



## **Form ADV Part 2A - Disclosure Brochure**

**Effective: February 22, 2022**

This Brochure provides information about the qualifications and business practices of Clayton Wealth Partners ("CWP"). If there are questions about the contents of this Brochure, please contact CWP at (785) 232-3266 or by email at [messages@claytonwealthpartners.com](mailto:messages@claytonwealthpartners.com).

Clayton Wealth Partners is a registered investment adviser registered with the United States Securities and Exchange Commission ("SEC"). The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration of an Investment Adviser does not imply any specific level of skill or training.

Additional information about CWP and its advisory persons is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Summary of Material Changes

**Clayton Wealth Partners**  
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**SEC File No: 801-17344**  
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### Summary of Material Changes

CWP's most current annual update for Form ADV Part 2A before this one was dated March 2021.

Since the last update we made the following changes:

- Item 4--- When making rollover recommendations, and for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we provide an acknowledgment that when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.
- Item 4 was also updated to disclose that we offer quarterly seminars and monthly newsletters. Both services are complimentary.

A copy of the complete Firm Brochure may be requested, at any time, by contacting CWP at [messages@claytonwealthpartners.com](mailto:messages@claytonwealthpartners.com) or at (785) 232-3266.

From time to time, CWP may amend this Firm Brochure to reflect changes in business practices, changes in regulations, and routine annual updates as required by the securities regulators. This complete Firm Brochure or a summary of Material Changes shall be provided to each client annually or if a material change is made.

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## Item 4 Advisory Business

### A. Firm Information

Clayton Wealth Partners ("CWP"), a corporation formed under the laws of the State of Kansas, filed for investment adviser registration with the Securities and Exchange Commission ("SEC") in August 1984. CWP is a **Fee-Only** Registered Investment Advisory firm with a **fiduciary** responsibility to its clients. CWP is a member of the National Association of Personal Financial Planners ("NAPFA"). Our Chief Compliance Officer is Clint Patty, Managing Partner. Additional business information about our Partners and Advisory Representatives is disclosed in the Supplemental Brochure Part 2B.

### B. Advisory Services Offered

#### 1. Wealth Management

CWP provides the following client-centered Wealth Management services consisting of Asset Management services and Financial Planning for our individual clients. CWP also has institutional clients consisting of, but not limited to, foundations, trusts, non-profit organizations, endowments and other business entities whereby asset management services are provided. Following an initial assessment, a no-charge, no-obligation meeting is offered to introduce clients to CWP's investment management and financial planning services. If it is jointly agreed to go forward, CWP is engaged to assist clients with retirement and financial goal planning, identifying investment objectives and time horizon, investment management, cost of living needs, tax planning, education planning, estate plan review, and planning for other financial areas that are client specific.

#### Asset Management

After evaluating information provided by the client, the CWP Advisory Representative will determine with the client which model portfolio would be most suitable for the client's managed assets. From there, the portfolio is allocated, taking into consideration client limitations or restrictions, the market, and the economy at the time. Once the initial portfolio allocation is implemented, CWP will provide continuous and ongoing management of the portfolio using its discretion to make changes to the allocation as deemed appropriate. CWP will generally hold positions in the account for a long term. In certain cases, CWP may actively trade some securities, potentially holding such positions for periods of 30 days or less. CWP primarily uses low-cost, no-load or load-waived, open-ended mutual funds and exchange-traded funds (ETFs). However, managed accounts are not exclusively limited to those products and may include individual securities, certificates of deposits, cash and cash equivalents, government securities, money markets, real estate and variable and fixed life and annuity investments. If the client's financial situation or investment goals or objectives change, the client must notify CWP promptly of the changes.

#### Financial Planning

As part of its Advisory Services, CWP will work with its clients to identify areas where clients determine the need for financial planning. The planning is based on the financial information disclosed by the client to the Advisory Representative. Clients need to be aware that certain assumptions may be made with respect to interest and inflation rates as well as the use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. CWP cannot offer any guarantees or promises that the client's financial goals and objectives will be met. Further, the client must continue to review the plan and update the plan based upon changes in the client's financial situation, goals, or objectives or changes in the economy. If the client's financial situation or investment goals or objectives change, the client must notify CWP promptly of the changes. Based on

specific needs or a particular situation, a client may need to seek the services of other professionals such as an insurance adviser, attorney, and/or accountant. Clients are not obligated to implement planning advice through CWP.

## **2. One-Time Consultation**

From time to time, on a limited basis, CWP may work with individuals on a project-specific engagement to address various financial planning topics.

## **3. 401(k) Plan Investment Advisor Services**

CWP additionally provides services to employers who offer 401(k) plans. This is limited to CWP serving as a 3(21) co-fiduciary investment advisor under ERISA. CWP's role is limited to the following services for the employer:

1. Plan investment selection, including determination of a lineup of funds that would be suitable for participants in the Plan.
2. Annual education for Employees either through on-site meetings or via web conference.
3. Plan cost comparison every three years to review and evaluate fees paid by the Employer for the plan.

At all times employers whom CWP serves as a 3(21) co-fiduciary retain the right to accept or reject any or all of CWP's recommendations.

## **4. Investment Advisory Services for certain Trusts**

CWP provides investment advisor services for trust clients who seek to have a trust company serve as primary trustee of their trust and want CWP to serve as investment advisor regarding the securities and other liquid assets of the trust. CWP has an agreement with both Capitol Federal Savings Bank and BOK Financial where these entities will agree to serve as the Trustee over trusts as described above, and CWP will serve as the investment advisor regarding such trusts.

## **5. Newsletters**

CWP distributes a newsletter on a quarterly basis. The newsletter is provided at no charge to clients and prospects, and you may opt out at any time.

## **6. Financial Education Seminars**

On a quarterly basis, CWP conducts financial education seminars to discuss the previous quarter, answer client questions and provide information on current financial topics of interest. No fee is charged for the seminars.

## **C. Client Account Management**

For Wealth Management relationships, CWP offers five (5) model portfolios that serve as the foundation for its investment asset allocation service. The composition of the models will be adjusted based on market conditions and will be specifically tailored for each client's needs.

Each model portfolio is offered to clients under either Clayton Wealth Partners' traditional portfolios, or sustainable investment portfolios that provide our clients the option of directing their investments into funds with Environmental, Social and Governance ("ESG") values more closely aligned with their own. An Advisory Representative will work with the client to define the model that is right for that client. The models are:

- Aggressive - the primary objective is long-term capital appreciation, with a very small amount allocated to income. This portfolio emphasizes investments in a diversified selection of equity securities;
- Moderately Aggressive - the primary objective is long-term growth, with a small amount allocated to income. Emphasis is on investments in a diversified selection of equity securities

with a small portion allocated to bonds and cash equivalents;

- Moderate - the primary objective is long-term growth with the secondary objective of income. This portfolio emphasizes investments in a diversified selection of equity securities with a portion allocated to bonds and cash equivalents;
- Moderately Conservative - the primary objective is income with the secondary objective of long-term growth. This portfolio emphasizes investments in a diversified selection of bonds and cash equivalents with a portion allocated to a diversified selection of equity securities; and
- Conservative - the primary objective is income with a small secondary objective of long-term growth. This portfolio emphasizes investments in a diversified selection of bonds and cash equivalents with a small portion allocated to a diversified selection of equity securities.

Wealth Management clients will develop an on-going relationship with an Advisory Representative who will be available via phone, email or personal contacts to answer questions, make recommendations about financial issues and to continually manage and update the portfolio position. The annual fee is all-inclusive of this support.

### **IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

### **D. Wrap Fee Programs**

CWP does not participate in any wrap fee programs.

## E. Assets Under Management

As of December 31, 2021, CWP provides continuous management services for approximately \$707 million in client assets on a discretionary basis.

## Item 5 Fees and Compensation

### A. Fee Schedule

#### 1. Wealth Management

##### Individual Fee Schedule

Account Size	Maximum Annual Fee
First \$1,000,000	1.00%
Next \$4,000,000	.50%
Thereafter	.40%

For clients with less than \$120,000 in assets to manage, there is a minimum annual fee of \$1,200 for all individual advisory services, which includes financial planning services. Client's paying the minimum fee have the option to make 12 monthly payments of \$100.

Fee calculation example for a \$2,500,000 account:

- First \$1,000,000 x 1.0% = \$10,000
- Next \$1,500,000 x .50% = \$ 7,500

Total: \$17,500, divided by 4 = \$4,375 per quarter

##### Institutional Fee Schedule

Account Size	Maximum Annual Fee
First \$20,000,000	.40%
Next \$30,000,000	.20%
Thereafter	.10%

Institutional clients have a minimum annual fee for advisory services of \$4,000.

CWP's financial planning services are included as part of the Individual fees charged to clients as indicated in the tables above.

The schedule above represents annual charges for individual and institutional investors' fees. This fee is billed quarterly in advance based upon the value of the assets on the last business day of the preceding calendar quarter. If a client's account does not contain sufficient funds to pay the advisory fees, CWP has the limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. Except for ERISA and IRA accounts, clients may reimburse accounts for advisory fees paid to CWP. At the client's request, CWP will group multiple accounts belonging to that client and/or his household to determine the fee to be billed.

Fees are not based on a share of capital gains or capital appreciation of the funds or any portion of the funds in client accounts.

Exceptions to CWP's general fee schedule are available under certain circumstances (e.g., responsibilities involved; accounts or groups of accounts which are expected to have significant capital additions in the future; anticipated future earning capacity; related accounts; account composition; pre-existing client; account retention; pro bono activities, etc.)

**2. One-Time Consultation**

This project-specific engagement will be billed at an hourly fee of \$50 - \$350 per hour, depending on the individual(s) performing the engagement and the level of experience and skill required.

**3. 401(k) Plan Investment Advisor Services**

	<u>Plan Size</u>	<u>Annual Fee</u>
Tier 1:	\$0-\$2,000,000	.35%
Tier 2:	\$2,000,000 - \$20,000,000	.25%
Tier 3:	Above \$20,000,000	Negotiable

**4. Investment Advisory Services for certain trusts**

Pursuant to its agreement with Capitol Federal Savings Bank and BOK Financial, CWP has agreed to reduce our normal published fees for providing investment management services by a minimum of 37.5%. (See Individual Fee Schedule under 5 A (1) above).

**B. Other Fees**

In addition to the advisory fees above, a client may incur transaction fees for securities transactions executed in the client's account in accordance with the third-party custodian's transaction fee schedule. A client may also pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the account. These fees are not charged by CWP but are charged by the product, broker/dealer or account custodian. CWP does not share in any portion of these fees. Additionally, a client may pay the proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund CWP purchases for the client. These advisory fees are not shared with CWP and are compensation to the fund-manager.

CWP does not receive securities commissions or other compensation that is contingent on the purchase or sale of any security. From time to time CWP may reimburse clients for miscellaneous transaction fees such as Transfer of Asset fees. The annual Advisor fee is based on an aggregate value of all accounts within the established household.

Clients may make additions or withdrawals to/from their accounts. No fee adjustments will be made for such activity or for account appreciation or depreciation.

**C. Compensation for Sale of Securities**

Neither CWP nor its Advisory Representatives receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **D. Termination Provisions**

A client may terminate investment advisory services obtained from CWP, without penalty, upon verbal or written notice within five (5) business days after entering into the advisory agreement. The client will be responsible for any fees and charges incurred from third parties as a result of maintaining the account such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, a client may terminate investment advisory services with a written notice to CWP. If a client terminates investment advisory services during a quarter, the client will be charged a pro-rata portion of the advisory fee for the quarter up to the date of termination. Fees collected in excess of the pro-rata fee will be returned to the client within 30 days of termination. For Individual clients paying a minimum annual fee, termination after the five (5) business days following engagement will result in forfeiture of the minimum annual fee. If a client has multiple accounts with CWP and closes out one or more but not all the accounts, the fee is not refunded.

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

CWP does **not** charge performance-based fees.

## **Item 7 Types of Clients**

CWP's services are geared towards individuals and their families including high net worth individuals as well as trusts, estates, and institutional clients consisting of, but not limited to, foundations, non-profit organizations, endowments, corporations or other business entities, as well as employer 401(k) plans for Investment Advisor Services pursuant to 3(21) under ERISA.

Performance of smaller accounts may vary from the performance of larger accounts due to difficulties with diversifying smaller accounts and due to risk controls potentially being compromised.

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

### **A. Methods of Analysis**

CWP's investment strategy is for the long-term and is well diversified. The CWP investment team conducts continuous cyclical economic and fundamental analysis, attempting to understand and determine trends, opportunities and risks. Other security analysis methods include quantitative and technical analysis. CWP also uses third party analysis of securities from various sources. In addition, CWP participates in webinars, conference calls and conferences held by, and interviews with, fund managers and other industry specialists.

Once a client's investment portfolio is implemented and the allocation customized for that client, taking into consideration the client's particular financial goals and risk tolerance, CWP will provide continuous and ongoing management of the portfolio using its own discretion, making changes to the allocation as deemed appropriate. Depending on the client's specific goals and objectives, CWP will generally hold positions in the account for the long-term or CWP may actively trade some securities, holding such positions for periods of 30 days or less.

Additionally, for its sustainable investment portfolios, Clayton Wealth Partners provides additional methods of analysis, including identification of appropriate groups of funds that fully integrate sustainable investing criteria.

## **B. Risk of Loss**

Investing in securities involves risk of loss, including the potential loss of the principal money invested. Therefore, participation in the Wealth Management and Consulting services offered by CWP requires clients to be prepared to bear the risk of loss as well as the fluctuating performance of accounts due to market conditions. CWP, based upon information provided by a client, will place a client's assets into a model portfolio that best suits the risk tolerance of that client and that is designed to best help the client reach his/her financial goals. No guarantee can be offered that a client's goals or objectives will be achieved. CWP is dependent upon the client to provide complete and accurate financial information. Further, no promises or assumptions can be made that the advisory services offered by CWP will provide a better return than other investment strategies. CWP makes every attempt to minimize these risks by the diversification strategies it employs.

## **Item 9 Disciplinary Information**

There is no reportable disciplinary information for CWP or its management persons.

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

### **A. Other Business Activities**

CWP is not actively engaged in a business other than giving investment advice. Nor does CWP sell products or services other than investment advice to clients.

### **B. Other Financial Industry Activities or Affiliations**

Neither CWP nor its management persons are:

- Registered as a securities broker-dealer
- Registered as a futures commission merchant, commodity pool operator or commodity trading advisor

Neither CWP nor its management persons has any arrangements that are material to its advisory business or its clients with a related person who is a (n) or works for a (n):

- Broker-dealer
- Investment company
- Other investment adviser
- Financial planning firm
- Commodity pool operator, commodity trading advisor or futures commission merchant
- Banking or thrift institution
- Accounting firm
- Law firm
- Insurance company or agency
- Pension consultant
- Real estate broker or dealer
- Entity that creates or packages limited partnerships

Neither CWP nor a related person is a general partner in any partnership in which clients are solicited to invest.

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

### A. Code of Ethics

CWP has a fiduciary duty to act in the client's best interest and to place the client's interests first and foremost. CWP takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as its policies and procedures. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, personal securities trading, and safeguarding of material non-public information, among other items. CWP is required to conduct its securities and investment advisory business in accordance with all applicable Federal and State securities regulations. A copy of CWP's Code of Ethics will be provided upon request.

### B. Participation or Interest in Client Transactions and Personal Trading

CWP and its associated persons may buy or sell securities identical to those recommended to clients, therefore, CWP's associated persons may have an interest or position in certain securities that are recommended to and bought or sold to clients. CWP's associated persons will not put their interests before their clients' so neither CWP nor any associated person may trade ahead of its clients or trade in such a way to obtain a better price than for a client.

CWP is required to maintain a list of all securities holdings for its associated persons and to develop procedures to supervise their trading activities at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

## Item 12 Brokerage Practices

### A. Custodian

CWP has an arrangement with Fidelity Investments for its Wealth Management services accounts. The institutional platform **services include**, among others, **brokerage, custody**, and other **related services**. Fidelity's institutional platform services that assist CWP in managing and administering clients' accounts include 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 research, pricing and other market data
- Facilitate payment of fees from its clients' accounts; and
- Assist with back-office functions, recordkeeping and client reporting

Fidelity also offers other services intended to help CWP manage and further develop its advisory practice. Such services include, but are not limited to:

- Performance reporting
- Financial planning
- Contact management systems
- Third-party research
- Publications
- Access to educational conferences, roundtables and webinars
- Practice management resources
- Access to consultants and other third-party service providers who provide a wide array of

- business related services and technology with which CWP may contract directly
- Access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

In initially selecting Fidelity Investments, CWP conducted due diligence. CWP's evaluation and criteria included the ability to service clients, staying power as a company, industry reputation, ability to report to clients and to CWP, trading platform, products and services available, technology resources, and educational resources. As part of its due diligence, CWP periodically reviews its agreement with Fidelity Investments. Assets of CWP clients are generally held with Fidelity. In certain instances, other custodians may be permissible.

## **B. Aggregating and Allocating Trades**

CWP typically places trades by aggregating orders of securities for multiple discretionary accounts at once. This results in an average price/share for all accounts included in the trade. CWP conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. CWP only permits "all or none" aggregated trades and obtains a complete fill or the trade is canceled.

## **Item 13 Review of Accounts**

### **A. Review Frequency**

#### Asset Management Services

Clients utilizing CWP's Asset Management Services are encouraged to have at least an annual review of accounts as agreed upon by the client and the client's Advisory Representative. More frequent reviews may be requested and thresholds may be set for triggering events that would cause a review to take place. Every review of the client's portfolio includes a review of the portfolio's performance against benchmark portfolios (discussed more below in item B). Clients are advised to notify CWP promptly of any changes to financial goals, objectives or financial situation as such changes may require immediate review of the portfolio allocations and may result in recommendations for changes. CWP recommends at least an annual review to allow for updates to any plans. However, the time and frequency of the reviews is solely the client's decision.

### **B. Account Monitoring & Review**

The CWP Investment team continually monitors for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which clients' assets are invested as well as market shifts and corrections. It reviews the performance of the model portfolios daily and also follows several benchmarks. Client portfolios are compared to the model portfolios and are then brought into alignment with the model portfolios according to the rebalancing rules developed by CWP. No less than quarterly, the performance of all portfolios is compared with like portfolios; changes are determined and may be made in the recommended funds.

### **C. Reports**

#### Asset Management Services

Clients will be provided statements monthly directly from the account custodian. Additionally, clients will receive confirmations directly from the account custodian of all transactions. CWP will provide clients with a quarterly report with a listing of the assets, their current value and total portfolio return. Clients should compare this report with statements received directly from the account custodian. Should there be any discrepancy, the account custodian's report will prevail.

### Consulting Services

Other than the initial plan or analysis, there will be no other reports issued.

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

### **A. Client Referrals or Use of Solicitors**

CWP does not directly or indirectly compensate any person, solicitor or other entity that is not a supervised person of CWP's firm for referrals.

### **B. Other Compensation**

CWP is solely compensated for its Wealth Management Services by an annual fee as described in Item 5A or its One-Time Consulting Services hourly rate as defined in Item 5A. CWP does not receive commissions for the sale of securities products of any kind.

The selection of product is first and foremost. CWP's due diligence of a product does not take into consideration any assistance it may receive. Although the receipt of products or services is a benefit for clients and the company, it also presents a conflict of interest. Product sponsors and the custodian used by CWP may provide monetary and non-monetary support to CWP and its Advisory Representatives. Such support may include research, educational information, and monetary support for due-diligence trips and client events. CWP receives a benefit because we do not have to pay for the research, products, or services.

## **Item 15 Custody**

Fidelity will directly debit client accounts for the payment of our advisory fees. This ability to deduct our advisory feed from client accounts causes our firm to exercise limited custody over client funds or securities. We do not have physical custody of any client funds and/or securities. Client funds and securities will be held with Fidelity or another qualified custodian. Clients will receive account statements from the qualified custodian(s) holding their funds and securities at least quarterly. The account statements from the qualified custodian will indicate the amount of our advisory fees deducted from the client's account(s) each billing period. You should carefully review account statements for accuracy.

### **Wire Transfer and/or Standing Letter of Authorization**

Our firm uses standing authorizations for "first party" wire transfers only (moving money amongst accounts that are all one client's, with the same account registration). We may affect wire transfers from client accounts to one or more third parties, designated in writing, by the client only after obtaining written client consent for each separate, individual transaction.

However, The SEC has established that clients who want to have wire transfers to third parties, without having to sign each for individual transaction, can do so with written authorization known as a Standing Letter of Authorization. An advisor would then have custody of the client's assets in any related accounts but would not have to obtain a surprise annual audit as long as the following criteria are met:

1. The client provides a written, signed, instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. The client authorizes us, in writing, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. The investment advisor has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. The investment advisor maintains records showing that the third party is not a related party of the investment advisor or located at the same address as the investment advisor.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Should we engage in third party standing letters of authorization, CWP will comply with the conditions of the safe harbor provisions and would, therefore, be exempt from the annual surprise exam requirement for Advisors that have custody.

## **Item 16 Investment Discretion**

All Wealth Management accounts are managed on a discretionary basis. The client grants such authority to CWP by execution of the advisory agreement and CWP does take into consideration specific guidelines and limitations defined by the client. A client may terminate discretionary authorization at any time by giving CWP verbal or written notice.

Additionally, be advised that:

- Written consent is required to establish any mutual fund, variable annuity, or brokerage account;
- With the exception of the deduction of CWP's advisory fees from the account, with a client's authorized automatic deductions, CWP will not have the ability to withdraw funds or securities from the account without meeting the 7 conditions defined in Item 15, above.
- A client may set parameters with respect to when his/her account should be rebalanced and set trading restrictions or limitations.

## **Item 17 Voting Client Securities**

CWP does **not** vote client securities. Unless a client suppresses proxies, the account custodian or transfer agent will send securities proxies directly to the client. Clients may contact a CWP Advisory Representative with questions and for opinions on how to vote the proxies. However, the voting is solely the client's decision.

## **Item 18 Financial Information**

CWP will not require prepayment of \$1,200 or more and six or more months in advance of a client receiving advisory service; therefore, CWP is not required to send a balance sheet along with this brochure.

CWP is financially stable. There is no financial condition that is likely to impair CWP's ability to meet its contractual commitments to its clients.

Neither CWP nor its Advisory Representatives has ever been the subject of a bankruptcy petition.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

As part of CWP's Wealth Management and Consulting services, clients may be provided with recommendations and advice concerning an employer retirement plan or other qualified retirement account. CWP may recommend that the client withdraw the assets from his/her employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA") that CWP will manage. If the client elects to roll the assets to an IRA under CWP management, the client will be charged an asset management fee as described in Item 5. This practice presents a conflict of interest because the investment advisory representative has an incentive to recommend a rollover for the purpose of generating an asset management fee rather than solely based on the client's needs. A client is under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if the rollover is completed, there is no obligation to have the IRA assets managed by CWP.

Employers may permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA and to the extent the following options are available, a client should consider the costs and benefits of each.

An employee will typically have four options:

1. Leave the funds in the employer's (former employer's) plan.
2. Roll over the funds to a new employer's retirement plan.
3. Cash out and take a taxable distribution from the plan.
4. Roll the funds into an IRA rollover account.

Each of these options has advantages and disadvantages. Before making a change, clients are encouraged to speak with a financial adviser, CPA and/or tax attorney.

Before rolling over the retirement funds to an IRA for CWP to manage, a client should carefully consider the following. NOTE: This list is not exhaustive.

1. Determine whether the investment options in the employer's retirement plan address the client's needs or whether other types of investments are needed.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities or previously closed funds.
2. The current plan may have lower fees than CWP's fees.
  - a. If a client is interested in investing only in mutual funds, he/she should understand the cost structure of the share classes available in the employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. The client should understand the various products and services available through an IRA provider and their potential costs.
  - c. It is possible that there may not be a management fee charged and that no ongoing

asset management services will be received unless the client elects to have such services. If the plan offers management services, there may be a fee associated with the service that is more or less than the CWP asset management fee.

3. CWP's strategy may have higher risk than the option(s) provided in the current plan.
4. A client's current plan may offer financial advice, guidance, management, and/or portfolio options at no additional cost.
5. If a client keeps his/her assets titled in a 401k or retirement account, and is still working, this could potentially delay the client's required minimum distribution beyond age 72.
6. A client's 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies; however, there can be exceptions. Consult an attorney if there is a concern about protecting retirement plan assets from creditors.
7. A client may be able to take out a loan on his/her 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, prior to age 59 ½, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses, or a home purchase.
9. If a client owns company stock in his/her plan, he/she may be able to liquidate those shares at a lower capital gains tax rate.
10. A client's plan may allow hiring CWP as the manager and keep the assets titled in the plan name.

It is important that the client understand the options, their features and differences and decide whether a rollover is best for him/her. If questions, contact CWP at our main number listed on the cover page of this brochure.