

# Robert Horowitz Wealth Management

Brochure (Form ADV Part 2A)

Robert Horowitz, CFA

300 Tamal Plaza, Suite 180

Corte Madera, CA 94925

[www.rhwm.com](http://www.rhwm.com)

(415) 927-7871

[Robert@rhwm.com](mailto:Robert@rhwm.com)

January 1, 2015

**This brochure provides information about the qualifications and business practices of Robert Horowitz Wealth Management. If you have any questions about the contents of this brochure, please contact us at [Robert@rhwm.com](mailto:Robert@rhwm.com) or (415) 927-7871. 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 Robert Horowitz Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) . You can search this site by a unique identifying number, known as a CRD number. The firm's CRD number is 127800.**

**Robert Horowitz Wealth Management is a registered investment adviser. Registration does not imply a certain level of skill or training. It is simply a registration.**

## Material Changes – Item 2

This Item is updated to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information since our last annual amendment filing.

As of our last annual update (dated March 4, 2014), we have made the following changes to our brochure:

November 6, 2014, we began to pay a solicitor for business referred to the firm. (Item 10)

Addition of Charles Schwab and Co., Inc. as a recommended custodian. Item 10 and 12)

Consistent with the new 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.

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (415) 927-7871 or by email at [Robert@rhwm.com](mailto:Robert@rhwm.com).

Additional information about Robert Horowitz Wealth Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with the Firm who are registered as investment adviser representatives of the Firm.

## Table of Contents – Item 3

Cover Page – Item 1 .....	1
Material Changes – Item 2 .....	2
Table of Contents – Item 3.....	3
Advisory Business – Item 4 .....	5
A. Firm Description .....	5
B. Service Offered .....	5
C. Individual Needs .....	6
D. Wrap Fee Programs .....	6
E. Assets under Management.....	6
Fees and Compensation – Item 5 .....	7
A. Fee Schedule.....	7
B. Billing .....	7
C. Other fees and expenses .....	8
D. Fees Paid in Advance .....	8
E. Compensation for the Sale of Securities .....	8
Performance-Based Fees and Side-By-Side Management – Item 6 .....	9
Types of Clients – Item 7.....	9
Methods of Analysis, Investment Strategies and Risk of Loss – Item 8.....	9
A. Analysis Methods.....	9
B. Investment Strategies.....	11
C. Material Risks .....	14
Disciplinary Information – Item 9 .....	15
Other Financial Industry Activities and Affiliations – Item 10 .....	15

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Item 11 ..... 16

Brokerage Practices – Item 12 ..... 18

Review of Accounts – Item 13..... 19

Client Referrals and Other Compensation – Item 14..... 20

Custody – Item 15 ..... 20

Investment Discretion – Item 16 ..... 20

Voting Client Securities – Item 17..... 21

Financial Information – Item 18..... 21

Requirements for State-Registered Advisors – Item 19 ..... 21

## Advisory Business – Item 4

### A. Firm Description

Robert V. Horowitz, LLC dba Robert Horowitz Wealth Management (RHWM) received authorization from the State of California to begin operating as an investment advisor in October 2003. Initially, the firm provided only hourly based investment advice. RHWM took on its first investment management client in November 2004.

Robert Horowitz is the sole advisor and investment advisor representative at the firm and together with his wife, Jennifer White, own 100% of the company.

RHWM primarily provides personalized confidential financial planning and investment management to individuals and families on a fee only basis.

The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

### B. Service Offered

Investment Management: RHWM manages investments for clients on a discretionary basis. This means that clients open up investment accounts at Fidelity Investments or Charles Schwab & Co., Inc. (Schwab) and give RHWM the limited authority to buy and sell securities in those accounts for the clients benefit.

Robert's goal in investing clients' assets is to diversify as broadly as possible while minimizing costs and taxes. Before investing, RHWM consults with the client to determine an appropriate level of risk. In practice this means we decide in advance how much to invest in stocks and bonds. Normally, we will not change the mix of stocks and bonds unless the clients' personal circumstances change.

RHWM takes an *efficient markets* approach to investing, generally investing clients' money in mutual funds for the long term.

In cases where clients own pre-existing assets such as stocks, bonds or annuities, RHWM will evaluate whether it makes sense to sell those assets. In cases where the transaction or tax costs of selling the pre-existing assets are sufficiently high, RHWM will generally keep those assets in the client portfolio.

Investment recommendations are not limited to any specific product or service offered by a broker dealer and may include, but not limited to, advice regarding the following securities: equities (stocks), fixed income instruments (e.g., corporate bonds, municipal securities and US Treasuries), commercial paper, certificates of deposit, mutual funds, variable insurance/annuities, options, futures and investment partnerships.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Financial Planning: RHWM helps clients address such questions such as: When can I retire? How much should I set aside for college education? Should I sell my house? Should I refinance?

Normally RHWM will periodically review a client's balance sheet and cash flow statement for sufficiency (e.g. Do you have enough money? Are you spending too much?) and efficiency (e.g. Are there ways to reduce borrowing costs? Should you pay off your mortgage?)

Should the client choose to implement recommendations made by RHWM, 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.

RHWM may also provide referrals to appropriate tax, insurance or estate planning professionals. In identifying the appropriate service professional to refer to, RHWM normally conducts a high level review of a client's taxes, estate plan and insurance. RHWM does not do taxes nor provide specific tax, insurance or estate planning advice.

### **C. Individual Needs**

RHWM customizes advice around clients' individual needs. This means he considers things like a client's tax, tolerance for risk, values and goals when designing an investment portfolio or providing financial advice. Clients may impose reasonable restrictions on investing in certain securities or types of securities.

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

RHWM does not participate in any wrap fee programs.

### **E. Assets under Management**

As of December 31, 2014, RHWM managed approximately \$37,582,306 million in client assets on a discretionary basis. The firm does not manage any assets on a non-discretionary basis.

## Fees and Compensation – Item 5

RHWM is a Fee Only firm. All of our compensation comes directly from clients in the form of fees.

RHWM does not accept any compensation dependent on the purchase or sale of a financial product such as commissions, rebates, awards, finder's fees, bonuses or other forms of compensation such as fee offsets or 12b-1 fees.

### A. Fee Schedule

Fees are calculated as a percentage of Assets under Management as follows:

<b>Assets Managed</b>	<b>Annual Fee</b> <i>Provided for comparison purposes</i>	<b>Quarterly Fee</b> <i>Actual fee charged</i>
\$0 - \$1,000,000	1%	0.25%
\$1,000,001 - \$2,000,000	\$10,000 + 0.75% of assets over \$1,000,000	\$2,500 + 0.1875% of assets over \$1,000,000
Over \$2,000,000	\$17,500 + 0.5% of assets over \$2,000,000	\$4,3750 + 0.125% of assets over \$2,000,000

The minimum annual fee is \$8,000.

The fee schedule is not negotiable. However, RHWM may at its discretion waive or meaningfully reduce the minimum annual fee. Further, several accounts have been grandfathered at fee schedules that are older and lower than the current fee schedule. All new accounts are charged the same fee schedule as described above.

From time to time, RHWM may provide hourly based financial advice to a limited number of clients. In such cases RHWM does not manage client assets and charges an hourly fee of \$350. This fee is negotiable depending on client circumstances.

### B. Billing

Our fees are billed in arrears at the end of each calendar quarter (not the beginning) based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the client's brokerage account in accordance with the client authorization in the Client Services Agreement.

The client is responsible for providing written authorization to its custodian to allow for the direct debit of advisory fees by RHWM. RHWM will receive from the client, a copy of the client's written authorization to directly debit advisory fees from the client's account. In this situation, we will send to the client a Fee Statement showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which our fee was calculated. We will send a Fee Statement to the custodian indicating only the amount of the fee to be paid by the custodian. It is the client's responsibility to verify the accuracy of the fee calculation and to understand that the custodian will not determine whether the fee is properly calculated. The custodian will send to the client a statement, at

least quarterly, indicating all amounts disbursed from the account including the amount of the advisory fees paid directly to our firm.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Fees for hourly clients are billed at the time services are provided.

### **C. Other fees and expenses**

Asset management clients also incur other costs as follows.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

**Transaction fees:** Fidelity Investments or Schwab will charge a transaction fee per mutual fund to buy or sell mutual funds not held in the mutual fund marketplace. Most mutual funds in client accounts are not in the mutual fund marketplace. RHWM generally avoids funds in the marketplace because, with exceptions, they are normally inferior and their overall expenses are far higher than mutual funds outside of the mutual fund marketplace.

**Mutual fund expenses:** All fees paid to RHWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided..

**Operational fees:** Occasionally Fidelity or Schwab may charge clients operational fees such as a wire transfer fee or an early withdrawal fee from a mutual fund.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

### **D. Fees Paid in Advance**

RHWM normally does not accept any payment in advance. Both asset management and hourly clients are charged after services are provided.

### **E. Compensation for the Sale of Securities**

RHWM never accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.



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

RHWM does not accept performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle).

## Types of Clients – Item 7

RHWM generally provides investment advice to individuals, trusts and families.

Normally there is a minimum annual fee associated with client accounts of \$8,000 per year. This implies a minimum account size of \$800,000. This minimum fee may be waived or reduced at Robert's discretion.

Typical clients are busy professionals and retired couples or individuals.

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

### A. Analysis Methods

RHWM takes a portfolio approach to considering investments. This means the manager does not look at an investment in isolation but rather looks at how an investment will impact a client's overall portfolio.

When considering adding new investments to a portfolio, Robert focuses his analysis on the following questions:

1. **How much money could we lose?** This is always the most important question. While it's impossible to completely rule out losing everything, we can still try really hard to exclude that possibility.

An example would be investing in a portfolio of 20 stocks versus a portfolio of 10,000 stocks. RHWM normally would reject the portfolio of only 20 carefully chosen stocks because he thinks all of them going bankrupt is a reasonable, although unlikely, possibility. RHWM chooses the portfolio of 10,000 stocks, representing more than half of the public companies in the world, because he thinks it's less likely that all 10,000 will go bankrupt. RHWM would hold to this approach even if he thought that the 20 public companies may generate higher returns.

**It's very important to note that investing in securities is always risky and no matter what steps we take to reduce risk, you may lose some or all of your securities investments.**

While absolute loss is possible although not expected, limited temporary losses are expected and considered a normal part of the investment experience.

2. **How much money can we make?**

To add a new investment to a portfolio may require that we reduce or eliminate an investment we already hold. To justify doing this, RHWM needs clear, consistent evidence that adding the new investment will either potentially raise the return of the portfolio without raising its risk, or reduce the risk to the portfolio without lowering the return. Normally RHWM would need to see that the

particular strategy had been successful over at least a 10 year period. Preferably there would be a 30 year period. Past performance, however, is no guarantee of future returns.

### **3. What is the tax impact?**

It's how much money you keep that matters. RHWM reduces his expectation of an investment's return by the amount of taxes he expects his clients would need to pay if they owned the investment. Promising investments that generate higher taxes are either held in tax protected accounts (IRA's) or eliminated from the portfolio when possible.

An example is high yield corporate bonds. While high yield bonds have several negative attributes that eliminate them, the most important is taxes. For clients with taxable accounts, the tax cost of high yield bonds may make them a very unattractive investment.

### **4. What if I am wrong?**

It's usually very easy to count how much money we will make if my judgment and expectations turn out to be correct. However it's much harder to carefully consider what will happen if I'm wrong.

RHWM is regularly on the receiving end of investment forecasts: "Inflation will be high"; "Deflation is the real threat"; "the stock market will crash"; "the stock market will soar" etc. These forecasts often come from very smart people and focus on how much money will be made or saved if the prediction turns out to be correct. The forecasters often provide strong evidence to support their prediction. However, RHWM has never heard a forecaster articulate the most important question with any forecast: What if I am wrong? For Robert, the consequences of being wrong eliminate what otherwise might be attractive investment opportunities.

### **5. Does this investment perform consistently?**

It is child's play to find investment approaches that have done very well over a three or five year period. It's much harder to find investments that have performed for thirty years or more in countries around the world.

RHWM routinely rejects high performing strategies and investments that have done well over a three or five year period. Normally there is simply not enough evidence support the conclusion that the proposed investment will continue to perform well.

RHWM prefers investments that have performed for decades (although not necessarily in every year) and are supported by strong, orthodox research.

In answering the above 5 Questions, RHWM uses the following methods:

1. Logical analysis and common sense. An example of this is determining that a portfolio of 5 stocks has a greater chance of all stocks going bankrupt than a portfolio of 2,000 stocks. Although the portfolio of 2,000 stocks is subject to other risks, such as general market risk, diversification offers protection against bankruptcy of a few stocks within the total portfolio.
2. Standard statistical analyses of historical returns. RHWM reviews historical returns using basic statistical measures such as variance, covariance, standard deviation, mean, median, Sharpe ratio, compound return and arithmetic return. For example, from January 1988 thru December

2010, the S&P 500 had an annualized compound return of 9.78% with a standard deviation of 14.93% while the MSCI Emerging Markets Index had an annualized compound return of 14.06% and a standard deviation of 24.16%. RHWM considers the amount of risk taken to achieve returns when analyzing portfolio selection.

3. Manual review of historical returns. RHWM will simply look over tables of historical returns to see if anything unusual or strange jumps out. Such occurrences may suggest an opportunity or risk of a specific investment for the entire portfolio.
4. Risk and return linkage. For example, If RHWM finds an investment with returns out of line with the apparent risk being taken, RHWM will search for the hidden risk that justifies the return. If he cannot identify a risk that justifies the return, then he will generally reject the investment or approach. The assumption is that the risk is there and just cannot be found. Hidden risk is assumed to be more dangerous than identified risk.

RHWM's securities analysis methods rely on the assumption that the investments we purchase and sell, the rating agencies that review these investments, and other publicly available sources of information about these investments, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

**Investing in securities is always risky and no matter what steps we take to reduce risk, you may lose some or all of your securities investments.**

## **B. Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation utilizing passively managed mutual funds. These types of investments are commonly known as index funds. Portfolios are globally diversified in an attempt to control the risk associated with traditional markets.

Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of equity securities, bonds (generally short-term) and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equity securities, fixed income (bonds), and cash will change over time due to market movements: if not corrected, the ratio may no longer be appropriate for the client's goals.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy. The primary difference between clients is generally based on the amount of equity securities held in the portfolio. Historically, equity securities have been significantly riskier than short-term bonds, for example, and clients holding portfolios with higher allocations in equities should have a higher tolerance for risk.

Some portfolios may also contain individual equity positions or actively managed mutual funds. This usually occurs because tax considerations argue against switching the investments over to passively managed mutual funds. In some cases, client portfolios may hold select individual equities simply

because the clients has a strong preference to hold some individual securities that they think will generate future returns higher than that of broadly diversified index funds.

RHWM also looks at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Our primary investment strategy is to purchase securities with the idea of holding them in the client's account for a year or longer (long-term), provided that this strategy is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Although we primarily utilize a long-term investment strategy, other strategies may be utilized to a lesser extent, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. Such investment strategies include, but are not limited to, short-term purchases (securities sold within a year), trading (securities sold within 30 days), short-sales (selling an asset not owned by the portfolio), margin trades (borrowing against securities in a portfolio), and options. A short description of each follows.

**Short-term purchases.** If utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase. Although not a significant strategy utilized by RHWM, a short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** If using this strategy, we purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of potentially brief price swings. Although not a significant strategy utilized by RHWM, utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those

circumstances, we are left with few options: having a long-term investment in a security that was designed to be a short-term purchase; or, the potential of having to take a loss. In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** If using this strategy, we borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. We then sell the shares we have borrowed. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. Although not a significant strategy utilized by RHW, short selling results in some unique risks: 1. Losses can be infinite. A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside; 2. Short squeezes can wring out profits. As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up; 3. Timing. Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.; and, 4. Inflation. History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Margin transactions.** If using this strategy, we will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. Although not a significant strategy utilized by RHW, a risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a "margin call", and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

**Option writing.** If using this strategy, we may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts: A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires. We may use options to speculate on the possibility of a sharp price swing. We may also use options to "hedge" a purchase of the underlying security; in other words, we may use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio. We may use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price. We may use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for

the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Although not a significant strategy utilized by RHWM, a risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss. A risk of spreading strategies is that the ability to fully profit from a price swing is limited. If the client authorizes the use of writing or buying stock or index options, the Client is responsible for reading all options information sent to them by the brokerage houses, including the Characteristics and Risks of Standardized Options booklet and understands the risks involved in trading Options.

### **C. Material Risks**

Investors face the following investment risks in addition to those stated in the foregoing:

#### Unidentified risks:

These are risks that the above methods of analysis fail to detect. RHWM may miss or otherwise not identify ways in which the investment may lose money.

#### Identified Risk:

The following are risks that RHWM has identified as applicable to all client portfolios:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information – Item 9**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. The firm and its management personnel have no reportable disciplinary events to disclose.

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

RHWM and our related persons are not engaged in other financial industry activities and have no other industry affiliations. Neither RHWM nor its related persons are a general partner in any partnership in which clients are solicited to invest.

RHWM has a material relationship with National Financial Services LLC, Charles Schwab & Co., Inc. ("Schwab"), and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which both Schwab and Fidelity provides RHWM with "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like RHWM in conducting business and in serving the best interests of their clients but that may benefit RHWM.

Schwab and Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Schwab and Fidelity enables RHWM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Schwab's and Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Schwab and Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Schwab and Fidelity also makes available to Robert Horowitz Wealth Management, at no additional charge to the Firm, certain research and brokerage services, including research services obtained by Schwab and Fidelity directly from independent research companies.

As a result of receiving such services for no additional cost, RHWM may have an incentive to continue to use or expand the use of Schwab or Fidelity's services. RHWM examined this potential conflict of interest when it chose to enter into the relationship with Schwab and Fidelity and has determined that the relationship is in the best interests of RHWM clients and satisfies its client obligations, including its duty to seek best execution. Although RHWM will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by RHWM will generally be used to service all of RHWM clients, a brokerage commission paid by a specific client may be used to

pay for research that is not used in managing that specific client's account. (See Brokerage Practices – Item 12 for more information.) Registrant and Schwab and Fidelity are not affiliates.

RHWM has a material relationship with Dimensional Fund Advisors (DFA). The firm invests the majority and sometimes all client assets in mutual funds managed by DFA. DFA provides the firm with research, analysis and software tools free of charge that are used to evaluate the appropriateness of various DFA managed mutual funds for client accounts. The firm does not receive any commissions, fees or other financial contribution from DFA. RHWM is not aware of any material conflicts of interest. The firm is not required to invest client assets in DFA managed funds and is not affiliated with DFA.

Although not an affiliate, RHWM has a material relationship with the accounting firm of Benson, Piombo & Company. RHWM regularly refers clients in need of accounting services to Benson, Piombo & Company. RHWM collaborates closely with Benson, Piombo & Company on mutual client matters. Benson, Piombo & Company also refers clients in need of advisory services to Robert Horowitz Wealth Management. No advisory client is obligated to use Benson for any accounting services and conversely, no accounting client is obligated to use the advisory services provided by us. RHWM rents office space from Benson, Piombo & Company. There is no financial remuneration given for client referrals.

RHWM does compensate for client referrals.

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

The National Association of Personal Financial Advisor's Code of Ethics serves as the firm's code of ethics. It is available on request and at <http://www.napfa.org/about/CodeofEthics.asp?>

**Objectivity:** NAPFA members strive to be as unbiased as possible in providing advice to clients and NAPFA members practice on a fee-only basis.

**Confidentiality:** NAPFA members shall keep all client data private unless authorization is received from the client to share it. NAPFA members shall treat all documents with care and take care when disposing of them. Relations with clients shall be kept private.

**Competence:** NAPFA members shall strive to maintain a high level of knowledge and ability. Members shall attain continuing education at least at the minimum level required by NAPFA. Members shall not provide advice in areas where they are not capable.

**Fairness & Suitability:** Dealings and recommendation with clients will always be in the client's best interests. NAPFA members put their clients first.

**Integrity & Honesty:** NAPFA members will endeavor to always take the high road and to be ever mindful of the potential for misunderstanding that can accrue in normal human interactions. NAPFA members will be diligent to keep actions and reactions so far above board that a thinking client, or other professional, would not doubt intentions. In all actions, NAPFA members should be mindful that in addition to serving our clients, we are about the business of building a profession and our actions should reflect this.

**Regulatory Compliance:** NAPFA members will strive to maintain conformity with legal regulations.



Full Disclosure: NAPFA members shall fully describe method of compensation and potential conflicts of interest to clients and also specify the total cost of investments.

Professionalism: NAPFA members shall conduct themselves in a way that would be a credit to NAPFA at all times. NAPFA membership involves integrity, honest treatment of clients, and treating people with respect.

We are committed to assuring that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

RHWM and its employees may buy or sell securities that are also held by clients. Members of the firm may also buy or sell for their personal or family accounts securities that have been recommended to clients. Duplicate records of such transactions are maintained by the firm. Employees may not trade their own securities ahead of client trades. Normally all securities purchased are mutual funds where all purchases are executed at the end of day closing price. In such cases, firm or employee trading is executed at the same price as the customer. Purchases by employees or clients of Robert V Horowitz are generally not big enough to affect the securities markets.

As these situations represent actual or potential conflicts of interest to our clients, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest, we have established the following:

- No principal or employee of our firm may put his or her own interest above the interest of the client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. The exception is for mutual fund transactions that are executed at the same end-of-day price.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a copy of holdings and transaction records of personal or family related accounts (brokerage statements).
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

RHWM and its associated persons are prohibited from buying or selling securities as principal from or to clients (principal transactions) and from engaging in agency cross transactions (arranging a buy and sell between 2 clients as agent). Further, RHWM and its associated persons do not act as a general partner

in a partnership in which you solicit investments or act as an investment adviser to an investment company that RHWM recommends to clients.

## **Brokerage Practices – Item 12**

RHWM recommends that clients use either Charles Schwab and Co., Inc. or Fidelity Investments as their broker-dealer for assets managed by RHWM. The nature of managing assets requires that a broker-dealer provide the investment manager with special services. The most important of these services include access to client accounts through a Limited Power of Attorney agreement and data downloads of client transactions. It is far more practical for a firm to work with a single broker-dealer than with several. RHWM chose to work with Schwab or Fidelity Investments because of a combination of reliability (RHWM believes Fidelity will be around for a long time) and low relative cost to clients. Neither Schwab nor Fidelity receive any direct payment from RHWM. Rather, both earn revenue from transaction commissions charged to the client's account.

### **1. Research and Other Soft Dollar Benefits.**

RHWM does not receive research or other products or services other than execution from Schwab or Fidelity. Both Schwab and Fidelity provide incidental research through emails and website distributions that are incidental and free of charge. RHWM does not normally make use of this research.

### **2. Brokerage for Client Referrals.**

Neither RHWM nor any related person receives referrals from a broker-dealer.

### **3. Directed Brokerage**

RHWM requires that clients use either Schwab or Fidelity Investments as their broker-dealer for assets managed by RHWM. Other advisers may not require that their clients direct brokerage to a single broker-dealer. The nature of managing assets requires that a broker-dealer provide the investment manager with special services. The most important of these services include access to client accounts through a Limited Power of Attorney agreement and data downloads of client transactions. We believe that it is far more practical for a firm to work with a single broker-dealer than with several.

In addition to access to client accounts, both Schwab and Fidelity provide RHWM with certain platform services. These services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like RHWM in conducting business and in serving the best interests of their clients but that may benefit Robert Horowitz Wealth Management.

Schwab and Fidelity charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Schwab and Fidelity enable RHWM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Schwab and Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Schwab or Fidelity also make available to Robert Horowitz Wealth Management, at no additional charge to the firm, certain research and brokerage services, including research services obtained by Schwab or Fidelity directly from independent research companies.

As a result of receiving such services for no additional cost, RHWM may have an incentive to continue to use or expand the use of Schwab or Fidelity's services. RHWM examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and Schwab and has determined that the relationship is in the best interests of RHWM clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the RHWM determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although RHWM will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by RHWM will generally be used to service all of RHWM clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Neither Schwab nor Fidelity are affiliates of RHWM.

4. Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

### **Review of Accounts – Item 13**

A. Normally Robert Horowitz (Principal at Robert Horowitz Wealth Management) reviews client investment accounts at least quarterly for variation from the clients target investment mix and for buildup of cash balances. For example, if a client's investment mix targets a 60% allocation to equity securities, RHWM will review accounts to see if the allocation is meaningfully above or below 60%. Normally, when equity or bonds allocations are more than 5 percentage points away from the target, RHWM will reallocate the funds back to the target. Normally, RHWM will invest a client's built up cash when the balance exceeds a \$5,000 after adjusting for expected inflows and outflows. To keep transaction costs low, RHWM tries to minimize transactions and may wait until new expected funds are credited to an account before investing the cash balance.

B. As necessary the accounts are reviewed more often than quarterly. Circumstances that may require account reviews more than quarterly include higher than normal market volatility or irregular movement of funds either into or out of the investment account.

Financial Plans are reviewed upon request by the client or when RHWM has been informed by the client of a change in the client's circumstances warranting a review. Typically there on ongoing tasks related to a client plan that requires a review of the financial plan. A much abbreviated list of examples includes changes in employment or salary, mortgage refinancing, an inheritance and birth of a child.

C. RHWM provides quarterly portfolio reports showing a consolidated summary on all investment accounts and appraisals detailing the specific investments in each account. These reports are generated

from a portfolio accounting database. Normally RHWM also includes a personal letter summarizing some key details such as the total value of the client's portfolio and growth of those assets.

The custodian will also provide clients with brokerage account statements at least quarterly. The client is responsible for reviewing account balances, account activity and advisory fees for accuracy as these are not independently verified by the custodian.

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

A. RHWMM receives economic benefit from Fidelity and Schwab as described in Section 10-C-1 and Section 12-3. RHWMM also receives economic benefit from Dimensional Fund Advisors as described in Section 10-C-2.

B. RHWMM does compensate for client referrals.

#### **Custody – Item 15**

We previously disclosed in the Fees and Compensation section (Item 5) of this brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

RHWMM urges you to carefully review statements provided by Fidelity or Schwab and compare the official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Investment Discretion – Item 16**

RHWMM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

When selecting securities and determining amounts, RHWMM observes the investment policies, limitations and restrictions of the clients for which it advises.

Normally investment guidelines and restrictions are documented in an Investment Policy Statement agreed upon with the client at the onset of the client relationship.

## **Voting Client Securities – Item 17**

As a matter of firm policy and practice RHWM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. RHWM may provide advice to clients regarding the clients' voting of proxies.

## **Financial Information – Item 18**

- A. The firm does not require prepayment of fees for any services.
- B. The firm does have discretionary authority of client funds. The firm is not aware of any financial condition that is reasonably likely to impair the firm's ability to meet contractual commitments to clients.
- C. The firm has never been the subject of a bankruptcy petition.

## **Requirements for State-Registered Advisors – Item 19**

A. Robert Horowitz is the Principal executive officer and manager of the firm. He was born in 1964, received a BA from Trinity College in 1987 and an MBA from Columbia Business School in 1991.

Robert was a director of product development at Charles Schwab and Co. from November 2000 to November 2002. In this role Robert worked on the design and development of investment advice software.

Robert was the sole principal of an investment advisory firm based in Stamford, CT called New England Investment Management from January 1995 to September 2000.

B. Robert Horowitz is not actively engaged in any business other than providing investment and financial planning advice through Robert Horowitz Wealth Management.

C. RHWM does not receive any performance-based fees.

D. Neither Robert Horowitz nor any management person has been found liable in any arbitration, civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) An investment or an investment-related business or activity;
- (b) Fraud, false statement(s), or omissions;
- (c) Theft, embezzlement, or other wrongful taking of property;
- (d) Bribery, forgery, counterfeiting, or extortion; or
- (e) Dishonest, unfair, or unethical practices.

E. RHWM has no arrangement or relationship with any issuer of securities not listed in Item 10.C.