



# Mr. Atticus Finch, Esq.

Effective: April 2020

## Investment Policy Statement

## INTRODUCTION

- **You will be a Member, not a Client:** We refer to our clients as “Members”. “Member” and “Members” have the same meanings throughout this document and other communications between us and you as “client” or “clients” of Maycomb Wealth and shall not have any other meaning unless otherwise stated in writing.
- **Informational Purposes Only Until Agreement Signed:** We often provide a personalized and complimentary Investment Policy Statement (“IPS”) to someone considering becoming a Maycomb Wealth Member. To the extent this IPS is being provided to you in advance of signing a comprehensive wealth management or financial planning agreement with Maycomb Wealth, you agree and understand it provided to you for information purposes only and shall not constitute formal advice or recommendations.
- **Your Name and Date of Birth or Age:** Atticus Finch (50 yrs old)
- **Your Other Immediate Family Members and Dates of Birth or Ages:** Jeremy “Jem” Finch (10 yrs old) and Jean Louise “Scout” Finch (6 yrs old).
- **Foundation:** The foundation of our wealth management process is your personalized IPS. We prepared this personalized IPS based on the documents and information you have shared with us about your financial condition. It is important that you promptly advise us in writing if there are material changes regarding your circumstances, or you otherwise have any reason to believe that anything in this IPS is inaccurate or should be updated or changed.
- **Amendments:** To the extent you are already, or ultimately become a Member, we will amend or otherwise update this IPS as circumstances and future events require.

## OVERVIEW

- **Key Factors:** Factors we consider in preparing your IPS include, but may not be limited to one or more of the following:
  - what is important about wealth to you;
  - your goals and objectives;
  - your willingness to tolerate risk; and
  - your need to take risk.
- **Other Notes:** To the extent you engage us to manage investments for you, it is important you appreciate and understand that:
  - Your investments we manage are uninsured (unless otherwise stated in writing);
  - Your investments we manage can lose value, including loss of principal, and these losses can be significant;
  - Your investments we manage are subject to various risks outlined elsewhere in this IPS (including, but not limited to the *Challenges to Your Goals/Objectives* section below);

- Past performance is no guarantee of future results; and
- There is no guarantee that you will achieve your goals.

## **GOALS/OBJECTIVES:**

### **SHORT-TERM NEEDS, WANTS, DREAMS (Five years or less)**

NEEDS – Require highest % probability of achievement.

- N/A

WANTS – Require lower % probability of achievement.

- To renovate my law practice building and rent out the extra offices.

DREAMS – Require lowest % probability of achievement.

- N/A

### **LONG-TERM NEEDS, WANTS, DREAMS (Longer than 5 years)**

NEEDS – Require highest % probability of achievement.

- To save enough for retirement where my portfolio will support my lifestyle through income (and if needed, principal) generated by the portfolio.
- To save enough to send my two children to a four-year college of their choosing.

WANTS – Require lower % probability of achievement.

- To save enough to send my two children to a graduate school of their choosing.

DREAMS – Require lowest % probability of achievement.

- To own a vacation home on the beach in south Alabama or Florida; and
- To have a scholarship in my father's name at the University of Alabama School of Law for underprivileged young men and women.

## **CHALLENGES TO YOUR GOALS/OBJECTIVES:**

VOLATILITY

Think of volatility as the ups and downs the markets have experienced over the long term, and that we believe are likely to continue to occur over the long term going forward. Downturns in global markets can negatively affect the values of your portfolio, including but limited to the following:

- One-year and even multi-year volatility can be significant for many asset classes. **For example, the stock market(s) and many portfolios experienced losses of 50% or more during the financial crisis of 2007-2009. More recent volatility associated with the COVID-19 crisis have also been and may well continue to be significant. Perhaps the greatest volatility in modern history related to the Great Depression of the 1930's, which lasted for approximately 10 years;**
- On the other hand, not investing one's money has its own risks. The most important of these is likely inflation risk. Money that is not earning any return or interest is generally losing purchasing power through the effects of inflation. Many people may not realize the extent of this effect since inflation is less visible than other risks;
- Our strategies are designed for long-term investors whose assets will remain invested for at least 5 years, and ideally, 10 years or more; and
- We generally believe any portfolio with less than a five-year time horizon should be comprised of predominantly FDIC-insured CDs, FDIC-insured high-yield savings accounts, among potentially other options we can discuss. We believe it is important not exceed applicable limits of FDIC insurance in accounts where such coverage is available.

## RISK

The types of risk you may face as an investor include, but may not be limited to:

*Management Risk:* The risk that the investment choices of those people managing the client portfolio may underperform to their relevant benchmarks causing the overall performance of the account to also underperform.

*Interest-rate Risk:* Changes in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

*Market Risk:* The price of a security 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 affect security prices.

*Inflation Risk:* A dollar today will likely buy more than a dollar in the future, because purchasing power is often diminished due to inflation.

*Currency Risk:* Many international investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investments' originating countries. This is also referred to as exchange rate risk. Hedging international investments (as we recommend doing for most international fixed income investments) back to the U.S. dollar has costs associated with it that can also lower returns.

*Reinvestment Risk:* Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

*Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, some companies depend on finding oil and then refining it before they can generate a profit. Demand for oil can also ebb and flow over time. Such companies in the petroleum business may carry a higher risk than some electric companies whose customers may buy electricity to meet their needs, regardless of the current economic environment

*Liquidity and Bid/Ask Spread Risks:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in them. For example, U.S. treasury bills are usually far more liquid than real estate. Other investments such as exchange-traded funds (“ETFs”) have historically experienced liquidity complications and bid/ask spread variances (differences in the prices for which one can buy or sell the investment) from time to time. When these situations occur, investors may be unable to exit or otherwise make trades regarding their investment or be unable to do so on terms that are desirable. Examples include, but have not been limited to, the “flash crashes” of 2010 and 2015. We cannot control when these situations occur, or how long they may last. Future instances may be less or more severe or take less or more time to resolve themselves than in prior situations. We may recommend that you remain invested during such periods, even if you and others are not inclined to do so. The failure to follow such advice could cause you to sell your investments for prices that are not ideal. This is another reason why the assets we manage for Members should not be needed for at least five years, and preferably 10 years.

*Financial Risk:* Excessive borrowing to finance operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in declining market value, bankruptcy, among potentially other things.

## **RISK ASSESSMENTS**

To the extent you have provided us with risk-related questionnaires that we have relied on as part of preparing this IPS, the results are attached here as **Exhibit “A”**.

## **ANALYSIS OF YOUR CURRENT PORTFOLIO**

To the extent we have analyzed your existing portfolio that was or is managed by someone not affiliated with Maycomb Wealth, the results are attached here as **Exhibit “B”**.

## **INVESTMENT METHODOLOGY AND ASSET ALLOCATION**

We believe investors must choose from one or more of the following investment methodologies:

- (i) security selection;
- (ii) market timing; and/or
- (iii) asset class investing.

**The only methodology Maycomb Wealth embraces is asset class investing.**

This means we do not believe we or the vast majority of other professionals can effectively pick individual stocks or individual bonds, particularly over the long term.

We do not believe we or the vast majority of other professionals can effectively time when markets will begin to do well or poorly or when they will stop performing well or poorly.

Our goal is to help you design an overall portfolio that provides you with a mix of stocks, bonds, and potentially other investments that serves your long-term interests. Stock funds and ETFs that we recommend are riskier, generally, than the bond funds and ETFs we recommend. It is the balance of risk vs. return (largely driven by the mix of stocks and bonds) that we believe best positions our Members to meet their goals and objectives.

Many people ask us to help them understand how certain mixes of stocks and bonds have performed historically and may perform in the future. While we are careful to emphasize that **past performance and forecasts are NO GUARANTEE of future results**, in the hopes it is helpful to you for informational purposes, we are attaching return data from the Vanguard Group (*see Exhibit “C-1i and C-1ii”*) and Dimensional Fund Advisors (“DFA”) (*see Exhibit “C-2”*) that provide information that may be helpful to you. Many finance professionals are predicting that future returns from now through 2030 will not be as high as they have been over the last 10 years or longer. For example, Vanguard’s market assumptions for 2020-2030 that are part of Exhibit “C” suggest a potential nominal return of approximately 4.3% for a globally diversified portfolio of 60% stocks and 40% bonds. This can appear “low” to some people who do not study finance and markets. Compare this to the Vanguard and DFA historical data suggesting a much higher long-term historical average nominal return.

These data do not guarantee how investments may perform in the future, nor do they consider taxes, advisory and other fees, costs, and expenses, or inflation that would lower the actual return an investor could receive. We did not author these Exhibits from Vanguard and DFA and thus, cannot accept responsibility for any inaccuracies in them. Please also review the disclaimers on these Exhibits, which are incorporated here by reference.

The risk profiles associated with the Vanguard purely passive portfolios are different than the risk profiles associated with the DFA portfolios. In general, the DFA portfolios are riskier than Vanguard’s purely passive portfolios, due to DFA’s decision to overweight or “tilt” portfolios towards certain factors such as company size (small cap, versus large cap), relative price (value, versus growth), and profitability factors. **It is important to understand and respect the relationship between risk and reward. Generally, we believe potentially greater returns from one investment requires a proportionate increase in risk over an alternative less risky investment.**

**Please keep in mind that this IPS, including each of its Exhibits, is NOT a prediction nor guarantee of what future results may be for any investor or portfolio.**

## RECOMMENDATIONS

If you sign a comprehensive wealth management agreement or financial planning agreement with us, we will likely be making the following recommendations with respect to your portfolio:

- Transfer positions currently held at Boo Radley's Hot Stock Pickers and Market Timers LLC to a preferred custodian for Maycomb Wealth to manage.
- Sell holdings in rollover retirement account and redeploy into passive and index-based strategies Maycomb Wealth has or will be discussing further with you.
- Sell half of holdings in taxable accounts in this calendar year and redeploy into passive index-based strategies. You have taken our advice to speak with your accountant about the tax implications of this decision, and we understand you are agreeable to paying the applicable taxes in exchange for being able to change to the strategy we are recommending.
- Next calendar year sell second half holdings in taxable accounts and redeploy into passive index-based strategies. This will have tax implications as with the sale discussed in the bullet point immediately above. We understand your accountant suggested staggering the sales from these taxable accounts over two years to help with the tax burden, and that you wish to proceed accordingly.
- The only exception to the plan above is do not sell \$105,000.00 position in SPY (S&P Index Fund) held in taxable account ending in xxx904. So that you can avoid taxes associated with liquidating this position, we will use that as a proxy for the other index funds we will use in the portfolios Maycomb Wealth recommends to Members.
- Set up 529 plans for Jem and Scout. We recommend using Utah's or Nevada's plan(s), as opposed to your home state of Alabama's. We can discuss our reasoning in greater detail if you sign an agreement with us.
- Have one of our preferred vendors review existing life, disability, property/casualty (including Umbrella coverage), and long-term care insurance.
- You have no will or other estate planning documents. We strongly recommend sooner than later that you meet with a licensed estate planning attorney to discuss this. The attorney should be licensed in Alabama and be very familiar with that state's estate planning law(s). We recommend you discuss a potential need for each of the following (if you remarry, your spouse would benefit from a similar discussion with an estate planning attorney): a will, testamentary and/or other trust(s), power-of-attorney, and a health care directive. We can make referrals if desired, but you have told us that you have a law school classmate with whom you will discuss this.

## STRATEGIC IMPLEMENTATION PLAN

For any accounts that are being transferred from an existing advisor to our preferred custodian for Maycomb Wealth to manage, we highly recommend having a discussion with us and your existing

advisor about if and how you may be able to limit the fees, costs, and expenses associated with the transfers or sales.

It may be possible to consolidate positions and otherwise take steps **prior to transferring your investments from your prior advisor** that could save you money in trading and other fees, costs, and expenses. We are available to discuss this with you if you wish. We cannot control what an existing advisor not affiliated with us will agree to do with respect to these issues.

You can generally expect your portfolio we manage to be “rebalanced” annually or sometimes less or more frequently. Market upturns and downturns over time may alter the asset allocations within your portfolio. Rebalancing may involve the selling of one asset class and the purchasing of another asset class to return your portfolio to the desired asset allocation. This often involves selling some of an asset class that is performing better to purchase more of an asset class that is not performing as well or has even incurred losses. For example, during the economic downturn of 2007-2009 and the more recent fallout from the COVID-19 crisis investors following this approach to rebalancing were likely buying more stocks as the prices of those securities were decreasing significantly. This can seem counterintuitive but over the long term we believe that a disciplined and systematic rebalancing process gives Members the best potential for a better investment experience.

Trading and other fees, costs, and expenses will be involved in the rebalancing process, and may also be involved in other situations, such as if or when changes are made to the model portfolios in which you are invested. Rebalancing in taxable accounts can generate tax liabilities as well. You may also experience trades associated with occasional tax-loss harvesting opportunities in taxable accounts. There are possible pros and cons relating to tax-loss harvesting. If you are interested in more information about the potential pros and cons of tax-loss harvesting, or any other technique referenced in this IPS, please send us a written request and we can discuss them. Actual tax advice on this topic or anything else should only come from a licensed accountant.

The discretion you give to Maycomb Wealth and potentially to sub-advisors or others we and/or you work with permits us and them to rebalance and perform other trades without notice to you. That said, our goal is not to trade in your accounts unless there is a good reason to do so that serves your interests. We ask you to carefully review your accounts online and your statements from your custodian and ask us any questions or voice any concerns you may have.

**If you have any questions about any policy, technique, term, or condition referenced in this IPS, please let us know prior to signing it.**

## **MEETINGS AND COMMUNICATIONS WITH US AND RECORDING OF SAME**

You should expect to work with more than one of our Advisors throughout your time working with us. We have a collaborative wealth management practice that we believe ends up best serving our Members. This means that more than one of our Advisors will likely be familiar with your financial situation. This helps when one Advisor with whom you are familiar is unavailable and you wish to speak with someone who can assist you or we need to get in touch with you for whatever reason.



Meetings normally occur using the phone and/or web-based video conferencing software that we make available to Members. You will need an internet connection to effectively communicate with us. One of our Advisors will offer to meet with you approximately 45 days from when you sign a comprehensive wealth management agreement with Maycomb Wealth. The purpose of this meeting is to ensure the onboarding process is working well and you are pleased with the start of our working relationship together.

After the 45-day meeting you can expect to meet with one of our Advisors at least once during the remainder of that calendar year unless the 45-day meeting occurs within the Fourth Quarter of a given calendar year (in which case we will likely defer to the following year). Going forward, we will offer to meet with you 1-2 times per year, and more frequently if needed or you want to do so.

If something requires an immediate response, please leave us a voicemail. While you and we are free to communicate via e-mail, we must remember it is not secure. If you have sensitive documents or data to share, please use the more secure portal and vault we will provide you through our strategic partner, *eMoney*.

Our goal is to return your messages by the following business day. If we are unable to do so, we will try to let you know of the delay and when we expect to be able to get back with you. If you are experiencing delays in reaching one of our Advisors or have any other questions or concerns about our service to you, please send an e-mail to [compliance@maycombwealth.com](mailto:compliance@maycombwealth.com) and one of our representatives will investigate the situation and follow up promptly with you.

**We may (or may not) also record phone calls or video conferences and other communications with you for quality assurance, business continuity, and potentially other purposes so long as they do not conflict with our Privacy Policy, and by signing below, you consent to us doing so.**

**By signing below, you also consent to electronic service of documents and information we are required to provide to you or that we may choose to provide you. These documents include but are not limited to amendments and annual and potentially other updates to our ADV form(s), Privacy Policies, as well as your performance reports and custodial statements. Electronic service may be accomplished by uploading documents and information to your virtual vault that we provide to you in *eMoney*. It is important that you know how to use your virtual vault and that you use it.**

Cyber security is a primary concern today. It is one of the reasons we ask you to work with us using *eMoney*, which helps us try to keep you and your personal information safe and secure. That said, no company or system is immune or can guarantee complete safety from all cyber-attacks. It is important that we work cooperatively together in this regard.

E-mail and texts, SMS, IM, and other communications are the source of a considerable amount of cybercrime and identity theft. Be careful about how you communicate and what you share with us. While we communicate with Members via e-mail, we ask you to assume it is not secure and not appropriate for sending sensitive information such as account numbers, passwords, social security or

tax ID numbers, among other things. We will never ask you via e-mail to move money or provide personal information without confirming this by phone or some other means to assure you the request is legitimate. **Please be extremely careful. Do not click or hover over links that appear suspicious. Always err on the side of calling us by phone to discuss a potentially suspicious communication or situation.**

While we have technology in place to archive e-mails between you and our Advisors who serve you, our policy is to not communicate with you (and that you not do so with us) via text or SMS or IM messaging concerning any substantive business or other sensitive information and we ask you to follow that policy as well. As a result of this policy, we do not archive text, SMS, or IM messaging.

**We cannot accept distribution, transfer, trading, and other requests/instructions without taking reasonable steps in our discretion to verify the legitimacy of such requests. Depending on the time of day of receiving such a request we may or may not be able to implement it the same business day. We should normally be able to do so by the following business day, but there may be situations where there are additional delays.**

## **YOUR FINANCIAL PLAN**

Unless otherwise agreed in writing, if you sign an agreement that entitles you to a financial plan, (“Plan”) you can expect one to be delivered to you within approximately 90 days of the latter of:

- When you sign such an agreement with us; or
- The last date on which you provide us with all of the documents and information we need to prepare your Plan. The documents we need to prepare your Plan are summarized on the *Request for Production* attached here as **Exhibit “D”**. Phase 1 of those document requests helped us prepare this IPS. You have likely given us those documents but please double check and supplement as needed. Phase 2 of those document requests will allow us to prepare your Plan. Please provide us with those documents at your earliest convenience. We may also need to follow up with you to request additional information.

It is important to keep in mind that our ability to create your Plan and to otherwise work with you depends on you providing timely responses to requests for documents and other information about your financial condition.

If you are going to be working with us on an ongoing basis, your Plan and this IPS will be used in your meetings with your Advisor each year going forward, and they will be updated as needed. If you will be working with us on a project basis, we will not be meeting with you or updating your Plan or IPS after the project is complete unless otherwise agreed in writing.

## **WHAT YOU WILL PAY**

Assuming you are a “comprehensive wealth management Member” (defined as including both investment management services and financial planning services) your fee will range from \$1,875 per

quarter (\$7,500 per year) to \$4,500 per quarter (\$18,000 per year ) depending on the complexity of your circumstances. Comprehensive wealth management Members pay an investment management fee (the range for which is listed above) and do not pay a financial planning fee.

We also consider requests to provide financial planning services for individuals who do not wish for us to manage their assets or provide ongoing advice after the financial plan is delivered to them. In these situations, we typically bill on a project basis and the fee usually ranges from \$3,000.00-\$8,000.00 but could be less or more. We also consider requests to perform financial planning services on an hourly basis if an individual prefers that to the project-based fee. Rates generally range from \$150.00 per hour to \$350.00 per hour. A financial planning agreement would apply in such a situation, as opposed to a comprehensive wealth management agreement. We reserve the right to make exceptions to the fee(s) we charge in certain situations and to make the ultimate decision on whether we will work with someone and on what terms.

The fee for comprehensive wealth management Members covers all services Maycomb Wealth and any sub-advisor or other advisor provides. Sub-advisors and other advisors we may work with may provide important support including, but not limited to portfolio model development and implementation, to paperless account opening and trading, to billing and performance reporting. If we manage money for you, you may sign a separate direct agreement with one of our partner advisors (including, but potentially not limited to First Ascent Asset Management, LLC) confirming it will owe you the same fiduciary duty we owe to you. Alternatively, you may sign a sub-advisory agreement with us that permits us to engage one or more sub-advisors to assist us on your behalf. Unless otherwise stated in writing, any such sub-advisors will owe you a fiduciary duty as well. As outlined above, fees you pay to us or to other advisors/sub-advisors do not include other costs and expenses that your custodian and the providers of your ETFs and funds, among potentially others, will charge.

We reserve the discretion and right to discuss an adjustment to your fee if there is a material change relating to your financial condition or the complexity of your overall situation, or we otherwise believe there is a good faith reason to request such an adjustment. We strive to be fair to you and to ourselves in this regard. You can of course terminate your relationship with us if you do not wish to pay our fee.

## **COST OF LIVING AND OTHER FEE ADJUSTMENTS**

It is also our policy to formally reevaluate our comprehensive wealth management fee every two years though we may do so more or less frequently. The point of the reevaluation is to determine if the fee continues to have a rational relationship to the time and resources required to serve you. We also evaluate what, if any, cost of living adjustment may be appropriate in light of the consumer price index ("CPI") and potential increases we may receive from vendors on whom we rely to operate our business. You will sign a new agreement with us confirming the new fee schedule before any such proposed change will be effective. You may terminate the relationship with us if you do not wish to pay the fees we propose.

## **OTHER FEES, COSTS, AND EXPENSES**

If we manage assets for you, you will also pay custodian charges when there are trades, transfers, account openings and/or closings, and other activities relating to your accounts. Additionally, companies providing you with mutual funds and ETFs and/or other investment offerings we recommend to you will also typically charge annual “expense ratio” charges and perhaps other fees, costs, and expenses.

These “expense ratio” charges generally cost between .04% and .39% of the securities contained in your portfolio we recommend but may be more or less. Neither Maycomb Wealth nor any advisors or sub-advisors we may work with in connection with serving you receives any portion of any custodian charges or “expense ratio” payments. We cannot control if or when companies may choose to raise or lower these expenses. Such increases or decreases will usually be implemented automatically such that you and we generally do not have notice in advance. That said, we monitor these and other fees, costs, and expenses as part of serving you and fees, costs, and expenses are an important part of the factors we consider as part of selecting vendors and serving you. If we believe there is a material reason to change a vendor to serve your interests, we are prepared to do so.

We may rely on advice and input from outsourced financial planners, paraplanners, accountants, insurance agents or professionals, estate planning attorneys, tax attorneys, our *Outsourced Chief Investment Officer*, and/or others with whom we may work as part of preparing your IPS, Plan, or otherwise serving you. Consistent with our Privacy Policy, **you consent to us sharing your information with such individuals and entities and/or having discussions with them about your financial affairs and situation to assist us in serving you.** You may or may not interact directly with such individuals or entities, even if we do. You agree we have discretion to pay them for their assistance, or we may recommend to you that you sign an agreement with them and pay them directly. You have no obligation to sign such an agreement.

## **SIGNATURES**

**By signing below, you agree that you have had an opportunity to review this IPS closely and that you have discussed any questions or concerns you have about its contents with your Advisor. By signing below, you agree that you have no pending questions or concerns about the contents of this IPS.**

**We reserve the right to share your signed IPS with anyone on joint accounts with you concerning accounts we may ultimately manage, and likewise, reserve the right to share that person’s signed IPS with you. Copies of your and any joint account holder’s signed IPS should be in your virtual vault in *eMoney* within 10 days of you and you and any joint account holder signing a comprehensive wealth management or financial planning agreement with Maycomb Wealth. If this does not occur, please request in writing that upload them to your virtual vault in *eMoney* and we will do so.**

**This IPS may be signed electronically through DocuSign or any other commercially reasonable/ accepted provider and shall be treated as an original for all purposes. Whether or not this IPS is incorporated by reference or attached to any agreement you may sign with Maycomb Wealth or advisors, sub-advisors, custodians, or others who may be involved with**

respect to our work for you, you agree that this IPS and any amendments to it over time constitute an important part of the working relationship you have with Maycomb Wealth and they shall be fully admissible in any disputes or proceedings involving you, Maycomb Wealth, or anyone else on which you or we rely to further our working relationship together for all purposes. We do not anticipate such disputes or proceedings occurring and look forward to potentially working with you or continuing to do so.

Signed \_\_\_\_\_, \_\_\_\_\_, 20\_\_\_\_

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Atticus Finch

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Keith Lichtman, on behalf of Maycomb Wealth Advisors LLC