

## Form ADV Part 2A: Firm Brochure



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This Brochure provides information about the qualifications and business practices of Century Wealth Management, LLC ("CWM"). If you have any questions about the contents of this Brochure, please contact us at (901) 850-5532 or [info@centurywealth.com](mailto:info@centurywealth.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. Century Wealth Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about Century Wealth Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Please note that since the filing of our Annual Update, the following changes have been made which CWM believes are material to the management of the firm and our relationship with clients.

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## Item 4 – Advisory Business

### Firm Description

Century Wealth Management (“CWM”) provides comprehensive, integrated investment and planning advice to our client families and related entities. CWM was founded as Progress Capital, Inc. in 2000 to serve the investing needs of a single family after the sale of a Memphis-based business. In 2007, the firm was restructured as a Limited Liability Company and rebranded as Century Wealth Management, LLC, with the intention of growing our client base and bringing our expertise and strategies to a broader audience. Both Jay Healy and Greg Davis own a minority interest in the company directly. The Healy Family Business Trust, for which Jay Healy serves as trustee, owns the balance of the company.

CWM provides investment management, manager selection and oversight, financial planning, family office services, and qualified retirement plan consulting. As of December 31, 2018; CWM managed \$296,626,400 in assets for our clients, of which \$209,242,427 is managed on a discretionary basis and \$87,383,973 is managed on a non-discretionary basis.

### Services Offered

CWM offers the following services to individuals, high net-worth individuals, trusts, charitable organizations, pension and profit-sharing plans, and business entities.

### Investment Management

The primary service delivered to our clients is investment management, which may consist of goal assessment, strategy development, asset allocation, discretionary portfolio management, selection and supervision of other managers, and performance reporting.

CWM conducts initial interviews and discovery with clients after which, CWM prepares an investment recommendation tailored to each client's individual needs as a basis for collaboration between CWM and the client. When mutual agreement is reached on the investment strategy, we prepare an *Investment Strategy Statement* to document shared expectations, including investment objectives and financial goals. We then implement the chosen strategy through discretionary management of client accounts or the selection and supervision of other managers.

Included in our investment management services is ongoing monitoring of clients' portfolios, periodic rebalancing, reacting to client requests and changing needs.

### Financial Planning

CWM believes that most clients are best served when financial planning is the foundation for investment management recommendations. We refer to the comprehensive coordination of investment management and financial planning as Wealth Management.

Components of financial planning include setting goals, gathering data, analyzing information, recommending solutions, and the implementation and monitoring of recommended solutions. Areas that may be covered in financial planning engagements include retirement, estate, tax, education saving, and charitable planning.

## **Family Office Services**

Family office client engagements are broader in scope than traditional investment management and financial planning engagements. Family office clients typically require additional services that may or may not be directly related to their investable assets. These services include, but are not limited to investment management, financial planning, estate planning, tax planning, insurance reviews, administrative support, bookkeeping, and other services. CWM typically requires a minimum of \$10 million in investable assets or an equivalent fee for family office engagements.

## **Pension Consulting**

In certain select circumstances, CWM may work with the plan sponsor of pension and profit-sharing plans. The services offered include the recommendation of mutual funds and model portfolios for use in the plan, working with the record keeper to implement the models for the participants, periodic rebalancing, educating plan participants, and working directly with the plan sponsor to periodically review performance of the selected funds and models.

For more details regarding CWM's investment process see "Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss" below.

## **Tailored Relationships and Restrictions**

CWM recognizes that each family has a unique set of circumstances, goals, and preferences. We treat every client relationship as unique and tailor our financial planning and investment advice to meet the individual needs of each client relationship.

We recognize limits and restrictions that clients may impose on certain securities, types of securities, asset classes, and investment strategies. We find the most practical way to accommodate the unique needs of individual families is through the implementation of model portfolios which most closely match each client's needs as related to suitability, investor sophistication, liquidity preferences, and risk/return profile.

CWM's investment process is further described in "Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss" below.

## **Participation in Wrap Fee Programs**

CWM does not offer or sponsor a wrap fee program.

## **Item 5 – Fees and Compensation**

Our fees are based on the type of client and the level of service provided.

### **Investment Management**

Investment management as a stand-alone service is generally only offered to charitable organizations, and pension and profit-sharing plans which require no financial planning to develop and implement an investment strategy. The fee for investment management services is 0.50% of assets under management. This offering and fee schedule may be applicable for individuals and families under certain circumstances as determined by CWM.

## Wealth Management

CWM requires a minimum of \$1 million in investable assets or an equivalent fee. The fee for wealth management engagements is based on a percentage of assets under management as detailed below:

1.00%	of assets on the first	\$2,000,000
0.75%	of assets between	\$2,000,001 and \$5,000,000
0.50%	of assets between	\$5,000,001 and \$10,000,000
0.25%	of assets above	\$10,000,000

Fees are billed quarterly, in arrears, based on the aggregated value of assets designated for Investment Management and Wealth Management services on the last day of the previous quarter. Fees are prorated for services provided during any partial period. At the client's discretion, fees are either debited directly from an investment account(s) or paid directly by the client. As part of this process, Clients understand the following:

- The client's independent custodian sends statements at least quarterly showing the market values for each security included in the assets and all account disbursements, including the amount of the advisory fees paid to our firm; and
- Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send advisory fee billing calculations to the custodian for deduction.

## Family Office

Fees for family office clients may be structured as a flat quarterly fee or billed as a percentage of assets under management as described above. Flat fee arrangements are the suggested method of compensation when CWM is offering a broader range of services in addition to traditional investment management and financial planning. Fee methodology for family office clients is decided prior to engagement and reflected in our client service agreement.

Flat fees are determined based on the following: a base AUM charge calculated (as described above) on the value of assets to be managed; a multiplier based on the complexity of the relationship; the number of households being serviced; and the non-investment related services being rendered. Once a flat fee is agreed upon it is considered a fixed fee until changed. CWM or the client can request a review of flat fee structures should the scope of work change over time.

Either party may terminate their client service agreement at any time by providing written notice to the other via mail sent to the address of record. A refund of any unearned fees (if any) will be made based on the time and effort expended by CWM prior to the termination.

## Other Fee Information

CWM employs multiple fee structures - AUM based and flat fee. The fee structure chosen may not result in the lowest possible fees. This is a potential conflict of interest. The default fee structure is AUM based and applies to the majority of our clients. The flat fee structure is only applicable if the client is receiving substantial services not related to investment management and financial planning. The fee structure is always clearly disclosed in our Client Service Agreement along with terms of termination and renegotiation.

Fees and minimums are not negotiable but may be altered at the sole discretion of CWM based upon certain criteria (i.e. anticipated future relationship, anticipated future assets, related accounts, complexity of relationship, additional services provided, account composition, historical relationships, etc.).

CWM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers, and other third parties. These charges may include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds, exchange traded funds, and private investment partnerships also charge internal management fees, which are disclosed in a fund's prospectus and/or offering agreement. Such charges, fees and commissions are exclusive of and in addition to CWM's fee, and CWM shall not receive any portion of these commissions, fees, and costs.

CWM may employ private investment partnerships or SEC registered funds that have limited liquidity and delays in the publication of NAV. Therefore, from time to time the reporting of assets may be based on estimated NAVs, and the calculations of fees may also be based on estimated NAVs. The firm has developed a policy that balances the priorities of timely and accurate reporting for those clients who own private investment partnerships. If private investment partnerships are a significant portion of their holdings, then the use of a flat fee structure eliminates any possible billing disparities.

Item 12 further describes the factors that CWM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

### **Compensation for the Sale of Securities or Other Investment Products**

Neither CWM nor any of its employees receives compensation for the sale of securities or other investment products.

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

CWM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

CWM provides financial planning and investment management services to individuals, high net-worth individuals, trusts, charitable organizations, pension and profit-sharing plans, and business entities.

Some of the clients of CWM are directly related to the owners of CWM. This creates a potential conflict of interest because those direct relations may have a different fee structures than non-related clients. In addition, situations may arise where our ability to serve all client needs in a timely manner may be limited. In these situations, related clients could potentially receive prioritized service over non-related clients. CWM also has several clients whose assets and revenues are

significantly larger than others, and therefore it is possible that the firm may prioritize the service of those clients over others. This potential conflict does not relieve CWM of its fiduciary duties to all clients, which requires CWM to put the interests of clients first at all times.

Employees of CWM do not currently pay for services provided by the firm. This creates a potential conflict of interest. However, our model driven investment strategy, our use of software, and overall infrastructure allow the firm to provide service to employees with little or no impact on the level of services provided to clients. In addition, having employees fully integrated into our systems allows us to efficiently meet the reporting requirements in our Code of Ethics.

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

### **Introduction**

CWM recommends and implements investment strategies on behalf of our clients. Clients receive an individualized implementation of model portfolios based on the following:

- Each client's own preferences and needs
- Our investment best practices
- The opportunity set available based on investor qualifications and account restrictions

CWM's Investment Committee establishes the investment strategies and model portfolios that are developed and deployed on a firm-wide basis. Current Investment Committee members include Jay Healy and Greg Davis.

### **Investment Strategies**

We employ an evidenced-based approach to investing that is built upon academic research, market history, and modern finance theory.

It is well established in academic research that asset allocation is the primary determinant of long-term investment results. Our investment strategy begins with deliberately defining what assets should be owned and in what proportion. This determination relies in part on the academic findings of Modern Portfolio Theory, Efficient Market Theory, and the Fama-French Three Factor Model. CWM maintains a flexible approach to asset allocation and may increase or decrease exposure to specific asset classes based upon valuations, recent performance, and general market conditions.

Once asset classes have been selected and allocations defined, the next step in building portfolios is to identify the investment vehicles that will provide exposure to each asset class. Our evidence-based approach often leads us to investment vehicles with the following characteristics:

- Investment strategy based on academic research and supported by market history
- Ability to effectively capture asset class returns
- Low cost of implementation
- High tax efficiency
- Potential to add value through portfolio management and trading

If a low-cost, evidenced-based vehicle is not applicable to a specific asset class or market segment, we may choose a more conventional manager-driven approach with the following characteristics:



- A well communicated and understandable strategy
- Historical ability to add value
- An organizational culture that puts a priority on shareholder interest
- Access to institutional products and pricing

This combination of asset allocation and investment selections results in building a broad selection of globally diversified model portfolios, which can then be matched to individual client's needs.

## Methods of Analysis

Our approach to investment management requires analysis and research in the following areas:

- Investor needs, preferences, and risk tolerance
- Capital markets and asset class characteristics
- Sectors, styles, strategies, country, region, and risk factors
- Securities, pooled funds and other investment vehicles

## Investor Preferences and Risk Tolerance

As stated previously, CWM uses a broad selection of model portfolios to tailor our investment strategy to individual client needs. Selecting the most appropriate model requires that CWM gain a thorough understanding of each client's goals, objectives, knowledge of investments, suitability, and preferences for risk/return profile.

CWM uses the following methods to gain this understanding:

**Information Provided by the Client:** CWM gathers information about each individual client's goals and objectives through interviews and questionnaires. In addition, the client and the client's other professional advisors may provide us with specific information regarding the client's tax planning, estate planning, and insurance planning, which may inform our recommendations.

**Financial Planning:** CWM uses goal-based financial planning as a tool to illustrate the client's ability and probability of reaching their stated goals and objectives in the context of their current resources.

**Risk Tolerance Questionnaires:** CWM uses a risk profiling tool developed by FinaMetrica, a leading provider of such tools, to gauge each client's capacity for risk, knowledge of investments, and preferences regarding risk and return.

**Monte Carlo Simulation:** CWM uses Monte Carlo simulation to model likely outcomes of our investment strategies in the context of the actual financial needs of the client. This process is designed to give the client a sense of the "probability of success" of the investment and financial planning choices that are being considered.

## Capital Markets and Asset Classes

The Investment Committee reviews capital market assumptions for a variety of asset classes. These capital market assumptions are further used in our investment strategies, financial modeling, and financial planning. The factors analyzed include asset class definitions, returns, standard deviation,

correlations, risk premiums, tax efficiencies, and dividend yields on both a historical and expected basis.

The methods used to analyze these factors include academic literature, newsletters, third-party research, historical data, regression analysis, macroeconomics, and fundamental valuations.

### **Sectors, Styles, Strategies, Country, Region and Risk Factors**

CWM identifies and analyzes other subcategories and classifications of investments that have an impact on our recommended allocations and models. In equity markets these may include market capitalization, relative valuation, dividend yields, growth and value classifications, currency denominations, and regional and country weightings. In fixed income markets, these may include bond structure, issuer, credit ratings, country, region, currency, and tax status. In addition, CWM identifies and analyzes various strategies that may be considered alternative investments such as arbitrage strategies, market neutral strategies, or hedged equity strategies.

The methods used to analyze these subcategories and classifications include academic literature, newsletters, third-party research, historical data, regression analysis, macroeconomics, and fundamental valuations.

### **Securities, Pooled Funds and Other Investment Vehicles**

CWM implements its investment strategies through a variety of securities, pooled funds, and other investment vehicles. The methods of analysis vary according to the investment vehicle being considered.

**Pooled Investment Vehicles:** This category includes open-end mutual funds, closed-end mutual funds, exchange traded funds, unit investment trusts and funds-of-hedge funds registered with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933. CWM makes extensive use of open-end mutual funds because they provide diversification, daily liquidity, cost effective asset class exposure, or cost-effective access to specific sectors and strategies. We may use other pooled vehicles as an alternative to open-end mutual funds when there is a clear benefit to doing so.

Our methodology for analyzing open-end mutual funds includes review of the fund strategy, asset class exposure, historical track record, benchmark comparisons, regression analysis, expenses, tax efficiency, turnover, and portfolio holdings. In addition, statistical factors such as beta, alpha, correlation, standard deviation, and  $R^2$  may also be used.

Our methodology for analyzing closed-end funds and unit investment trust includes all of those used for open-end funds plus discounts or premiums to net asset value, trading volume, use of leverage, type of leverage, liquidity provisions, and the nature of the underlying assets.

Our methodology for analyzing exchange traded products includes all those used for open-end funds plus tracking error, bid to ask spread, liquidity of underlying assets, trading volume, and the financial stability of the issuer.

Our methodology for analyzing registered funds-of-hedge funds includes all those used for open-end funds plus a review of the funds legal structure, underlying strategies, liquidity provisions,

investment minimums, and the general partner's management philosophy, track record, reputation, research and due diligence procedures.

**Individual Company Securities:** CWM may make use of individual company securities in client portfolios on a limited basis.

Our methodology for analyzing individual company securities includes fundamental analysis of financial statements, SEC filings, company reports, and third-party research.

**Structured Notes:** CWM may make use of structured notes in client portfolios on a limited basis. Structured notes are offered by major investment banks and cover a wide range of assets classes and strategies. They may on occasion be used as replacements for pooled investment vehicles that would otherwise be used to gain exposure to a particular asset class or strategy.

Our methodology for analyzing structured notes includes all those used for open-end funds plus the specific qualities of the note itself, trading volume, redemption process, and the financial stability of the issuer.

**Separately Managed Accounts:** CWM may use Separately Managed Accounts ("SMA") to invest a portion of a client's portfolio. SMAs provide the client with direct ownership of securities, as opposed to pooled investment vehicles which provide indirect ownership. The securities are held in segregated accounts at an independent custodian and managed by a sub-advisor. SMAs are generally used when the SMA sub-advisor can cost effectively implement a specific investment strategy more effectively than other options.

Our methodology for analyzing SMA sub-advisors includes review of the strategy, asset class exposure, historical track record, benchmark comparisons, regression analysis, expenses, tax efficiency, turnover, and portfolio holdings. In addition, statistical factors such as beta, alpha, correlation, standard deviation and correlation coefficients may also be used.

**Other Pooled Investment Vehicles:** This category includes private investment partnerships that may be described as Hedge Funds, Funds of Hedge Funds, Private Equity Funds, and Real Estate Funds which are exempt from SEC registration pursuant to Regulation D of the Securities Act of 1933. The use of these partnerships is generally limited to Accredited Investors, Qualified Clients, or Qualified Purchasers as defined in either the Securities Act of 1933 or the Investment Advisors Act of 1940.

Our methodology for analyzing private investment partnerships includes all those used for open-end funds plus a review of the fund's legal structure, underlying strategies, liquidity provisions, investment minimums, and the general partner's management philosophy, track record, reputation, research and due diligence procedures.

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks associated with participation in capital markets:

**Interest-Rate Risk:** Increases or decreases in interest rates may cause investment prices to fluctuate.

**Market Risk:** The price of a security, bond, or mutual fund may rise or fall based on movements of the market as a whole.

**Inflation Risk:** Purchasing power is eroding at the rate of inflation over time.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return. This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. This risk may be driven by the structure of the security and/or the nature of the investment. Generally, assets are more liquid if they trade in high volumes on open exchanges. However, mutual funds are only redeemable at the closing price, and limited partnerships may have lock-up periods and restrictive liquidity provisions.

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Model Risk:** CWM uses model portfolios to implement our investment strategies. These models are developed using assumptions about the future expected return, volatility, and correlation of various asset classes and strategies. If these assumptions prove to be inaccurate, our models may not perform as intended, and investments could be subject to higher volatility and/or lower returns than desired.

**Model Selection Risk:** CWM uses model portfolios which represent a broad range of risk, return, and suitability profiles. CWM believes the use of these model portfolios allows us to meet most clients' preferences for risk and return. There is a risk that the model chosen and agreed to by CWM and the client won't match that client's preferences precisely.

**Diversification Risk:** CWM's investment strategy uses asset allocation as a means of diversifying the risk of owning more concentrated positions in individual assets classes and/or securities. In extreme market conditions, diversification may not work as intended and clients may experience greater volatility and loss than our models predicted. Diversification may also lead to underperformance in some market environments.

In addition to the above risks, clients who are Accredited Investors, Qualified Clients, or Qualified Purchasers who agree to an investment strategy which employs the use private investment partnerships exempt from registration with the SEC may be exposed to additional risks as detailed below:

**Additional Liquidity Risk:** These private investment partnerships may not have a ready market for sale, and according to terms of the subscription agreement, may have liquidity restrictions requiring advance notice prior to liquidation, restrictions on the timing of liquidations, and/or a lock-up period upon initial investment. The General Partner may also have additional rights to limit withdrawals, side pocket assets, or deliver redemptions in kind.

**Risk of Fraud:** These private investment partnerships are controlled exclusively by the General Partner who may choose to provide limited partners with limited transparency into the fund's holdings or strategy. There have been incidents in which general partners were able to commit and conceal fraud by relying on this lack of transparency. In addition, the General Partner may be solely responsible for bookkeeping and fund valuations. There have been incidents in which general partners were able to commit and conceal fraud by misrepresenting the valuation of their fund's holdings.

**Concentration Risk:** These private investment partnerships may have concentrated holdings which could lead to increased volatility and performance disparities.

**Leverage, Margin and Short-Selling Risk:** The use of leverage, margin and short-selling in these partnerships may result in a significant loss of limited partner's capital.

**Derivatives Risk:** These private investment partnerships may use derivatives which have additional risks of liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and a portfolio could lose more than the principal amount invested.

**Counterparty Risk:** These private investment partnerships may be exposed to the risk that a counterparty to a services contract, prime brokerage arrangement, or derivative arrangement will not fulfill its contractual obligations. Should the counterparty fail to fulfill its obligation, clients could potentially incur significant losses and may have access to their investments limited or restricted.

We take steps to minimize the risks associated with private investment partnerships by:

- Using Fund of Funds for exposure to alternative investments. Fund of Funds provide our clients with diversified exposure to many managers within an asset class or strategy. In addition, the use of Fund of Funds brings to bear greater expertise and resources in the selection, due diligence, and oversight of individual managers than CWM could provide on its own.
- We use only Fund of Funds Partnerships that undergo an annual audit by a recognized accounting firm, or that provide transparency of the underlying investments.
- We rely on the history and reputation of the General Partners of Fund of Funds Partnerships to assess their alignment of interests, fiduciary obligation, and commitment to serving investor interests.

## Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

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

CWM is not involved in other business activities nor is it involved in other financial activities or affiliations which might necessitate disclosure. CWM does not have any agreements where it is provided any compensation from a non-client in connection with giving advice to clients.

## **Item 11 – Code of Ethics**

### **Code of Ethics**

CWM has a formal Code of Ethics as part of its *Compliance Program*. The Code of Ethics sets forth a standard of business conduct required by all employees which mandates honest and ethical behavior at all times. The Company Code of Ethics is available for review at clients' request.

The Code of Ethics covers all supervised persons of the firm and describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, personal securities trading procedures, and disclosure of outside business activities, among other things. All supervised persons at CWM must acknowledge the terms of the Code of Ethics annually, or as amended.

Employees of CWM are permitted to engage in outside business activities. This is a potential conflict of interest. All employees must disclose outside business activities as part of an annual compliance certification. This disclosure is reviewed by the CCO to determine if any of these activities have an improper impact on our fiduciary duty to clients.

### **Participation or Interest in Client Transactions**

CWM personnel typically invest in the same models and strategies as clients and may buy or sell securities that are also held by clients. This creates a potential conflict of interest although the tradable securities used to implement our investment strategies (open-end mutual funds) limit that potential conflict. (For more details regarding CWM's investment process see "Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss" above.)

Policies regarding personal securities transactions are contained in CWM's Code of Ethics to reasonably prevent conflicts of interest between CWM and its clients in this regard. The policies are based on principles of integrity, honesty, openness, and trust. To minimize conflicts of interest, CWM requires quarterly transaction reports from all related persons to ensure transactions do not disadvantage clients and are in accordance with company compliance policies.

CWM also maintains policies and procedures designed to prevent the misuse of material non-public information. CWM utilizes restricted security lists, blackout periods, and pre-clearance of employee trades if applicable to minimize any conflicts of interest.

CWM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jay Healy, Chief Compliance Officer.

## **Item 12 – Brokerage Practices**

To effectively provide investment management services to our clients we request discretionary authority to manage client assets held at a qualified custodian whenever possible. To facilitate this

arrangement, we recommend that clients establish brokerage accounts with one of several brokers/custodians with which we have an established relationship.

We generally recommend *Charles Schwab & Co., Inc. ("Schwab")* and/or *Interactive Brokers, LLC, ("IB")* registered broker-dealers, members SIPC, as a qualified custodian. We may recommend that some clients open accounts with *Millennium Trust Company ("MTC")*, an experienced qualified custodian with specific specialization in alternative investments such as private investment partnerships. We may recommend the use of a variable annuity contract for some clients for whom an annuity is the preferred form of ownership for a given investment. In those cases, we generally recommend a variable annuity issued by *Jefferson National Life Insurance Company ("Jefferson National")* and *Jefferson National Securities Corporation*, a member of FINRA.

CWM is independently owned and operated. There is no affiliation, employee, agency, or supervisory relationship between CWM and any of the custodians mentioned above.

While we may recommend that clients use a Schwab, IB, MTC, or Jefferson National (collectively referred to below as "Recommended Custodians") as custodian/broker, each client will decide whether to do so and will open accounts with those firms by entering into an account agreement directly with a Recommended Custodian. CWM does not open the custodian account for clients but may assist with processing the paperwork on the client's behalf. Clients who wish to utilize the services of another custodian/broker are free to do so. However, when a Client selects another custodian/broker, CWM cannot assure the client that it will receive comparable services or pay comparable fees and commissions in connection with its account management.

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

Our recommendation of a custodian/broker is based on our belief that the custodian/broker will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers. In forming this conclusion, we consider a wide range of factors, including:

- Capability to provide asset custody services
- Capability to execute, clear, and settle trades
- Capability to facilitate transfers and payments to and from accounts
- Breadth of available investment products
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that may benefit us

In an effort to ensure best execution of client trades, we periodically compare the services and prices of custodians. All fees paid to brokers/custodians are paid directly by clients, standardized, and clearly identifiable on client statements. CWM does not receive any fee or commission from these arrangements, and CWM does not have the discretionary authority to negotiate commissions on behalf of our Clients on a trade-by-trade basis.

## Soft Dollars and Our Interest in Broker/Custodian Services

The term “soft dollars” is generally used to describe contractual arrangements under which products or services are obtained by an advisor from a broker-dealer in exchange for the direction by the advisor of client brokerage transactions to the broker-dealer. CWM does not have any contractual “soft dollar” agreements in place, nor do we have the ability to alter the commission paid for trades in exchange for credits that can be applied to “soft dollar” purchases.

Recommended Custodians provide us and our clients with a range of services, some of which are of direct value to clients and some of which are of direct value to CWM. We may have an incentive to recommend that clients maintain accounts at a certain custodian based on our interest in receiving services that benefit our business rather than based on the services provided to clients. This is a potential conflict of interest. We believe, however, that our selection of brokers/custodians is in the best interest of our clients, and is primarily supported by the scope, quality, and price of the custodians' services (see “How We Select Brokers/Custodians”). We also believe that the fees and expenses paid by our clients are not materially different than those charged by other custodians and brokers offering similar services.

**Services That Benefit Clients:** Recommended Custodian's institutional brokerage service provide access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through custodians include some to which we might not otherwise have access, or that would require a significantly higher initial investment by our clients. The custodians' services described in this paragraph generally benefit the clients and the clients' account(s).

**Services That May Not Directly Benefit Clients:** Recommended Custodians also make available to us other products and services that benefit us but may not directly benefit clients or clients' accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research (created by the broker-dealer and research created by a third party) we may use to service all or a substantial number of our clients' accounts, including accounts not maintained at a recommended custodian. In addition to investment research, the custodians also make available software and other technology that:

- Provide access to client account data (such as 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:** The custodians also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consultation 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



- Discounts on compliance, marketing, research, technology, and practice management products or services provided to CWM by third party vendors

**Issues Specific to Schwab Advisor Services:** CWM participates in Schwab Advisor Services, Schwab's business unit serving independent investment advisory firms. Schwab Advisor Services makes available various support services to CWM. 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 generally are available on an unsolicited basis and at no charge to us regardless of the amount of assets in custody at Schwab, the number of trades executed, or the value of commissions earned by Schwab.

CWM may have an incentive to recommend clients to custody their assets at Schwab, based on our interest in receiving Schwab's services that benefit our business. This is a potential conflict of interest. We believe that our selection of Schwab as custodian is in the best interests of our clients regardless of this conflict and does not relieve CWM of the duty to seek best execution of trades in client accounts. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit us directly.

### **Trade Order Aggregation**

A large majority of CWM's transactions are done in mutual funds where aggregate/block trades would not affect pricing or execution. On occasion, CWM will trade ETF's, closed-end funds, and individual equities. However, CWM typically reviews and implements transactions on a client by client basis and CWM may determine that an order to be executed across more than one account will not be aggregated for execution, therefore resulting in accounts possibly obtaining a different execution price (which may be more or less favorable). We endeavor to treat clients fairly and equitably over time with respect to trade sequencing and allocation. CWM's trading and rebalancing software allows for sorting and sequencing of trades, enabling portfolio managers to change the order in which account orders are traded and filled and ensure that no account(s) receives a more favorable execution over time.

### **Item 13 – Review of Accounts**

Client accounts are reviewed at least quarterly for investment performance and adherence to the client's *Investment Strategy Statement*. Reviews of overall planning and strategy may be made periodically based on changes in a client's situation and will occur annually at a minimum. Changes that would warrant a review include, but are not limited to, changes in employment status, health, number of dependents, inheritance, or disability. All reviews are performed by the lead advisor assigned to each client relationship. Clients are advised that it is their responsibility to notify CWM of any changes in their investment objectives or financial situation.

CWM delivers investment performance reports to clients quarterly. These reports include a summary of holdings, absolute and relative investment performance (net of fees), and a list of recent transactions. Clients also receive individual account statements directly from their broker/dealer/custodian on a monthly or quarterly basis as described in Item 15, below. If CWM advises a client on planning and strategy, then a report will be issued outlining our recommendations. Future reports may be made to update a client on the implementation or progress of an agreed upon plan.

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

CWM does not pay financial compensation to a non-employee in exchange for client referrals or introductions. However, CWM does receive referrals from current clients, attorneys, accountants, employees, and other similar sources without the exchange of financial compensation.

CWM does not receive direct financial compensation from anyone that is not a client, but we are required to disclose any relationship or arrangement where an economic benefit is received from a third party as a consequence of providing advisory services. These types of relationships, which are potential conflicts of interest, are fully disclosed below and in response to Item 12, above.

### **Our Relationships with Investment Product Providers**

CWM has relationships with several investment product providers, including but not limited to: Dimensional Fund Advisors (“DFA”), BlackRock, Vanguard, and Gerber-Taylor Associates (“GT”). Economic benefits are received from these and other investment product providers which would not be received if we did not give investment advice to clients. These benefits, which are also received by other Registered Investment Adviser firms might include:

- Attendance at seminars hosted by providers at which information is provided regarding the investment products of the provider, asset allocation strategies, financial planning, and practice management. Investment product providers may furnish, at no charge to CWM and the other attendees, travel costs, lodging costs, the speakers and facilities for the seminar, occasional luncheons or dinners, and the materials handed out at the seminar
- Access to websites which may contain additional academic research, practice management articles, newsletters, educational video presentations, software and investment returns data
- Use of software programs and market data which can be utilized to analyze investments
- Marketing materials including article reprints, brochures, and video production
- Participation in a study group sponsored and hosted by an investment product provider
- Benchmarking studies, portfolio analysis, and other services and benefits

These benefits create a potential conflict of interest. However, we are under no obligation to recommend the mutual funds or investment products of any provider to our clients. We recommend funds or investment products only when we believe they best suit our client’s objectives.

## **Item 15 – Custody**

### **Securities**

CWM does not intentionally take custody of client securities. Under government regulations, however, we are deemed to have custody of client assets if we are authorized to deduct our advisory fees directly from client accounts or to withdraw assets from client accounts. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains clients’ investment assets. They will be sent to the email or the postal mailing address provided to the custodian by the client. CWM urges clients to carefully review such statements and compare such official custodial records to the account statements that CWM provides to them. CWM statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Cash and Bank accounts

In the context of providing bill payment and bookkeeping services to some *Family Office* clients, CWM sometimes takes custody of client bank accounts. In these circumstances, the client and CWM enter into a separate Memorandum of Understanding or Agreement which details the roles and responsibilities of CWM and the client. Additionally, the accounts are maintained at a qualified custodian; the client receives monthly account statements directly from the custodian; CWM employs checks and balancing in the management of the designated accounts as described in our compliance manual; the accounts are reconciled monthly by CWM and CWM may provide clients with a quarterly summary of all account activity depending on the nature of the account and activity.

## Item 16 – Investment Discretion

CWM usually receives discretionary authority from the client at the outset of an advisory relationship by means of a Limited Power of Attorney (“LPOA”). This discretionary authority allows CWM to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client as shown in their respective *Investment Strategy Statement*.

As it relates to discretionary authority, CWM receives such authority in three different ways:

- Discretionary Authority on custodian's platform: This is granted by means of a Limited Power of Attorney form that is a part of the account opening documentation with the custodian.
- Discretionary Authority over all other accounts: This is granted by means of a separate Limited Power of Attorney document which lists accounts “held away” from the primary custodian over which client grant CWM authority.
- Supervised Assets: There is no discretionary authority granted for these assets to CWM. CWM is simply permitted online access to view the assets and/or allowed to receive duplicate statements on these assets from their respective custodians.

When selecting securities and determining amounts, CWM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, CWM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Some clients choose to manage a portion of their investments themselves but do so through an account which CWM monitors. When possible, CWM holds these assets in a separate account over which CWM may or may not have discretion. These assets are generally considered to be outside the scope of the *Investment Strategy Statement*. At the request of clients, CWM will place trades and may include these securities in client reporting but will not actively monitor them as part of the client's overall investment strategy.

Investment guidelines and restrictions must be provided to CWM in writing.

## Item 17 – Voting Client Securities

As a matter of firm policy and practice, CWM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies

for any and all securities maintained in client portfolios. CWM may provide advice to clients regarding the clients' voting of proxies.

### **Item 18 – Financial Information**

CWM is not required to provide financial information in this Brochure because our firm does not require the prepayment of more than \$1,200 in fees and six or more months in advance, our firm does not take custody of client funds or securities and our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients. In addition, our firm has never been the subject of a bankruptcy proceeding.