

## Item 1 – Cover Page

# WorthPointe, LLC

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**This brochure provides information about the qualifications and business practices of WorthPointe, LLC. If you have any questions about the contents of this brochure, please contact Brooksher Morgan, Chief Compliance Officer, at (800) 620-4232 and/or [brooks@wpwm.com](mailto:brooks@wpwm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about WorthPointe, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 143996.**

## Item 2 – Material Changes

The Material Changes section of this brochure will be updated annually when material changes have occurred since the previous release of the Firm Brochure. There have been no material changes since our last update on January 1, 2017.

WorthPointe, LLC will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting Brooksher Morgan, Chief Compliance Officer, at (800) 620-4232 or [brooks@wpwm.com](mailto:brooks@wpwm.com).

Additional information about WorthPointe, LLC is also available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with WorthPointe, LLC who are registered, or are required to be registered, as investment adviser representatives of WorthPointe, LLC.

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## Item 4 – Advisory Business

### About WorthPointe, LLC

WorthPointe, LLC ("WorthPointe") is a limited liability company formed in 2007 as Oncubic, L.L.C. in the state of California. The name of the firm was formally changed to WorthPointe, LLC in July 2013. The principal owners of the firm are Christopher P. Van Slyke through his investment in Worthhold, Inc. and Anthony Ferreira whose shares are owned directly. The major decisions of a strategic and administrative nature for the firm are undertaken by Mr. Van Slyke.

This narrative brochure provides clients with information regarding WorthPointe and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of WorthPointe.

Prior to engaging WorthPointe to provide services, clients are required to enter into an agreement with WorthPointe setting the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to WorthPointe beginning services. It remains the client's responsibility to promptly notify WorthPointe if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising WorthPointe's previous recommendations and/or services.

As a result of a change expected to come into effect on June 9, 2017, to the Employment Retirement Income Security Act (ERISA), WorthPointe, LLC hereby acknowledges that it is a "fiduciary" when the firm's services are subject to the provisions of ERISA of 1974, as amended.

### Wealth Management

Serving as a fiduciary and deriving compensation on a fee-only (no commissions) basis, WorthPointe provides a unique, proprietary, structured, quantitative, evidence-based, scientific approach to investment management. WorthPointe's portfolios use a daily algorithm to define the global market by size, relative price, and profitability in order to deliver the maximum potential for return at a client's preferred risk level.

Subject to any written guidelines, which the client may provide, WorthPointe will be granted discretion and authority to manage the client's investment account(s). Accordingly, WorthPointe is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include making all investment decisions on the (a) securities purchased/sold and (b) the amount of securities to be purchased/sold. Once the portfolio is constructed, WorthPointe provides ongoing supervision and rebalancing of the portfolio as changes in market conditions and client circumstances may require.

WorthPointe may recommend the services of a third party manager. An additional fee, as described in Item 5 below, will be charged on those assets. At the time of the referral to the third party manager, the client receives full disclosure that includes detailed information on the services offered and other pertinent disclosures by delivery of a copy of the relevant sub-adviser's Form ADV Part 2 or equivalent disclosure documents. In addition, if the investment program recommended to a client is a wrap fee program, the client will also receive the equivalent wrap fee brochure provided by the sponsor of the program. WorthPointe will provide each client with all appropriate disclosure statements, including disclosure of fees paid to WorthPointe, its representatives, and the sub-advisers.

WorthPointe primarily allocates investment management assets of its client accounts among various asset classes using institutional funds (and to a much lesser extent, among various individual debt and equity securities), on a discretionary basis, in accordance with the investment objectives of the client as set forth in an Investment Policy Statement prepared by WorthPointe for review and acceptance by the client. Unless the client directs otherwise, WorthPointe shall primarily recommend that all investment management accounts be maintained at Charles Schwab & Co., Inc. (Schwab), TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (TDA), and/or Scottrade, Inc.

WorthPointe also provides sub-advisory services to clients referred to it by Betterment LLC, a registered investment adviser. WorthPointe provides the services set forth above to such referred clients on the fee terms described in Item 5.

### **Financial Consulting**

WorthPointe may offer financial consulting services. Such advice will typically be limited in scope and principally advisory in nature. If the client decides to engage WorthPointe for financial consulting services, pertinent information about the client's personal and financial circumstances and objectives may be collected. Financial consulting clients may also be required to complete an investment related questionnaire as part of the information gathering process.

To the extent requested by the client, financial consulting advice may be rendered in the areas of business planning, retirement planning, tax planning, estate planning, risk management, college planning, and compensation and benefits planning, among others. This service is offered on an hourly basis.

### **Trade Error Policy**

Should they occur, losses resulting from WorthPointe's trade errors shall be reimbursed by WorthPointe, but WorthPointe shall not credit accounts for such errors resulting in market gains. Depending on the custodian, the gains and losses may be reconciled within WorthPointe's custodian firm account or they may be donated to charity. While

WorthPointe does not receive any net benefit, if the custodian allows for the gains to be maintained in the firm's error account, WorthPointe may retain the net gains to be used against any future trade errors that may occur.

## **Client Obligations**

In performing its services, WorthPointe is not required to verify any information received from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify WorthPointe if there is ever any change in the client's financial situation or investment objectives during the client engagement.

## **Disclosure Statement**

A copy of WorthPointe's written brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the Financial Planning and Consulting Agreement and/or Investment Advisory Agreement. Any client who has not received a copy of WorthPointe's written brochure at least 48 hours prior to executing the Financial Planning and Consulting Agreement and/or Investment Advisory Agreement shall have five business days subsequent to executing the agreement to terminate the WorthPointe's services without penalty.

## **Non-Participation in Wrap Fee Programs**

WorthPointe, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment supervisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

## **Amount of Assets Under Management**

As of November 9, 2017, WorthPointe provided advice on approximately \$503 million in assets. \$476.5 million of these assets are managed on a discretionary basis and \$26.5 million are managed on a non-discretionary basis.

## **Our Policy on Class Action Lawsuits**

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. WorthPointe has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, WorthPointe has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may

have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where WorthPointe receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate if the client has authorized contact in this manner.

## Item 5 – Fees and Compensation

### Wealth Management

The client can determine to engage WorthPointe to provide discretionary wealth management services on a fee-only basis. WorthPointe's annual wealth management fee shall be based on either the assets placed under WorthPointe's management or the net worth of the client. Depending upon the type of management services required, the annual fee is:

<u>Portfolio Size</u>	<u>Annual Fee*</u>
First \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.60%
Next \$5,000,000	0.50%
All over \$10,000,000	0.25%

\*Client accounts may be aggregated for fee calculations.

For those clients whose annual fee is based on the net worth calculation, the annual fee is set by the firm and the client based on the unique needs of the client. The following fee schedule is the suggested pricing for net worth billing:

<u>Net Worth</u>	<u>Annual Fee*</u>
to \$5,000,000	0.40%
\$5,000,0001 - \$10,000,000	0.20%
All over \$10,000,000	0.10%

A discussion of the fee schedules will be discussed with the client prior to signing the client agreement.

WorthPointe's annual investment management fee shall be paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Upon termination, fees will be prorated to the date of termination and the unearned portion of the fee will be refunded to the client.

WorthPointe generally requires a minimum quarterly fee of \$1,250 for investment management services. However, WorthPointe, in its sole discretion, may reduce its minimum quarterly fee and/or charge a lesser investment management fee for bundled and unbundled services based upon certain criteria (i.e., anticipated future earning capacity, or additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

For those clients that invest via a third party manager, the fee is additional fee is determined by the third party manager. Fees for this service are disclosed in the disclosure brochure (Part 2 of Form ADV) provided to the client by the third party manager.

Both WorthPointe's and the third party manager's advisory fees for clients participating in a program will be charged by the third party manager based on the fee payment schedule provided by the them. WorthPointe's fee is separate and in addition to the third party manager's compensation and will be described to you prior to the engagement.

Existing clients may have a different fee structure. Certain clients may negotiate a lesser fee based on certain circumstances. For example, at its discretion, WorthPointe may allow members of the same household to be aggregated for purposes of determining the advisory fee. Such aggregation may be allowed when WorthPointe services accounts on behalf of minor children of current clients, individual and joint accounts for a spouse.

Payment for management fees will be made by the qualified custodian holding the client's funds and securities provided the client provides written authorization permitting the fees to be paid directly from the client's account. WorthPointe will not have access to client funds for payment of fees without client consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to the client showing all disbursements from the account. The client is encouraged to review their account statements for accuracy. WorthPointe will receive a duplicate copy of the statement that was delivered to the client. Alternatively, WorthPointe may invoice clients directly for portfolio management fees. When clients are billed directly, payment is due upon receipt of WorthPointe's invoice.

### **Financial Consulting Services**

WorthPointe offers financial consulting services (including investment- and non-investment-related matters) on a limited-scope basis. WorthPointe will generally charge an hourly fee ranging from \$230 to \$750, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

When the scope of the financial planning services has been agreed upon, a determination will be made as to applicable fee, and an estimate will be provided to the client. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the financial plan or services requested. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, WorthPointe will notify the client and may request that the client pay an additional fee.

The fees and terms of the financial planning services will be clearly set forth in the client agreement executed between the client and WorthPointe.

Clients may act on WorthPointe's recommendations by placing securities transactions with any brokerage firm the client chooses. The client is under no obligation to act on WorthPointe's financial planning recommendations. Moreover, if the client elects to act on any of the recommendations, the client is under no obligation to implement the financial plan through WorthPointe.

### **General Information Regarding Advisory Services and Fees**

WorthPointe does not represent, warrant, or imply that the services or methods of analysis used by WorthPointe can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections.

Advice offered by WorthPointe may involve investments in mutual funds. Clients are hereby advised that all fees paid to WorthPointe for investment supervisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders, as described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. Further, transaction charges may be applicable when purchasing and selling securities. WorthPointe does not share in any portion of the brokerage fees and/or transaction charges imposed by the broker-dealer/custodian holding the client funds or securities. Clients should review all fees charged by mutual funds, WorthPointe, and others to fully understand the total amount of fees to be paid by the client.

Clients may also incur "account termination fees" upon the transfer of an account from one brokerage firm (broker-dealer/custodian) to another. These account termination fees are believed to range generally from \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, banks, or trust companies, etc.) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred.

Such charges, fees, and commissions are exclusive of and in addition to the firm's fee, and the firm does not receive any portion of these commissions, fees, and costs.

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

The vast majority of clients pay WorthPointe's fees based upon a percentage of the assets advised upon. This is a very common form of compensation for registered investment supervisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (WorthPointe does not accept

commission-based compensation of any nature, nor does WorthPointe accept 12b-1 fees).

Asset-advised-upon percentage method of compensation can still at times lead to conflicts of interest between our firm and our client as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.), and the amount of funds to place in non-managed cash reserve accounts. WorthPointe's goal is that the firm's advice to the client remains at all times in the client's best interest, disregarding any impact of the decision upon WorthPointe.

## Termination

The client may terminate any new agreement without penalty by providing written notice of such cancellation to WorthPointe within five (5) business days of the date of signing the agreement. Thereafter, either party may terminate the agreement without penalty upon notice in writing to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Upon the termination of the agreement, WorthPointe will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a client's account.

Wealth management services will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. The agreement for financial consulting will be terminated in accordance with the Financial Planning and Consulting Agreement.

WorthPointe believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of WorthPointe. In that case, the client would not receive the services provided by WorthPointe, which are designed, among other things, to assist the client in determining which investments are most appropriate to each client's financial condition and objectives, undertake a disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid ad hoc emotional reactions to shorter-term market events. Also, some of the funds used by the firm may not be available to the client directly without the use of an investment adviser granted access to such funds.

WorthPointe's relationship with each client is nonexclusive; in other words, WorthPointe provides investment supervisory services and financial planning services to multiple

clients. WorthPointe seeks to avoid situations in which one client's interest may conflict with the interest of another of its clients. However, one circumstance which could arise is a sudden sharp downturn in the values of one or more stock asset classes, thereby triggering (under adopted investment policies with the vast majority of WorthPointe's clients) the need to rebalance the investment portfolios following the close of any business (trading) day. In this instance, WorthPointe seeks to rebalance each client's investment portfolio on a timely basis, keeping in mind that most mutual fund trades occur at the end of a trading day. In determining which client portfolios to attend to first, WorthPointe ranks clients by the amount of assets under advisement as of the last quarterly period from highest to lowest, and generally proceed to rebalance portfolios accordingly.

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

Item 6 is not applicable to WorthPointe. WorthPointe 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). Such acceptance or management would pose a significant conflict of interest to our clients because performance-based fees may provide an incentive to favor such accounts over the accounts of clients under our other advisory programs. WorthPointe considers avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients.

## **Item 7 – Types of Clients**

WorthPointe offers personalized investment supervisory services to individuals, high net worth individuals, corporations and pension and profit sharing plans. Client relationships vary in scope and length of service.

### **Required Minimum Client Accounts**

WorthPointe generally requires a minimum quarterly fee of \$1,250 for investment management services. However, WorthPointe, in its sole discretion, may reduce its minimum quarterly fee and/or charge a lesser investment management fee for bundled and unbundled services based upon certain criteria (i.e., anticipated future earning capacity, or additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, client’s willingness to use global or core fund strategies, etc.).

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

Before designing investment plans for clients, WorthPointe will evaluate the client's current investments to determine whether the client's goals harmonize with the client's financial objectives. In designing investment plans for clients, WorthPointe relies upon the information supplied by the client and the client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. WorthPointe will design and propose a portfolio to help clients attain the client's financial goals.

This information will become the basis for the strategic asset allocation plan which WorthPointe believes will best meet the client's stated personal financial goals. The strategic asset allocation provides for investments in those asset classes which WorthPointe believes will possess attractive combinations of return, risk, and correlation over the long term.

When WorthPointe invests client assets, asset allocation techniques are used which include stocks and bonds of varying characteristics and from both the United States and foreign markets. WorthPointe invests for the long term and expects that not all investments in a given portfolio will perform in unison with other assets in the same portfolio. WorthPointe manages money for the client's downside protection, in addition to upside gain. WorthPointe does not systematically rebalance the portfolio on a regular basis, but monitors each portfolio's asset allocation and will make adjustments where appropriate. WorthPointe's portfolio management decisions are made considering only the assets being managed and not with regards to other investments the client may hold.

WorthPointe may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship. WorthPointe will explore other investment options at the client's request. Additionally, WorthPointe reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives.

WorthPointe utilizes a fundamental analysis approach. A fundamental approach to investment analysis includes such factors as economic conditions, earnings, industry outlook, political conditions (as they relate to the investment), historical data, price/earnings ratios, dividends, general level of interest rates, company management, and tax benefits. Sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources that the firm uses include Dimensional Fund Advisors, Morningstar mutual fund information, Morningstar stock information, and other information available on the Internet.

## Investment Strategies

The primary investment strategy used on client accounts is asset allocation based on a body of research referred to as Modern Portfolio Theory; many of the contributors have been awarded the Nobel Prize in Economics. WorthPointe develops a diversified investment portfolio by mixing different assets in varying proportions depending on the client's goals and current economic climate. The primary purpose of asset allocation is to reduce the risk in the portfolio, while maintaining or enhancing the rate of return of the portfolio. Portfolios are globally diversified to control the risk associated with traditional markets. Asset Allocation software is used to help determine the risk and reward of the expected rate of return for any portfolio.

Each client receives investment advice regarding their portfolio based upon his or her:

- Time Horizon
- Risk Tolerance
- Expected Rate of Return
- Asset Class Preferences

The investment vehicles used to invest in the various asset classes are mutual funds. The mutual funds provide:

- Professional Management
- Diversification
- Flexibility
- Liquidity

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

WorthPointe's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis, WorthPointe must have access to current/new market information. WorthPointe has no control over the distribution rate of market information. An accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Investment advice is offered in relation to equities, corporate bonds, commercial paper, bank deposits, municipal securities, U.S. Government Securities, institutional and retail mutual funds, exchange traded funds (ETFs), variable annuities, variable life insurance, limited partnership and investment trusts. WorthPointe will not provide advice for commodity futures. Non-securities advice is offered in relation to estate planning strategies, retirement planning strategies, life insurance, annuity contracts, and long-term care insurance.

WorthPointe may provide advice on other partnership interests, including equipment leases, tax credit programs, and managed portfolios of debt and equity securities. Please note that private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set for in each funds' offering documents, which will be provided to each client for review and consideration. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that the client is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

WorthPointe generally causes clients to purchase mutual fund shares for which the client pays a transaction charge. Although there may be similar mutual funds available with no transaction fees ("NTF funds"), WorthPointe believes that the overall costs associated with NTF fund shares are higher over the long term than the transaction charge paid initially by the client. Included in this philosophy is WorthPointe's use of mutual funds within the Dimensional Funds group, which are not NTF funds.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. WorthPointe's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest-Rate Risk: The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

Market Risk: The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases virtually all stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will

purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Different types of investments involve varying degrees of risk, and the client should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by WorthPointe) will be profitable or equal to any specific performance level(s).

## **Item 9 – Disciplinary Information**

WorthPointe has no reportable legal or disciplinary events.

## Item 10 – Other Financial Industry Activities and Affiliations

Neither WorthPointe nor its representatives are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither WorthPointe nor its representatives are registered or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Christopher P. Van Slyke is a less than 1% shareholder of National Advisors Trust Company ("NATC"). WorthPointe may refer clients to NATC for trust services. In this instance, the grantor may choose to name WorthPointe as the paid investment manager on the trust, with NATC as the acting trustee. NATC is operationally independent from WorthPointe, and WorthPointe has not instances of control over NATC, however, as a shareholder, Mr. Van Slyke may benefit from any dividends paid on earnings retained by NATC.

WorthPointe may recommend or select other investment advisors for its clients. Compensation arrangements between WorthPointe and the third party managers are discussed in Item 5.

## Item 11 – Code of Ethics

WorthPointe has adopted a Code of Ethics for all supervised persons of the firm describing 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, and personal securities trading procedures, among other things. All supervised persons at WorthPointe must acknowledge the terms of the Code of Ethics annually, or as amended.

WorthPointe's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Brooksher Morgan at (800) 620-4232 or [brooks@wpwm.com](mailto:brooks@wpwm.com).

Neither WorthPointe nor any related person of WorthPointe recommends, buys, sells for client accounts, securities in which WorthPointe or any related person of WorthPointe has a material financial interest.

WorthPointe and/or representatives of WorthPointe buy or sell securities that are also recommended to clients. This practice creates a situation where WorthPointe and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. In addition, WorthPointe has policies in place to help detect insider trading, "front-running" (i.e., personal trades executed prior to those of WorthPointe's clients) and other potentially abusive practices.

WorthPointe maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by WorthPointe or any person associated with WorthPointe.

WorthPointe has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of WorthPointe's "Access Persons". WorthPointe's securities transaction policy requires that Access Persons of WorthPointe must provide the Chief Compliance Officer with a written report of the current reportable securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer with a written report of the Access Person's current reportable securities holdings at least once each twelve (12) month period thereafter.

It is WorthPointe's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. WorthPointe believes that such transactions would pose a significant conflict of interest to WorthPointe's clients. WorthPointe considers avoidance of such conflict a paramount policy in maintaining its fiduciary duty to its clients.

## Item 12 – Brokerage Practices

In the event the client requests that WorthPointe recommend a broker dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct WorthPointe to use a specific broker-dealer/custodian), WorthPointe generally recommends Charles Schwab & Co., Inc. (Schwab), TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (TDA), Scottrade, Inc. (Scottrade) or MTG, LLC dba Betterment Securities ("Betterment Securities"). Prior to engaging WorthPointe to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with WorthPointe setting forth the terms and conditions under which WorthPointe shall manage the client's assets, and a separate custodial/clearing agreement with each designated custodian.

WorthPointe does not maintain custody of client assets that we manage, although we may be deemed to have custody of client assets if WorthPointe is given the authority to withdraw advisory fees from client accounts (see Item 15 – Custody, below). Client assets must be maintained in an account at a "qualified custodian," general a broker-dealer or bank. WorthPointe is independently owned and operated and are not affiliated with any custodian recommended by the firm. A qualified custodian will hold client assets in a brokerage account and buy and sell securities when WorthPointe and/or the client instruct them to. While WorthPointe may recommend a custodian, the client will decide whether to use the custodian and will open any account(s) with a custodian by entering into an account agreement directly with the custodian. WorthPointe does not open the account for the client, although the firm may assist the client in doing so. If the client does not wish to place assets with a custodian, then WorthPointe cannot manage an account.

Factors that WorthPointe considers in recommending Schwab, Fidelity, TDA, Scottrade and/or Betterment Securities (herewith referred to as "Custodians") (or any other broker-dealer/custodian to clients) include historical relationship with WorthPointe, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by WorthPointe's clients shall comply with WorthPointe's duty to obtain best execution, a client may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction. If this occurs, it is because WorthPointe determines, in good faith, that the transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although WorthPointe will seek competitive rates, it may not necessarily obtain the lowest possible transaction rates for client account transactions. The brokerage commissions or transaction fees charged by the designated custodian are exclusive of, and in addition to, WorthPointe's investment management fee. WorthPointe's best

execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

When beneficial to the client, transactions may be effected through broker-dealers with whom WorthPointe or the client have entered into arrangements for prime brokerage clearing services (in which event, the client shall incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by Custodians. Also, as discussed in Item 8 above, WorthPointe generally causes clients to purchase mutual fund shares for which the client pays a transaction charge.

Advisor participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14. below.)

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular custodian, WorthPointe may receive from Custodians (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist WorthPointe to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by WorthPointe may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by WorthPointe in furtherance of its investment supervisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist WorthPointe in managing and administering client accounts. Others do not directly provide such assistance, but rather assist WorthPointe to manage and further develop its business enterprise.

WorthPointe's clients do not pay more for investment transactions effected and/or assets maintained at Custodians as a result of this arrangement. There is no corresponding commitment made by WorthPointe to Custodians or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

WorthPointe's Chief Compliance Officer, Brooksher Morgan, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

### **Aggregation of Client Trades**

To the extent that WorthPointe provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless WorthPointe decides to purchase or sell the same securities for several clients at approximately the same time. WorthPointe may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among WorthPointe's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. WorthPointe shall not receive any additional compensation or remuneration as a result of such aggregation.

WorthPointe's employees are not registered representatives of Schwab, TDA, Scottrade or any other custodian/broker-dealer and do not receive any commissions or fees from recommending these services.

### **Directed Brokerage**

Some clients may instruct WorthPointe to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct WorthPointe to use a particular broker should understand that this may prevent WorthPointe from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent WorthPointe from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that WorthPointe would otherwise obtain for its clients. Clients are encouraged to discuss available alternatives with their advisory representative.

## Item 13 – Review of Accounts

For those clients to whom WorthPointe provides investment management supervisory services, account reviews will be conducted at least quarterly by WorthPointe's Principals and/or Associates Persons. All investment supervisory clients are advised that it remains their responsibility to advise WorthPointe in writing of any changes in the client's investment objectives and/or financial situation, or if they wish to impose any reasonable restrictions on WorthPointe's discretionary management services. All clients (in person or electronically) are encouraged to review investment objectives and account performance with WorthPointe on an annual basis.

WorthPointe may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event such as a market correction, large deposits or withdrawals from an account, substantial changes in the value of a client's portfolio, change in the client's investment objectives and client request.

### Reports to Clients

The account custodian provides trade confirmation and statements to clients on at least a quarterly basis. For those clients to whom WorthPointe provides investment supervisory services, they will generally receive performance reports for each quarter, and investment tax reports on an annual basis, unless otherwise agreed to with the client. Reports typically includes summaries of client portfolio performance, investment holdings and account values. Additional reports are available and will be provided on an ad hoc basis.

## Item 14 – Client Referrals and Other Compensation

As disclosed under Item 12 above, WorthPointe participates in TD Ameritrade's institutional advisor program and WorthPointe may recommend TDA to clients for custody and brokerage services. There is no direct link between WorthPointe's participation in the program and the investment advice it gives to its clients, although WorthPointe receives economic benefits through its participation in these programs that are typically not available to TDA retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to WorthPointe by third party vendors. TDA may also have paid for business consulting and professional services received by WorthPointe's related persons. Some of the products and services made available by TDA through the program may benefit WorthPointe but may not benefit its Client accounts. These products or services may assist WorthPointe in managing and administering Client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help WorthPointe manage and further develop its business enterprise. The benefits received by WorthPointe or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDA. As part of its fiduciary duties to clients, WorthPointe endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by WorthPointe or its related persons in and of itself creates a potential conflict of interest and may indirectly influence WorthPointe's choice of Schwab, TDA, Scottrade, and/or Betterment Securities for custody and brokerage services.

WorthPointe may receive client referrals from TDA through its participation in TD Ameritrade AdvisorDirect, from Scottrade through its relationship with Scottrade Investment Management and from Betterment Securities through its relationship with Betterment for Advisors. (AdvisorDirect, Scottrade Investment Management, and Betterment for Advisors are referred to as the Programs and TDA, Scottrade and Betterment Securities are referred to as the Custodians throughout the balance of this Item.) In addition to meeting the minimum eligibility criteria for participation in these Programs, WorthPointe may have been selected to participate based on the amount and profitability to the Custodian of the assets in, and trades placed for, client accounts maintained with the Custodians. Both TDA, Scottrade and Betterment Securities are discount broker-dealers independent of and unaffiliated with WorthPointe and there is

no employee or agency relationship between them. TDA has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. Neither TDA, Scottrade, nor Betterment Securities supervise WorthPointe and have no responsibility for WorthPointe's management of client portfolios or WorthPointe's other advice or services. WorthPointe pays TDA, Scottrade, or Betterment Securities an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to WorthPointe ("Solicitation Fee"). WorthPointe will also pay TDA, Scottrade, or Betterment Securities the Solicitation Fee on any advisory fees received by WorthPointe from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired WorthPointe on the recommendation of such referred client. WorthPointe will not charge clients referred through these Programs any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TDA, Scottrade, or Betterment Securities to its clients. For information regarding additional or other fees paid directly or indirectly to TDA, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

WorthPointe's participation in these Programs raise potential conflicts of interest. TD Ameritrade or Scottrade will most likely refer clients through these Programs to investment advisors that encourage their clients to custody their assets at that custodian and whose client accounts are profitable to that Custodian. Consequently, in order to obtain client referrals from TDA or Scottrade, WorthPointe may have an incentive to recommend to clients that the assets under management by WorthPointe be held in custody with TDA, Scottrade, or Betterment Securities and to place transactions for client accounts with that Custodian. In addition, WorthPointe has agreed not to solicit clients referred to it through these Programs to transfer their accounts from the Custodian or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. WorthPointe's participation in these Programs does not diminish its duty to seek best execution of trades for client accounts.

WorthPointe may receive succession planning, practice valuation, and equity management services from third-party vendors through WorthPointe's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, WorthPointe may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with WorthPointe and there is no employee or agency relationship between TD Ameritrade and WorthPointe. TD Ameritrade has established the TD Ameritrade Institutional Equity Management Program as a means of assisting independent unaffiliated Advisors to grow and maintain the respective investment advisory business. TD Ameritrade does not supervise WorthPointe and has no

responsibility for WorthPointe's management of client portfolios or WorthPointe's other advice or services to clients.

WorthPointe's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. WorthPointe may encourage their clients to custody their assets at TD Ameritrade whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, WorthPointe may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. WorthPointe's participation in the TD Ameritrade Institutional Equity Management Program does not relieve the WorthPointe of the duty to seek best execution of trades for client accounts.

As reference in Item 12 above, WorthPointe may receive an indirect economic benefit from Schwab, Fidelity, TDA, and/or Scottrade. WorthPointe, without cost (and/or at a discount) may receive support services and/or products from Schwab, TDA, and/or Scottrade.

WorthPointe periodically receives client referrals from websites where they may be listed. In no case will the client pay any additional fees to WorthPointe for services if the referral comes from any of these listings.

WorthPointe may also employ/engage solicitors to who it will pay cash or a portion of the fees paid by the client referred to the firm by those solicitors. All solicitors who refer clients will comply with the requirements of the jurisdiction where they operate. When applicable, the solicitor will be licensed as investment advisors or notice filed in the applicable jurisdiction.

## Item 15 – Custody

It is WorthPointe's policy to not accept custody of a client's securities. In other words, WorthPointe is not granted access to the clients' accounts which would enable WorthPointe to withdraw or transfer or otherwise move funds or cash from any client account to WorthPointe's accounts or the account of any third party (other than for purposes of fee deductions, as explained below). This is for the safety of the clients' assets.

However, with a client's consent, WorthPointe is provided with the authority to seek deduction of WorthPointe's fees from a client's accounts; this process generally is more efficient for both the client and the investment adviser. The account custodian does not verify the accuracy of WorthPointe's advisory fee calculation.

All WorthPointe's clients receive account statements directly from qualified custodians, such as a bank or broker dealer that maintains those assets. The client should carefully review these account statements, and compare them to the quarterly or other reports provided by WorthPointe. Statements provided by WorthPointe may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. WorthPointe urges all clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact Brooksher Morgan, Chief Compliance Officer with any questions.

## Item 16 – Investment Discretion

WorthPointe typically receives discretionary authority from the client at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. Prior to WorthPointe assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, granting WorthPointe full authority to buy, sell, or otherwise effect investment transactions. In addition, any investment discretion is obtained in writing through a limited power of attorney signed by the client prior. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows WorthPointe to perform trades in the client's account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, WorthPointe provides ongoing supervision and re-balancing of the portfolio as changes in market conditions and client circumstances may require.

WorthPointe seeks to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Clients who engage WorthPointe on a discretionary basis may, at any time, impose restrictions, in writing, on WorthPointe's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe WorthPointe's use of margin, etc.).

**Item 17 – Voting Client Securities**

WorthPointe will not vote proxies on behalf of advisory clients' accounts. Although, on rare occasions and only at the client's request, WorthPointe may offer clients advice regarding corporate actions and the exercise of proxy voting rights.

Clients will receive their proxies or other solicitations directly from their broker-dealer/custodian.

**Item 18 – Financial Information**

WorthPointe does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. WorthPointe accepts limited forms of discretion over clients' accounts, as described in Item 16 of this brochure. WorthPointe is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. WorthPointe has never been the subject of a bankruptcy proceeding.