

# Grubman Wealth Management

## Part 2A of Form ADV: The Brochure

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March 2, 2018

### **Item 1: Cover Page**

This Brochure provides information about the qualifications and business practices of Grubman Wealth Management (“Adviser”). If you have any questions about the contents of this Brochure, please contact us at 510-883-1350 and/or [info@grubmanwm.com](mailto:info@grubmanwm.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 Grubman Wealth Management is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

This brochure is the annual updating amendment for year-end 2017. There are no material changes since the last annual updating amendment to this brochure on March 21, 2017.

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## **Item 4: Advisory Business**

Grubman Wealth Management ("GWM"), formerly Grubman Financial Consulting, Inc., was founded in 1996 and is owned by Audrey Grubman. GWM offers a combination of advisory services to individuals, trusts, estates, corporations and other business entities.

GWM is a fiduciary to its investment advisory clients. As a fiduciary, it is committed to providing investment management services that are in the best interest of each client, acting with the care, skill, and diligence of a prudent person acting in a like capacity. GWM provides its services taking into consideration the investment goals and objectives, risk tolerance, financial circumstances, and needs of each client without regard to the financial or other interest of the GWM or its employees, affiliates or related parties.

Most clients begin with an initial consultation to discuss their financial needs and objectives and to learn more about the services that GWM provides. The initial meeting is free of charge and clients are advised of applicable fees at that time.

### **A. Investment Management Services**

GWM provides Investment Management Services, defined as giving continuous advice to a client, or making investments for a client, 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, GWM develops a client's personal investment policy and creates and manages a portfolio based on that policy. Each portfolio is designed with reference to each client's individual financial objectives and income tax considerations.

GWM manages portfolios on a discretionary basis. Asset allocations are based on the client's target rate of return as determined by a financial plan developed by GWM or by the client if GWM has not provided a financial plan. The target rate of return is mutually agreed upon by GWM and the client. GWM is a passive investment manager that attempts to provide market returns and tax efficiency at relatively low cost. The investments chosen are primarily passive, index or index-like, funds. Fund selections include no-load index funds, exchange-traded funds, and funds offered by Dimensional Fund Advisors ("DFA"). DFA provides institutions and qualified independent advisers, including GWM, with a large selection of passive mutual funds to invest in most of the major asset classes and subclasses, with lower than average fund expenses.

As of December 31, 2017, GWM managed \$ 374,040,091.22 on behalf of 155 clients.

### **B. Financial Planning Services**

GWM provides comprehensive financial planning and advice concerning various aspects of personal finance, including stock option planning, tax planning, debt and cash management, retirement planning, investment management, insurance needs and estate planning.

Clients begin by describing their specific objectives, financial expectations, cash flow needs, specific concerns, and gathering data using GWM's Information Organizer. GWM reviews this information and develops a draft financial plan. The draft financial plan includes assumptions provided by GWM such as investment returns and volatility, income taxes and inflation. GWM and the client then meet to review the assumptions and projections in detail, agree on revisions and "what-if" scenarios. Scenarios are developed to address each client's specific concerns (or GWM's concerns about the client's plan, e.g., if investment returns are lower than assumed, or if the client's spending increases.) GWM and the client next meet to review the assumptions and projections, and to identify revisions to be made to the draft

financial plan. GWM incorporates the revisions and meets with the client again to present the final financial and develop an action plan to implement the plan recommendations.

### **C. Tax Services**

GWM's tax services include income tax planning. In the past, services included tax compliance (preparation of income tax returns and other tax forms), calculation of estimated payments and tax projections but we no longer offer this service to clients. GWM continues to provide tax compliance services to "grandfathered" clients.

## **Item 5: Fees and Compensation**

### **A. Investment Management Fees**

GWM's standard annual fee for investment management services is based on a percentage of assets under management. Fees are billed in arrears each calendar quarter based on the net portfolio value at the end of the quarter. GWM's annual fee schedule is as follows:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 to \$2,500,000	0.90 %
\$2,500,001 to \$5,000,000	0.75 %
Over \$5,000,000	0.25 %

GWM has negotiated lower fees for some clients.

The first quarter's fee for a new client is prorated for the number of days in the quarter that the assets were managed, beginning the day of initial funding of the account(s). GWM may, at its discretion, waive the first prorated fee. If a client terminates the investment management agreement with GWM in the middle of a billing period, the final invoice will be prorated for the number of days that the account was managed. GWM has up to 30 days to complete the termination process.

Clients authorize GWM to deduct the quarterly investment management fee automatically from one of their managed accounts although clients may request that GWM send quarterly invoices to be paid by check.

In addition to GWM's investment management fees, clients bear any applicable trading costs and/or custodial fees. To the extent that clients' accounts are invested in mutual funds, these funds charge a separate layer of management, trading, and administrative expenses. These fees and expenses are described in each fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to GWM's fee. GWM does not receive any portion of these commissions, fees, or expenses.

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

GWM is compensated solely by fees paid by its clients and does not accept commissions or compensation from any other source (e.g. mutual funds, insurance products, other investment products, or referrals).

### **B. Financial Planning Fees**

GWM charges a fixed fee of \$3,000 to complete an initial financial plan. If the client engages GWM for investment management services within one month of completion of the financial plan, GWM will credit one-half of the financial plan fee towards the initial investment management fees. If GWM did not prepare an initial financial plan prior to executing the investment management agreement, and the client

subsequently requests that GWM prepare a financial plan, GWM charges clients \$1,500, or one-half of the current fee, to prepare an initial financial plan.

GWM recommends updating the financial plan annually or in anticipation of a material change in financial circumstances. After the initial plan, clients do not pay separately for financial planning services.

### **C. Tax Services Fees**

Tax Planning services are provided under the Investment Management fee.

Grandfathered clients who receive tax compliance services are charged on a time-incurred basis at our then current rates for staff's time. Current rates for staff's time range from \$75 to \$350 per hour.

### **D. Separately Billable Services**

Certain services are separately and additionally billable for all clients, including:

- Time incurred interacting with or responding to tax agencies;
- Time in excess of two hours per year incurred interacting with the client's other professional advisers; or
- Time in excess of 25 hours per year incurred by GWM in any capacity relating to issues other than investment management or incidental advice.

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

GWM provides Investment Management Services, Financial Planning Services, and Tax Planning Services as described above. These services are provided on an account-by-account basis and are provided to individual account holders as described below. GWM does not have financial arrangements with any account holders that provide a financial incentive to favor one account over any other managed account.

GWM does not charge performance-based fees.

## **Item 7: Types of Clients**

GWM primarily provides investment management services to individuals, high-net-worth individuals, and corporations, as well as to their associated trusts and estates.

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

GWM has an Investment Management Committee. GWM's Investment Management Committee works together to conduct analysis of all securities recommended for client accounts. This analysis varies depending on the security in question.

For bonds the analysis generally includes a review of:

- The embedded provisions and options;

- The maturity and duration of the issue;
- The coupon and yield of the issue;
- The issuer's backing and insurance;
- The credit rating, outlook, and watch issued by industry credit rating agencies, such as S&P and Moody's; and
- Any other factors considered relevant.

For mutual funds and ETFs the analysis generally includes a review of:

- The fund's historical risk and return characteristics;
- The fund's associated benchmark;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

GWM's investment strategy is based on the following principles:

- Asset allocation is the primary determinant of a portfolio's return and volatility.
- An investment return achieved with less volatility is preferable to the same return achieved with greater volatility.
- Diversification among assets with a low correlation reduces a portfolio's volatility.
- Minimizing investment expenses and taxes is a zero-risk method of increasing investment returns.

The client's return objective is determined through the financial planning process. GWM works with clients to determine their goals, assets, liabilities, revenue sources, and expenses. With this information GWM develops a financial plan and works with the clients to determine which target return and volatility level (i.e. standard deviation) is acceptable in order for them to meet their goals. GWM uses historical return, standard deviation, and correlation data to determine the target return and volatility used in the financial plan.

GWM uses a passive investment management approach. GWM's objective in managing client portfolios is to provide market returns at market risk, by investing clients' assets primarily in passive mutual funds and exchange traded funds. GWM manages the portfolio with regard to the client's total portfolio return objective, and not with regard to return or risk of individual investments or individual accounts within the portfolio.

Margin borrowing will not be used for investment leverage purposes, unless the client specifically directs GWM to do so. GWM may occasionally purchase securities using margin borrowing to avoid waiting for sales to settle before making purchases.

Investing in securities involves risk of loss that clients should be prepared to bear. Some risks associated with GWM's investment strategy are:

- **Market risk:** The risk that large-scale events will negatively affect the economy and the stock market.
- **Small company risk:** Small companies are often less liquid than large companies. As a result, small company stocks and the funds that invest in them may fluctuate relatively more in price.
- **Concentration Risk:** Exposure to individual stock positions may cause a loss of investment due to specific company risks, such as fraud, lawsuits, shift in consumer preferences, etc. The implementation of a passive investment strategy in broad based index fund limits individual stock exposure (i.e. concentration risk); however under specific client circumstances, we may hold individual stocks, which may lose value. In this case GWM may use Stop Loss orders to limit downside risk.
- **Foreign and emerging markets risk:** Legal, political, or diplomatic actions of foreign governments could adversely affect the value of an investment, as could changes in the values of foreign currencies relative to the U.S. dollar.
- **Currency Risk:** Changes in the values foreign currencies relative to the U.S. dollar will affect the value of investments in U.S. dollar terms. International equity funds may utilize forward currency contracts to minimize these changes, but in general, GWM does not hedge international investments to protect against currency risk.
- **Interest rate risk:** If interest rates rise, the value of most bonds will fall.
- **Credit risk:** The possibility that a bond issuer will default, which could lead to a downgrade in the credit rating of a bond and may cause the value of the bond to decrease.

## **Item 9: Disciplinary Information**

Neither GWM nor its employees have been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

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

GWM's primary business is wealth management, of which investment management is a major component. GWM offers integrated financial planning, tax planning, and investment management services.

GWM and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

## **Item 11: Code of Ethics**

GWM has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires GWM and its employees to act in clients' best interests, with honesty, integrity and professionalism, and to abide by all applicable regulations. The Code of Ethics requires employees to preserve the confidentiality of client information, to avoid even the appearance of insider trading, to disclose any potential conflicts of interest and to pre-clear and regularly report on many types of personal

securities transactions. GWM's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household.

On occasion, GWM, or individuals associated with GWM, may buy or sell securities identical to those recommended to clients. There is no conflict of interest as the securities are widely held and publicly traded and the amount of any transaction would not be significant enough to affect the price of the security.

GWM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jill Martin, Operations Manager of GWM at (510) 883-1350. GWM's Code of Ethics is also available at [www.grubmanwm.com](http://www.grubmanwm.com).

## **Item 12: Brokerage Practices**

GWM will not take physical possession or control of any client assets at any time. GWM recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co. ("Schwab") or with the Fidelity Institutional division of Fidelity Investments ("Fidelity"). Clients may choose Fidelity or Schwab as custodian and broker/dealer of their accounts. GWM is independently owned and operated and not affiliated with Fidelity or Schwab.

If the client has executed a Prime Brokerage Agreement with the custodian, GWM may execute fixed income transactions with a broker/dealer other than the custodian of their accounts. GWM may use a broker other than Fidelity or Schwab for purchases and sales of fixed income securities in order to access a wider range of securities or to obtain better prices for the client.

Fidelity and Schwab generally are compensated by account holders through commissions or other transaction-related fees for securities trades executed through Fidelity or Schwab, or that settle into Fidelity or Schwab. Fidelity and Schwab are also compensated by management fees and administrative fees charged to clients with investments in Fidelity and Schwab's proprietary mutual funds and money market mutual funds. Fidelity and Schwab may charge mutual funds "shelf space" fees which enable those funds to be offered for purchase through Fidelity and Schwab.

GWM does not participate in any transaction fees charged by, or commissions paid to, the broker/dealer or custodian. GWM does not receive any fees, or commissions or other compensation for opening or maintaining client accounts.

Commission rates are set by the broker. The rates offered by the broker/dealers used by GWM are similar. Fidelity's fees for DFA funds are \$50 per buy and \$30 per sell. GWM has negotiated a fixed fee of \$25 per transaction for DFA mutual funds at both Fidelity and Schwab.

### **Best Execution**

GWM has sought to make a good-faith determination that Fidelity, Schwab, and other chosen trading counterparties provide clients with good services at competitive prices. Fidelity and Schwab are discount brokers who charge relatively low commission fees. GWM would notify its clients if it were to determine that another firm offered better pricing and services than Fidelity and Schwab.

### **Soft Dollar Benefits**



Grubman Wealth Management is not a party to any formal soft dollar arrangements. GWM receives certain products and services from Fidelity and Schwab free of charge or at discounted rates. Schwab and Fidelity provide GWM with access to their institutional trading and custody services. Schwab and Fidelity additionally provide access to some mutual funds that would not be available through Schwab or Fidelity's retail divisions, or would have higher transaction fees if traded through the retail divisions. The provision of any of these products and services is not contingent upon GWM having any specific amount of assets in custody, other than the minimums required to establish an institutional relationship with the custodians (\$10 million with Schwab, \$30 million with Fidelity), or any volume or frequency of trading.

These products and services include:

- Software and other technology that provide access to client account data;
- Access to an electronic network for order entry, including the simultaneous entry of trades for multiple client accounts;
- Pricing information;
- The receipt of duplicate client trade confirmations, statements, and tax forms;
- Direct advisory fee debiting capabilities;
- Access to market and industry research; and
- Access to industry seminars and events.

Schwab and Fidelity also make available to GWM other services intended to help GWM manage and develop its business enterprise, such as consulting, publications, and conferences on practice management, information technology, regulatory compliance and marketing. Schwab and Fidelity may make available, arrange, provide a discount for and/or pay for these types of services provided by independent third parties.

GWM endeavors to act in each of its client's best interest. However, GWM's requirement that clients maintain their assets in accounts at Schwab or Fidelity may be based in part on the benefit to GWM of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab and Fidelity, which may create a potential conflict of interest.

### **Aggregated Trades**

When purchasing the same security for more than one client account, GWM may aggregate orders to provide the same average price and trading costs as if the securities were purchased individually. The custodian then allocates trades to individual client accounts.

### **Directed Brokerage**

Certain clients may direct GWM to use a specific custodian or broker/dealer for one or more of their accounts, for example an employer's retirement plan account that cannot be transferred to Fidelity or Schwab's institutional divisions. In such cases, GWM's ability to achieve best execution may be eliminated. Directing brokerage may cost clients more money.

GWM reserves the right to decline acceptance of any client account that directs the use of a custodian or broker other than Schwab or Fidelity if GWM believes that the broker/dealer would adversely affect GWM's fiduciary duty to the client and/or ability to effectively service the client's portfolio.

#### **Client Referrals**

GWM does not receive any client referrals from Fidelity, Schwab, or any other custodian or broker/dealer.

### **Item 13: Review of Accounts**

All accounts are reviewed at least semi-annually to confirm that clients' investments are consistent with their Investment Policy Statements and with GWM's investment models.

Reviews include a comparison of the portfolio's performance to appropriate benchmarks. If performance deviates materially from the relevant benchmark, the reason for such deviation is determined to ensure the portfolio is properly managed.

Clients receive a written quarterly statement from GWM which includes a listing of all investment holdings in the managed portfolio, current market valuations, performance calculations, allocation proportions, and performance evaluation relative to standard investment benchmarks. GWM's quarterly statements are transmitted electronically unless a paper copy has been requested by the client. Clients also receive regular statements from the custodians of their individual accounts, typically monthly, and may elect to receive these statements electronically or via U.S. Mail.

GWM recommends an annual update to the client's Financial Plan, or more often if circumstances warrant. Financial Planning services are rendered upon the client's request.

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

Other than the previously described products and services that GWM receives from Fidelity and Schwab, GWM does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

GWM does not use solicitors to obtain clients, and does not pay any client referral fees.

Many of GWM's existing clients refer new clients to the firm. On occasion, GWM may compensate an existing client for a referral by means of a modest "thank you" gift.

### **Item 15: Custody**

All clients' accounts are held by unaffiliated broker/dealers or banks, but GWM can access clients' accounts through its ability to debit advisory fees. Account custodians send statements directly to the account owners on at least a quarterly basis. GWM urges clients to carefully review these statements and compare them to the quarterly statements provided by GWM. Note however that GWM's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methods for certain securities.

**Item 16: Investment Discretion**

GWM has investment discretion over all clients' accounts. Clients grant GWM trading discretion through the execution of a limited power of attorney included in GWM's advisory contract.

Clients can place reasonable restrictions on GWM's investment discretion. For example, some clients have placed restrictions on the use of margin, options, and/or short sales, or have asked GWM not to sell certain securities in their account.

**Item 17: Voting Client Securities**

GWM does not vote proxies on behalf of its clients. GWM and/or the client will instruct each custodian to send all proxies and shareholder communications directly to the client. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios, and for making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other types of events pertaining to the client's investment assets.

**Item 18: Financial Information**

GWM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

# Grubman Wealth Management

## Part 2B of Form ADV: The Brochure Supplement

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March 2, 2018

This Brochure Supplement provides information about Audrey Grubman and Dillon McGill. It supplements GWM's accompanying Form ADV brochure. Please contact Jill Martin, Operations Manager, at 510-883-1350 if you have any questions about the contents of this supplement.

Additional information about Audrey Grubman and Dillon McGill is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Audrey Grubman's Biographical Information**

### Educational Background and Business Experience

Audrey Grubman was born in 1957. She attended Northeastern University from 1975-1976, and the Massachusetts Institute of Technology from 1976-1978. Ms. Grubman founded Grubman Financial Consulting, Inc., now Grubman Wealth Management, and has served as its President since 1996.

She earned a Certification in Personal Financial Planning in 1998. The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and several other countries for its: (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients.

To attain the right to use the CFP® mark, an individual must complete an advanced college-level course of study that includes the following subject areas: insurance planning; risk management; employee benefits planning; investment planning; income tax planning; retirement planning; and estate planning. The individual must then pass the comprehensive CFP® Certification Examination, complete at least three years of full-time financial planning experience, agree to be bound by the CFP Board's Standards of Professional Conduct, and complete 30 hours of continuing education every two years.

### Disciplinary Information

Ms. Grubman has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Ms. Grubman or GWM.

### Other Business Activities

GWM's primary business is wealth management, of which investment management is a major component. GWM offers integrated financial planning, tax planning, and investment management services.

Ms. Grubman does not receive any compensation in connection with any business activity outside of GWM.

### Additional Compensation

Ms. Grubman does not receive economic benefits from any person or entity other than GWM in connection with the provision of investment advice to clients.

### Supervision

As GWM's founder and President, Ms. Grubman maintains the ultimate responsibility for the company's operations. Ms. Grubman makes investment decisions working jointly with other members of the Investment Management Committee. Operational decisions are discussed with GWM's Operations Manager, Jill Martin. These individuals can be reached by calling the telephone number on the cover of this brochure supplement.

## **Dillon McGill's Biographical Information**

### Educational Background and Business Experience

Dillon McGill was born in 1984. He received a Bachelor of Science degree in Kinesiology from California Polytechnic State University, San Luis Obispo in 2010, with concentration in pre-med sciences. Mr. McGill has also earned professional certificates in Professional Financial Planning and Accounting from the University of California Santa Barbara's University Extension.

Mr. McGill became a CERTIFIED FINANCIAL PLANNER™ professional in 2015. The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and several other countries for its: (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients.

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Mr. McGill joined Grubman Wealth Management as an Associate Wealth Manager in February 2016, and has been one of its Wealth Managers since December 2016. Prior to joining Grubman Wealth Management he was an Operations Associate at Vivid Financial Management (formerly Woodland Leishman & Associates) in Orcutt, CA.

### Other Business Activities

GWM's primary business is wealth management, of which investment management is a major component. GWM offers integrated financial planning, tax planning, and investment management services.

Mr. McGill does not receive any compensation in connection with any business activity outside of GWM.

### Additional Compensation

Mr. McGill does not receive economic benefits from any person or entity other than GWM in connection with the provision of investment advice to clients.

### Supervision

Mr. McGill makes investment recommendations working jointly with other members of the Investment Management Committee. He can be reached by calling the telephone number on the cover of this brochure supplement.