

**Item 1 Cover Page**



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David W. Latko Jr.

<http://www.latkowealth.com>

**February 5, 2025**

**NOTICE TO PROSPECTIVE CLIENTS: READ THIS DISCLOSURE BROCHURE IN ITS ENTIRETY**

This brochure provides information about the qualifications and business practices of Latko Wealth Management, Ltd. If you have any questions about the contents of this brochure, please contact us at (815) 469-8887 or [david.w.latko@latkowealth.com](mailto:david.w.latko@latkowealth.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 Latko Wealth Management Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration does not imply a certain level of skill or training.

We welcome visitors to our Web Site at <http://www.david.latko.com> for a comprehensive overview of our firm and the professional services we offer. Additional information about Latko Wealth Management is also available via the SEC's Web Site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's Web Site also provides information about any persons affiliated with Latko Wealth Management who are registered, or are required to be registered, as investment adviser representatives of Latko Wealth Management.

## **Item 2 – Material Changes**

The Firm is required to advise you of any material changes to our Firm Brochure (“Brochure”) from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure. Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

As of January 1, 2025, our Chief Compliance Officer has changed from David W. Latko to David W. Latko Jr.

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## **Item 4 – Advisory Business**

### **The Firm**

Latko Wealth Management is a financial consulting firm based in Frankfort, Illinois and has been incorporated in the state of Illinois since 1989.

In 2018, the firm registered as a SEC Registered Investment advisor to directly offer asset management and financial planning services. Any securities transactions executed by investment adviser representatives of Latko Wealth Management will be in their separate capacity as a registered representative of LPL Financial. Our main focus is to manage investment portfolios for individual clients, high net-worth families, foundations, endowments, and institutional investors. We also provide personal financial planning and investment advice. Our investment plans are designed to work with our clients' financial goals, objectives and risk tolerances.

### **Management**

David W. Latko is the President and 51% owner of Latko Wealth Management with his wife Janice, who owns the remaining 49%. David Latko Jr. serves as the Chief Compliance Officer for Latko Wealth Management and is also a registered representative with LPL Financial offering securities transactions on a commission basis through Latko Financial Group, Ltd. Janice Latko serves in a marketing capacity for the firm but does not provide advisory services or conduct securities transactions.

Mr. Latko was born into modest circumstances and raised in hard-working Hammond, Indiana, David entered Indiana University at age 16, graduated at age 20 with a B.S. in Education, and went on to earn dual Masters Degrees in Public Administration and Judicial Administration by the age of 22. David has over 35 years of experience in the financial services industry. Initially, David pursued a career in the legal system, working for the courts before following his interest in investments into the financial world. David also owned a seat on the San Francisco Options Exchange and worked as a commodity broker in Chicago, Illinois.

Any and all material conflicts of interest are disclosed herein.

### **Asset Management**

Latko Wealth Management, Ltd. offers discretionary or non-discretionary fee based investment advisory services for compensation. Discretionary authority means that Latko Wealth Management, Ltd. makes all decisions to buy, sell or hold securities, cash or other investments in your managed account without consulting with you before implementing such transactions. You must provide us with advance written authorization to exercise discretionary authority. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement. The firm has an affirmative obligation to reach out to clients to ensure

nothing has changed in regards to how the firm manages a client's account.

The services offered by Latko Wealth Management, Ltd. are primarily to individual clients and high-net worth individuals as well as corporate clients based on the individual goals, objectives, time horizon, and risk tolerance of each client. Portfolio management services include, but are not limited to, the following:

- Exchange-listed securities
- Securities traded over-the-counter
- Exchange Traded Funds (ETFs)
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable Annuities (but not the evaluation of any non-investment management aspects of annuities or other insurance products)
- Mutual fund shares
- United States government securities
- Interests in partnerships investing in real estate, and oil and gas interests
- Managed futures
- Shorting
- Private Equity
- Funds and Investment Management
- Retirement and Estate Planning
- Fixed and Variable Annuities
- Insurance Options
- Educational Planning
- Prenuptial and Divorce Financial Planning
- Financial Planning for Business Owners
- Tax Planning and Strategies

We provide investment management services with personalized strategy recommendations based on your unique needs and objectives. During your initial meeting with your advisor, you're asked to complete a Confidential Client Profile to help us understand your risk tolerance and long-term financial goals. Based on this information, we're able to customize your portfolio to best meet your needs. You are responsible to regularly update your personal information to help ensure your goals and objectives are current with Latko Wealth Management, Ltd.

Before we assess any fees or provide investment advice, we will provide you with an Investment Advisory Agreement ("Agreement") for your review, understanding and signature as well as other account opening documents. The Agreement includes the terms and conditions under which your assets will be managed. The Agreement will remain in effect between you and us until terminated by either party according to the terms contained in the Agreement. In the event a conflict exists between the Agreement and our Form ADV, the Agreement shall prevail.

The Agreement will include the specific fees we charge and how we bill to collect those fees. Advisory accounts will be held by LPL Financial, LLC or other qualified custodians (individually, a "Custodian"). The client must designate Latko Wealth Management, Ltd. as its Investment Advisor

Representative ("IAR") on their accounts. The qualified custodian will maintain actual custody and safe-keeping of all funds and securities.

As of December 31, 2024 the firm has 282,669,396 in regulatory assets under management all on a discretionary basis.

### **Participation in Wrap Fee Programs**

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

Latko Wealth Management, Ltd. does currently sponsor or act as the portfolio manager of a wrap fee program.

### **Financial Planning Services**

Latko Wealth Management, through its investment advisor representatives, may provide personal financial planning tailored to the individual needs of each client for their retirement and/or non-retirement account(s). The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. Fees for such services are negotiable and detailed in the client agreement. The financial plan may include generic recommendations as to general types of investment products or specific securities which may be appropriate for the client to purchase given his/her financial situation and objectives.

Financial planning is made available to all clients as either a comprehensive service or separately that may or may not result in a written plan. The amount of time required per plan can vary greatly depending on the scope and complexity of an individual engagement. A particular client's financial plan will include the relevant types of planning specific to their needs and objectives such as:

### **Planning Strategies for Families and Individuals**

- **Retirement** – planning an investment strategy with the objective of providing inflation-adjusted income for life.
- **College / Education** – planning to pay the future college / education expenses of a child or grandchild.
- **Major Purchase** – Evaluation of the pros and cons of home ownership verse renting as well as buying or leasing a car, for example.
- **Divorce** – planning for the financial impact of divorce such as change in income, retirement benefits and tax considerations.
- **Insurance Needs** – planning for the financial needs of survivors to satisfy such financial obligations as housing, dependent child care and spousal arrangements as well as education.

- **Final Expenses** – planning to leave assets to cover final expenses such as funeral, debts and potential business continuity.
- **Estate Planning** – planning that focuses on the most efficient and tax friendly option to pass on an estate to a spouse, other family members or a charity.
- **Cash Flow/ Budget Planning** – planning to manage expenses against current and projected income.
- **Wealth Accumulation** – planning to build wealth within a portfolio that takes into consideration risk tolerance and time horizon.
- **Tax Planning** – planning a tax efficient investment portfolio to maximize deductions and off-setting losses.
- **Investment Planning** – planning an investment strategy consistent with a particular objectives, time horizons and risk tolerances.
- **Inheritance Planning** – planning for a tax efficient method to pass wealth to the next generation.
- **Employee and Government Benefits Analysis** – analysis of the cost and premiums as well as the pre and post retirement coverage options.

### **Planning Strategies for Businesses**

- **Business Entity Planning** – review the various forms of business structures in relation to liability and income tax considerations.
- **Qualified Retirement Plans** – evaluate the types of retirement plans established by an employer for the benefit of the company's employees.
- **Stock Option Planning** – planning to maximize the value of employer issued stock options and optimize what to exercise and what to hold.
- **Key Person Planning** – evaluate the life insurance needs required in the event of the sudden loss of a key executive in order to buy time to find a new person or to implement other strategies to continue the business.
- **Executive Benefits** – planning to attract, reward and retain top executive talent.
- **Deferred Compensation Plans** – planning for the use of tax deferred funds to be withdrawn and taxed at some point in the future.

- **Business Succession Planning** – planning for the continuation of a business after key executives move on to new opportunities, retire or pass away with the use of buy-sell agreements, key-man insurance and engaging independent legal counsel as needed.

### **Hourly Consulting Services**

Latko Wealth Management, through its investment advisor representatives, may provide consulting services on an hourly basis. These services may include, as selected in the client agreement. The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. An investment advisor representative may or may not deliver to the client a written analysis or report as part of the services. The investment advisor representatives tailor the hourly consulting services to the individual needs of the client based on the investment objective chosen by the client. The engagement terminates upon final consultation with the client.

Hourly consulting and financial planning offer similar services but the general difference related to the particular area of focus. Financial planning is generally more comprehensive and takes into account a client's entire financial situation whereas hourly consulting tends to be focused on a particular financial objective or need.

### **Conflicts of Interest**

When dealing with investment advisory clients and services, investment adviser representatives have an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of its clients. Investment adviser representatives should fully disclose all material facts concerning any conflict that does arise with these clients. A conflict is mitigated by an advisor's fiduciary duty to act in client's best interest and to act accordingly.

- The recommendation that a client purchase a commission product from LPL Financial presents a conflict of interest, as the receipt of commissions provides an incentive to recommend investment products based on commissions received, rather than on a particular client's need.
- The client has the right to decide whether to act upon the recommendations given by the advisor.
- If a client decides to act, they have the right to decide with whom they conduct business.
- No client is under any obligation to purchase any commission products from LPL Financial.
- The Firm and IARs may be disincentivized to recommend certain products (wrap fee) products due to internal costs being higher to the Firm.
- LWM may have an incentive to invest advisory assets in full participating funds even when non-participating fund alternatives that cost advisory clients less in mutual fund expenses because LWM would not be required to pay for the transaction cost in SWMII accounts.

- LWM may have an incentive to trade SWMII accounts less as the transaction costs are paid for by the firm and not the client.
- Mutual Funds, Index Funds, and ETFs typically charge their shareholders various fees and expenses associated with the establishment and operation of the funds. These fees will generally have a management fee, a shareholder servicing fee, other fund expenses, and sometimes a 12b-1 fee. Mutual funds and variable annuities that pay 12b-1 fees to LWM can create a conflict for LWM as it incentivizes the firm to sell such products to increase revenue. (however, LWM, does not receive any 12b-1 fees if created by LWM, LPL Financial keeps all 12b-1 fees and does not forward them to the advisor) For all advisory accounts, the Firm seeks to minimize this conflict as described above.
- Certain Mutual Funds, index funds or ETFs may also impose short term redemption fees for sales of funds that occur prior to the specified period as outlined in the prospectus. A prospectus is available from the fund or LWM upon request. Consequently, for any type of mutual fund or variable annuity investment it is important to understand that you may be paying various levels of fees and expenses: one layer of fees and expenses is paid at the fund or annuity level, as discussed above, another layer of fees is paid by you directly to LWM to manage your advisory account (e.g., investment management fee). LWM or the custodian may also impose a Program Fee to maintain your advisory assets and execute transactions. LPL Financial also offers LWM access to its No Transaction Fee Program (“NTF Program” or “Participating funds”). As part of the NTF Program, LPL Financial waives transactions fees that it, and LWM, would otherwise charge the client for purchases and sales of certain mutual funds available on LPL financials platform. Instead of charging a transaction fee, these funds generally have higher internal fees and expenses, than a similar, non-NTF Program fund. Such fees and expenses negatively impact the performance of the fund over time. Depending on how long you remain invested in the NTF Program fund, you may pay more in fees than you would if you had invested in a non-NTF Program fund, even though there was no transaction charge on the purchase. These mutual funds are sold under prospectus where the various share classes and internal fees are outlined. The Firm strongly encourages you to review the fund prospectus. The specific funds that are part of LPL Financials NTF Program are determined by the mutual fund companies and the custodian and not by LWM. The Firm seeks to mitigate these conflicts as outlined below: 1) You, as a client, receive a lower transaction charge when you purchase an NTF Program fund compared to purchasing a fund that is not in the NTF Program; 2) The Firm does not have proprietary models for using NTFs nor does it promote and or encourage the use of specific mutual funds; and, 3) a cost analysis is run for NTF funds when trades are placed to determine if a non-NTF fund with a lower internal cost would be more beneficial depending on the anticipated holding time of that investment.

The Firm and IARs must abide by honest and ethical business practices including, but not be limited to:

- Not inducing trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account;

- Making recommendations with reasonable grounds to believe that they are appropriate based on the information furnished by the client;
- Placing discretionary orders only after obtaining client's written trading authorization contained within the advisory agreement or via separate amendment;
- Not borrowing money or securities from, or lending money or securities to a client;
- Not placing an order for the purchase or sale of a security if the security is not registered, or the security or transaction is not exempt from registration in the specific state.

The Firm and the investment advisor representative will:

- Allocate securities in a manner that is fair and equitable to all clients.
- Not effect agency-cross transactions for client accounts.
- Not act in a principal capacity.

The firm's Chief Compliance Officer, David Latko, is available to address any questions that a client or prospective client may have regarding conflicts of interest.

### **Other Considerations**

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

Advisory agreements may not be assigned or transferred in any manner by any party without the prior written consent of all parties receiving or rendering services hereunder; provided that Advisor may assign an agreement upon prior written consent of the client. An advisory agreement may be terminated by any party effective upon receipt of written notice to the other parties. The client will be entitled to a prorated refund of any pre-paid quarterly Account Fee based upon the number of days remaining in the quarter after the Termination Date.

Clients need to understand that in the event of death or incapacity during the term of an advisory agreement, the authority of Latko Wealth Management under an advisory agreement shall remain in full force and effect until such time as Latko Wealth Management is notified otherwise in writing by the authorized representative of a client or a client's estate. Termination of an advisory agreement will not affect the liabilities or obligations of the parties from transactions initiated prior to termination.

Economic commentaries and research provided by LPL Financial are provided at no cost and not contingent upon the amount of business processed through LP Financial. In addition, the

investment advisor representative may receive additional cash or non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives.

## **Item 5 – Fees and Compensation**

### **Asset Management**

Investment Advisor representatives are restricted to providing services and charging fees based in accordance with the descriptions detailed in this document and the account agreement. However, the exact service and fees charged to a particular client are dependent upon the representative that is working with the client. Advisors are instructed to consider the individual needs of each client when recommending an advisory platform. Investment strategies and recommendations are tailored to the individual needs of each client.

Latko Wealth Management, Ltd. provides investment management services for an annual fee based upon a percentage of the market value of the aggregate client assets held under management or commonly termed as household accounts. The annual fee typically varies between .50% to 2.0% per client. Fees are billed in advance based on the assets under management as of the last business day of the previous quarter.

$$[\text{Quarter End Value} \times \text{Advisory Fee}] / 360 \times 90 = \text{Advance Billing}$$

<b>Total Assets Under Management</b>	<b>Maximum Annual Fee</b>
\$0 - \$5,000,000+	0.5% - 2.0%

Latko Wealth Management, Ltd. will negotiate fees based upon individual account criteria such as anticipated future assets, client's unique circumstances and complexities, and scope of services performed. Typically accounts with a higher investment amount will be charged a lower fee. Our fees may be higher or lower than fees charged by other financial professionals offering similar services.

Latko Wealth Management, Ltd. will offer fees below or above the maximum annual fee for friends and family members.

### **Financial Planning - Fixed or Hourly Fee**

Financial Planning fees are generally fixed based on an estimated number of hours or they are available on an hourly basis. The fee and payment schedule is negotiated per client. Although, fixed fee planning generally requires 50% up front and the balance upon completion whereas fees based on an hourly basis are generally due as hours are accrued. The identical types of

planning are offered on a fixed fee basis or an hourly basis to all clients. Fixed fee billing verses hourly billing is dependent on an individual client's billing preference after a review of what is likely to be in their best interest based on cost effectiveness.

Before commencing financial planning services, we will provide an estimate of the approximate hours needed to complete the requested financial planning services. The hours estimated for a financial plan vary by each client's individual financial situation and focus of the plan. If we anticipate exceeding the estimated number of hours required, we will contact you to receive authorization to provide additional services.

Our fixed fee ranges from \$200 to \$5,000 based on the number of expected hours multiplied by the hourly fee rate but may exceed \$5,000 as circumstances warrant with approval by the Chief Compliance Officer. The hourly billing rate generally ranges from \$200 to \$400 an hour based on the specific complexities and scope, experience and expertise required as well as the sophistication and bargaining power of the client.

Clients are not "fit" into a particular service level but a plan is designed to be specific to each individual client and their unique circumstances. The following criteria will be considered as appropriate when determining the number of hours expected to create a client specific financial plan.

- |                           |                              |                               |
|---------------------------|------------------------------|-------------------------------|
| • Total Income            | • Education Costs            | • Budget                      |
| • Net Worth               | • Timeframe                  | • Expected number of Meetings |
| • Marital Status          | • Risk Tolerance             | • Phone Conferences           |
| • Tax Bracket             | • Objectives                 | • Volume of Documents         |
| • Assets under Management | • Account Types and Holdings | • Number of Accounts          |
| • Children                | • Investment Experience      | • Type of Holdings            |

In the event that a client terminates the services they will be entitled to a refund of any unearned fees by subtracting the earned fees from the amount paid in advance. Latko Wealth Management, Ltd. does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Payment for financial planning it to: Latko Wealth Management, Ltd.

### **Hourly Consulting**

The hourly fee will be based on the specific complexities and scope, experience and expertise required as well as the sophistication and bargaining power of the client. The negotiated hourly fee for consulting services will generally range between \$200 and \$400 per hour but may exceed \$400 as circumstances warrant due to client specific complexities or the degree of expertise required.

Payment for hourly consulting is to: Latko Wealth Management, Ltd.

### **Brokerage Commissions**

Clients can engage certain representatives of the firm, in their individual capacities as registered representatives of LPL Financial in order to purchase investment products in a brokerage account established through LPL Financial. LPL Financial will charge brokerage commissions to effect securities transactions, a portion of which commissions LPL Financial shall pay to the firm's representatives, as applicable. The brokerage commissions charged by LPL Financial may be higher or lower than those charged by other broker/dealers.

LPL Financial as a broker/dealer charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). LPL Financial enables Latko Wealth Management to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. LPL Financial commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by LPL Financial may be higher or lower than those charged by other custodians and broker/dealers. Clients may direct their brokerage transactions at a firm other than LPL Financial. Advisory fees are generally not reduced to offset commissions or markups. Please see Item 12 for additional information regarding brokerage practices.

The firm generally does not receive more than 40% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the firm recommends to its clients. When the firm's representatives sell an investment product on a commission basis, the firm does not charge an advisory fee in addition to the commissions paid by the client for such product in order to address this conflict of interest. In addition to the disclosures contained herein, the fee structure is discussed with clients prior to any transactions.

### **Insurance Commissions**

Investment advisor representatives of Latko Wealth Management, Ltd. may also be licensed insurance agents. In the capacity of an insurance agent, they may recommend the purchase of certain insurance-related products on a commission basis. Please see "Conflict of Interest" information contained on Page 8.

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

None of the investment advisor representatives of Latko Wealth Management accepts performance-based fees – that is, fees based on a share of capital gains or capital appreciation of assets (such as a client that is a hedge fund or other pooled investment vehicle). We also do not participate in side-by-side management, where an advisor manages accounts that are both charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or fixed fee or an asset-based fee.

### **Item 7 – Types of Clients**

Latko Wealth Management generally provides investment advisory services to a wide variety of clients including, but not limited to, individuals including those with high net worth and

individuals who are considered a “qualified client” under Rule 205-3 of the Investment Advisors Act of 1940, or is a “qualified purchaser,” pension and profit sharing plans (other than plan participants), trusts, estates, 401(k) sponsor plans and Individual Retirement Accounts (IRA, SEP, ROTH IRA), charitable organizations, corporations and other business entities, including sole proprietorships. However, the advisory services offered by Latko Wealth Management are also available to banks and thrift institutions, estates, charitable organizations as well as state and municipal government entities as the opportunity may arise.

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

Our firm seeks to create a balance between risk and reward over a given time period by allocating client assets among various investments. A client's portfolio may include assets of publicly held companies in the United States and foreign markets. This may include both equities and fixed income assets. Other options may include domestic and foreign debt instruments (i.e. government and corporate bonds), real estate investment trusts and mutual funds or private placements that invest in natural resources or managed futures (markets such as, and not limited to, currency, commodity, agriculture and energy).

Each market may function and change in different ways depending on supply and demand, current events and investor behaviors. While our goal is to help increase a client's net worth, there is potential for losses in market, principal, and interest values. These changes may also affect a client's tax situation and filings.

The most commonly purchased share class of mutual funds are typically held for one year and may be exchanged (no transaction cost to client) during the year to properly align an account with its asset allocation model. Holding commonly recommended mutual funds for less than a year can create short term gains / losses in non-qualified accounts.

Analysis and strategies are generally based on:

- Publicly Available Data
- A Client's Net Worth
- Risk Tolerance
- Goals for Investment Account Funds
- Commentary and Information Obtained from Analysts at Preferred Mutual Fund or Variable Annuity Firms

The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we regularly review the portfolio and if appropriate, rebalance the portfolio based upon the client's individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

The firm may use one of more of the following methods: fundamental analysis and technical analysis, cyclical analysis and charting analysis in order to formulate investment advice when

managing assets. Depending on the analysis the firm will implement a long or short term trading strategy based on the particular objectives and risk tolerance of each individual client.

- **Fundamental Analysis** – involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.
- **Technical Analysis** – involves the analysis of past market data; primarily price and volume. Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.
- **Cyclical Analysis** – involves the analysis of business cycles to find favorable conditions for buying and/or selling a security. Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold:
  1. the markets do not always repeat cyclical patterns; and,
  2. if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.
- **Charting Analysis** - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.

Investing in securities involves risk of loss that clients should be prepared to bear. There are different types of investments that involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal any specific performance level(s). Past performance is not indicative of future results.

The firms' methods of analysis and investment strategies do not represent any significant or unusual risks however all strategies have inherent risks and performance limitations.

## **Portfolio Management Services**

### **Strategic Wealth Management (SWM I and SWM II)**

Latko Wealth Management through its investment advisor representatives provides ongoing investment advice and management on assets in the client's custodial Strategic Wealth Management (SWM) account held at LPL Financial. Strategic Wealth Management (SWM) is the name of a

custodial account offered through LPL Financial to support investment advisory services provided by Latko Wealth Management. Strategic Wealth Management is a comprehensive, open-architecture platform that allows investment advisor representatives to provide advice on the purchase and sale of various types of investments including access to more than 8,000 no-load and load waived mutual funds and more than 350 fund families as well as stocks, bonds, ETFs, UITs, alternative investments, options, fund of hedge funds and managed futures. Fee-based variable annuities are also available. The advice is tailored to the individual needs of the client in order to help meet their financial goals. Accounts are reviewed on a regular basis and rebalanced as necessary according to each client's investment profile. More specific account information and acknowledgements are further detailed in the account opening documents.

Investment Advisors Representatives can offer SWM I or SWM II. The accounts offer the same investment choices and are managed in the same manner but the fee structure is different. For SWM I, clients are charged transaction fees in addition to the advisory fee whereas for SWM II, the transactions fees are absorbed as part of the advisory fee. The advisory fee for SWM II accounts may be higher than SWM I to account for the transaction fees. Depending on the complexity of the account and account size, investment advisor representatives of Latko Wealth Management will work with each client to determine the most cost effective fee structure.

Generally, there is minimum account opening requirement of \$50,000 for a SWMI account and \$500,000 for SWMII accounts. In certain instances, Latko Wealth Management may choose to charge less and may accept an account of a lesser amount at its sole discretion.

### **Model Wealth Portfolios (MWP)**

Model Wealth Portfolios Program offers clients a professionally managed mutual fund asset allocation program. Latko Wealth Management investment advisor representatives will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. The Advisor will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL's Research Department consistent with the client's stated investment objective. LPL's Research Department is responsible for selecting the mutual funds within a model portfolio and for making changes to the mutual funds selected.

The client can authorize LPL to act on a discretionary basis to purchase and sell mutual funds including in certain circumstances exchange traded funds and to liquidate previously purchased securities. The client can also authorize LPL to effect rebalancing for MWP accounts.

In the future, the MWP program may make available model portfolios designed by strategists other than LPL's Research Department. If such models are made available, Advisor will have discretion to choose among the available models designed by LPL or outside strategists.

A minimum account value of \$100,000 is required for MWP.

### **Optimum Market Portfolios Program (OMP)**

The Optimum Market Portfolios (OMP) program offers clients the ability to participate in a professionally managed asset allocation program designed by LPL Financial. Latko Wealth Management, Ltd. will obtain the necessary financial data from each client and then select the proper fund portfolio program. While Latko Wealth Management, Ltd. selects the proper portfolio program, LPL Financial will manage the underlying Optimum Funds on a discretionary basis consistent with the portfolio program objectives. OMP is a model based platform, LPL Financial does not tailor the model or directly manage fund assets on behalf of any particular client.

LPL Financial follows an asset allocation investment style in constructing portfolios for the Program. Asset allocation methodology is implemented by combining investments representing various asset classes that react differently to varying market conditions. Thus, if one asset class reacts negatively to certain market events, the potential exists for another asset class to react positively. As with any investment strategy, there is no guarantee that the use of an asset allocation strategy will produce favorable results. Latko Wealth Management, Ltd. is responsible for educating the client about this investment style in advance of opening the Account by explaining the various asset classes (e.g., large cap growth, large cap value, etc.) being used within the selected portfolio. This educational process continues throughout the time that the client maintains the account. Clients will authorize changes in a non-discretionary account

OMP is one of several portfolio platforms centrally managed by LPL Financial. OMP enables investment advisor representatives of Latko Wealth Management, Ltd. to manage client assets through diversified asset allocation models, professional money management, automatic rebalancing, and online marketing and sales support.

A minimum account value of \$15,000 is required for OMP.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms or insulate clients from losses due to market corrections or declines. You also must understand that past performance is not indicative of future results. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments, there may be varying degrees of risk.

The following are examples of investment risks investors may face:

- **Market Risk** – The price of a security, option, 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.
- **Interest Rate Risk** – the risk that fixed income securities will decline in value because of an

increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.

- **Credit Risk** – the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- **Business Risk** – the measure of risk associated with a particular security. It is also known as unsystematic risk and refers to the risk associated with a specific issuer of a security. Generally speaking, all businesses in the same industry have similar types of business risk. More specifically, business risk refers to the possibility that the issuer of a particular company stock or a bond may go bankrupt or be unable to pay the interest or principal in the case of bonds. 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.
- **Taxability Risk** – the risk that a security that was issued with tax-exempt status could potentially lose that status prior to maturity. Since municipal bonds carry a lower interest rate than fully taxable bonds, the bond holders would end up with a lower after-tax yield than originally planned.
- **Call Risk** – the risk specific to bond issues and refers to the possibility that a debt security will be called prior to maturity. Call risk usually goes hand in hand with reinvestment risk because the bondholder must find an investment that provides the same level of income for equal risk. Call risk is most prevalent when interest rates are falling, as companies trying to save money will usually redeem bond issues with higher coupons and replace them on the bond market with issues with lower interest rates.
- **Inflationary Risk** – the risk that future inflation will cause the purchasing power of cash flow from an investment to decline. 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.
- **Liquidity Risk** – the possibility that an investor may not be able to buy or sell an investment as and when desired or in sufficient quantities because opportunities are limited. Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if there is a high interest in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Market Risk** – the risk that will affect all securities in the same manner caused by some factor that cannot be controlled by diversification.
- **Reinvestment Risk** – the risk that falling interest rates will lead to a decline in cash flow from an investment when its principal and interest payments are reinvested at lower rates. This primarily relates to fixed income securities.
- **Social/Political** – the possibility of nationalization, unfavorable government action or social

changes resulting in a loss of value.

- **Legislative Risk** – the risk of a legislative ruling resulting in adverse consequences.
- **Currency/Exchange Rate Risk** – the risk of a change in the price of one currency against another. 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.
- **Financial Risk** - The possibility that shareholders will lose money when they invest in a company that has debt if the company's cash flow proves inadequate to meet its financial obligations. When a company uses debt financing, its creditors will be repaid before its shareholders if the company becomes insolvent. Financial risk also refers to the possibility of a corporation or government defaulting on its bonds, which would cause those bondholders to lose money.

### **Types of Investments (Examples, not limitations)**

- **Mutual Funds** – a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.
  - **Open-End Mutual Funds** – a type of mutual fund that does not have restrictions on the amount of shares the fund will issue and will buy back shares when investors wish to sell.  
Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature
  - **Closed-End Mutual Funds** – a type of mutual fund that raises a fixed amount of capital through an initial public offering (IPO). The fund is then structured, listed and traded like a stock on a stock exchange. Clients should be aware that closed-end funds available within the program are not readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds.
- **Alternative Strategy Mutual Funds** – Certain mutual funds available in the program invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.
- **Unit Investment Trust (UIT)** – An investment company that offers a fixed, unmanaged portfolio, generally of stocks and bonds, as redeemable "units" to investors for a specific

period of time. It is designed to provide capital appreciation and/or dividend income. UITs can be resold in the secondary market. A UIT may be either a regulated investment corporation (RIC) or a grantor trust. The former is a corporation in which the investors are joint owners; the latter grants investors proportional ownership in the UIT's underlying securities.

- **Equity** – investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environment.
- **Exchange Traded Funds (ETFs)** – an ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.
- **Exchange-Traded Notes (ETNs)** – An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer’s ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer’s credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks.
- **Fixed Income** – investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general

risk of non-U.S. investing described below.

- **Options** – Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.
- **Options Trading/Writing** – is a securities transaction that involves buying or selling (writing) an option. If you write an option and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option. Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.
- **Structured Products** – Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

- **Hedge Funds and Managed Futures** – Hedge and managed futures funds are available for purchase in the program by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Client should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the fund during the repurchase offer.
- **Annuities** – are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet retirement or other financial goals. An annuity is not a life insurance policy. Variable annuities may not be suitable for meeting short-term goals because of tax consideration and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks; just as mutual funds do.
- **Variable Annuities** – If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.
- **Index-Linked Annuities** – designed for investors seeking equity and commodity index linked, tax deferred growth potential with downside protection levels. Such annuities include a built-in downside buffer to reduce or potentially eliminate the negative impact of market volatility up to some percentage level combined with a performance cap on the potential upside appreciation. The downside protection level prevents a loss below a certain level and the cap limits appreciation beyond a certain level.
- **Non-U.S. Securities** – present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.
- **Margin Accounts** – Client should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account go up, but will result in increased losses if the value of the securities in the account goes down. The custodian, acting as the client's creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if the timing would be disadvantageous to the client. For performance illustration purposes, the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact the performance figures reflected on the quarterly advisory reports.

- **Long-Term Purchases** – are securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short-Term Purchases** – are securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Other investment types may be included as appropriate for a particular client and their respective trading objectives.

### **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an advisory firm or the integrity of a firm's management.

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

Investment adviser representatives of Latko Wealth Management may receive additional compensation based on other financial industry activities and affiliations.

#### **Commission Based Business**

**Latko Financial Group, Ltd.** Is an affiliated entity under common control of David W. Latko that is a doing business name for LPL Financial LLC to offer brokerage. In such a capacity, investment advisor representatives offer securities and receive normal and customary commissions as a result of such transactions. This presents a conflict of interest to the extent that there may be recommendations that a client invest in a security which results in a commission being paid.

The recommendation that a client purchase a commission product from LPL Financial presents a conflict of interest, as the receipt of commissions provides an incentive to recommend investment products based on commissions received, rather than on a particular client's need. Investment Advisor Representatives of Latko Wealth Management, Ltd. however have a fiduciary duty to act in the best interests of their clients. No client is under any obligation to purchase any commission products from LPL Financial. The firm's Chief Compliance Officer, David W. Latko, is available to address any questions that a client or prospective client may have regarding this conflict of interest.

#### **Insurance Agent**

You may also work with your investment advisor representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment advisor representative may sell, for commissions, general disability insurance, life insurance, annuities and other insurance products to you. As such, your investment advisor representative in his or her separate capacity as an

insurance agent may suggest that you implement recommendations of Latko Wealth Management, Ltd. by purchasing disability insurance, life insurance, annuities or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment advisor representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You have the right to decide whether to implement any insurance or annuity transaction. If you decide to implement you have the right to implement through the professional of your choice. Insurance products will only be offered in states where the representative offering insurance is properly licensed.

The purchase of a securities and/or insurance commission product presents a conflict of interest, as the receipt of commissions provides an incentive to recommend investment products based on compensation, rather than on a particular client's need. You always have the right to decide to implement the purchase of a recommended commissionable product. If a client decides to purchase a recommended commissionable product, that client has the right to purchase through the professional of their choice.

### **Real Estate Broker**

**Latko Premier Properties, Ltd.** is an affiliated entity under common control by David W. Latko. The entity was originally formed in order to buy and sell personal real estate and rental properties without the need to pay a commission to a real estate agent. Latko Premier Properties, Ltd. is now an on-going operation open to the public. Tiffany O. Latko who operates as the Marketing Director for Latko Wealth Management, Ltd. is also a registered real estate agent for Latko Premier Properties. In the event that an advisory client is buying or selling real estate, unrelated to an investment strategy, the services of Latko Premier Properties, Ltd. are available. The potential conflict of interest is mitigated because such real estate transactions occur based on the client's independent desire to buy or sell real estate that is not related to a client's investment portfolio. In addition, this potential conflict of interest is further mitigated due to an investment advisor representative's fiduciary duty to act in the best interests of their client.

### **Outside Radio, TV, Book and Magazine Writing**

**Latko Media Enterprises, Ltd.** Is an affiliated entity under common control by David W. Latko. The entity was formed to facilitate a place for David W. Latko's book writings and publishing plus a venue for his radio show "David Latko's Money and More" show. All designed to be separate from his financial advisory business

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

Latko Wealth Management maintains a Code of Ethics, which serves to establish a standard of business conduct for all employees that are based upon fundamental principles of openness,

integrity, honesty, trust and fair dealing with you. The code of ethics includes guidelines regarding personal securities transactions of its employees and investment advisor representatives.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

Our firm or persons associated with our firm may buy or sell securities or hold a position identical to clients. It is our policy that no Investment advisor representative will put his/her interests before a client's interest. Investment advisor representatives may not trade ahead of any client and cannot trade for a better price than the price a client would obtain. It is the Investment advisor representative's responsibility to know which securities we are trading. Investment advisor representatives are required to consult with the Compliance Department to determine whether a security is an acceptable purchase or sale. We prohibit all Investment advisor representatives from trading on non-public information and from sharing such information. Investment advisor representatives may not invest in an initial public offering (IPO) for their own accounts or those of related household members. Investment advisor representatives are required to obtain approval from the Compliance Department prior to investing in a private placement or other limited offerings. We do not allow "short-swing" trading or market timing. Short-Swing trading, better known as the Short-Swing Profit rule, requires company insiders to return any profits made from the purchase and sale of company stock if both transactions occur within a six-month period. A company insider, as determined by the rule, is any officer, director or holder of more than 10% of the company's shares.

The code of ethics permits employees and investment advisor representatives or related persons to invest for their own personal accounts in the same or different securities that an investment advisor representative may purchase for clients in program accounts. This presents a potential conflict of interest because trading by an employee or investment advisor representatives in a personal securities account in the same or different security on or about the same time as trading by a client could potentially disadvantage the client. Latko Wealth Management addresses this conflict of interest by requiring in its code of ethics that employees and investment advisor representatives report certain personal securities transactions and holdings to the Chief Compliance Officer for review.

Neither Latko Wealth Management nor a related person recommends to clients, or buys or sells for client accounts, securities in which they or a related person has a material financial interest.

An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Latko Wealth Management has a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete

loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

## **Reporting Requirements**

Every Investment advisor representative who has access to client accounts must submit a report of all personal securities holdings at the time of affiliation with us and annually thereafter. Such reports must contain current information (not older than 45 days). Holding reports must contain the following information:

- The title and type of security;
- The security symbol or CUSIP number;
- Number of Shares
- Amount

All Investment Advisor Representatives of Latko Wealth Management Ltd. are required to sign an acknowledgment of their understanding and acceptance of the Code of Ethics.

## **Item 12 – Brokerage Practices**

You are under no obligation to act on the financial planning recommendations of Latko Wealth Management, Ltd. If we assist you in the implementation of any recommendations, we are responsible to ensure that you receive the best execution possible.

Our recommendation of LPL Financial to our clients is based on our clients' interests in receiving best execution and the level of competitive, professional services LPL Financial provides.

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 we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Latko Wealth Management receives non-soft dollar support services and/or products from LPL Financial, many of which assist the Latko Wealth Management to better monitor and service program accounts maintained at LPL Financial. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following:

- investment-related research;
- pricing information and market data;
- software and other technology that provide access to client account data;

- compliance and/or practice management-related publications;
- consulting services;
- attendance at conferences, meetings, and other educational and/or social events;
- marketing support;
- computer hardware and/or software; and,
- other products and services used in furtherance of investment advisory business operations.

These support services are provided to Latko Wealth Management, Ltd. based on the overall relationship between Latko Wealth Management and LPL Financial. It is not the result of soft dollar arrangements or any other express arrangements with LPL Financial that involves the execution volume of client transactions executed with LPL Financial. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by the Latko Wealth Management to LPL Financial or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement.

These non-soft dollars are a benefit to Latko Wealth Management because the firm does not have to produce or pay for the research, products or services. Consequently, Latko Wealth Management may have an incentive to select, recommend or expand the brokerage services of LPL Financial as a result of receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. Our firm examined this potential conflict of interest when we chose to enter into the relationship with LPL and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Although the non-soft dollar investment research products and services that may be obtained by our firm will generally be used to service all of our 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.

Securities transactions in advisory accounts are generally executed through LPL Financial as the qualified custodian and broker/dealer. Investment adviser representatives do not maintain discretionary authority in determining the broker/dealer with whom orders for the purchase and sale of securities are placed for execution or the commission rates at which such transactions are effected.

Each client that chooses LPL Financial will be required to establish an account if not already done. Please note that not all advisors have this requirement.

For advisory services, Latko Wealth Management and its related persons may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. The Applicant and its related persons may determine not to aggregate transactions, for example, based on the size of the trades, number of client accounts, the timing of trades, the liquidity of

the securities and the discretionary or non-discretionary nature of the trades. If the Applicant or its related persons do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

Latko Wealth Management, Ltd is independently owned and operated but is not affiliated with our Qualified Custodians. The primary factor in suggesting a broker/dealer or custodian is that the services of the recommended firm are provided in a cost-effective manner. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer and money manager suggested by Latko Wealth Management, Ltd. must be efficient, seamless, and straight-forward. Overall custodial support services, trade correction services and statement preparation are some of the other factors determined when suggesting a broker/dealer.

The Qualified Custodians provide us with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors at no charge to them so long as the independent investment advisors maintain a minimum amount of assets with the custodian.

The Qualified Custodians do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed by recommended money managers through the custodian or that settle into a custodian account.

These benefits include, but are not necessarily limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and allocate the appropriate shares to client accounts; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors.

### **Client Participation in Transactions**

In general, we make investment decisions for each account independently from those of other accounts. We make these decisions with specific reference to the circumstances and objectives of each account. Accounts may receive allocations of securities or investments different from other accounts. Through the allocation process, we base these allocations on a number of factors including, but not limited to, the trade rotation policy, previous transactions, account restrictions, account size, tax status, risk tolerance, cash and liquidity. We will seek to be consistent in our investment approach for all accounts with the same or similar investment objectives, strategies and restrictions. However, the act of purchasing, selling or holding a security for one account does not mean that we will do the same for other accounts. We will place transactions for some accounts in securities already owned by other accounts. We also may purchase (or sell) a security on behalf of some accounts that was sold (or purchased) on behalf of other accounts.

### **Trading Errors**

Even with our best efforts and controls, trade errors may happen. All trade errors will be brought to the attention of the Head Trader and the Chief Compliance Officer immediately upon discovery. We will work to formulate the best resolution for the client. In the event of a trade error, errors will be corrected before the current day market close (if possible) and no later than next market close date and with the intent to make the client whole. Ideally, when possible, trade errors will be moved from the client's account to either our trade error account with the broker/dealer that executed the trade or that broker/dealer's trade error account, depending upon which party is responsible for the error. In cases in which we are responsible for the error, all losses will be paid by us and all gains will be retained by the custodian. In cases in which the custodian is responsible for the error, we will follow the procedures of the custodian with respect to any gains or losses in the trade error account. Please be advised that any trade errors that result from inaccurate instructions provided by the client remain the financial responsibility of the client.

### **Item 13 – Review of Accounts**

Reviews are conducted on an ongoing basis by David W. Latko, the Chief Compliance Officer. All investment supervisory clients are advised that it remains their responsibility to advise Latko Wealth Management, Ltd. of any changes in their investment objectives and/or financial situation. All clients (in person, via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with their investment advisor representative on an annual basis.

Client review periods vary between quarterly to annually depending on market conditions, the client's funding needs and changes in investment objectives. Occasionally a review may result in a "no change" recommendation. If a client has a change in their financial situation Latko Wealth Management will perform a review to make sure that the portfolio is appropriate for the client and meets the cash needs of the time. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for accounts.

For smaller accounts, Latko Wealth may, in its discretion, conduct client reviews virtually in order to ensure client communication remains efficient for all parties. Clients wishing an in person or telephone review can always contact their representative to indicate this preference.

On occasion, Latko Wealth utilizes artificial intelligence for the purpose of assisting in the documentation of notes and action items from client meetings. Participation in this process is voluntary for clients. Latko Wealth utilizes services and platforms that do not, according to their terms of use, maintain the data learned during the notetaking process.

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

Latko Wealth Management may receive an economic benefit from LPL Financial such as, financial assistance or the sponsorship of conferences and educational sessions, marketing support, payments in connection with the transition of association from another broker/dealer or investment advisor firm to LPL Financial, incentive awards, payment of travel expenses, and tools to assist investment advisor representative in providing various services to clients.

Latko Wealth Management and employees may receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings with investment advisor representative, client workshops or events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors may also pay for, or reimburse Latko Wealth Management for the costs associated with, education or training events that may be attended by Latko Wealth Management employees and investment advisor representatives and for Latko Wealth Management sponsored conferences and events.

Such additional compensation represents a conflict of interest however IARs of Latko Wealth Management have a fiduciary duty to act in the client's best interest.

Latko Wealth Management does not currently have any agreements in place to pay solicitors a portion of advisory fees. Latko Wealth Management does not currently directly or indirectly compensate any person who is not a supervised person for client referrals. Latko Wealth Management does not receive any other economic benefit for providing investment advice or other advisory service from someone who is not a client.

#### **Item 15 – Custody**

Latko Wealth Management, Ltd. does not have actual, electronic, physical or constructive custody of client funds or securities. LPL Financial will serve as the qualified custodian of client assets on behalf of the Latko Wealth Management, Ltd. LPL Financial as the qualified custodian is responsible for directly calculating and deducting advisory fees based on authorization provided by the client under separate agreement not the advisor. Latko Wealth Management, Ltd. does not have the direct ability to withdraw management fees. LPL Financial also sends statements at least quarterly to clients showing all disbursements in account including the amount of the advisory fees paid to advisor, the value of client assets upon which advisor's fee was based, and the specific manner in which advisor's fee was calculated. Latko Wealth Management, Ltd. urges you to carefully review the statements provided by LPL Financial as the qualified custodian.

#### **Item 16 - Investment Discretion**

The client can engage Latko Wealth Management, Ltd. to provide investment advisory services on a discretionary basis. Prior to Latko Wealth Management assuming discretionary authority over a client's account, the client shall be required to grant permission by executing an Advisory Agreement, naming Latko Wealth Management, Ltd. as the client's attorney and agent in fact, granting Latko Wealth Management, Ltd. full authority to buy and/or sell the type and amount of securities on behalf of a client, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account. The Agreement grants us the authority to decide what securities are bought or sold in your account(s) and the authority to implement those decisions without being required to obtain your approval.

Latko Wealth Management, Ltd does not have discretionary authority to determine the broker/dealer to be used for a purchase or sale of securities for a client's account or the commission rates to be paid to a broker or dealer for a client's securities transaction. Clients who engage Latko Wealth Management, Ltd. on a discretionary basis may, at any time, impose

restrictions, in writing, on Latko Wealth Management, Ltd. discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the use of margin, etc.). Clients may also elect to have a non-discretionary account where, if accepted, Latko Wealth Management, Ltd. will secure the client's permission prior to effecting any securities transactions in the client's account.

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

Latko Wealth Management, Ltd. does not vote client proxies. Clients will otherwise receive their proxies or other solicitations directly from their custodian. Clients may contact Latko Wealth Management, Ltd at (815) 469-8887 to discuss any questions they may have with a particular solicitation. To request assistance on a proxy voting issue please contact the offering company.

### **Asset Management Services**

You are responsible for exercising your right to vote proxies for any and all securities maintained in your accounts unless you hold an ERISA account with us. ERISA accounts would require our proxy vote if managed at some later date. We do not currently provide advice on proxy materials on behalf of your non-ERISA advisory accounts.

### **Class Action Suits**

A class action is a procedural device used in litigation to determine the rights of and remedies, if any, for large numbers of people whose cases involve common questions of law and/or fact. Class action suits frequently arise against companies that publicly issue securities, including securities recommended by investment advisors to clients. With respect to class action suits and claims, you (or your agent) will have the responsibility for class actions or bankruptcies, involving securities purchased for or held in your account. We do not provide such services and are not obligated to forward copies of class action notices we may receive to you or your agents.

### **Item 18 – Financial Information**

Latko Wealth Management, Ltd. may or may not have discretion over client funds as indicated in the advisory agreement.

Latko Wealth Management does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance or otherwise have actual or constructive custody of client funds. There are no financial conditions that are reasonably likely to impair the firm's ability to meet contractual commitments to clients. At no time has Latko Wealth Management been the subject of a bankruptcy petition.

Our Firm has obtained financial assistance by participating in the Paycheck Protection Program ("PPP") established by the U.S. Small Business Administration ("SBA"). PPP is intended to assist us with maintaining our business in response to the COVID-19 pandemic by providing low- interest loans for business essentials. This loan has been forgiven.

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

Investment adviser representatives of Latko Wealth Management may receive compensation for the sale of securities or other investment products in their capacity as a registered representative of LPL Financial. Latko Wealth Management currently has only one management person: David W. Latko. Education and business background can be found on the Form ADV Part 2B brochure supplement for such individual and in Item 4 above. Mr. Latko has not been involved in arbitration or material events that require disclosure nor is he compensated for advisory services with performance-based fees.

David W. Latko does not have a relationship or other arrangement with an issuer of securities. Any such financial industry activity and affiliation is disclosed in Item 10 above.

Approximately 70% to 80% of Mr. Latko's time is spent providing advisory services. The balance of his time is allocated approximately:

- up to 10% - Brokerage business through LPL Financial;
- up to 10% - Real estate transactions and rental properties through Latko Premier Properties, Ltd.;
- up to 5% - Author, Writer and Publisher of investment related and non-investment related books and magazine articles.

David W. Latko is the owner of Latko Media Enterprises, Ltd. Latko Media Enterprises, Ltd. was started to encompass his writing, seminars and public speaking as well as a radio show that is no longer in production.