

# **BRUDERMAN PRIVATE WEALTH**

## **FIRM BROCHURE (Form ADV Part 2A)**

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August 28, 2023

This Brochure provides information about the qualifications and business practices of Bruderman Private Wealth<sup>1</sup> ("Bruderman," or the "Firm"). If you have any questions about the contents of this Brochure, please contact Us at (516) 930-4250. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Bruderman is an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply any level of skill or training. Additional information about the Firm is also available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching by our name or by a unique identifying number, known as the CRD number. Our Adviser's CRD number is 323195.

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<sup>1</sup> The Firm's legal name is J.M. Bruderman & Company, LLC and conducts business under the name of Bruderman Private Wealth.

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### **Item 3 Material Changes**

Form ADV Part 2A (the "Brochure") dated August 28, 2023, by Bruderman Private Wealth ("Bruderman," or the "Firm") Includes one material changes from the previous report filed March 31, 2023:

Specifically, the firm has changed its fee billing policy. Effective September 1, 2023; the firm will bill clients monthly in arrears. The firm previously billed quarterly in advance. Complete details can be found in Item 5, beginning on page 7.

In the future, this section will disclose material changes made to the Brochure and provide and summarize those changes.

## **Item 4 Advisory Business**

### **A. Firm Information**

J.M. Bruderman & Company, LLC d/b/a Bruderman Private Wealth ("Bruderman", the "Firm," "We," "Us," or "Our") was organized as a New York limited liability company in August 2022. The Firm is an investment adviser registered with the Securities and Exchange Commission ("SEC") with its principal office and place of business in New York. Mr. James M. Bruderman, President, is majority owner and sole manager of the firm.

The Firm specializes in servicing high-net-worth individuals and families. We aim to create and deliver customized investment strategies aligned with our Client's vision and aspirations. We take a holistic approach to financial planning and investing where We consider current and future cash needs to ensure that our Client's lifestyle requirements are met.

We focus on the Client as a whole, not just the portion of a client's investable assets. Bruderman delivers tailored holistic solutions for ultra-high net worth individuals and families. Our processes are designed to optimize these financial disciplines and deliver a personalized wealth management experience to each Client.

### **B. Description of Services**

#### **Portfolio Management Services**

We offer *discretionary* portfolio management services to our clients. Discretionary portfolio management means We will make investment decisions and place buy or sell orders in your account without contacting you first. These decisions would be made based on your stated investment objectives. To this end, clients grant Us a limited Power of Attorney with discretionary trading authority over all Client accounts to buy, sell, or rebalance client portfolios.

Under limited circumstances, We may offer *non-discretionary* portfolio management. Non-discretionary portfolio management service means We must obtain your approval before making purchases, selling, or rebalancing client portfolios.

Our investment advice is tailored to meet our Client's needs and objectives. If you decide to retain Bruderman to manage your portfolio, We will meet with you to gather your financial information, determine your goals, and decide how much risk you should take in your investments. The information We collect will assist Us with implementing an asset allocation strategy that will be specific to your goals, whether We are actively investing for you or simply providing you with advice.

Bruderman also deploys various managed account programs as part of its portfolio management process utilizing exchange-traded funds, mutual funds, equity securities, corporate debt securities, municipal securities, and U.S. government securities. We may also recommend private placements, hedge funds, and private equity funds if and when appropriate. We monitor

client portfolios' performance continuously and rebalance portfolios whenever necessary, as changes occur in market conditions, your financial circumstances, or both.

**Managed Account Program.** The Managed Account Program seeks to invest client funds in diversified portfolios comprising a range of internally and externally managed strategies. Portfolios are constructed according to each Client's needs and consider a client's financial planning goals, risk tolerance, and return objective. The Managed Account Program may invest in the strategies described and other investment strategies depending on the Client's goals, needs, and wishes.

Clients should note that the Managed Account Programs have various minimum account and minimum fee requirements, some of which may be waived at the discretion of Bruderman. We may group certain related client accounts ("householding") for the purposes of achieving the minimum account size and determining the annualized Fee. Nevertheless, from time to time, our minimum separate account size may require that the Firm decline to accept particularly small accounts or move the funds into a program in which the funds would satisfy the minimum account and Fee requirements.

The following represent Managed Account Programs that deploy specific "model" strategies generally utilized to invest client assets. Bruderman may also structure other Managed Account Programs tailored to the Client's investment objectives.

### **Select Trac Equities Program Strategies**

**Select Dividend Strategy.** The Select Dividend Strategy seeks to achieve current income and long-term capital appreciation by investing in a diversified high conviction portfolio of dividend-paying stocks. Stock selection is driven by fundamental research focused on valuation, financial strength, and management quality. The selection universe consists of U.S. and non-U.S. domiciled large-cap companies, and the strategy targets low turnover. The Dividend Strategy typically invests in a portfolio of 20-30 large-capitalization companies and no more than 30% of assets in any sector.

**Select Growth Strategy.** The Select Growth Strategy seeks to achieve long-term capital appreciation by investing in a diversified high conviction portfolio of stocks exhibiting high revenue earnings or cash flow growth. Stock selection is driven by fundamental research focused on valuation, financial strength, and management quality. The selection universe consists of U.S. and non-U.S. domiciled large-cap companies, and the strategy targets low turnover. The Growth strategy typically invests in a portfolio of 20-30 large-capitalization companies and no more than 30% of assets in any sector.

**Select Small Cap Strategy.** The Select Small Cap Strategy seeks long-term capital appreciation by investing in a diversified high conviction portfolio of stocks exhibiting attractive valuation,

financial strength, and management quality characteristics. The selection universe consists of companies with market capitalizations below \$10 billion. The strategy typically invests in a portfolio of 20-40 small-capitalization companies and no more than 30% of assets in any sector.

**Select Corporate Income Strategy.** The Select Corporate Income Strategy seeks to achieve current income by investing in a diversified high conviction portfolio of higher-yielding ETFs, closed-end funds, and mutual funds. The strategy invests primarily in corporate bond ETFs with maturities across the 1-10-year yield curve. A portion of assets may be held in tactical positions that may provide higher yields and risk. However, the strategy will seek to maintain an overall exposure to investment-grade securities. The strategy may take a view on duration and may be shorter, longer, or neutral relative to the maturity of the benchmark.

**Select Income Strategy.** The Select Income Strategy seeks to achieve high current income and long-term capital appreciation by investing in a portfolio of high-income producing securities, including individual equities, real estate investment trusts ("REITs"), mutual funds, closed-end funds, business development companies ("BDCs") and exchange-traded funds ("ETFs"). The strategy typically invests in a portfolio of 20-40 securities and invests no more than 30% of assets in any one sector.

### **Financial Planning Services**

Bruderman offers broad-based financial planning services including, but not limited to, tax planning, insurance planning, estate planning, disability planning, business planning, retirement planning, education planning, and budgeting and cash flow analysis. Bruderman strives to achieve a client's long-term financial goals by implementing a financial planning process that may include any or all of the following steps:

- Assessment of a client's present financial situation by collecting information regarding net worth and cash flow statements, tax returns, insurance policies, investment portfolios, pension plans, and employee benefit statements.
- Identification of a client's financial and personal goals and objectives. Goals or objectives may include financing a child's college education or retirement planning. The identified goals or objectives are specific, realistic, and measurable. All goals include time horizons.
- Resolution of finance-related problems. Obstacles to achieving financial independence are identified so that a resolution may occur. Examples of problem areas can include too little or too much insurance coverage, inadequate cash flow, or a high tax burden.
- Plan Design. A written financial plan is prepared that includes recommendations and solutions to address financial-related problems.

Implementation of the financial plan. The financial plan is finalized and agreed upon. The recommendations and solutions are executed to reach the desired goals and objectives. Evaluation of the financial plan is conducted periodically. The financial planning service

provides the option of completing a periodic review and revision of the plan to ensure that the financial goals are achieved.

Financial plans are based on your financial situation and the financial information you provide to Us. If your financial situation, goals, objectives, or needs change, you must notify Us promptly.

We also provide financial planning services that cover a specific area, such as retirement or estate planning. We offer consultative services where We set an appointment to meet with you for financial planning advice for an hourly fee.

You may choose to accept or reject our recommendations. If you decide to proceed with our recommendations, you may implement Our recommendations by utilizing our investment advisory services or using advisory services elsewhere.

Bruderman does not provide tax or legal advice. Clients are urged to seek advice from qualified tax and legal professionals.

### **Regulatory Assets Under Management**

Bruderman Private Wealth Firm has \$114,125,000 Regulatory Assets Under Management ("RAUM") as of March 31, 2023.

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

#### **Advisory Fee**

The account will be charged a monthly fee in arrears (the "Advisory Fee" or "Fee"). The Advisory Fee charged on or about the first of each month would be the agreed upon Advisory Fee multiplied by the number of days in the billing month and divided by the number of days in the year.

The Client is charged an advisory fee that is a percentage of the assets in the account. Assets in the account include all assets in each account, less any assets that have been specifically excluded and detailed in your Bruderman investment advisory agreement. The maximum annual Advisory Fee is 1.875%. Factors used to determine the Advisory Fee include the size of the account, investment strategy, and the number of accounts. Fees are negotiable, and lower fees may be available from other advisers. Additional fee reductions may be granted for advisory relationships exceeding \$25 million.

The advisory Fee is payable monthly in arrears, based on the average daily value of the account balance during the month. In any partial month, the advisory Fee will be prorated based on the number of days the account was open during the month. A prorated Fee for the first period will be billed at the beginning of the first calendar month after the account is funded.



Clients authorize Bruderman's recommended qualified custodian, Charles Schwab & Co. Inc<sup>2</sup>. ("Schwab"), to deduct the Advisory Fee at the beginning of each month for the prior billing month. In the event of advisory agreement termination, the Firm will bill Fees on a pro-rata basis calculated from the beginning of the billing month through the termination date.

The Advisory Fee covers the advisory services provided by the Firm, as described in this agreement. The advisory Fee does not cover transaction charges (as described below), brokerage charges provided by broker-dealers, and any custody fees. The Advisory Fee also does not cover certain costs or charges that We may impose, Schwab, or third parties, including costs associated with exchanging foreign currencies, odd-lot differentials, IRA fees, transfer taxes, exchange fees, wire transfer fees, postage fees, and other fees or taxes required by law. The Firm's investment adviser representative servicing the account will receive a portion of the Advisory Fee charged by Bruderman.

The account may be charged fees for processing, trading, and custodian charges in connection with transactions executed through Schwab ("Transaction Charges"). Schwab does not currently charge commissions for trades placed electronically and does not charge account maintenance or custodian fees. The Firm plans to place all client equity trades with Schwab electronically and thus expects Transaction Charges to be minimal. The firm regularly monitors the fee structure of its custodians and will advise clients of any material changes.

A client may deposit cash into an Account at any time, provided that the Firm reserves the right not to accept particular securities into an Account or impose a waiting period before securities may be deposited or invested. A client may withdraw Account assets on notice to the Firm, subject to the usual and customary securities settlement procedures. No portion of any pre-paid advisory Fee will be rebated to the account based on the value of partial withdrawals. The Client understands that the account is designed as a long-term investment vehicle; therefore, withdrawals may impair the achievement of the Client's investment objectives.

The Client understands that certain funds in which the Client may invest according to this agreement, including exchange-traded funds and mutual funds, also bear their own investment advisory fees and other expenses.

The Client also understands that Schwab may receive payments from certain mutual funds (including money market funds) under a 12b-1 distribution plan or another arrangement as compensation for distribution and administrative services and are distributed from the fund's total assets. The 12b-1 Fee and services fee arrangements are described in the applicable fund's prospectus. If available cash is held in the account as free credit balances, Schwab may receive compensation in connection with those balances.

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<sup>2</sup> For more detailed information on Schwab, please see "Item 12 – Brokerage Practices", "14 – Referrals and Other Compensation", and "15 – Custody".

### **Fees for Additional Services**

Clients opting to use Bruderman's third-party account aggregator for the administration of certain assets may incur an additional service fee, which we shall determine. Clients are not required to use the third-party account aggregator to administer assets. Any such fees for additional services are agreed upon with the Client in advance.

### **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 written notice. As disclosed above, certain fees are charged in arrears of services provided. Upon termination of the investment advisory agreement or transfer of any account, any earned fees that have not yet been billed will be billed and debited from the account. The Client has the right to terminate an agreement without penalty within five business days after entering into the agreement and will not be billed, or if previously billed; will be entitled to a full refund of fees.

***Pooled Investment Account Fees:*** All fees paid to Bruderman for advisory services are separate and distinct from the fees and expenses charged by investments (such as mutual funds, ETFs, etc.) 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. A client could invest in a mutual fund directly without our services. In that case, the Client would not receive the services provided by the 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 evaluate the advisory services being provided.

***Direct Debit vs. Billing:*** When authorized by the Client, fees are debited from the account under the terms outlined in Bruderman's Investment Management Agreement. When calculating fees, We pay careful attention and review them regularly. However, as the Firm's qualified custodian, Schwab will not determine whether the Fee was calculated correctly. You are also responsible for reviewing the Fee for accuracy. Clients are provided with an itemized billing notification. Please review these notices carefully and contact Bruderman with questions or discrepancies.

***ERISA Accounts:*** In instances where We provide management to specific retirement plans, Bruderman may be deemed to be a fiduciary to advisory Clients that are employee benefit plans or individual retirement accounts ("IRAs") under the Employee Retirement Income and Securities Act ("ERISA") and regulations under the Internal Revenue Code of 1986 (the "Code"). As such, Bruderman 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, Bruderman may only charge fees in ERISA accounts for investment advice about products for which the Firm and our related persons do not receive any 12b-1 fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

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

Bruderman does not charge performance-based fees.

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

Bruderman provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Mass Affluent individuals and families
- Pension and Profit-Sharing Plans
- Charitable Organizations
- Endowments and foundations
- Small businesses
- Corporations

Bruderman may require a minimum investment to open and maintain advisory accounts. At our sole discretion, We may waive this requirement. We may allow accounts of members of the same household to be aggregated for purposes of meeting the minimum account size. We may allow such aggregation, for example, where We service accounts on behalf of minor children of current clients, individual and joint accounts for a spouse, and other related accounts.

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

#### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and managing Client assets:

***Asset Allocation.*** Rather than focusing primarily on securities selection, We attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the Client's investment goals and risk tolerance. A risk of asset allocation is that the Client may not participate in sharp increases in a particular security, industry, or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the Client's goals.

***Economic and Market Analysis.*** We attempt to review, summarize, and interpret broad global economic, market trends, and themes for the purpose of risk identification and opportunity recognition. This summary acts as an aid to overall asset allocation analysis, market-wide trends, and developing themes. Increased levels of market volatility are considered, as are technical and other factors, including fund flows, currency movements, commodity prices, inflation,

employment rates, and political or regulatory changes.

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of client behavior and potentially predict future price movement.

***Mutual Fund and ETF Analysis.*** We look at the product design, experience, and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund(s) in the Client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A successful manager may not be able to replicate that success in the future. In addition, as We do not control the underlying investments in a fund or ETF, managers of different funds held by the Client may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the Client's portfolio.

***Computer software.*** We use computerized financial planning software to organize data and create a preliminary analysis of the Client's current and projected financial situation. In order to analyze security performance and risk, We use a variety of technical data supplied by third parties as well as percentile rankings of mutual fund managers' adjusted risk performance. A risk of such computer programs is that projections and recommendations formulated from the program are generated from assumptions entered by the software's programmers, often based on how markets or securities have historically performed. However, markets and securities can and often do perform differently than they have in the past.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities We purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities are providing accurate and unbiased data. While We are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

***Risk of Loss.*** Securities investments are not guaranteed, and you may lose money on your

investments. We ask that you work with Us to help Us understand your risk tolerance.

### **Item 9 - Disciplinary Information**

The Firm has no reportable disciplinary events to disclose.

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

#### **A. Broker-Dealer Registration Status**

The Firm is not registered as a broker-dealer nor has an application pending to register as a broker-dealer.

#### **B. Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser, and Non-U.S. Registrations**

Bruderman is not registered with the U.S. Commodities and Futures Trading Commission as a Commodity Pool Operator ("CPO") or Commodity Trading Advisor.

#### **C. Material Relationships**

The Firm has no material relationships to report.

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

Bruderman has adopted a Code of Ethics (the "Code") which sets forth high ethical standards of business conduct that We require of our supervised persons, including compliance with applicable federal and state securities laws.

Bruderman and our employees owe a duty of loyalty, fairness, and good faith toward our clients. We have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

Our Code includes policies and procedures for reviewing quarterly securities transactions reports, and initial and annual securities holdings report supervised persons of the Firm must submit. Among other things, our Code contains policies and procedures which comply with Rule 204A-1 of the Adviser's Act which 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.

Bruderman's Code further includes the policy prohibiting the use of material, nonpublic information. While We do not believe that We have any particular access to nonpublic information, all supervised persons are reminded that such information may not be used in any personal or professional capacity.

A copy of our Code is available to our advisory clients and prospective clients. You may request a copy by calling Us at (516) 930-4250.

Bruderman may recommend securities to clients or transact buys and sells for client accounts in which Bruderman or any related person of the Firm has a financial interest.

Our Code of Ethics is designed to ensure that the personal securities transactions, activities, and

interests of our supervised persons 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 supervised persons to invest for their own accounts.

The Firm or its supervised persons may buy or sell securities identical to or different from those recommended to our clients for their personal accounts. In addition, any related person(s) may have an interest or position in a specific security, which may also be recommended to a client.

It is the expressed policy of Bruderman that no supervised person may purchase or sell any security before a transaction(s) is implemented for an advisory account, thereby preventing such supervised person(s) from benefiting from trades placed on behalf of advisory accounts.

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

- No principal or supervised person of Bruderman may put their interest above the interest of an advisory client.
- No principal or supervised person of Bruderman may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of their employment unless the information is also available to the investing public.
- No person employed by Us may purchase or sell any security before a transaction(s) is implemented for an advisory account. This prevents such supervised persons from benefiting from trades placed on behalf of advisory accounts.
- Bruderman requires prior approval for any IPO or private placement investments by related persons of Bruderman.
- Bruderman has established procedures for the maintenance of all required books and records.
- Clients can decline to implement advice rendered except when Bruderman is granted discretionary authority.
- Our principals and supervised persons must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Bruderman has established policies requiring reporting Code violations to our senior management.
- Any individual violating the above restrictions may be subject to termination.

## **Item 12 - Brokerage Practices**

### **The Custodian and Broker We Use**

Bruderman does not maintain custody of your assets that We manage, although We may be deemed to have custody of your assets if you give Us authority to withdraw assets from your account (see Item 15 – Custody). 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, and SIPC member, 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 Bruderman instructs them to do so. 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. Conflicts of interest associated with this arrangement are described below and in "Item 14 - Client referrals and other compensation." You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although We may assist you in doing so. If you do not wish to place your assets with Schwab, we will do our best to work with a custodian of your choosing; however, this will likely incur higher costs which may be passed along to you either directly, or indirectly in the form of a higher management fee. Not all investment advisers recommend their clients to use a particular broker-dealer or other custodian selected by the investment Firm. Even though your account is maintained at Schwab, and We anticipate that most trades will be executed through Schwab, We can still use other brokers to execute transactions for your account as described below (see "Your brokerage and custody costs").

### **How We Select Brokers/Custodians**

Bruderman utilizes Schwab, a custodian/broker, to hold your assets and execute transactions. When considering whether the terms that Schwab provides are, overall, most advantageous to you when compared with other available providers and their services, We take into account a wide range of factors, including:

- 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
- Services delivered or paid for by Schwab
- 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, mutual funds and ETFs do 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.

In addition to commissions or other fees on trades that Schwab executes, Schwab charges a "trade away" fee for each transaction that We have executed by a different broker-dealer but where the securities are 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 are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although We are not required to execute all trades through Schwab, 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"). By using another broker or dealer, you may pay lower transaction costs.

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

Schwab Advisor Services is Schwab's business servicing 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. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through Us. 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 do not directly benefit you**

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

- provides 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
- Consulting on technology and business needs
- Consulting on legal and compliance-related 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
- Recruiting and custodial search consulting

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

### **Our interests 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 Schwab for services. Schwab has also agreed to pay for certain technology, research, marketing, and compliance consulting products and services on our behalf once the value of clients' assets in accounts at Schwab reaches certain thresholds. The fact that We receive these benefits from Schwab is an incentive for Us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our selection of Schwab as custodian and broker is in the best interest 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 Us only.

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

**Reviews:** Periodic review of client accounts is performed by a qualified supervisor in coordination with the Firm's Compliance Department. The Compliance Department also reviews trade blotters of all transactions. Should the situation warrant it, reviews are more frequent.

**Reports:** Clients receive at least quarterly statements and confirmations of transactions from their custodian and clearing Adviser. Additional reports summarizing account performance, balances, and holdings may be delivered if separately contracted by the Client.

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

We receive an economic benefit from Schwab in the form of the support products and services it makes available to Us and other independent investment advisors whose clients maintain their accounts at Schwab. In addition, Schwab has also agreed to pay for certain products and services for which We would otherwise have to pay once the value of our client's assets in accounts at Schwab reaches a certain size. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, We benefit from the arrangement because the cost of these services would otherwise be borne directly by Us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit Us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices).

#### **Item 15 - Custody**

Under government regulations, We are deemed to have custody of your assets if, for example, you authorize Us to instruct Schwab to deduct our advisory fees directly from your account or if you grant Us authority to move your money to another person's account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We urge you to compare Schwab's account statements with the portfolio reports, which We may provide upon your request.

#### **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 before each trade to obtain the Client's permission. To this end, clients will grant Us a limited Power of Attorney with discretionary trading authority over all accounts to buy, sell, or otherwise perform investment transactions involving the assets in the Client's name and for the Client's account.

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

- Determine the security to buy or sell;
- Determine the amount of the security to buy or sell; and
- Determine sub-Advisers to manage some or all of the funds in the account.

Clients give Us discretionary authority and Power of Attorney when they sign a discretionary investment advisory agreement with the Adviser. They may limit this authority by giving Us written instructions. Clients may also change/amend such limitations by providing Us with written instructions.

### **Item 17 - Voting Client Securities**

Bruderman does not vote proxies on clients' behalf and takes no position with respect to class action shareholder lawsuits. Therefore, although the Adviser may provide investment advisory services relative to client investment assets, Clients maintain exclusive responsibility for (i) directing how proxies solicited by issuers of securities beneficially owned by the Client shall be voted, and (ii) 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 guidance regarding proxy issues or class action shareholder suits if they contact Us with questions at our principal place of business.

### **Item 18 - Financial Information**

Bruderman does not require the payment of fees in the amount of \$1200 or more six months or more in advance. No financial condition of which the Firm is currently aware that would impair Bruderman's ability to meet its contractual commitments to its clients. The Adviser has not been the subject of a bankruptcy petition in the past ten years.