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## **Total Clarity PreActive Account**

### **BROCHURE**

**April 20<sup>th</sup>, 2023**



**This brochure provides clients with information about the qualifications and business practices of Total Clarity Wealth Management, Inc. and the Total Clarity PreActive Account that should be considered before becoming a client. If you have any questions about the contents of this Brochure, please contact us at (630) 762-9352 and/or [info@totalclaritywealth.com](mailto:info@totalclaritywealth.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 Total Clarity Wealth Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Total Clarity Wealth Management, Inc. is 142728.**

**Any reference to Total Clarity Wealth Management, Inc. as a registered investment adviser or its related persons as registered Advisory Representatives does not imply a certain level of skill or training.**

## **ITEM 2: MATERIAL CHANGES**

This section will discuss only specific material changes that are made to the Brochure and provide you with a summary of such changes. Additionally, reference to the date of the last update to this Brochure will be provided.

Since our last update dated March 15, 2022, we made the following material changes:

- Updated definition of “Qualified Investor” – must have minimum Net Worth of \$1,100,000 excluding primary residence.
- Added disclosure that some custodians charge a foreign Transaction Tax on certain foreign equity security purchases.
- Defined Excluded Securities under Advisory Fees.

A copy of our updated brochure and brochure supplements may be requested by contacting us at (630) 762-9352 and/or [info@totalclaritywealth.com](mailto:info@totalclaritywealth.com). These documents are available to you free of charge and are also available on our website at [www.totalclaritywealth.com](http://www.totalclaritywealth.com).

Additional information about Total Clarity Wealth Management, Inc. is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our IARD number is 142728. The SEC’s website also provides information about any persons affiliated with Total Clarity Wealth Management, Inc. who are registered, or are required to be registered, as Advisory Representatives of Total Clarity Wealth Management, Inc.

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## **INTRODUCTION**

Total Clarity Wealth Management, Inc. (Total Clarity) is an investment adviser registered with the Securities and Exchange Commission. Total Clarity Wealth Management offers advice regarding mutual funds and stocks as well as other products such as: bonds, options, government securities, certificates of deposit, Unit Investment Trusts (UITs), Exchange Traded Funds (ETFs) and 529 College Savings Plans. Total Clarity Wealth Management utilizes the clearing and custody services of TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer as well as with Schwab Institutional, a division of Charles Schwab & Co., Inc. ("Schwab") an unaffiliated SEC registered Broker/Dealer and FINRA member for PreActive Accounts.

## **ITEM 4 - SERVICES, FEES & COMPENSATION**

In its capacity as a registered investment adviser, Total Clarity Wealth Management offers various advisory services as further disclosed in its Part 2A Brochure. The programs offered include a fee-based program entitled the “*Total Clarity PreActive Account*”. The *PreActive Account* is not a wrap fee program since each transaction charge is billed directly to the client’s account.

### *Advisory Services*

*Total Clarity Wealth Management PreActive Accounts* offer clients a fee-based account for which the client will pay a quarterly fee for portfolio review and on-going asset management services. Clients will maintain an account that contains any of the following: stocks, bonds, options, government securities, Exchange Traded Funds (ETFs), Unit Investment Trusts (UITs), and/or certain types and classes of mutual funds, cash, and cash equivalents. *PreActive Accounts* at times will utilize leverage meaning the account will use borrowed capital (for an investment), expecting the profits made to be greater than the interest payable, through the use of Exchange Traded Funds (ETFs) that short equities or through shorting specific equities. Selling securities short, means to borrow securities and then sell them with the anticipation that the price will go lower than the price at which they were sold. This strategy is often utilized to hedge investments but runs the risk of losing an amount greater than the initial margin requirements in a relatively short period of time.

The *Total Clarity Wealth Management PreActive Account* program offers clients portfolio review and asset management services on a discretionary basis only. Discretionary asset management services allow the Advisory Representative to make buys, sells and exchanges within the account as the Advisory Representative deems appropriate, without obtaining the client’s prior consent to the transaction(s). Discretion approval is given when the client signs the *PreActive Account Agreement* and initials Section 2 of this agreement. The Advisory Representative will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time without prior consultation with the client. Unless otherwise expressly requested by the client, Total Clarity will manage the account and will make changes to the allocation as deemed appropriate by the firm and the Advisory Representative. The client is able to discuss with the Advisory Representative their desire to discuss any recommendations before buying or selling any securities in their account, but in order to trade at our custodians, the Advisory Representative must be given discretion on all accounts. All clients will be sent, by the custodian of their account, either by mail or electronically, confirmations of any trades done in their account. If a client decides they no longer want discretion granted, it will result in the closing of the account.

Depending on the client's specific goals, objectives and market circumstances, we will generally hold positions in an account for a long term, even more than a year, or, depending on market conditions, we will actively trade some securities held in an account for periods of 30 days or less. Advisory Representatives will be reasonably available to the client to provide advice, make recommendations and execute transactions. Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

Advisory Representatives will gather information on the client's financial history, goals, objectives and financial concerns and assist the client in determining if a *PreActive Account* is suitable for them. Clients must have an annual income of \$200,000 annually over the last 2 years or an adjusted Net Worth (excluding primary residence) of \$1,100,000 or more to be able to open a *PreActive Account* with Total Clarity. Clients must also select a Moderately Aggressive or Significant Risk Tolerance on the Total Clarity Risk Tolerance Questionnaire. The client will establish an account with Schwab or TD Ameritrade and then the Advisory Representative will modify the portfolio of the account to match the current *PreActive Strategy*.

Advisory Representatives will contact clients at least annually, or at the client's request, to discuss the *Total Clarity Wealth Management PreActive Account* investment portfolio and to update the client's financial information when any changes have occurred. Clients can request more frequent reviews and set thresholds for triggering events that would cause a review to take place. Generally, Advisory Representatives will make changes to clients' portfolios based on many factors including shifts in the economy, changes in the management of a fund or company in which clients' assets are invested, and market shifts and/or corrections.

You are able to request that your Advisory Representative add reasonable trading restrictions ("Reasonable Restrictions") to your advisory account at any time during the management of your account. Your Advisory Representative or Total Clarity has the option to decline or terminate the account if we feel your elected Reasonable Restrictions are too prohibitive, and we do not feel the account can be managed within our program. Restrictions imposed on management of an account, even those considered reasonable, will affect your account performance and may mean the performance in the account is different than the performance of other similarly managed accounts.

The strategies employed by the manager of *PreActive Accounts* requires a special skill set and experience, therefore if the manager is not able to actively manage the accounts for an indefinite amount of time, all leveraged positions will be settled to reduce the risk to all *PreActive Accounts*.

Generally, the Advisory Representative who solicited the client will conduct the annual review. Clients are advised they should notify their Advisory Representative promptly of any changes to their goals, objectives or financial situation. Failure of the client to notify the Advisory Representative of any such changes could result in investment recommendations that do not match the client's needs.

### **IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your

retirement plan account or individual retirement account, we are fiduciaries 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. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  1. Employer retirement plans generally have a more limited investment menu than IRAs.
  2. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  1. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  2. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.

### Advisory Fees

Opening an Account (initial fees): The initial pro-rated fee is charged in arrears and is based on the average daily balance of the account over the previous quarter. Initial advisory fees will be collected directly from the account, provided the client has given Total Clarity Wealth Management written authorization to do so.

An Established Account (ongoing fees): Ongoing fees will be charged quarterly, in arrears, based on the average daily value of the account over the previous quarter. Fees are charged to and collected directly from the advisory account early in the quarter. Clients will be provided with a fee invoice that identifies:

1. The average daily value of the account on the last day of the previous quarter (from which the advisory fee is calculated)

2. The quarterly advisory fee to be charged to the account(s)
3. The account(s) from which the fee will be deducted

\*Account values in the Orion reporting system will be used for Total Clarity's quarterly fee calculations for advisory accounts. Although account holdings and asset valuations should generally match, month-end market values reflected in Orion's reporting system sometimes differ from those provided the custodian on their month-end statements. The three most common reasons why these values may differ are (i) differences in the manner in which accrued interest is calculated, (ii) differences in the date upon which "as of" dividends and capital gains are reported, and (iii) differences in whether settlement date valuations or trade date valuations are used. If you have any questions or believe there are material discrepancies between your custodial statement and Orion's reporting system, please contact Total Clarity at (630) 762-9352. You may request a copy the Orion report valuations from your Total Clarity Advisory Representative.

If your account has securities that are excluded from billing ("Excluded Securities"), the market value for the Excluded Securities is not included in the average daily balance calculations.

At the discretion of the Advisory Representative, all accounts from one household are added together to obtain a higher total of account values\* for fee calculations. In this way, your annual asset management fee will then be lower if a breakpoint is reached, since it is based on an aggregate value\* of all accounts within your household, than if the fee for each account was calculated independently of the other accounts. This practice varies by Advisory Representative, so you could pay more or less for management services depending on the Advisory Representative with whom you work.

If the account does not contain sufficient funds to pay the quarterly advisory fee, Total Clarity Wealth Management has limited authority to sell or redeem securities within the advisory account in a sufficient amount to pay the fee. The client may reimburse the account for advisory fees paid to Total Clarity Wealth Management, with the exception of a qualified retirement account.

Clients can make additions to or withdrawals from the account, provided the account continues to meet minimum account size requirements of \$100,000.

Fees are based solely on account average balances and are not based on a share of capital gains upon or capital appreciation of, the funds or any portion of the funds. Fees are in accordance with the following blended fee schedule:

**TOTAL CLARITY PREACTIVE STANDARD FEE SCHEDULE**  
**Minimum Initial Investment: \$100,000**

Account Value	Maximum Annual Fee
\$0 to \$500,000	2.50%
Next \$500,001 to \$1,000,000	2.50%
Next \$1,000,001 to \$3,000,000	2.50%
Next \$3,000,001 to \$5,000,000	2.50%
Next \$5,000,001 and above	2.50%



Your Advisory Representative will negotiate your specific fee with you, based on the maximum fee schedule outlined above. We make exceptions to our general fee schedules under certain circumstances (e.g., responsibilities involved, accounts or groups of accounts which are expected to have significant capital additions in the future, anticipated future earning capacity, related accounts, pre-existing client, account retention, etc.). In such cases, lower fees, stepped fees or different payment arrangements can be negotiated with each client separately and will be described in your *PreActive Account Agreement*. Fees vary from client-to-client and are detailed on the *Total Clarity PreActive Agreement* you will sign; however, fees will not exceed the schedule shown above. Therefore, your Advisory Representative will charge more or less than another Advisory Representative. Further, the *PreActive Accounts* have an active trading strategy that can result in the total fee (advisory fee plus transaction fees) for these accounts being high and could be excessive compared to industry standards.

The fee schedules can be tiered schedules or a flat annual fee. The flat annual fee option charges an annual cost for management of your account(s) with 25% billed each quarter. For a tiered schedule, more than one fee rate will apply to the account fees calculation and if a fee schedule is agreed upon that reduces the fee, the larger the account value. Total Clarity retains a portion of the advisory fees equal to 0.05% of the account value at the end of each quarter to cover administrative costs. The remainder of the fee is paid to your Advisory Representative. Total Clarity is able to change the above fee schedules upon 30-days prior written notice to you.

Asset-Based fees are determined based on the average daily balance of the account over the entire previous calendar quarter and are payable on or about the fifteenth (15<sup>th</sup>) day after the beginning of each quarter.

Note: If negotiated, Total Clarity will charge a flat fee, not to exceed the rate % noted above, billed in arrears for PreActive accounts. Total Clarity will pro-rate a flat fee for the first quarter based on (the number of days the account is open) / (the total number of days in the quarter) multiplied by the fee.

#### *Costs Associated with a Total Clarity Wealth Management PreActive Account*

The *Total Clarity Wealth Management PreActive Account* program will cost the client more or less than if the client purchased services separately. Costs that will affect the services if obtained separately or that the client can control if services are purchased separately include trading costs and the asset management fee. Additionally, clients are advised that an advisory account, as compared with a traditional commission based account, will be more costly to the client, particularly during periods when trading activity is less. Consequently, clients will find that maintaining the advisory account at times will result in a higher annual cost. During periods when trading activity is heavier, such as when the account is first opened and during periods of increased market movements, advisory accounts can result in lower annual costs.

#### *Additional Fees & Transaction Charges*

In addition to the advisory fee, you will also pay fees for any custodial services, account maintenance fees, taxes, and other fees associated with maintaining the account. Total Clarity and its Advisory Representatives do not control or share in any portion of such fees.

Furthermore, the client will pay additional fees to the Exchange Traded Fund (ETF) companies from which any were purchased. Such fees are compensation to the fund manager and are not shared with Total Clarity Wealth Management. Total Clarity offers a wide range of Exchange Traded Funds.

Total Clarity offers a wide range of mutual funds both at TD Ameritrade and Schwab. At our custodians, Institutional or Advisory share classes (share classes that do not pay 12b-1 fees) of mutual funds are typically charged a higher transaction fee for buys and sells of these products. However, these funds have lower expenses and therefore should result in being a lower cost to the customer, but this varies for each fund. TD Ameritrade and Schwab charge no transaction fees for ETFs and exchange traded equities and a standard, non-discounted fee for OTC equities.

Some custodians also charge a foreign Transaction Tax on certain foreign equity security purchases. This tax is levied by the foreign government and is used to offset the tax incurred by the custodian as a result of executing the transaction on your behalf. At account opening, you will receive notification from your custodian about miscellaneous fees and charges they impose for certain transactions (such as wire or overnight fees). You should keep this documentation for your records.

#### *Termination of a Total Clarity PreActive Account*

In the event an account is closed, the advisory fee will be calculated based on the average daily value of the account from the beginning of the previous quarter until the termination date (or the date the assets were transferred out of the account or the date Total Clarity is notified that the account will be closing). Flat fees will be pro-rated based on the number of days the account was open for the quarter. Final fees will be debited from the account from which the management fees were pulled or an invoice will be mailed to the client's address of record.

The *Total Clarity Wealth Management PreActive Account Agreement* will be terminated by either party upon receipt of a written or verbal notice of termination. Termination by a Client is effective upon receipt of the notice by Total Clarity unless a specific date is requested in the notice. A Client may terminate the agreement without penalty within 5 days of signing the account agreement. If you terminate an account(s) within the first calendar year after opening the account(s), you will be charged a \$200 administrative fee which will be added to any final advisory fees. This fee can be waived at Total Clarity's sole discretion. This fee is not charged on accounts that are closed due to a transfer of the assets to another Total Clarity account. This fee will be paid in the same manner as the Asset-Based Fee or an invoice will be sent to the client if the assets are no longer in the account. If an account is terminated, a final invoice will be sent to the client indicating fees due for the past quarter. These fees will be based on the average daily balance of the account while it was opened or if a flat fee is charged, a pro-rated amount based on the number of days the account was opened for the quarter.

Upon termination, early redemption fees or similar fees for mutual funds or other products held in the account will be applicable as described in the fund's prospectus. Some other broker-dealers will not accept certain assets that are held in your account. Total Clarity will use reasonable efforts to follow your instructions regarding the disposition of the assets in your account to the extent permitted by law and policies of the firm. Please Note: Total Clarity will discontinue billing after the date specified in the termination notice even if the assets are still in the account, but Total Clarity and our Advisory Representatives have no fiduciary responsibilities for the account, once the Total Clarity Agreement has been terminated.

### Conflicts of Interest

Advisory Representatives recommending clients participate in the *Total Clarity Wealth Management PreActive Account* program will receive compensation as a result of a client's participation in the program. The amount of compensation paid to Total Clarity Wealth Management and the Advisory Representative will be more than what Total Clarity and the Advisory Representative would have received if the client participated in other programs available through another broker/dealer or paid separately for investment advice, brokerage and other services. Clients are advised that Advisory Representatives have a financial incentive to recommend advisory account programs (i.e., *Total Clarity Wealth Management PreActive Accounts*) over other programs or services.

Total Clarity and Advisory Representatives buy or sell securities for themselves that are also recommended and bought or sold for Clients. Total Clarity Wealth Management, its officers, directors, employees and Advisory Representatives should not trade in such a way as to obtain a better price for themselves than for clients.

To mitigate these conflicts of interest, this disclosure has been provided to you. If you have any concerns about the appropriateness of your Advisory Representative's recommendations based on your financial situation, you should discuss these recommendations with another financial professional

## **ITEM 5: ACCOUNT REQUIREMENTS & TYPES OF CLIENTS**

### Minimum Account Size

Total Clarity requires a minimum amount of assets to be held in an account for the purpose of obtaining asset management services. A minimum deposit of \$100,000 (cash or securities) to a brokerage account at TD Ameritrade or Schwab is necessary in order to participate in investment advisory services through a *PreActive Account*.

However, under certain circumstances, Total Clarity waives the minimum investment size requirement and accept clients with less than \$100,000. Such circumstances include but are not limited to, situations in which additional assets will soon be deposited; or when the client has other accounts with Total Clarity since the consolidation of these accounts for the purposes of quarterly fee calculations would bring the value of the accounts closer to a fee schedule breakpoint.

Total Clarity Wealth Management does not represent, warrant or imply that the services or methods of analyses used by Total Clarity can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that a client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Total Clarity Wealth Management will provide a better return than other investment strategies.

### Clients

Total Clarity generally offers the *Total Clarity Wealth Management PreActive Accounts* to individuals and high net worth individuals (i.e. a net worth of \$1,100,000 or more), trusts, corporations or other business entities. Clients must have an annual income of \$200,000 annually over the last 2 years or an adjusted Net Worth (excluding primary residence) of \$1,100,000 or more to be able to open a *PreActive Account* with Total Clarity. Clients must also select a Moderately Aggressive or Significant Risk Tolerance on the Total Clarity Risk Tolerance Questionnaire.

## **ITEM 6: PERFORMANCE-BASED FEES**

This section is not applicable to Total Clarity since Total Clarity does not charge performance-based fees.

## **ITEM 7: TYPES OF CLIENTS**

Total Clarity's services are geared toward individuals and high net worth individuals (i.e. a net worth of \$1,100,000 or more), trusts, corporations or other business entities.

The minimum investment required in the Total Clarity Asset Management Program is generally \$100,000 for investment advisory accounts. Accounts below these minimums at times will be accepted on an individual basis at our discretion. Such circumstances include, but are not limited to either additional assets will soon be deposited or the client has other accounts with Total Clarity. You should be aware that in smaller accounts, performance will suffer due to difficulties with diversification of assets and risk controls potentially being compromised.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

8 A. Total Clarity's Advisory Representatives act as portfolio managers for their advisory clients. In that role, they use various investment strategies to reach the Clients' goals and manage investment risk by conducting economic analyses and attempting to identify relevant market trends. Additionally, IARs conduct fundamental analyses, which generally involves assessing a company's or security's value based on factors such as sales, assets, cash flow, market position, expected growth, management, products and services, earnings, and financial structure. The Advisory Representative of *PreActive Accounts* uses a proprietary algorithm that evaluates many of these items as well as others to assist the Advisor is making security and transaction decisions. This is one of tools that the *PreActive* Advisory Representative uses to manage clients' accounts. Some IARs use software and investment analyzing tools that include projections of returns based on historical information and speculate future tax, educational expense, social security, etc. conditions, payments, and costs. These systems are a guideline only and cannot be relied upon to provide complete accuracy or assurances.

Investment strategies are also used by IARs to improve the performance and balance the risk of an account. Asset allocation is one of the strategies all Advisors use to attempt to optimize the risk and reward of your portfolio by investing among several asset classes. However, it cannot prevent or insulate a portfolio from market fluctuations or risk.

While not a standard analysis method used by our Advisors, some Advisors offer services that attempt to time security performance. This essentially means they try to purchase or sell immediately preceding an increase or decrease in a security's price. This type of investing can substantially increase the amount of your brokerage transaction costs due to a higher trading frequency. Also, many mutual funds prohibit excessive trading within their fund in a short period of time. Total Clarity monitors client accounts for excessive trading as well as to ensure investments are appropriate for each client but the *PreActive* Strategy is an active trading strategy and therefore is expected to have a higher than typical amount of trading.

8 B. It is important to understand that investing in securities involves risk of loss, including the potential loss of the principal money you are investing. Therefore, your participation in any of the management programs offered by Total Clarity requires you to be prepared to bear the risk of loss as well as the fluctuating performance of your accounts. The market values of investments are subject to fluctuations based on market conditions.

We do not represent, warrant or imply that the services or methods of analysis we use can or will predict future results, successfully identify market tops or bottoms or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Total Clarity or our Advisory Representatives will provide a better return than other investment strategies.

The table below describes some of the risks associated with most types of investing, followed by in 8 C, some investment products that are used in our advisory programs and have risks unique to that particular investment:

<b>Management Risk</b>	The services we offer involve your Advisor developing and implementing an investment strategy for you. A profitable investment strategy inherently involves making decisions about the future behavior of the securities markets as a whole as well as markets for individual securities. Because there is no available method to accurately predict future market behavior, there is no guarantee that any specific investment strategy will be successful.
<b>Market Risk</b>	This is the risk that the value of any security may go up or down at any time due to factors affecting securities markets in general or particular industries.
<b>Interest Rate Risk</b>	This risk affects fixed income securities which can decline in value because of an increase in interest rates; a bond or fund with a longer duration will be more sensitive to rate fluctuations.
<b>Credit Risk</b>	This is the risk that an investor could lose money if the issuer of a fixed income security is unable or unwilling to meet its financial obligations.
<b>Concentrated Investment Strategy Risk</b>	Certain investment strategies are concentrated in a specific sector or industry. Portfolios using this strategy are more likely to sharply increase or decrease in value with changes in the market. Concentrated strategies are more volatile because the risk associated with each company or sector represents a large percentage of your overall portfolio value.

<p><b>Risk with Shorting Securities and Use of Leverage</b></p>	<p>The use of leverage in an investment portfolio can magnify any price movements, resulting in high volatility and significant loss of principal. Leverage means the account will use borrowed capital (for an investment), expecting the profits made to be greater than the interest payable. Selling securities short, means to borrow securities and then sell them with the anticipation that the price will go lower than the price at which they were sold runs the risk of losing an amount greater than the initial margin requirements in a relatively short period of time.</p>
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8 C. The following are types of investments and related risks that Total Clarity Advisors use in client portfolios:

<p><b><u>Mutual Funds:</u></b></p>	<p>The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of fund managers and/or the fund straying from its stated investment objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. Interval funds are used in Total Clarity accounts but not <i>PreActive Accounts</i>.</p>
<p><b><u>Equity Securities</u></b></p>	<p>In general, prices of equity securities are more volatile than fixed income securities, and respond to a number of factors that can affect entire financial markets or industries.</p>
<p><b><u>Options:</u></b></p>	<p>Certain types of option trading are permitted in order to generate income or hedge a security; namely, the selling (writing) of covered call options or the purchasing of put options on a security. The use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply and the security could get called away. The risk of buying long puts is limited to the loss of the premium paid for the put if the option is not exercised or otherwise sold.</p>
<p><b><u>Exchange-Traded Funds (ETFs)</u></b></p>	<p>The shares of an ETF commonly represent an interest in a portfolio of securities that track an underlying benchmark or index. A leveraged ETF generally seeks to deliver multiples of the daily performance of the index or benchmark that it tracks. An inverse ETF generally seeks to deliver the opposite of the daily performance of the index or benchmark that it tracks. Inverse ETFs often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward-moving markets. Some ETFs are both inverse and leveraged, meaning that they seek a return that is a multiple of the inverse performance of the underlying index. To accomplish their objectives, leveraged and inverse ETFs use a range of investment strategies, including swaps, futures contracts and other derivative instruments.</p> <p>ETFs (including leveraged, inverse, and leveraged inverse) trade on an auctionable market. Therefore, there is more price fluctuation with ETFs than with mutual funds since ETFs trade throughout the day, whereas mutual funds are priced once a day. Also, since most ETFs only mirror a market index, such as the S&amp;P 500, they won't outperform the index. A significant amount of principal could be lost in these securities rapidly and tax laws could change and affect the tax treatment of this investment.</p> <p>Traditional ETFs are generally not actively managed. This means that securities in the portfolio will not be purchased or sold in attempt to take advantage of changing market</p>

<p><b><u>Exchange-Traded Funds (ETFs)</u></b> <b><u>(continued)</u></b></p>	<p>conditions. A traditional ETF continues to hold securities even though their market value and dividend yields have changed. An ETF generally carries the same investment risk as the portfolio of securities within the ETF. Securities in a portfolio can depreciate, and the ETF does not achieve its intended objective. In addition, each ETF is subject to specific risks that vary depending on each ETF’s investment objectives and portfolio composition. Additionally, while premiums and discounts from net asset value (“NAV”) are generally small among ETFs, there is a risk for severe dislocation from NAV.</p> <p>The use of leverage in an investment portfolio can magnify any price movements, resulting in high volatility and significant loss of principal. ETFs do not track the underlying Index due to imperfect correlation between the ETF’s portfolio securities and those in the underlying Index, rounding prices, changes to the underlying Index and regulatory requirements. This risk is heightened during times of increased market volatility or other unusual market conditions. Tracking error also results because the ETF incurs fees and expenses while the underlying Index does not.</p> <p>Non-traditional ETFs, including leveraged and inverse ETFs, are not suitable for most investors. Non-traditional ETFs are trading vehicles in which daily rebalancing and market volatility have a significant impact on the realized return. The effects of mathematical compounding can grow significantly over time, leading to scenarios whereby performance over the long run can differ significantly from the performance (or inverse performance) of their underlying index or benchmark during the same period of time. Leveraged, inverse, and leveraged inverse ETFs are more volatile and riskier than traditional ETFs due to their exposure to leverage and derivatives, particularly total return swaps and futures. In addition, these instruments are typically designed to achieve their desired exposure on a daily (in a few cases, monthly) basis. Holding leveraged, inverse, and leveraged inverse ETFs for longer periods of time increases their risk due to the effects of compounding and the inherent difficulty in market timing. Non-traditional ETFs are volatile and not suitable for all investors. Positions in non-traditional ETFs should be monitored closely due to their volatile nature and inability to track the underlying index over an extended period of time. Non-traditional ETFs are not intended to be held long term. ETFs over a period longer than one day can differ significantly from their stated performance objectives.</p> <p>Some ETFs are thinly traded which could impact the ability to sell shares quickly. Non-traditional ETFs and futures-linked ETFs enter into total return swaps with a counterparty. If the counterparty becomes unable to deliver its share of the contract, it will default on the swap, therefore negatively affecting the value of the non-traditional ETFs.</p>
<p><b><u>Structured Products:</u></b></p>	<p>Used less frequently, structured products are securities derived from another asset such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Depending upon the underlying asset or product, there can be different risks associated with the product. An investor in a structured product never has a claim on the underlying investment. At times there is little or no secondary market. Tax treatment is different than other investments. Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.</p>

## **ITEM 9: ADDITIONAL INFORMATION**

### *Disciplinary Information & other Financial Industry Activities & Affiliations*

There is no reportable disciplinary information required for Total Clarity or its management persons that is material to your evaluation of Total Clarity, its business or its management persons.

Total Clarity does not have a related person who is a: broker/dealer or other similar type of broker or dealer; investment company or other pooled investment vehicle, other investment adviser, futures commission merchant or commodity pool operator; banking or thrift institution; insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of a limited partnership. We do have an affiliated person who is a lawyer. You are under no obligation to use these services. The three principal owners of Total Clarity also own an advisor services company which recruits, trains, supports and supervises representatives of LPL Financial. One of the principal owners is also an owner of an accounting and tax practice, Exemplar Accounting and Tax Advisors, Inc. (EATA). Advisory Representatives refer clients to EATA, which results in a conflict of interest, whereby an owner benefits from clients utilizing services of both companies. You are under no obligation to purchase accounting services through EATA.

Certain Advisory Representatives are Dually Registered with LPL Financial. LPL is independently owned and operated and is not affiliated with Total Clarity. Your Advisory Representative for *PreActive Accounts* is not registered with LPL and as such, receives no compensation from LPL.

Some Total Clarity Advisory Representatives are licensed with various insurance companies. This is a conflict of interest since your Total Clarity adviser will earn commissions if you purchase insurance products through them. You are under no obligation to purchase insurance products or services through your Advisory Representative.

Total Clarity does not recommend the services of a Third Party Manager.

Total Clarity attempts to mitigate the conflicts of interest relating to the potential receipt of commissions by providing you with these disclosures.

### *Code of Ethics*

Total Clarity has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. Total Clarity takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as our policies and procedures. We strive to handle your non-public information in such a way as to protect it from falling into the hands of anyone who has no business reason to know such information. We provide you with our Privacy Policy which details our procedures for handling your personal information.

Total Clarity maintains a Code of Ethics for its Advisory Representatives, supervised persons and office staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violation reporting requirements, and safeguarding of material non-public information about your transactions. Our Code of Ethics establishes our firm's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.



Neither Total Clarity nor its associated persons recommend buys or sells for client accounts any securities in which they have a material financial interest. Total Clarity and its associated persons also buy or sell securities identical to those securities recommended to you. They will not put their interests before your interest. Total Clarity's Code of Ethics bans our Advisory Representatives and any associated person from trading in such a way as to obtain a better price for themselves than for clients.

Total Clarity is required to maintain a list of all securities holdings for its associated persons and their related family accounts at least annually and to develop procedures to supervise the trading activities of associated persons who have knowledge of client transactions. Further, associated persons are prohibited from trading on non-public information or sharing such information.

You have the right to decline any investment recommendation. Total Clarity and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

#### Review of Accounts

As part of the *Total Clarity PreActive Account* program, your accounts will be reviewed at least quarterly and you will be contacted not less than annually for a review meeting. This is discussed in more detail on page 4 under "Advisory Services". You are advised that you must notify your Advisory Representative promptly of any changes to your financial goals, objectives or financial situation as such changes could require him to review the portfolio allocation and make recommendations for changes. Each Advisory Representative is responsible for ensuring timely reviews and suitable recommendations. The level of experience of Advisory Representatives will vary.

You will be provided statements at least quarterly directly from the custodian. These reports are provided by TD Ameritrade or Schwab. Additionally, you will receive confirmations of all transactions that occur within your account directly from your custodian. Total Clarity provides a report every quarter showing all holdings within each account, along with performance data for each account beginning from the date of its opening at TD Ameritrade or Schwab.

You should compare the report you receive from Total Clarity with statements received from your custodian. Should there be any discrepancy between reports, the account custodian's report will prevail.

#### Client Referrals & Other Compensation

Product vendors recommended by Total Clarity provide monetary and non-monetary assistance with client events in addition to providing educational tools and resources. Advisory Representatives do not select products as a result of any monetary or non-monetary assistance. Total Clarity's due diligence of a product does not take into consideration any assistance it receives. The suitability and quality of a product for our clients is of first and foremost importance.

Total Clarity may enter into solicitor arrangements pursuant to which it compensates third-party intermediaries for client referrals that result in the provision of investment advisory services by Total Clarity. Total Clarity will disclose these solicitation arrangements to affected investors, and any cash solicitation arrangements will comply with Rule 206(4)-3 of the Advisers Act. Solicitors introducing clients to Total Clarity may receive compensation from Total Clarity, such as a retainer, a flat fee per

referral and/or a percentage of introduced capital. Such compensation will be paid pursuant to a written agreement with the solicitor and generally may be terminated by either party from time to time. The cost of any such fees will be borne entirely by Total Clarity and not by any affected client.

### Custody

The account custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from the account custodian will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

### Standing Letter of Authorization

When requested, our firm, or Advisory Representatives, will effect ACHs from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit, as we otherwise would be required to by reason of having custody, as long as the following criteria are met:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

When we engage in third party standing letters of authorization, Total Clarity complies with the conditions of the safe harbor provisions and is therefore exempt from the annual surprise exam requirement for Advisers that have custody.

### Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### *Class Action Lawsuits*

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you

### *Financial Information*

Total Clarity will not require you to prepay more than \$1,200 six or more months in advance of receiving the advisory service; therefore, a balance sheet is not required to be attached. Total Clarity has discretionary authority over client accounts; however, that authority does not extend to the withdrawal of any client assets, with the exception of the deduction of Total Clarity's advisory fees from your accounts.

We are financially stable. There is no financial condition that is likely to impair our ability to meet our contractual commitment to you or any other client. Neither Total Clarity nor any of its Advisory Representatives has ever been the subject of a bankruptcy petition.

### **ITEM 10: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

This section is not applicable to Total Clarity. Total Clarity is not state registered. Total Clarity is registered with the Securities and Exchange Commission.

Should you have any questions regarding our PreActive Brochure or any other document you have received from Total Clarity, please speak with your Advisory Representative or the Chief Compliance Officer of Total Clarity.