

## Form ADV Part 2A

### Item 1 – Cover Page

# Clariti Wealth Advisors

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**March 14, 2024**

This brochure provides information about the qualifications and business practices of Clariti Wealth Advisors. If you have any questions about the contents of this brochure, please contact us at (302) 994-4444. 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.

Clariti 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 information from which one determines to hire or retain an Adviser.

Additional information about Clariti Wealth Advisors is available on the firm's website at [www.Claritiwealth.com](http://www.Claritiwealth.com) and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

There have been no material changes to this Brochure since our last annual amendment filing made on March 23, 2023.

Currently, our brochure may be requested by contacting Ryan Cross, CFP®, the firm's Chief Compliance Officer, at [ryan@claritiwealth.com](mailto:ryan@claritiwealth.com) or (302) 994-4444.

### Item 3 - Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 - Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation.....	11
Item 6 – Performance-Based Fees and Side-By-Side Management .....	12
Item 7 – Types of Clients.....	12
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	13
Item 9 – Disciplinary Information .....	18
Item 10 – Other Financial Industry Activities and Affiliations .....	18
Item 11 – Code of Ethics .....	18
Item 12 – Brokerage Practices .....	19
Item 13 – Review of Accounts.....	21
Item 14 – Client Referrals and Other Compensation.....	21
Item 15 – Custody .....	22
Item 16 – Investment Discretion.....	22
Item 17 – Voting Client Securities.....	22
Item 18 – Financial Information.....	23

## **Item 4 – Advisory Business**

Clariti Wealth Advisors is a limited liability company formed in the state of Delaware. The firm became registered with the U.S. Securities and Exchange Commission in January 1983. Clariti Wealth Advisors is principally owned by Ravi Dattani. Mr. Dattani is also the firm's Managing Member.

### **Financial Planning and Investment Management**

The primary service offered by Clariti Wealth Advisors combines financial planning and investment management in a carefully integrated process. Financial planning includes: the setting of goals and objectives, a detailed assessment of a client's current situation, the development of specific strategies designed to help a client achieve stated goals, and the communication of specific planning recommendations. Planning includes the review of the financial elements of a client's life, including cash flow, debts, education expense funding, investments, insurance, income taxes, retirement, and estate planning. Investment management is tailored to support specific financial planning objectives. It includes the establishment of an appropriate investment objectives, and the design, implementation, and monitoring of the investment portfolio. The service is designed to help clients achieve goals and objectives, taking into consideration their values and stage of life.

The term Financial Plan Management encompasses the integrated services of financial planning and investment management.

Clients receive annual tax planning reviews with specific recommendations. Periodic reviews of net worth statements, existing debt, education expense funding, insurance coverage, retirement feasibility, and estate planning are also performed.

Clariti Wealth Advisors also helps individual trustees, often surviving spouses or adult children, with their responsibility in making periodic trust distributions.

### **Hourly Consultations**

A consultation can be recommended to a prospective client with resources or needs that are a better match for hourly assistance than the more comprehensive financial planning services.

### **Investment Advisory Services to Qualified Plans, Trusts & Non-Profit Organizations**

Investment advisory services are available to the trustees of certain trusts, qualified retirement plans, and to directors of non-profit organizations. Terms and fees are disclosed in the Service Agreement.

## Important Disclosures

### Limitations of Financial Planning and Non-Investment Consulting/Implementation Services

As indicated above, to the extent requested by a client, Clariti Wealth Advisors provides financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Clariti Wealth Advisors does not serve as an attorney and no portion of its services should be construed as legal services. Accordingly, Clariti Wealth Advisors does not prepare estate planning documents. To the extent requested by a client, Clariti Wealth Advisors may recommend the services of other professionals for certain non-investment implementation purpose (i.e., attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Clariti Wealth Advisors and/or its representatives.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e., attorney, accountant, insurance agent, etc.), and not Clariti Wealth Advisors, shall be responsible for the quality and competency of the services provided.

### Retirement Rollovers-Potential for Conflict of Interest

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Clariti Wealth Advisors recommends that a client roll over their retirement plan assets into an account to be managed by Clariti Wealth Advisors, such a recommendation could create a conflict of interest only if Clariti Wealth Advisors will earn new (or increase its current) compensation as a result of the rollover. If Clariti Wealth Advisors provides a recommendation as to whether a client should engage in a rollover or not, Clariti Wealth Advisors is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Clariti Wealth Advisors, whether it is from an employer's plan or an existing IRA.

### Use of Exchange Traded Funds

Most exchange traded funds are available directly to the public. Therefore, a prospective client can obtain many of the funds that may be utilized by Clariti Wealth Advisors independent of engaging Clariti

Wealth Advisors as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Clariti Wealth Advisors' initial and ongoing investment advisory services.

In addition to Clariti Wealth Advisors' investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

#### Interval Funds

Where appropriate, Clariti Wealth Advisors may utilize interval funds (and other types of securities that could pose additional risks, including lack of liquidity and restrictions on withdrawals). An interval fund is a non-traditional type of closed-end mutual fund that periodically offers to buy back a percentage of outstanding shares from shareholders. Investments in an interval fund involve additional risk, including lack of liquidity and restrictions on withdrawals.

During any time periods outside of the specified repurchase offer window(s), investors will be unable to sell their shares of the interval fund. There is no assurance that an investor will be able to tender shares when or in the amount desired. There can also be situations where an interval fund has a limited amount of capacity to repurchase shares and may not be able to fulfill all purchase orders. In addition, the eventual sale price for the interval fund could be less than the interval fund value on the date that the sale was requested.

While an interval fund periodically offers to repurchase a portion of its securities, there is no guarantee that investors may sell their shares at any given time or in the desired amount. As interval funds can expose investors to liquidity risk, investors should consider interval fund shares to be an illiquid investment. Typically, the interval funds are not listed on any securities exchange and are not publicly traded. Therefore, there is no secondary market for the fund's shares.

Because these types of investments involve certain additional risk, these funds will only be utilized when consistent with a client's investment objectives, individual situation, suitability, tolerance for risk and liquidity needs. Investment should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some, or all, of the investment. There can be no assurance that an interval fund investment will prove profitable or successful. In light of these enhanced risks, a client may direct Clariti Wealth Advisors, in writing, not to purchase interval funds for the client's account.

#### Unaffiliated Private Investment Funds

Clariti Wealth Advisors may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Clariti Wealth Advisors' role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. Clariti Wealth Advisors' clients are under absolutely no obligation to consider or make an investment in a

private investment fund(s).

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment.

If Clariti Wealth Advisors bills an investment advisory fee based upon the value of private investment funds or otherwise references private investment funds owned by the client on any supplemental account reports prepared by Clariti Wealth Advisors, the value for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor, or, in the absence of a valuation, Clariti shall use the amount of the client's investment as the value of the position(s). The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

#### Portfolio Activity

Clariti Wealth Advisors has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Clariti Wealth Advisors will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Clariti Wealth Advisors determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Clariti Wealth Advisors will be profitable or equal any specific performance level(s).

#### ByAllAccounts

Clariti Wealth Advisors, in conjunction with the services provided by ByAllAccounts, Inc., may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Clariti Wealth Advisors (the "Excluded Assets"). The client and/or their other advisors that maintain trading authority, and not Clariti Wealth Advisors, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, Clariti Wealth Advisors' service relative to the Excluded Assets is limited to reporting only. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If Clariti Wealth Advisors were asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Clariti Wealth Advisors shall not be

responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Clariti Wealth Advisors provide investment management services for the Excluded Assets, the client may engage Clariti Wealth Advisors to do so pursuant to the terms and conditions of the Investment Advisory Agreement between Clariti Wealth Advisors and the client.

#### Cash Positions

Cash and cash equivalents are recognized as a major asset class. Their defensive nature can lessen the impact of volatility on a portfolio and offer liquidity to meet client cash flow needs. Clariti Wealth Advisors continues to treat cash as an asset class. As such, unless determined to the contrary by Clariti Wealth Advisors, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Clariti Wealth Advisors' advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Clariti Wealth Advisors may maintain or increase cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Clariti Wealth Advisors' advisory fee could exceed the interest paid by the client's money market fund.

#### Cash Sweep Accounts

Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion Clariti Wealth Advisors shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless Clariti Wealth Advisors reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

The above does not apply to the cash component maintained within a Clariti Wealth Advisors actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager and cash balances maintained for fee billing purposes.

The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Clariti Wealth Advisors unmanaged accounts.



### Socially Responsible Investing Limitations

Socially Responsible Investing involves the incorporation of Environmental, Social and Governance (“ESG”) considerations into the investment due diligence process. ESG investing incorporates a set of criteria/factors used in evaluating potential investments: Environmental (i.e., considers how a company safeguards the environment); Social (i.e., the manner in which a company manages relationships with its employees, customers, and the communities in which it operates); and Governance (i.e., company management considerations). The number of companies that meet an acceptable ESG mandate can be limited when compared to those that do not and could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange-traded funds are limited when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Clariti Wealth Advisors), there can be no assurance that investment in ESG securities or funds will be profitable or prove successful. Clariti Wealth Advisors does not maintain or advocate an ESG investment strategy but will seek to employ ESG if directed by a client to do so. If implemented, Clariti Wealth Advisors shall rely upon the assessments undertaken by the unaffiliated mutual fund, exchange traded fund or separate account portfolio manager to determine that the fund’s or portfolio’s underlying company securities meet a socially responsible mandate.

### Digital Assets

Digital assets include “Cryptocurrencies” (a digital representation of a store of value, i.e., Bitcoin), “Utility Tokens” (coins/tokens that give the holder rights or access to goods, licenses or services), “Security Tokens” (tokens/coins that are securities for purposes of federal securities laws). Digital assets are not backed by any government, are not legal tender and operate without central authority or banks. Because digital assets are currently considered to be speculative investments, Clariti Wealth Advisors does not recommend or advocate the purchase of, or investment in, digital assets. Clariti Wealth Advisors will not exercise discretionary authority to purchase a digital assets for client accounts. Rather, a client must expressly authorize the purchase of the digital assets. For clients who want exposure to digital assets, Clariti Wealth Advisors will advise the client to consider a potential investment in corresponding exchange traded securities or private funds that provide digital assets exposure. Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for liquidity constraints, extreme price volatility and complete loss of principal.

### Client Obligations

In performing its services, Clariti Wealth Advisors shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Clariti Wealth Advisors if there is ever any change in their financial situation or investment objectives for the

purpose of reviewing, evaluating or revising Clariti Wealth Advisors' previous recommendations and/or services.

#### Cybersecurity Risk

The information technology systems and networks that Clariti Wealth Advisors and its third-party service providers use to provide services to Clariti Wealth Advisors' clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Clariti Wealth Advisors' operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Clariti Wealth Advisors are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Clariti Wealth Advisors has established procedures to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that Clariti Wealth Advisors does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

#### Disclosure Statement

A copy of Clariti Wealth Advisors' written Brochure as set forth on Part 2 of Form ADV and its Client Relationship Summary set forth in its Form CRS shall be provided to each client prior to, or contemporaneously with, the execution of an advisory agreement.

#### **Assets Managed**

Clariti Wealth Advisors managed \$565,760,922 of financial assets on behalf of its clients as of December 31, 2023.

Assets managed on a discretionary basis, as of December 31, 2023, were \$451,174,843. Assets managed on a non-discretionary basis, as of December 31, 2023, were \$114,586,079.

Please note that all assets managed by Clariti Wealth Advisors on a discretionary basis are managed in accordance with agreed-upon guidelines found in the client's investment objectives letter.

## Item 5 – Fees and Compensation

Fee schedules are disclosed in advance and, at the discretion of Clariti Wealth Advisors, may be subject to negotiation.

Financial planning and investment management - The specific way fees are charged is established in a written Service Agreement presented to prospective clients in advance of the service. A deposit may be required as consideration for the service agreement. Client or Advisor may terminate this agreement at any time by written notice. If Client or Clariti Wealth Advisors terminates this agreement within ten days, any initial deposit will be refunded in full.

If Client or Clariti Wealth Advisors terminates this agreement during a service quarter, client is eligible for a pro-rata refund equal to the unused days in the service period divided by the number of days in the service quarter times the fee paid in advance.

Fees are generally deducted from client accounts in advance of the service period. Clients receive an invoice showing the amount and account to be billed prior to the processing of the fee. The initial quarterly plan management fee is based on the client's investable assets, including accrued interest or dividends, as defined in the Service Agreement. Fees range from 0.45% (45 basis points) to 0.95% (95 basis points) on an annual basis and are prorated and generally billed quarterly in advance. Subsequent adjustments will be made every two years, or if the fee, as calculated according to the schedule in the Service Agreement, is 20% higher or lower than the current plan management fee being charged.

Alternatively, the Advisor may propose a flat fee structure to better match the needs and resources of the client to the agreed-upon services.

Hourly consultations are billed at rates that vary by the experience and expertise of the advisor. Payment is requested upon completion of the consultation.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, Clariti Wealth Advisors shall generally recommend that Fidelity Investments ("Fidelity") serve as the broker-dealer/custodian for client investment management assets.

Broker-dealers such as Fidelity charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including Fidelity, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do.

There can be no assurance that Fidelity will not change their transaction fee pricing in the future.

Fidelity may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

Clients will incur, in addition to Clariti Wealth Advisors' investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

Clariti Wealth Advisors fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to Clariti Wealth Advisors' fee, and Clariti Wealth Advisors does not receive a share of these commissions, fees, and costs.

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

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

Clariti Wealth Advisors does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

Clariti Wealth Advisors offers financial planning and investment advisory services to individuals, including high net worth individuals and corporations.

Clariti Wealth Advisors offers investment advisory services to trusts, retirement plans, and non-profit organizations.

While Clariti Wealth Advisors has no strict minimum account size, full-service clients are generally subject to a minimum annual fee of \$5,000. Full-service clients tend to have financial assets in excess of \$1 million or have the ability to reach that level quickly through significant annual additions.

Clariti Wealth Advisors, at its sole discretion, may charge a lesser investment management fee. As

result, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

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

### **How Client Portfolios Are Designed**

Clariti Wealth Advisors prepares an Investment Objectives Letter in cooperation with the client that includes a determination of the client's Risk Tolerance, Risk Capacity and Time Horizon to which the client must subsequently agree.

The targeted allocation will, in all cases, be a diversified basket of stocks, bonds, alternatives, and real assets. Within each of these major asset classes, strategies will be employed that we anticipate will respond differently to changes in, for example, interest rates and economic growth.

Clariti Wealth Advisors primarily uses mutual funds and ETFs to achieve exposure to asset class targets and uses a combination of active and passive strategies. Active management is defined as a style that does not strictly adhere to a market benchmark. Clariti Wealth Advisors generally favors active managers whose security selections are meaningfully different from the indexes they are benchmarked against.

Once an acceptable pool of active funds is selected, Clariti Wealth Advisors looks at a manager's track record, amount of assets being managed, expense ratios, and whether or not a manager has his or her own monies invested in the fund before incorporating a particular fund into an investment allocation. All acceptable funds are then compared to each other to make sure recommended funds are meaningfully different. Differences can exist in the areas of style (growth versus value), market capitalization (large, mid, small) and/or investing methodology (quantitative vs. non-quantitative) to name a few. In summary, significant judgment goes into fund selection.

The risk attributes and goals of the client guide Clariti Wealth Advisors in determining the recommended allocation by risk categories and the proportions of each fund or security included in the portfolio.

### **How Risk Is Approached**

Successful investing involves acknowledging and understanding a wide variety of risks, including, but not limited to, purchasing power risk (inflation), interest rate movements, and the volatility of financial markets.

Risk Tolerance is defined as the client's willingness to tolerate portfolio declines of various magnitudes without disrupting the portfolio allocation. Clariti Wealth Advisors evaluates a client's risk tolerance and over time through the observation of a client's reaction to market volatility.

Risk Capacity is defined as the degree of volatility that is prudent, given client's net contributions or withdrawals from his or her portfolio on an annualized basis. Clariti Wealth Advisors evaluates a client's risk capacity by reviewing recent contribution and withdrawal activity or, lacking that history, by estimating that activity with input from the client.

Clients generally fall within either the Wealth Accumulation or the Wealth Distribution phase. Clients in the Wealth Accumulation stage, and able to add to their investment portfolio with consistent contributions, can accommodate more risk. They have the flexibility to adjust savings goals or retirement dates to reflect changing economic factors and goals.

Clariti Wealth Advisors works with clients in the Wealth Distribution phase by helping them target a cash withdrawal rate that can be sustained during their lifetime. This can only be done after gaining a thorough understanding of the client's goals, objectives, and financial resources.

To measure whether a withdrawal rate is sustainable, Clariti Wealth Advisors uses a mathematical modeling technique known as Monte Carlo simulation. This tool analyzes whether a withdrawal rate, given various asset class returns and other assumptions, can be sustained over a given period (i.e., life expectancy). It runs multiple scenarios of outcomes from a database of possible returns to build probabilities of financial outcomes.

Clients with projected withdrawal rates that are well within their portfolio's capacity will be matched with somewhat higher investment risk allocations than allocations considered appropriate for clients with more significant withdrawal needs.

The overall objective is to select an investment risk allocation that is in line with a client's risk tolerance and risk capacity, putting the client in the best possible position to achieve primary goals, such as maintaining a reasonable lifestyle and covering health-related costs, and secondary goals, such as leaving a certain amount of assets to heirs.

### **Investment Risk**

Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Clariti Wealth Advisors) will be profitable or equal any specific performance level(s).

All investment strategies have certain risks that are borne by the investor. Although there is no way to list all risks involved with investing, the following are common risks born by the majority of investors:

Interest Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, bond prices generally fall.

Market Risk: Asset prices may drop in reaction to certain unforeseen events. Also referred to as exogenous risk, this type of risk is caused by external factors independent of a security's particular underlying fundamentals or intrinsic value. For example, geo-political, economic, legislative, and/or societal events may amplify market risk.

Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

Business Risk: These risks are associated with a particular industry or a particular company within an industry. Some industries and/or companies may have historically demonstrated more stability than others. Economic factors and business functions are constantly changing. Past results are no guarantee of future performance.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product.

Financial Risk: Also referred to as leverage risk. Excessive borrowing to finance a business' operations may lead to financial strain and the ability to generate profits or meet certain obligations. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Counterparty Risk: The risk that each party may not be able to meet its contractual obligations. This may also be referred to as default risk for fixed income investments. In rare circumstances, the underlying securities within registered investment products may become illiquid which may restrict the ability of investors to redeem shares at quoted prices.

Execution Risk: The risk that buy/sell transactions may not be executed at favorable prices. This may occur during periods of abnormal market conditions.

Digital Asset Risk: The investment characteristics of Digital Assets generally differ from those of traditional currencies, commodities or securities. Digital assets are not backed by any government, are not legal tender, and operate without central authority or banks. Federal, state, or foreign governments may restrict the use and exchange of digital assets, and regulation in the U.S. is still developing. The SEC has issued a public report stating U.S. federal securities laws require treating some digital assets as securities. Digital asset may experience very high volatility, the exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers, or malware and are highly dependent on their developers.

Clariti Wealth Advisors' methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Clariti Wealth Advisors must have access to current/new market information. Clariti Wealth Advisors has no control over the dissemination rate of market information; therefore, unbeknownst to Clariti Wealth Advisors, certain analyses may be compiled with outdated market information, severely limiting the value of Clariti Wealth Advisors' analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Clariti Wealth Advisors' primary investment strategies - Long Term Purchases and Short Term Purchases are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

### **Options Strategies**

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Clariti Wealth Advisors shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

Although the intent of the options-related transactions that may be implemented by Clariti Wealth Advisors is to hedge against principal risk, certain of the options-related strategies (i.e., straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Therefore, a client



must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Clariti Wealth Advisors, in writing, not to employ any or all such strategies for their accounts.

#### Borrowing Against Assets/Risks

A client who has a need to borrow money could determine to do so by using:

- Margin-The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- Pledged Assets Loan- In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral.

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Clariti Wealth Advisors does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Clariti Wealth Advisors does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to Clariti Wealth Advisors:

- by taking the loan rather than liquidating assets in the client's account, Clariti Wealth Advisors continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by Clariti Wealth Advisors, Clariti Wealth Advisors will receive an advisory fee on the invested amount; and,
- if Clariti Wealth Advisors' advisory fee is based upon the higher margined account value, Clariti Wealth Advisors will earn a correspondingly higher advisory fee. This could provide Clariti Wealth Advisors with a disincentive to encourage the client to discontinue the use of margin.

The Client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loans.

## **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 Clarity Wealth Advisors or the integrity of Clarity Wealth Advisors' management.

Clarity Wealth Advisors, including its predecessors dating back to 1983, has never been the subject of any legal or disciplinary event or proceedings related to its financial planning or investment advisory services.

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

The main service offered by Clarity Wealth Advisors combines financial planning and investment management in a carefully integrated process. Financial planning includes the setting of goals and objectives, a detailed assessment of a client's current situation, the development of specific strategies designed to help a client achieve stated goals, and the presentation of a thorough written financial plan.

Clarity Wealth Advisors does not receive any commissions, equipment, or non-research services from any custodian.

Clarity Wealth Advisors does not receive any referral fees from any professional as a result of referring clients to them for services.

## **Item 11 – Code of Ethics**

Clarity 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.

### **Clarity Wealth Advisors – Code of Ethics**

Recognizing our fiduciary responsibility to clients and the public, we uphold the highest standards of care in the industry by espousing and practicing: Objectivity, Fairness and Suitability, Full Disclosure, Confidentiality, Integrity and Honesty, Professionalism, Competence, and Regulatory Compliance.

- We require that all supervised persons (employees) comply with all applicable Federal securities laws.
- We require that all supervised persons (employees) report their personal securities transactions on a quarterly basis and personal securities holdings annually.

- We require that all supervised person's (employee's) reports of securities transactions and holdings be reviewed by the firm's Compliance Officer.
- We require that the firm's Compliance Officer comply with applicable Federal securities laws.
- We require that all supervised persons (employees) report any violations of our Code of Ethics promptly to our Compliance Officer.
- We require that all supervised persons (employees) receive a copy of our Code of Ethics and any amendments.
- We require that all supervised persons (employees) provide written acknowledgment of their receipt of the code and any amendments.
- We require that all supervised persons (employees) obtain approval before acquiring direct or indirect beneficial ownership in any security in an initial public offering or in a limited offering.

Supervised persons (employees) understand that failure to comply with this Code of Ethics could result in disciplinary measures, including probation without pay or dismissal from employment with Clariti Wealth Advisors.

## **Item 12 – Brokerage Practices**

The applicant uses the institutional service department of Fidelity Investments as the main consolidating custodial broker for client accounts. The advisor believes that Fidelity offers an excellent combination of trading services, low costs, and technology to support the advisor in meeting the needs of its clients.

Clariti Wealth Advisors has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides Clariti Wealth Advisors with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Clariti Wealth Advisors in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.

Fidelity also offers other services intended to help Clariti Wealth Advisors manage and further develop its advisory practice. Such services include, but are not limited to, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business-related services and technology with whom Clariti Wealth Advisors may contract directly.

Clariti Wealth Advisors is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Clariti Wealth Advisors does not receive any compensation from Fidelity as a result of these charges.

Clariti Wealth Advisors does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Clariti Wealth Advisors will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Clariti Wealth Advisors. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Clariti Wealth Advisors to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Clariti Wealth Advisors. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

To the extent that Clariti Wealth Advisors provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Clariti Wealth Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Clariti Wealth Advisors may (but is not obligated to) combine or “bunch” such orders to seek best

execution, to negotiate more favorable commission rates or to allocate equitably among Clariti Wealth Advisors' clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Clariti Wealth Advisors shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13 – Review of Accounts**

### **Reviews**

In addition to the financial planning reviews described in Item 4, investment accounts are reviewed on a continuous basis to make sure they adhere to each client's specific Investment Objectives. We utilize technology to help manage this process.

Investment Objectives are reviewed, and updated if necessary, as a result of a material change in the client's goals or circumstances.

### **Reviewers**

Members of the firm's professional staff of CFP®s and CPAs are involved in the preparation of financial plans. The professional staff also performs research and prepares recommendations on planning topics and investments.

Planning ideas and investment direction are discussed and concluded upon by members of the professional staff and supervised by the firm's principals.

### **Nature and Frequency of Reports to Clients**

Clients receive statements, at least quarterly, from their investment custodians. Clariti Wealth Advisors prepares and delivers a consolidated household investment summary on a quarterly basis. Clients periodically receive an in-house produced newsletter, as well as other correspondence during the year as needed.

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

Clariti Wealth Advisors does not receive any referral fees from any professional as a result of referring clients to them for services.

Clariti Wealth Advisors does not compensate any person or entity for prospect referrals.

## Item 15 – Custody

According to SEC guidelines, Clariti Wealth Advisors is considered to have custody on a limited number of investment accounts in its role as trustee and as a result of having login credentials voluntarily provided by clients. These credentials allow the advisor to obtain balances and activity, which are used to update the advisor's portfolio reporting system. In addition, these credentials allow the advisor to execute investment moves consistent with an agreed upon Investment Objective.

The advisor urges clients to carefully review statements from custodians and compare them to Clariti Wealth Advisors reports. These reports may vary slightly as a result of accounting procedures, reporting dates, or the valuation methodologies of certain securities.

Clariti Wealth Advisors has engaged an independent accounting firm authorized by the SEC to perform surprise examinations on all accounts the firm is considered to have custody over.

The SEC may also consider Clariti Wealth Advisors to have custody resulting from its ability to move money from client brokerage accounts to other client accounts and to pre-approved third-party recipients. Clariti Wealth Advisors believes that Fidelity, its brokerage custodian, is following the SEC Division of Investment Management guidelines in handling those accounts.

## Item 16 – Investment Discretion

Clariti Wealth Advisors usually receives discretionary authority from clients at the outset of an advisory relationship to select securities that meet the mutually agreed guidelines found in the Investment Policy Statement.

Trading authority may be granted by clients to Clariti Wealth Advisors as a result of opening institutional level brokerage accounts with independent custodians, but discretionary trading is not exercised by Clariti Wealth Advisors unless specifically authorized by the client in the Service Agreement.

Clients who engage Clariti Wealth Advisors on a discretionary basis may, at any time, impose restrictions, in writing, on Clariti Wealth Advisors' 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 Clariti Wealth Advisors' use of options, etc.).

## Item 17 – Voting Client Securities

As a matter of firm policy and practice, Clariti Wealth Advisors does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting

proxies for any and all securities maintained in client portfolios. If requested, Clariti Wealth Advisors may provide advice to clients regarding proxy voting matters.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Clariti Wealth Advisors' financial condition.

Clariti Wealth Advisors knows of no financial condition or commitment that would impair its ability to meet contractual and fiduciary commitments to clients, nor has it been the subject of a bankruptcy proceeding.