

# Form ADV Part 2

Brochure Cover Page

## **Financial Architects, Inc. dba Straight Path Wealth Management**

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January 10, 2017

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

This brochure provides information about the qualifications and business practices of Financial Architects, Inc. and its dba Straight Path Wealth Management (SPWM). If you have any questions about the contents of this brochure, please contact us at: [derrin@straightpathwealth.com](mailto:derrin@straightpathwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Financial Architects, Inc. and Straight Path Wealth Management (SPWM) also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Part 2: Material Changes for Part 2A

### **Material changes which have occurred since the last update on 1/29/2016**

#### Assets Under Management Change

The total assets under management from Straight Path Wealth Management increased to \$33,084,257.16.

#### Affiliated Companies

SA Advisory LLC, a separate Registered Investment Advisor registered with the State of Michigan is now an affiliated company due to similar ownership.

Straight Path Tax and Accounting Solutions Inc is a separate accounting firm that has similar ownership.

#### Fees and Compensation

The standard fee schedule was adjusted downward to accurately reflect current billing rates. The \$0-\$250,000 portfolio value fee is now 1.5%, while \$250,000-\$1,000,000 is now 1.2%.

Billing frequency was changed from monthly to quarterly.

#### Portfolio Strategies

The portfolio strategies were changed to Conservative, Moderate, and Aggressive

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## Part 4: Advisory Business

Straight Path Wealth Management ("SPWM") provides comprehensive investment advisory services and financial planning for our clients. Financial Architects Inc. and its dba Straight Path Wealth Management is incorporated in the State of Michigan starting in 2002 and is registered as an independent investment advisory firm starting in 2009. Financial Architects and SPWM are majority owned by Derrin Leigh, MBA, with a minority stake by Matthew B. Boersen.

We offer investment advisory services an estimated 95% of our time. Our Client's assets are diversified among various investments consisting primarily of exchange traded funds (ETFs), individual securities with exposure to U.S. and foreign markets, and mutual funds. Certain of these investments, at times, engage in short selling and the use of security backed option strategies. We actively manage these investments; certain securities may be held for less than 30 days while others may be held for a year or longer. Purchases and sales are executed based on our view of the markets, as developed from our review of publicly available fundamental and technical data, while considering your individual investment objectives. Our clients do not impose restrictions on certain securities or types of securities which may be used for their portfolios.

As of 01/09/2017 we manage \$29,960,116.96 of client assets on a discretionary basis and \$3,124,140.20 of client assets on a non-discretionary basis.

In some cases, an estimated 5% of the time, investment advisory services shall involve a preparation of a financial plan, which, depending upon the client, may involve a total financial planning process. As part of this investment advisory service, the advisor may provide advice regarding specific investments, and / or may act in the capacity of a financial manager to a client. The process will involve, in part, the following: a) review of the client's current financial condition; and b) review of a questionnaire used to assist the advisor in generating a report regarding recommendations to the client. The advisor will be available to the client for implementation of recommendations, but at no additional charge to the client. However, the client is free to implement the recommendations through any broker/dealer of his or her choice.

## Part 5: Fees and Compensation

Clients pay an annual percentage fee for Investment Management and Supervisory Services charged quarterly in arrears based upon the average daily account balance of the account at the end of the previous billing period. Payment of Investment Management and Supervisory fees are made through a debit directly to the client's account by the qualified custodian holding the client's funds and securities. The standard fee schedule for our Investment Advisory Services is:

<b>Average Daily Value of Client Account</b>	<b>Annual Fee (%)</b>
\$0 - \$250,000	1.5%
\$250,001 - \$1,000,000	1.2%
for assets over \$1,000,000	1.0%

The specific billing terms and fees will be stipulated in the Investment Management Client Agreement. Depending on circumstances, such as a pending transfer of additional funds into the clients account, fees may be negotiable.

We follow the following criteria when payment is made via a qualified custodian as required by the Michigan Uniform Securities Act, Act 265 of 1964 as amended and Release 93-3-BD:

- 1) The client provides written authorization permitting the fees to be paid directly from the client's account held by the independent qualified custodian and the authorization is limited to withdrawing contractually agreed upon Investment Adviser fees.
- 2) The client will directly receive regular (monthly or quarterly) reports from the qualified custodian which reflects the Adviser's fee deduction. A statement indicating all amounts disbursed from the account including, separately, the amount of advisory fees paid. The investment advisor will notify the client, in writing by at least first class mail not less than seven (7) days prior to the proposed date of withdrawal, of the exact amount of the proposed withdrawal and the specific manner or basis on which the fee has been calculated. The notice shall advise the client of the opportunity to object to the invoiced amount and the way the objection shall be made.
- 3) The frequency of the fee withdrawal shall be specified in the written authorization/agreement.
- 4) The custodian of the account shall be advised in writing of the limitation on the Adviser's access to the account. This requirement will be satisfied by furnishing to the custodian a copy of the authorization/agreement.
- 5) The Client shall be able to terminate the written billing authorization or agreement at any time. Where the Adviser has agreed to direct bill the client, the Adviser will issue an invoice for advisory fees to the client and payment is expected within 10 days of the invoice date.

We may terminate the agreement with you at any time by providing you with written notice. Likewise, you may terminate the agreement at any time by providing us with written notice. If you are billed in arrears for our services, any outstanding amounts owed to us shall become immediately due and payable upon termination. If you rescind your agreement with us within 5 business days of its execution,

no fees will be charged. Upon termination, we will have no obligation or take any action about the previously managed account and normal trading fees will apply.

We do not receive compensation from mutual fund companies for client funds invested in their mutual funds; however, clients may pay mutual fund expenses associated with these investments. These expenses are deducted directly by the mutual fund companies. Additionally, transaction costs associated with the purchase and sales of securities will be debited from client accounts as they occur (further details regarding brokerage activities can be found in the section titled "Brokerage Practices").

The Financial Planning Services provided to the client will be charged on an hourly basis, negotiated between the client and the advisor. The hourly fee is invoiced to the client or can be deducted from the client's account with written authorization from the client. The client may elect to terminate the arrangement on an hourly basis by giving notice in writing and will be billed for services rendered up to that point. The advisor may charge up to the specified amount: \$225 per hour.

## Part 6: Performance-Based Fees and Side-By-Side Management

We do not charge performance-based fees or provide side-by-side management of assets.

## Part 7: Types of Clients

We generally provide investment management and supervisory services to individuals including high-net worth individuals. These individuals will include sole-proprietors and owners of S or C corps which have 401k or profit sharing plans for which we also advise.

## Part 8: Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

We use a combination of fundamental and technical analysis as a basis for our investment decisions. Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its prospects. Using this method we answer questions such as:

- 1) Is the company's revenue growing?
- 2) Is it making a profit?
- 3) Is it in a strong-enough position to beat out its competitors in the future?
- 4) Is it able to repay its debts?

Technical analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. These statistics help us understand the supply and demand in a market which we use to determine what direction, or trend, will continue in the future.

Fundamental analysis helps us identify securities with a strong potential to grow your portfolio's value over the longer term, while technical analysis helps us maximize the value of that investment by telling us the best price points we should use to buy or sell a security in the short term.

We receive information from a wide variety of sources for our analysis; for example, we consult research materials prepared by professional analysts such as:

Standard & Poor's Stock Report

Argus Company Report

The Street Ratings Report

Jaywalk Consensus Report

We also consult corporate financial statements, annual reports, filings with the Securities and Exchange Commission and listen in on quarterly corporate conference calls. Additionally, we use information gleaned from financial newspapers and magazines.

### Investment Strategies and Risk of Loss

We tailor our investment strategies to meet your investment objectives and risk profile; however, it is important for you to understand that losses may occur in individual securities, and substantial loss is possible, but that risk and losses will be considered at the aggregate portfolio level. We will adhere to the investment management style for which we are hired and will make reasonable efforts to control risks, recognizing that assuming risk is necessary to produce long-term results that are sufficient to meet the investment objectives.

We may periodically engage in market timing of equities during periods of increased economic uncertainty or when the market outlook shows a shift among asset classes. This can include day trading of individual stocks or ETF's during periods of volatility or sideways markets. In general, fixed-income/bond positions will be held to maturity, although, in certain circumstances, bonds may be sold prior to maturity for various reasons (e.g. tender offers, tax-loss selling, before or after downgrade). For stocks or real estate investment trusts we may exit positions at any given time and reduce exposure below the initial target allocation as determined by your risk assessment and investment objectives, or to zero exposure if deemed appropriate. You need to understand that this may mean loss of opportunity in stocks and may result in under-performance of benchmarks with the stock portion of the portfolio. In addition, increased trading activity often results in additional transactions costs which will reduce the overall return in your portfolio.

### Portfolio Strategies

Portfolio strategies are selected based on your risk assessment and investment objectives. The following are common portfolio types:

**Conservative:** For clients with a short investment time horizon or very low risk tolerance. This portfolio will seek to have minimal volatility and likely concentrate on income creation through bonds and conservative equity holdings. As a tradeoff for the lower volatility, the potential growth in the portfolio may be limited relative to the Moderate and Aggressive portfolio.

**Moderate:** For clients with a medium investment time horizons or a balanced risk tolerance. By combining income producing investments like bonds, with equity holdings for growth, the moderate portfolio seeks to provide a sustainable return, that while still varying from year to year, will have less fluctuation than an aggressive portfolio and more growth than the conservative portfolio.



**Aggressive:** For clients with a long investment time horizon, generally exceeding 8 years, and for those with a high-risk tolerance. This strategy will use primarily equity based investments to achieve long-term returns and growth. An emphasis will be placed on long-term growth, which will likely result in increased volatility in line with the general markets.

### Investment Vehicles

Investment of assets will generally be limited to investments in:

**Stocks/Equities (common and preferred):** Stocks/equities represent a share of ownership in a corporation. Stock returns are based on company's dividends and profits and how investors assess its potential for future profits. Historically, stocks have provided the highest returns over time, but stock prices fluctuate, sometimes dramatically, and investors can sustain substantial losses. There is no protection of principal and dividends can be reduced or eliminated also. Investors typically choose stocks for growth of capital, which can hopefully keep them ahead of inflation over the long term. There is risk of substantial loss of principal in stocks.

**Exchange-traded funds (ETFs):** An ETF holds assets such as stocks, commodities, or bonds and trades at approximately the same price as the net asset value of its underlying assets over the course of the trading day. The main advantage of an ETF over individual stocks is that they provide diversification to a portfolio as we seek returns from a specific industry sector, asset class, or market index. Diversification helps limit the concentrated risks associated with individual securities.

The expense ratios of ETFs are generally lower versus active mutual funds and in some cases, even lower than index mutual funds. Also, ETFs often have lower trading costs versus actively managed funds, due to their low portfolio turnover. The ETF cost savings can be significant, especially for long-term investors. Investing in ETFs will usually result in a brokerage commission, but the savings from lower expense ratios can help to offset these transaction costs.

Like a stock, ETFs can be bought and sold during the trading day; thus, the price will fluctuate and may result in a price which exceeds the actual value of the underlying assets. Like a stock, prices fluctuate, sometimes dramatically, and investors can sustain substantial losses. There is no protection of principal.

**Mutual funds:** A mutual fund is an investment vehicle that is made up of a pool of funds collected from many investors for investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the Investment objectives stated in its prospectus.

One of the main advantages of mutual funds is that they give small investors access to professionally managed, diversified portfolios of equities, bonds and other securities, which would be quite difficult (if not impossible) to create with a small amount of capital. Each shareholder participates proportionally in the gain or loss of the fund. Mutual fund units, or shares, are issued and can typically be purchased or redeemed as needed at the fund's current net asset value (NAV) per share.

The transaction costs to buy and sell mutual funds are often greater than the costs for individual stocks or ETFs. Most mutual funds are actively managed and usually carry higher expense ratios than an ETF which reduces the overall gain for the fund. Often mutual funds experience capital gains and dividends from the underlying securities which may trigger taxable events for investors. There is no protection of

principal and based on the underlying securities in the fund there may be risk of substantial loss of principal.

**Individual bonds:** Bonds are IOUs issued by governments, agencies and corporations. Interest-rate changes directly affect prices and returns of bonds, but in general, bond prices fluctuate less than stocks. Investors typically choose bonds to receive income and to also diversify stock portfolios. There is risk of substantial loss of principal in bonds.

**Credit Quality of Bonds:** High Quality: Bonds that have a credit rating of AAA and AA are categorized as high quality.

Medium Quality: Bonds that have a credit rating of less than AA but greater than or equal to BBB- are considered medium quality.

Low Quality: Bonds that have a credit rating of less than BBB- are considered low quality.

**Bond Duration:** Short-term: 5 years or less

Intermediate-term: 5 to 10 years

Long-term: 10 years or longer.

**Real Estate Investment Trusts:** A real estate investment trust is a tax designation for a corporation investing in real estate that reduces or eliminates corporate income taxes. In return, REITs are required to distribute 90% of their income, which may be taxable, into the hands of the investors. There is risk of substantial loss of principal in real estate investment trusts.

**Asset Backed Options Strategies:** Options strategies may be utilized in certain accounts primarily to increase income and yield along with a reduction of portfolio delta. All of the strategies will be asset backed strategies and have defined risk parameters.

The primary strategy utilized will be a covered call position on portfolio holdings. No naked call options will be sold.

Historically options have been employed in a variety of ways. Options can dramatically increase risk and leverage or greatly decrease risk and volatility along with creating income. Only strategies that are determined to statistically reduce risk in the portfolio will be enacted.

**Cash-equivalent investments:** A cash investment is a very short-term IOU issued by a government, corporation, bank, or other financial institution. Using the interest payments from such IOUs, money market mutual funds provide income---most often, less than provided by bonds, while maintaining a stable price of \$1 a share. Investors typically rely on these types of investments to meet liquidity needs (withdrawal needs) and short-term goals. There is risk of loss due to inflation when investing in low-yielding cash-equivalent investments.

## Part 9: Disciplinary Information

We have no legal or disciplinary events to disclose.

## Part 10: Other Financial Industry Activities and Affiliations

### SA Advisory LLC

SA Advisory LLC, a separate Registered Investment Advisor registered with the State of Michigan is now an affiliated company due to similar ownership. SA Advisory LLC is operated as a completely different entity and separate advisory firm. Derrin Leigh has ownership of 50% or more, and Matthew Boersen has ownership of 25% or more.

### Straight Path Tax and Accounting Solutions Inc

Straight Path Tax and Accounting Solutions is an accounting firm of which Derrin Leigh and Matthew Boersen are employed and own. This firm is a separate legal entity and operates separately from Straight Path Wealth Management. It provides tax preparation to individual and small businesses as well as general accounting functions. While clients of both firms are free to use the other firm's service, there is no obligation or expectation to do so. Derrin Leigh has ownership of 50% or more, and Matthew Boersen has ownership of 25% or more.

### Other Affiliations

Derrin Leigh, a principal of SPWM, and Matthew B. Boersen, an advisor of SPWM, hold a license with the State of Michigan to sell the following insurance products: life, health, disability, variable and fixed annuities, and long term care.

They sell these products independently from SPWM and are directly paid all commissions on products sold. They spend less than one percent of their time on this activity.

A potential conflict of interest could arise upon the completion of a financial plan which uncovers the need for an insurance product. Should this need be fulfilled by Derrin or Matthew acting in the capacity of an insurance agent, a commission would be paid directly to the agent. The client is free to implement insurance related needs with another agent.

## Part 11: Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading

We will provide a copy of our Code of Ethics to you upon request. The Code of Ethics sets forth standards of conduct expected of advisory personnel and addresses conflicts of interest in the trading by advisory personnel of their accounts.

The Code of Ethics prohibits us and our employees from placing our interests ahead of your interests or in any way taking advantage of our position to the detriment of our clients. Employees' trading is subject to pre-clearance by Financial Architects Inc. and SPWM to avoid any conflicts. A violation of the Code of Ethics by an employee can result in a warning and eventually termination. We often invest our assets in the investments that we recommend to clients; however, we are prohibited from executing such trades in a manner that would conflict with or reduce the value of client trades.

## Part 12: Brokerage Practices

We use TD Ameritrade Institutional as the custodian for our client's assets. The majority of our client's securities transactions are brokered through TD Ameritrade Institutional. Many of the exchange traded funds and mutual funds we use can be bought and sold with no fees or commissions. We feel the current fees are reasonable in relationship to the value of the brokerage, execution and other services provided by TD Ameritrade and it is our duty to seek the best execution for client trades. We do not receive compensation for any trades, commissions, or transaction fees charged by TD Ameritrade Institutional.

When we make broad purchases or sales of securities across our client's portfolios we will aggregate the trades as a single block trade. This enables us to avoid conflicts of interest or showing favoritism among client accounts.

TD Ameritrade gives us access to professional grade research tools such as investment analyst reports, economic and market forecast commentary, portfolio analysis software and investment screeners. These services may be considered "Soft Dollar Benefits" because we do not pay a fee for the use of these services and products; however, these products and services are made available to us because we use TD Ameritrade as a custodian and not because of achieving certain trading activities or costs in client accounts.

The benefits we receive from these products and services are used to service all our client's accounts. This may provide us with incentive to recommend TD Ameritrade whose trading fees may be higher than those of another discount brokerage firm which does not provide these services or products.

In certain circumstances, we may also use another third-party custodian. Specifically, Jefferson National and Millennium Trust Company will custody certain assets for clients depending on the asset class of the investments.

## Part 13: Review of Accounts

Derrin Leigh and Matthew B. Boersen collectively review all accounts. Daily we monitor the securities in your account considering changing conditions. Annually we conduct an in-depth review of your account and we meet with you, in person if possible, to discuss the direction of your investments in meeting your current and future financial goals. At your request, we are happy to perform semiannual reviews which would follow the same format as our annual review.

Our custodian, TD Ameritrade Institutional, will provide you with a monthly statement for your account; additionally, we send you a quarterly report which will detail the performance of your account.

## Part 14: Client Referrals and Other Compensation

We do not provide compensation for client referrals nor do we receive compensation from other parties who may provide financial services or advice to our clients.

## Part 15: Custody

Our policy requires that we do not accept custody of client funds. All checks are to be made out to our custodian, TD Ameritrade Institutional or the respective custodian, and all funds are to be mailed directly to them.

As mentioned in the section "Review of Accounts" you will receive an account statement monthly from TD Ameritrade Institutional and a quarterly account statement from us. We urge you to compare both statements for accuracy and report to us any discrepancies.

## Part 16: Investment Discretion

SPWM has discretionary authority to make all trades for its clients, and at its discretion selects the investments and the amounts to be invested considering client objectives. We do not intend to use leverage in accounts, unless specifically instructed to do so by the client. However, sometimes the mutual funds or ETF's which are held in your account may use leverage as described in their individual prospectus.

Once your investment factors are established you will open a discretionary asset management account with TD Ameritrade Institutional or another custodian, through which we will monitor and purchase and/or sell securities on a discretionary basis. The application for this account will execute a limited power of attorney which will grant us limited authority over your account. We will be limited to making purchases and sales within the account.

In some limited cases, such as with 401(k) plans for which we serve as a 3(21) fiduciary SPWM does not hold discretionary control.

## Part 17: Voting Client Securities

We do not have authority to vote client securities. You will receive voting proxies or other solicitations directly from TD Ameritrade Institutional or the respective custodian. Should you have questions about a solicitation you may contact us directly through the contact information contained on the front of this brochure.

## Part 18: Financial Information

Our financial condition does not impair our ability to meet contractual commitments to clients.

## Requirements for State-Registered Advisers

Derrin Leigh - President

DOB: 1/11/1969

Education:

Grand Valley State University MBA - Master of Business Administration Seidman School of Business

\*Emphasis Small Business & Entrepreneurialship Grand Rapids, MI

Grand Valley State University BBA - Bachelor of Business Administration Seidman School of Business

\*Finance Allendale, MI

Business:

Straight Path Tax and Accounting Solutions Inc. Dec 2014-Present

Financial Architects, Inc. July 2009 to present

Sigma Financial Jan. 2002 to May 2009

New England Financial Jan. 2000 to Jan. 2002

Matthew B. Boersen – Executive Vice President

DOB: 8/3/1988

Education:

Grand Valley State University BBA-Bachelor of Business Administration-Finance Concentration Allendale, MI

Certified Financial Planner™ by the CFP Board as of January 2014.

Business:

Straight Path Tax and Accounting Solutions Inc. Dec 2014-Present

Financial Architects Inc. July 2013-present

Sigma Financial Corp July 2009-July 2013