

# **Luther Forest Wealth Advisors, LLC**

## **Investment Advisor Brochure**

### **2023**

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This Brochure provides information about the qualifications and business practices of Luther Forest Wealth Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us toll free at 866-64-WEALTH (866-649-3258) or 518-899-5904/5544 or [info1@kdhpcpa.com](mailto:info1@kdhpcpa.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.

Luther Forest Wealth Advisors is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

The last annual update to the Luther Forest Wealth Advisors, LLC Brochure was January 2023. The material changes include:

There are no material changes to our Brochure.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested free of charge by contacting the Account Administrator at 518-899-5904/5544 or [info1@kdhpcpa.com](mailto:info1@kdhpcpa.com). Our Brochure is also available on our web site [www.lutherforestwealthadvisors.com](http://www.lutherforestwealthadvisors.com) also free of charge. Further information about our firm is available at [www.sec.gov](http://www.sec.gov).

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## Item 4 – Advisory Business

Luther Forest Wealth Advisors, LLC (LFWA) is a wealth advisory firm that provides objective financial advice. Luther Forest Wealth Advisors, LLC was formed in 2007 from the Wealth Management division of the predecessor of Kumlander, Donofrio, Hay & Pehl CPAs, LLP. The firm's principal owner is Timothy W. Pehl, CPA, CFP®. Tim has been advising clients on financial matters since 1997.

Our firm provides investment consulting and money management. We work with you to formulate long-term personal financial plans, cash flow planning and asset and debt restructuring. Our investment approach is to create well diversified portfolios through the use of mutual funds, exchange traded funds, individual stocks and bonds.

We tailor our advisory services to your individual needs by assessing your goals and investment objectives, risk tolerance, and any account limitations (i.e. need for cash withdrawals). We then recommend the appropriate allocation and investment mix based on our assessment. You may impose restrictions on investing in certain securities or types of securities. We provide an opportunity for clients to impose restrictions in our Portfolio Management Agreement.

To the extent requested by a client, we may provide financial planning and/or consulting services (including investment and non-investment related matters, e.g. estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging our firm to provide these services, clients are generally required to enter into a Financial Planning Agreement. We will set forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee required prior to us commencing services. If requested by the client, we may recommend other professionals (e.g. attorneys, insurance agents). The client is under no obligation to engage the services of any recommended professional. The client retains complete discretion over all such decisions and is free to accept or reject any recommendation from us. Please note: If the client engages any such recommended professional, and a dispute arises thereafter relative to the engagement, the client agrees to seek a remedy exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify our Firm should there be any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising our previous recommendations.

Cash Positions: At any specific point in time, depending upon perceived or anticipated market conditions or events (there being no guarantee that such anticipated market conditions or events will occur), we may maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating our advisory fee.

Retirement Plan Rollovers: A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in his/her former employer's plan, if permitted, ii) rollover the assets to his/her new employer's plan, if one is available and rollovers are permitted, iii) rollover to an Individual Retirement Account (IRA), or iv) cash out the account value (which could result in adverse tax consequences). We may recommend that you rollover your plan assets to an IRA that we manage. As a result, we and our representatives may earn an asset-based fee. In contrast, a recommendation that you leave your plan assets with your old employer or rollover to your new employer sponsored plan will generally result in no compensation to us (unless you engage us to monitor and/or manage the account maintained at

your employer). We have an economic incentive to encourage clients to roll plan assets into an IRA that we will manage *or* to engage us to monitor and/or manage while maintained at their employer. There are various factors that we may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus fees and expenses in an IRA, iii) the services and responsiveness of the plan’s investment professionals versus ours, iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by us or to engage us to monitor and/or manage the account while maintained at their employer.

We do not participate in wrap-fee programs.

We manage client assets on a discretionary authority; approximately \$62,263,105 as of 12/31/2022. (Discretionary authority – you have given us the authority to decide which securities to buy and sell for you).

**Item 5 – Fees and Compensation**

We base our fee on a percentage of assets under our management as follows:

New clients as of November 1, 2006:

<u>Assets Under Management</u>	<u>Annual Fee</u>	<u>(Quarterly Fee)</u>
Up to \$1 million	1.25%	0.3125%
\$1,000,000 - \$2,500,000	1.00%	0.25%
More than \$2,500,000	0.50%	0.125%

Clients prior to November 1, 2006 are charged an annual fee of 1%, unless the above schedule would result in a lower fee for them.

Our fee is a minimum of \$625 per quarter for new clients; fees are subject to negotiation and we reserve the right to waive the minimum quarterly fee. We also reserve the right to provide other services to the client such as financial planning, tax planning and tax return preparation at no additional fee.

Clients entering our program during a calendar quarter are charged a pro-rated portion of this fee for the initial quarter of management services. After that, the full fee is charged.

We deduct management fees from your accounts quarterly before the next calendar quarter. This fee is billed on or about the first weeks of January, April, July, and October.

We require a 90-day termination notice within the first year of the agreement and a 60-day notice after the first year. If a client terminates their advisory contract with us before the end of a billing quarter, they may be due a refund of the pre-paid fee. Any pre-paid, unearned fee will be returned and any earned, unpaid fees will be due and payable to us.

Hourly fees may be charged for separate engagements such as Financial Planning ranging from \$140 - \$220 per hour. This fee will be discussed prior to the engagement.

Clients will incur custodial and transaction fees separate from our management fee. See Item 12 for more information. Please note: your assets are custodied at Charles Schwab & Co., Inc. We are not affiliated with Schwab and they may change these fees at any time with no prior notice. Clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. fund management fees and other fund expenses).

We and our supervised persons do not accept compensation for the sale of securities or other investment products.

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

Luther Forest Wealth Advisors and its supervised persons do not accept performance-based fees (fees based on a share of the capital gain or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

We generally provide portfolio management services to individuals, high net worth individuals, trusts, pension plans, profit sharing plans, corporations and charitable organizations. Our quarterly minimum fee is \$625. We reserve the right to waive or reduce our minimum fee based on criteria such as anticipated additional assets, future earnings, related accounts, etc.

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

Luther Forest Wealth Advisors may use the following methods of analysis:

- Technical – analysis performed on historical and current data, focusing on price and trade volume, to forecast the direction of prices
- Fundamental – analysis performed on historical and current data, with the objective of making financial forecasts
- Cyclical – analysis performed on historical relationships between price and market trends, to forecast the direction of prices.

Our main sources of information for analysis include:

- Corporate rating services
- Annual reports, prospectuses, filings with the SEC
- Research material prepared by other professionals
- Financial newspapers and magazines
- Company press releases

We may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Margin Transactions (use of borrowed assets to purchase financial instruments)

Investing your money in securities involves risk of loss that you should be prepared to bear. The material risks associated with our investment strategy include:

- Systemic Risk (also known as market risk) – most people regard market risk as the threat of declining prices, but it also involves the possibility of being on the sidelines during rallies.
- Reinvestment Risk – is the risk that interest rates will fall, causing cash flows from an investment, such as dividends or interest payments, to earn less than the original rate of return.
- Economic Risk – has to do with political instability, government privatization or economic collapse of an entire country (relates to foreign investments).

We recommend the use of mutual funds. One of the material risks associated with the use of mutual funds is that they are traded at the end of the day, meaning if a mutual fund is losing value and we make a sale, that sale will not be executed until the end of the day. It will be executed at whatever price it ends the day with as opposed to the price when the sale was placed. An unwanted tax consequence is another risk associated with mutual fund investing in taxable accounts (does not apply to retirement accounts). There are three taxable events within a mutual fund: sale of securities within portfolio, declaration and payment of dividends and/or interest, and the sale of mutual fund shares. We can only control the third taxable event, sale of mutual fund shares.

We also recommend Exchange-Traded Funds (ETF's). Investors buying or selling ETF shares on the secondary market may incur customary brokerage commissions. Market prices may differ to some degree from the net asset value of the shares. Investors who sell fund shares may receive less than the share's net asset value. Shares may be sold throughout the day on the exchange through any brokerage account. However, unlike mutual funds, shares may only be redeemed directly from the fund by authorized participants, in very large creation/redemption units. If the fund's authorized participants are unable to proceed with creation/redemption orders and no other authorized participant is able to step forward to create or redeem, fund shares may trade at a discount to the fund's net asset value and possibly face delisting.

In addition to mutual funds and ETF's, we also recommend the following types of securities:

- Equity securities (stocks including exchange-listed securities, securities traded over-the-counter, foreign issuers)
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States government securities

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Luther Forest Wealth Advisors or the integrity of Luther Forest Wealth Advisor's management. Luther Forest Wealth Advisors has not been subject to any disciplinary actions.

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

We and our management persons (employees) are not registered as a broker-dealer or a registered representative of a broker-dealer and we have no applications pending.

We and our management persons are not registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities and we have no applications pending.

We do have a relationship with Kumlander, Donofrio, Hay & Pehl CPAs. Kumlander, Donofrio, Hay & Pehl CPAs is a full service public accounting firm and many of our clients choose to use the services of both firms, but they are not required to. We provide full disclosure to all clients and prospective clients.

We do not recommend or select other investment advisers for you and we do not receive compensation directly or indirectly from any adviser. We do not have a business relationship with any other advisers.

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

Luther Forest Wealth Advisors has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Luther Forest Wealth Advisors must acknowledge the terms of the Code of Ethics annually, or as amended. We will provide you with a copy of the Code of Ethics upon written request.

We do not recommend to clients, or buy or sell for client accounts, securities in which we or a related person have a material financial interest.

We and our personnel invest in the same securities that we recommend to you. The mutual funds we invest in are publicly traded and are not related or affiliated with us. Our Chief Compliance Officer monitors transactions in our employee's accounts for market timing, quantity, and dollar volume. The Code of Ethics is designed to assure 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. We report any conflicts to our compliance officer.

We may buy or sell securities for your accounts at or about the same time we buy or sell the same securities for our or our personnel's accounts. This could result in a different price for the same security. When this occurs, we average the cost of the securities to the participating accounts so there is no preferential treatment given to any account.



## Item 12 – Brokerage Practices

We do not select broker-dealers for client transactions. We may recommend that you establish your accounts with Schwab Advisor Services<sup>TM</sup>, a division of Charles Schwab & Co., Inc. (Schwab) to maintain custody of your assets and to make trades for your accounts. Although we may recommend that you establish accounts at Schwab, it is your decision to custody your assets with Schwab. Luther Forest Wealth Advisors is independently owned and operated and not affiliated with Schwab.

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors (us) on an unsolicited basis, at no charge to us so long as a total of at least \$10 million of our clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon Luther Forest Wealth Advisors committing to Schwab any specific amount of business (assets in custody ((other than the above minimum)) or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally only available to institutional investors or would require a significantly higher minimum initial investment.

Schwab generally does not charge separately for custody services for our clients but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

### Research and Other Soft Dollar Benefits:

When client brokerage commissions are used to obtain research or other products or services, we receive a ("soft dollar") benefit because we do not have to produce or pay for the research, products or services.

We may have an incentive to recommend Schwab based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving the most favorable execution.

You may pay commissions higher or lower than those charged by other broker-dealers in return for soft dollar benefits.

We use soft dollar benefits to service all of our client's accounts. We do not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Schwab's products and services that assist us in managing and administering your accounts include software and other technology that (i) provide us access to your account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocation aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from

your accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

We use only Schwab to custody our clients' assets and direct client transactions in return for soft dollar benefits we received.

We do not receive referrals from any broker-dealers.

We do not recommend, request, require or permit you to direct us to execute transactions through a specific broker-dealer.

We may aggregate the purchase or sale of securities (multiple account trades of the same security in a single transaction) when it is financially advantageous for you. This is a more efficient manner to purchase securities. This could result in pricing differences on the cost of those securities. To avoid preferential treatment, the average cost is allocated to the participating accounts.

### **Item 13 – Review of Accounts**

We normally review client accounts on an ongoing basis; while securities in the portfolios are reviewed monthly. Timothy W. Pehl, CPA, CFP® and Robert R. Roback, Jr., CFS®, CFP® conduct the reviews. Accounts are reviewed for suitability of investments, asset allocation in relation to risk level, changes in clients' goals or circumstances, market direction, economic factors, performance of securities and/or political events. Securities reviews include performance, management changes, financial conditions and economic outlook.

We will review your account anytime you contact us with a concern or change in your financial circumstances.

Schwab will send directly to you a written statement, at least quarterly. They will also send you trade confirmations and year end reports (i.e. 1099's). We internally prepare written quarterly performance reports which we send to you. You can also access most accounts through [schwaballiance.com](http://schwaballiance.com) where 10 years of account reports are archived.

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

We do not have any arrangement with any person or firm to provide investment advice or other advisory services to our clients.

We do not pay any solicitor or referral fees to any individual or firm for client referrals. We may engage in a co-op arrangement with outside firms for management services to their clients' assets. All fees are in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940 and any state securities law requirements.

### **Item 15 – Custody**

We report custody of your account (per SEC “third-party” guidance) if you have given us written permission to transfer funds for you to a non-identically registered account. An example would be to an individual account to a joint account you hold with your spouse or other person. We will deduct our fees and transfer money for you only with your prior written permission. You will receive at least quarterly statements directly from your account custodian, Charles Schwab & Co., Inc., detailing all account transactions. We urge you to carefully examine your statements. You may contact Schwab Alliance directly at 800-515-2157, or [www.schwaballiance.com](http://www.schwaballiance.com) (click ‘log in’ and choose ‘Schwab Alliance’) or PO Box 628290, Orlando, FL 32862-8290.

## **Item 16 – Investment Discretion**

We accept discretionary authority from you, at the start of our advisory relationship, to select the type and amount of securities to be bought and sold on your behalf. In all cases, we exercise such discretion in a manner consistent with your stated investment objectives. Our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be given to us in writing. We provide an opportunity for this in our Portfolio Management Agreement which you sign at account opening. You may also revise your restrictions at any time during our advisory relationship.

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

We will vote proxies for your securities, unless you notify us in writing that you will vote proxies yourself. Our votes are based on our judgment of the vote that would most likely produce favorable financial results for you. Votes normally are cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. You may notify us in writing if you wish to direct your vote in a particular solicitation. If a conflict of interest arises between you and us, we may ask you how to vote, we may abstain from voting or we may use a third party to vote for you.

We keep records of securities voted for 5 years. You may request in writing how we voted a security for you. We give you our Proxy Voting Disclosure at account opening and you may request at any time, in writing, a full copy of our Proxy Voting Policies and Procedures.

If you have chosen to vote proxies yourself, you will receive solicitations directly from Schwab. You may contact us by email, phone or mail if you have a question about a particular solicitation.

## **Item 18 – Financial Information**

We do not require prepayment of more than \$1,200 per client six months or more in advance.

We have no financial conditions that are reasonably likely to impair our ability to meet any contractual commitments to our clients.

We have never been the subject of a bankruptcy petition.