients will receive proxy solicitations from their custodian and/or transfer agent.

## **Item 18 Financial Information**

Serenity does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and is not required to file a balance sheet.

Serenity has discretionary authority over client accounts and is not aware of any financial condition that will likely impair its ability to meet contractual commitments to clients. If Serenity does become aware of any such financial condition, this brochure will be updated, and clients will be notified.

Serenity has never been subject to a bankruptcy petition.