



Heritage Wealth Management, Inc.
ADV 2A (Firm Brochure)

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This brochure provides information about the qualifications and business practices of Heritage Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at 713-871-9800 and/or at Brett@heritageplanners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Heritage Wealth Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The last annual update of this brochure was in March 2023. No material changes have occurred since that update.

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ADVISORY BUSINESS

Advisory Firm Description

Heritage Wealth Management, Inc. ("HWM" or the "Firm") has been in business since July 1, 2002. The principal owner is Brett Stephen Carleton.

Types of Advisory Services

Financial Planning Services

Financial planning advice will typically involve providing a variety of services to clients regarding the management of their financial resources based upon an analysis of their individual needs. The Firm will first conduct a complimentary initial consultation during which pertinent information about the client's financial circumstances and objectives is collected. The information normally covers, but is not limited to, present and anticipated assets and liabilities, retirement goals, investment horizon, financial needs and cost of living needs. Once such information has been reviewed and analyzed, a written financial plan designed to achieve the client's stated financial goals and objectives will be produced and presented to the client.

Investment Advisory Services

HWM offers investment advisory services through its wrap fee program, which include portfolio management for individuals and for businesses, pension consulting and selection of other advisers. These services and associated fees are separately disclosed in the Firm's Wrap Fee brochure. As a convenience, HWM also offers managed non-wrap accounts which are described below. This service is designed for tax efficiency of HNWI individuals in their taxable accounts.

Sub-Advisory Services

HWM will recommend the investment sub-advisory services of Dimensional Fund Advisors ("DFA"), based on DFA's value-added investment approach, to suitable clients. This approach includes tailored solutions within well-designed, highly diversified, and cost-efficient portfolios. HWM is responsible for selecting the investment strategy for each client based on the stated goals and objectives of the client and will periodically review client accounts to ensure that the strategy is being followed by DFA.

Clients will choose whether or not they want to use these services. Clients may impose reasonable restrictions (within the meaning of that term under Rule 3a-4 under the Investment Company Act) on the management of an account. HWM shall communicate such reasonable restrictions to DFA.

Client Assets Under Management

As of December 31, 2022, the Firm had \$214,020,798 of discretionary assets under management and \$10,489,863 of nondiscretionary assets under management.

FEES AND COMPENSATION

HWM utilizes the following financial planning fee schedule, subject to negotiation depending on the nature, complexity and time involved in providing the client with requested services:

Fixed Fees

HWM will charge a fixed fee, which ranges between \$2,500 and \$10,000 for comprehensive financial planning services. The fee is determined at the onset of the engagement and depends upon the complexity of the client's needs and the scope of the financial planning services required to meet those needs. This fee is charged one-half up front and one-half upon completion of the plan, with plans generally being completed within 90 days. *In limited circumstances*, the total cost could potentially exceed this fixed amount, which is directly dependent upon the complexity of the contracted service. In such cases, HWM will notify the client and request that the client pay an additional fee. HWM will rebate the financial planning fee if the client immediately commits assets under management to the Firm.

Hourly Fees

HWM charges an hourly consultation fee, which ranges between \$100 and \$300 depending on the nature of the contracted services. These consultation fees are due immediately upon completion of the consultation.

Separately Managed Account Fees

Fees are negotiable and can be adjusted based on the complexity of each client's individual situation. Assets are aggregated by family.

| Assets Under Management | Annual Fee |
|----------------------------|------------|
| Less than \$500,000 | 1.50% |
| \$500,000 to \$1,000,000 | 1.25% |
| \$1,000,001 to \$3,000,000 | 1.00% |
| \$3,000,001 to \$5,000,000 | 0.90% |
| Greater than \$5,000,000 | 0.75% |

Fees are billed quarterly in advance at the rate of one fourth of the annual fee shown above. Fees for the next quarter are calculated based on the portfolio valuation, including interest, and are based on the number of days in the billing period. Additional deposits and withdrawals of funds and/or securities can be made to the account at any time. Prepaid advisory fees are adjusted the following quarter for one-time deposits made intra-quarter. Fees are calculated pro rata for partial billing periods based upon the value of the assets in the account and the number of days in the calendar quarter. The fee calculation is computed by Orion, a portfolio management software, which receives a daily valuation of securities from Fidelity Investments or an independent pricing service.

Fees can either be deducted from the client's account by authorization through HWM's Investment Advisory Agreement and the client's agreement with the custodian or the fee can be payable by check to the Firm. In arrangements where the fee is deducted directly from the client's account, the custodian will send the client a statement, at least quarterly, indicating all amounts disbursed from the client's account, including the amount of the fee paid directly to HWM.

Subadvisory Fees

The annual fee to be paid by the client to DFA for each account shall be 0.29%, pro-rated and paid quarterly, in arrears, based on the average daily value of the assets in the account. DFA's annual fees shall exclude any assets of an account that are invested in registered investment companies advised by DFA ("Funds"); provided however, such assets shall be subject to the fees and expenses described in the applicable Funds' prospectus. Notwithstanding the foregoing, the minimum annual fee charged for any account shall be determined as if there is \$500,000 in account assets.

Additional Costs

In addition to the fee paid to HWM (which includes transaction fees), clients also may 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 custodial fees, charges imposed directly by a mutual fund or ETF held in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, interest costs, and other fees and taxes on brokerage accounts. HWM does not share in any of part of these additional charges.

When purchasing a mutual fund, HWM primarily uses institutional and employee-class shares and ensures that the least expensive share class is purchased. Some mutual funds charge clients 12b-1 fees which are paid out to advisors as commissions. HWM does not charge or receive a commission or a mark-up on securities transactions, nor will the Firm or an associate be paid a commission on the purchase of a securities holding that is recommended to a client. Therefore, it is HWM's policy to not select mutual funds that charge 12b-1 fees.

Termination

The typical financial planning agreement HWM enters into with clients allows for either party to terminate the agreement immediately upon receipt of written notice. The client can terminate a financial planning agreement without penalty within five (5) business days after entering the agreement. Otherwise, at the date of termination, the client agrees to pay fees due the Firm on a pro rata basis or the Firm will refund any prepaid fees which have not yet been earned (e.g., if a client chooses not to go through with the plan after paying HWM ½ of the fee, the Firm will refund that portion of the fee to the client).

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

HWM does not charge any performance-based fees or engage in side-by-side management.

TYPES OF CLIENTS

HWM provides investment advisory services to:

- Individuals
- High net worth individuals
- Trusts

HWM prefers a minimum investment amount to start of \$1,000,000, aggregated by family. HWM reserves the right to waive or lower this minimum.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

HWM does not invest for clients in its financial planning role. The financial planning process will involve the collection, organization and assessment by HWM of all relevant client data, as well as identification of the client's financial concerns, goals and objectives. The primary objective of this process is to allow HWM to assist the client in developing a strategy for the successful management of income, assets and liabilities in meeting the client's long-term financial goals and objectives.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client to HWM. HWM cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As the client's financial situation, goals, objectives or needs change, the client must notify HWM promptly.

Clients are advised that financial plans do not guarantee investment results. Investment assumptions included in a financial plan are not guaranteed and should be monitored based on each client's individual risk temperament, time horizon and portfolio allocation.

For separately managed accounts, HWM manages its clients' assets largely in open-ended mutual funds and ETFs using a different strategy for a portion of each client's funds. HWM will use a separately managed account for just part of the client's overall investment allocation. Investment portfolios for client accounts are structured to meet each client's objective and risk tolerance. Diversification is accomplished within asset categories by varying sectors, time horizons and income production.

HWM does not use margin as part of its investment strategy, although clients are permitted to use margin for interim financial needs outside of securities purchases.

HWM does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm uses, or the success of the Firm's overall management of the account. The client understands that investment decisions made for the client's account by the Firm are subject to

various market, economic, political and business risks, and that those investment decisions will not always be profitable. Clients are reminded that investing in any security entails risk of loss which they should be willing to bear.

DISCIPLINARY INFORMATION

There have been no disciplinary actions against HWM or Mr. Carleton.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

HWM has no other financial industry activities or affiliations.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

HWM has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics could result in disciplinary sanctions, including termination with the Firm. Any client or prospective client can request a copy of the Firm’s Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm’s behalf and on their own behalf consistently with the Firm’s disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees cannot convey nonpublic information nor depend upon it in placing personal or recommending clients' securities trades.

Personal Securities Trading

Mr. Carleton and individuals associated with the Firm are permitted to buy, sell or hold in their personal accounts the same securities the Firm recommends to its clients. When such trades occur on the same day as client trades, this presents a conflict of interest, which is mitigated by the personal trading policy requiring personal trades to be placed after client trades. The purchase of IPOs or private placements is allowed with prior permission from Mr. Carleton, the Firm's Chief Compliance Officer. The Firm does not allow front running.

To further avoid conflicts of interest, the Firm has established the following policies:

- An officer, director or employee of HWM shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with the Firm, unless the information is also available to the investing public on reasonable inquiry. No person associated with HWM shall prefer his or her own interest to that of any client.
- Employee accounts are encouraged to be held at Fidelity, so the Firm is able to monitor any trades that employees have placed in their personal accounts.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

BROKERAGE PRACTICES

In its financial planning role, the Firm does not recommend brokers for clients.

For separately managed accounts, HWM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides HWM with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist HWM 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 HWM manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, 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 HWM can contract directly. HWM receives these benefits as a result of its clients' relationships with Fidelity but has no formal soft dollar arrangements and receives no compensation from Fidelity. These benefits provided by Fidelity might assist HWM with its administration of client accounts, and thus slightly help its profitability, creating a potential conflict of interest with clients. HWM believes this is not a material conflict.

HWM is independently operated and owned and is not affiliated with Fidelity.

HWM requires Fidelity as a "qualified custodian" for clients' accounts, with each client signing a separate agreement with Fidelity, unless the funds are unable to be moved, or it is not in the best interest of the client to move the funds, e.g., active 401k plans. In requiring a custodian, HWM considers the range and quality of the products the custodian offers, the technical support provided, execution quality, commission rates, the financial responsibility and responsiveness of the custodian to both HWM and its clients. HWM recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships can affect its ability to provide best execution on a trade-by-trade basis. However, HWM evaluates its entire custodial relationship in assessing best execution on a client-by-client basis.

HWM does not aggregate the purchase or sale of securities for client accounts which will lead to different pricing throughout the day.

REVIEW OF ACCOUNTS

Mr. Carleton, President, conducts all financial plan reviews. A customized written financial plan is produced and presented to each client, with the exception of hourly consultations, possibly resulting in a written document.

For separately managed accounts, Mr. Carleton, President, conducts all account reviews. Reviews are conducted as a matter of course at least quarterly and consist of looking at portfolio holdings, cash flows, and market activity in light of client objectives. Additional reviews can be triggered by events such as a client meeting, change in a client's risk tolerance, financial position or investment objective, change in a company or fund's management, unusual market or economic circumstances or other unforeseen events.

The Firm provides clients with quarterly written/electronic statements of portfolio holdings and annual written/electronic summaries of income and investment management fees paid. The custodian provides detailed written statements of realized

gains/losses on 1099. All clients are encouraged to contact or meet on at least a semi-annual basis with HWM to review their account reports, update their client information and determine whether changes should be made to their investment strategy.

CLIENT REFERRALS AND OTHER COMPENSATION

HWM receives referrals from SmartAsset but does not share any revenue for the referrals. HWM pays a monthly fee for the leads SmartAsset provides to the Firm.

CUSTODY

The management fee deduction for separately managed accounts is deemed a form of custody by the Securities and Exchange Commission, although all client securities, investments and funds are held by an outside custodian. The Firm can direct the movement of funds from one account in the client's name to another account in the client's name but has no access to funds or securities except for this deduction of fees. When clients receive their statements from the account custodian, they should carefully review those statements.

INVESTMENT DISCRETION

The agreement that clients enter with HWM provides that the client grants HWM limited discretion (through a limited power of attorney) to determine both the securities purchased and sold and the amounts of those purchases and sales. Clients can place restrictions on HWM's discretion in writing.

VOTING CLIENT SECURITIES

HWM does not vote client proxies for securities held in client accounts. Clients receive proxy information directly from the custodians by email or US mail and can contact HWM for assistance in voting on any particular issue.

FINANCIAL INFORMATION

There is no financial condition that is reasonably likely to impair the Firm's ability to meet its contractual commitments to its clients.