

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

April 3, 2025

#### **LJI Wealth Management, LLC**

SEC No. 801-77820

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This brochure provides information about the qualifications and business practices of LJI Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 317-466-9702 or [brad@ljiwm.com](mailto:brad@ljiwm.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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about LJI Wealth Management, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

The following changes were made to this Brochure since the last annual update issued on March 25, 2024:

- The firm revised its services to offer wealth management services, which include investment management and comprehensive financial planning. Third-party money management was removed from the firm's service offerings. Please see Item 4 of this Brochure for the firm's current services.
- The firm revised its asset-based fee schedule from a tiered fee schedule to a maximum 1.4% fee, which is negotiable. No existing client fees were changed.
- The firm increased its maximum hourly rate for standalone financial planning to \$500 per hour, which is negotiable. The fixed fee range for standalone financial planning was increased to \$1,000–\$10,000. Please see Item 5 of this Brochure for the firm's current fees.
- Disclosures regarding mutual fund 12b-1 fees and custodian investment programs were added in Item 5.

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## Item 4: Advisory Business

### A. Ownership/Advisory History

LJI Wealth Management, LLC ("LJIWM" or the "firm") is a limited liability company organized under the laws of Indiana. LJIWM's principal shareholder is Layton L. John. LJIWM began conducting business in 2007.

### B. Advisory Services Offered

#### Wealth Management Services

LJIWM offers wealth management services that include investment management in connection with a broad range of comprehensive financial planning services.

#### Investment Management Services

Through our investment management services, we provide continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal statement of investment objectives and create and manage a portfolio based on that statement. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. For our discretionary portfolio management services, we receive a limited power of attorney to effect securities transactions on behalf of our clients that include securities and strategies described in Item 8 of this brochure.

Clients have the right to provide the firm with any reasonable investment restrictions on the management of their portfolio, which must be in writing and sent to the firm. Clients should promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. LJIWM will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. LJIWM will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

#### Financial Planning Services

Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values, and withdrawal plans. Through the financial planning process, all questions, information, and analysis are

considered, as they impact and are impacted by the entire financial and life situation of the client.

Our financial planning service will usually include general recommendations for a course of activity or specific actions to be taken by the client. For example, recommendations may be made that the client obtain insurance or revise their existing coverage, establish an individual retirement account, increase or decrease funds held in savings accounts, or invest funds in securities.

We may also create a cash flow analysis or work with and advise our clients as to the rearrangement of cash flow in order to fund certain long-term objectives such as buying a house or planning for college or retirement

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning, and business planning.

We will meet with the client to go over our findings. Upon request of the client, we may provide a written financial plan designed to assist the client achieve his or her financial goals and objectives. In general, the financial plan may address any or all of the following areas:

- *Personal:* We review family records, budgeting, personal liability, estate information and financial goals.
- *Tax & Cash Flow:* We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- *Investments:* We analyze investment alternatives and their effect on the client's portfolio.
- *Insurance:* We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- *Retirement:* We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- *Death & Disability:* We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- *Estate Planning:* We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report.

Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

### **Standalone Financial Planning Services**

We also offer our Financial Planning Services described above to clients on a standalone basis at an hourly or fixed fee arrangement.

### **Retirement Plan Services**

LJIWM also provides retirement plan consulting/management services, pursuant to which it assists sponsors of self-directed retirement plans organized under the Employee Retirement Security Act of 1974 ("ERISA"). The terms and conditions of the engagement shall be set forth in a Retirement Plan Services Agreement between the firm and the plan sponsor.

If the plan sponsor engages the firm in an ERISA Section 3(21) capacity, the firm will assist with the selection and/or monitoring of investment options (generally open-end mutual funds and exchange traded funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. If the plan sponsor chooses to engage the firm in an ERISA Section 3(38) capacity, firm may provide the same services as described above, but may also modify the investment options made available to plan participants on a discretionary basis.

#### **Retirement Rollovers – Conflicts and Added Fees**

As a fee-based investment adviser, LJIWM (and its investment adviser representatives) makes more money either when your account assets grow or when you add money to your account. As a Plan participant, you may be paying little or nothing for the Plan's investment services. As such, your costs are likely to be more post-rollover. We may compensate our investment professionals in a way that incrementally rewards them based on the level of aggregate revenue they generate for our firm. In this regard, we have policies and procedures for supervisory review to ensure we are advising you in a way that's in your best interests. In addition, we conduct an annual review of rollover transactions to ensure our business practices are aligned in a manner that places your interests first. Such annual review is provided to a member of our executive team who certifies the firm's compliance.

We do not engage in sales contests, production awards, or related giveaways that inhibit our ability to provide advice that's in your best interests. We regularly update our conflicts of interest and will update you accordingly on any material changes affecting our relationship with you.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

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

LJIWM does not participate in wrap fee programs, where brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

### **E. Client Assets Under Management**

As of December 31, 2024, LJIWM managed \$889,983,910 of client assets on a discretionary basis and \$181,041,773 of client assets on a non-discretionary basis.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### Wealth Management Services Fees

The annual fee for wealth management services will be charged as a percentage of assets under management. LJWM charges a maximum 1.4% advisory fee on the value of portfolio assets.

Clients are advised that similar services may be available for similar or lower fees from other investment advisers.

We retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs will be considered in determining the fee schedule. Among others, these will include:

- the complexity of the client, assets to be placed under management,
- anticipated future additional assets,
- related accounts,
- portfolio style,
- account composition, and
- reports

Discounts not generally available to our advisory clients may be offered to family members and friends of associated persons of our firm.

Asset-based fees are always subject to the wealth management agreement between the client and LJWM. Such fees are payable quarterly in advance based upon the market value (or fair market value in the absence of market value) of the client's account at the end of the previous quarter. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. No adjustments will be made for contributions to or withdrawals from a client's portfolio for the quarter in which the change occurs.

#### Standalone Financial Planning Services

Financial planning fees will be billed at the rate of \$500 per hour or a fixed fee mutually agreed upon by the client and LJWM. Fixed fee arrangements generally range from \$1,000 to \$10,000, depending upon the scope and complexity of the agreed-upon services. LJWM will provide the prospective client with an estimate of the fixed charges prior to finalizing the financial planning agreement.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

### **Retirement Plan Services**

Each engagement is individually negotiated in advance and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the agreement, and the fees vary based on the scope of the services to be rendered and assets to be managed.

### **B. Client Payment of Fees**

LJIWM generally requires fees to be prepaid on a quarterly basis. LJIWM requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

LJIWM will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A wealth management agreement may be canceled at any time by the client, or by LJIWM with 30 days' prior written notice to the client. Upon termination, any unearned, prepaid fees will be promptly refunded.

### **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using LJIWM may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

### **D. External Compensation for the Sale of Securities to Clients**

LJIWM's advisory professionals are compensated primarily through a salary and bonus structure/through a percentage of advisory fees charged to clients. LJIWM's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

## E. Important Disclosure – Custodian Investment Programs

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements, we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:*** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm's clients.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

LJWM does not charge performance-based fees.

## Item 7: Types of Clients

LJWM provides advisory services to the following types of clients:

- Individuals and high-net-worth individuals
- Charitable organizations
- Corporations or other businesses
- Pension and profit sharing plans

LJWM does not impose minimum account requirements.

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

### A. Methods of Analysis and Investment Strategies

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be profitable for a particular client.**

#### Methods of Analysis

LJIWM uses a variety of sources of data to conduct its economic, investment and market analysis, which may include economic and market research materials prepared by others, conference calls hosted by individual companies or mutual funds, corporate rating services, annual reports, prospectuses, and company press releases, and financial newspapers and magazines. LJIWM may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

LJIWM and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Fundamental analysis is a method of evaluating the intrinsic value of an asset and analyzing the factors that could influence its price in the future. This form of analysis is based on external events and influences, as well as financial statements and industry trends.
- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.

#### Investment Strategies

LJIWM provides numerous investment management styles and strategies, including large and small cap equity, equity, fixed income, and a broad spectrum of exchange-traded funds, either individually or in combination. Generally, LJIWM recommends and provides clients a diversified investment strategy incorporating domestic and international equities, fixed income, exchange-traded funds, unit investment trusts among other asset classes.

The exact composition of recommended programs and investment strategies will be determined by the client's legal and tax considerations and greatly influenced by the client's liquidity needs and tolerance for risk.

- *LJI Aggressive Growth* – The LJI Aggressive Growth portfolio is a “go anywhere” strategy utilizing a combination of individual stocks, ETFs, calls, and puts. The overall objective is growth and incorporates long-term investing, swing trades, and very short-term trading. Relatively unknown, newer, small cap stocks are utilized along with mid-caps, large caps, and index ETFs. Long options, selling puts, option spreads, and inverse funds can also be utilized.
- *LJI Aggressive Income* – The LJI Aggressive Income portfolio utilizes U.S. large cap equities along with a combination of covered calls and/or protective puts, depending on market conditions and volatility. Index ETFs are also used for market exposure during market pullbacks. The objective is income first, growth second. High yield ETFs are often owned as well.

### **Mutual Funds and Exchange-Traded Funds, Individual Securities**

LJIWM may recommend “institutional share class” mutual funds, exchange-traded funds (“ETFs”), and individual securities (including fixed income instruments). A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities) is set forth below.

LJIWM has formed relationships with third-party vendors that

- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

LJIWM may utilize additional independent third parties to assist it in recommending and monitoring individual securities and mutual funds to clients as appropriate under the circumstances.

LJIWM reviews certain quantitative and qualitative criteria related to funds and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a fund evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending funds include the investment objectives and/or management style and philosophy of a mutual fund; a fund's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to funds are reviewed by LJIWM on a quarterly basis or such other interval as appropriate under the circumstances. In addition, funds are reviewed to

determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the fund by LJIWM (both of which are negative factors in implementing an asset allocation structure).

LJIWM may negotiate reduced account minimum balances and reduced fees with fund managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds utilized. LJIWM will endeavor to obtain equal treatment for its clients with funds, but cannot assure equal treatment.

LJIWM will regularly review the activities of funds utilized for the client.

### **Material Risks of Investment Instruments**

LJIWM generally provides advice on the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Exchange-traded notes
- Leveraged and inverse exchange-traded products
- Fixed income securities
- Fixed equity annuities
- Fixed equity indexed annuities
- Variable annuities
- Options

### **Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create

fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **Exchange-Traded Funds (“ETFs”)**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> (“QQQs<sup>SM</sup>”) iShares<sup>®</sup> and VIPERs<sup>®</sup>. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **Exchange-Traded Notes (“ETN”)**

ETNs are structured debt securities. ETN liabilities are unsecured general obligations of the issuer. Most ETNs are designed to track a particular market segment or index. ETNs have expenses associated with their operation. When a fund invests in an ETN, in addition to directly bearing expenses associated with its own operations, it will bear its pro rata portion of the ETN's expenses. The risks of owning an ETN generally reflect the risks of owning the underlying securities the ETN is designed to track, although lack of liquidity in an ETN could result in it being more volatile than the underlying portfolio of securities. In addition, because of ETN expenses, compared to owning the underlying securities directly it may be more costly to own an ETN. The value of an ETN security should also be expected to fluctuate with the credit rating of the issuer.

### **Leveraged and Inverse Exchange-Traded Products (“ETPs”)**

Leveraged ETPs employ financial derivatives and debt to try to achieve a multiple (for example two or three times) of the return or inverse return of a stated index or benchmark over the course of a single day. The use of leverage typically increases risk for an investor. However, unlike utilizing margin or shorting securities in your own account, you cannot lose more than

your original investment. An inverse ETP is designed to track, on a daily basis, the inverse of its benchmark. Inverse ETPs utilize short selling, derivatives trading, and other leveraged investment techniques, such as futures trading to achieve their objectives. Leverage and inverse ETPs reset each day; as such, their performance can quickly diverge from the performance of the underlying index or benchmark. An investor could suffer significant losses even if the long-term performance of the index showed a gain. Engaging in short sales and using swaps, futures, contracts, and other derivatives can expose the ETP.

There is always a risk that not every leveraged or inverse ETP will meet its stated objective on any given trading day. An investor should understand the impact an investment in the ETP could have on the performance of their portfolio, taking into consideration goals and tolerance for risk. Leveraged or inverse ETPs may be less tax-efficient than traditional ETPs, in part because daily resets can cause the ETP to realize significant short-term capital gains that may not be offset by a loss. Be sure to check with your tax advisor about the consequences of investing in a leveraged or inverse ETP. Leveraged and Inverse ETPs are not suited for long-term investment strategies. These are not appropriate for buy-and-hold or conservative investors and are more suitable for investors who understand leverage and are willing to assume the risk of magnified potential losses. These funds tend to carry higher fees, due to active management, that can also affect performance.

### **Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

### **Fixed Equity Annuities**

A fixed annuity is a contract between an insurance company and a customer, typically called the annuitant. The contract obligates the company to make a series of fixed annuity payments to the annuitant for the duration of the contract. The annuitant surrenders a lump sum of cash in exchange for monthly payments that are guaranteed by the insurance company. Please note the following risks: (i) Spending power risk. Social Security retirement benefits have cost-of-living adjustments. Most fixed annuities do not. Consequently, the spending power provided by the monthly payment may decline significantly over the life of the annuity contract because of inflation, (ii) Death and survivorship risk. In a conventional fixed annuity, once the annuitant has turned over a lump sum premium to the insurance company, it will not be returned. The annuitant could die after receiving only a few monthly payments, but the insurance company may not be obligated to give the annuitant's estate any of the money back. A related risk is based on the financial consequences for a surviving spouse. In a standard single-life annuity contract, a survivor receives nothing after the annuitant dies. That may put a severe dent in a spouse's retirement income. To counteract this risk, consider a joint life annuity. (iii) Company

failure risk. Private annuity contracts are not guaranteed by the FDIC, SIPC, or any other federal agency. If the insurance company that issues an annuity contract fails, no one in the federal government is obligated to protect the annuitant from financial loss. Most states have guaranty associations that provide a level of protection to citizens in that state if an insurance company also doing business in that state fails. A typical limit of state protection, if it applies at all, is \$100,000. To control this risk, contact the state insurance commissioner to confirm that your state has a guaranty association and to learn the guarantee limits applicable to a fixed annuity contract. Based on that information, consider dividing fixed annuity contracts among multiple insurance companies to obtain the maximum possible protection. Also check the financial stability and credit ratings of the annuity insurance companies being considered. A.M. Best and Standard & Poor's publish ratings information.

### **Fixed Equity Indexed Annuities**

An equity-indexed annuity is a type of fixed annuity that is distinguished by the interest yield return being partially based on an equities index, typically the S&P 500. The returns (in the form of interest credited to the contract) can consist of a guaranteed minimum interest rate and an interest rate linked to a market index. The guaranteed minimum interest rate usually ranges from 1 to 3 percent on at least 87.5 percent of the premium paid. As long as the company offering the annuity is fiscally sound enough to meet its obligations, you will be guaranteed to receive this return no matter how the market performs. Your index-linked returns will depend on how the index performs but, generally speaking, an investor with an indexed annuity will not see his or her rate of return fully match the positive rate of return of the index to which the annuity is linked — and could be significantly less. One major reason for this is that returns are subject to contractual limitations in the form of caps and participation rates. Participation rates are the percentage of an index's returns that are credited to the annuity. For instance, if your annuity has a participation rate of 75 percent, then your index-linked returns would only amount to 75 percent of the gains associated with the index. Interest caps, meanwhile, essentially mean that during big bull markets, investors won't see their returns go sky-high. For instance, if an index rises 12 percent, but an investor's annuity has a cap of 7 percent, his or her returns will be limited to 7 percent.

Some indexed annuity contracts allow the issuer to change these fees, participation rates and caps from time to time. Investors should also be aware that trying to withdraw the principal amount from a fixed indexed annuity during a certain period — usually within the first 9 or 10 years after the annuity was purchased — can result in fees known as surrender charges, and could also trigger tax penalties. In fact, under some contracts if withdrawals are taken amounts already credited will be forfeited. After paying surrender charges an investor could lose money by surrendering their indexed annuity too soon.

### **Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and

charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **Margin Leverage**

Although LIWM, in the advisement of its managed client portfolios, does not utilize leverage, there may be instances in which the use of leverage is requested by a client for personal use. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **Short-Term Trading**

Although LIWM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Short Selling**

LJIWM generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

### **Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

LJIWM as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading

### **Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines

in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **Long Put Option Purchases**

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder "locks in" a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

### **C. Concentration Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither LJIWM nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither LJIWM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **Licensed Insurance Agents**

Certain managers, members, and registered employees of LJIWM are licensed insurance agents and may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other products of such carriers. Please also be advised that LJIWM strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

#### **Mortgage Broker**

LJIWM is licensed with the states of Indiana, Florida, and Virginia as a mortgage broker. We receive a fixed percentage compensation for these services, which are separate and distinct from our advisory business. Our investment advisory clients are often referred to our mortgage brokerage business but are under no obligation to utilize our brokerage services. Conversely, our mortgage brokerage clients are often referred to our investment advisory business but are under no obligation to utilize our advisory services.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

LJIWM does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, LJIWM has adopted policies and procedures designed to detect and prevent insider trading. In addition, LJIWM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of LJIWM's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of LJIWM. LJIWM will send clients a copy of its Code of Ethics upon written request.

LJIWM has policies and procedures in place to ensure that the interests of its clients are given preference over those of LJIWM, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

LJIWM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, LJIWM does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

LJIWM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which LJIWM specifically prohibits. LJIWM has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefiting at the expense of a client.

Advisory representatives and employees must follow LJWM's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

LJWM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other LJWM clients. LJWM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of LJWM to place the clients' interests above those of LJWM and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### Custodian Recommendations

LJIWM may recommend that clients establish brokerage accounts with Fidelity Institutional division of Fidelity Investments, and the Schwab Advisor Services division of Charles Schwab & Co., Inc. (herein collectively referred to as "custodian"), FINRA-registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although LJIWM may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. LJIWM is independently owned and operated and not affiliated with custodian. For LJIWM's managed advisory accounts, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

LJIWM considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by LJIWM, LJIWM will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by LJIWM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### How We Select Brokers/Custodians to Recommend

LJIWM seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that provide the most value given a particular client's needs when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)

- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging either transaction fees or custodian asset-based fees on trades that it executes or that settle into the custodian's accounts. For some accounts, the custodian may charge a percentage of the dollar amount of assets in the account in lieu of commissions. The custodian's commission rates and asset-based fees applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates and asset-based fees paid are lower than they would be if the firm had not made the commitment. In addition to commissions or asset-based fees, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **Soft Dollar Arrangements**

LJIWM does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **Institutional Trading and Custody Services**

The custodian provides LJIWM with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

### **Other Products and Services**

Custodian also makes available to LIWM other products and services that benefit LIWM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of LIWM's accounts, including accounts not maintained at custodian. The custodian may also make available to LIWM 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 LIWM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help LIWM manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of LIWM personnel. In evaluating whether to recommend that clients custody their assets at the custodian, LIWM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which creates a conflict of interest.

### **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to LIWM. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to LIWM.

### **Additional Compensation Received from Custodians**

LIWM may participate in institutional customer programs sponsored by broker-dealers or custodians. LIWM may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between LIWM's participation in such programs and the investment advice it gives to its clients, although LIWM receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may 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 LJIWM 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
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to LJIWM by third-party vendors

The custodian may also pay for business consulting and professional services received by LJIWM's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for LJIWM's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit LJIWM but may not benefit its client accounts. These products or services may assist LJIWM in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help LJIWM manage and further develop its business enterprise. The benefits received by LJIWM or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

LJIWM also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require LJIWM to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, LJIWM will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by LJIWM's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for LJIWM's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, LJIWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by LJIWM or its related persons in and of itself creates a conflict of interest and indirectly influences LJIWM's recommendation of broker-dealers for custody and brokerage services.

#### **The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. Custodian's services give the firm an incentive to recommend that clients maintain their

accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

### **Brokerage for Client Referrals**

LJIWM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **Directed Brokerage**

#### **LJIWM Recommendations**

LJIWM typically recommends Fidelity or Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### **Client-Directed Brokerage**

Occasionally, clients may direct LJIWM to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage LJIWM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. LJIWM loses the ability to aggregate trades with other LJIWM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **Best Execution**

LJIWM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold and the amount of such securities. LJIWM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. LJIWM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future

- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, LJIWM seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of LJIWM's knowledge, these custodians provide high-quality execution, and LJIWM's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, LJIWM believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **Security Allocation**

Since LJIWM may be managing accounts with similar investment objectives, LJIWM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by LJIWM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

LJIWM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. LJIWM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

LJIWM's advice to certain clients and entities and the action of LJIWM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of LJIWM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of LJIWM to or on behalf of other clients.

### **Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also

be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if LJIWM believes that a larger size block trade would lead to best overall price for the security being transacted.

### **Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

LJIWM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if LJIWM determines that such arrangements are no longer in the best interest of its clients.

### **Trade Errors**

From time to time, LJIWM may make an error in submitting a trade order on the client's behalf. When this occurs, LJIWM may place a correcting trade with the broker-dealer. If an investment gain results from the correcting trade, the gain will remain in client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for client to retain the gain, or LJIWM confers with client and client decides to forego the gain (e.g., due to tax reasons).

If the gain does not remain in client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, LJIWM will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in client's account, they may be "netted."

## Item 13: Review of Accounts

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by investment adviser representative servicing the client's account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

Financial planning clients receive their financial plans and recommendations at the time service is completed. There are no post-plan reviews unless engaged to do so by the client.

### **B. Review of Client Accounts on Non-Periodic Basis**

LJIWM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how LJIWM formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by LJIWM.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

We receive an economic benefit from custodians in the form of the support products and services they make available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of custodians' products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **B. Advisory Firm Payments for Client Referrals**

The firm does not pay for client referrals.

## Item 15: Custody

LJWM is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, 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 adviser 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 adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to LJWM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, LJWM will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

LJWM does not take discretion with respect to voting proxies on behalf of its clients. All proxy material will be forwarded to the client by the client's custodian for the client's review and action. Clients may contact the firm with questions regarding proxies they have received.

LJWM will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of LJWM supervised and/or managed assets. In no event will LJWM take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, LJWM will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. LJWM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. LJWM 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, LJWM 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 LJWM 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 and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

LJIWM does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

LJIWM does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.