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Davidson Wealth  
Management, LLC

FINANCIAL SERVICES

198 Route 9 North, Suite 205  
Manalapan, NJ 07726

**Form ADV Part 2A – Firm Brochure**

732-409-1060

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

Dated February 29, 2024

This Brochure provides information about the qualifications and business practices of Davidson Wealth Management, LLC, “Davidson”. If you have any questions about the contents of this Brochure, please contact us at 732-409-1060. 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.

Davidson Wealth Management, LLC is registered as an Investment Adviser with the Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Davidson is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the firm’s identification number 153227.

# Item 2: Material Changes

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As of the last annual filing of this Form ADV Part 2A, dated March 3, 2023, there have been no material changes.

# Item 3: Table of Contents

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# Item 4: Advisory Business

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## Description of Advisory Firm

Davidson Wealth Management, LLC's registration was granted by the U.S. Securities and Exchange Commission on March 22, 2010. Richard Edward Prozzo (CRD Number 1972687) is Managing Member and Chief Compliance Officer of Davidson and owns eighty (80%) percent of the equity of the firm and Kristopher Sevchenko owns twenty (20%) percent of the equity of the firm. Davidson is not publicly owned or traded. There are no indirect owners of the firm or intermediaries, which have any ownership interest in the firm. As of December 31, 2023, Davidson managed, on a discretionary basis, \$51,936,293 and managed on a nondiscretionary basis \$78,800,226.

## Types of Advisory Services

### Asset Management

We provide money management to individuals and corporate clients providing professional management of client's funds. We diversify and manage the client's portfolios which includes but is not limited to stocks, bonds, options, limited partnerships, mutual funds and money market instruments. Investments are determined based upon the client's investment objectives, risk tolerance, net worth, net income and other various suitability factors. Client's accounts are managed on an individualized basis. Further restrictions and guidelines imposed by clients affect the composition and performance of portfolios. For these reasons, performance of portfolios within the same investment objective may differ and clients should not expect that the performance of their portfolios will be identical with the average client of Davidson.

Principals of Davidson are Registered Representatives associated with Osaic Wealth, Inc. (formerly Royal Alliance Associates, Inc.), "Osaic Wealth". It is suggested for convenience and proper management of the Asset Management account, that the client establishes a brokerage account at Osaic Wealth.

### **Vision2020 Wealth Management Platform – Advisor Managed Portfolios Program**

The Wealth Management Platform – Advisor Managed Portfolios Program ("Advisor Managed Portfolios") provides comprehensive investment management of clients through the application of asset allocation planning software as well as the provision of execution, clearing and custodial services through Pershing, LLC ("Pershing").

Advisor Managed Portfolios provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools. Utilizing these tools, and based on your responses to a risk tolerance questionnaire ("Questionnaire") and discussions that we have together regarding, among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation, we construct a portfolio of investments.

Portfolios may consist of mutual funds, exchange traded funds, equities, debt securities, variable annuity sub-accounts and other investments. Each portfolio is designed to meet your individual needs, stated goals and objectives. Additionally, you have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. **For further Advisor Managed Portfolios details, please see the Advisor Managed Portfolios Wrap Fee Program Brochure. We provide this brochure to clients prior to or concurrent with their enrollment in Advisor Managed Portfolios.**

### **RASA 044 Accounts**

We offer RASA 044 Accounts (“RASA”) as a non-commissionable advisory account where we can purchase load waived and no-load mutual funds, exchange traded funds, and other equity, debt and option securities for clients. We will obtain the relevant financial data from clients and assist them in the selection of suitable investments. We will base our investment strategy on their specific goals and situation. In addition, they have the opportunity to place reasonable restrictions on investments held within their RASA account.

### **Schwab Institutional**

We offer the Schwab Institutional program as a non-commissionable advisory account where we can purchase load waived and no-load mutual funds, exchange traded funds, and other equity, debt and option securities for clients. We will obtain the relevant financial data from clients and assist them in the selection of suitable investments. We will base our investment strategy on their specific goals and situation. In addition, they have the opportunity to place reasonable restrictions on investments held within their Schwab account.

### **SEI Asset Management Program**

The SEI Asset Management Program is a program whereby Davidson can make the SEI family of mutual funds available to its clients. SEI is not an investment adviser in this instance and does not have the investment adviser relationship with the client. The adviser will assist the client in selecting a relevant asset allocation model. The client chooses one of several mutual fund asset allocation models. If the client so chooses, automatic re-balancing to the model allocation and recommended model allocation changes will not be available.

### **Third-Party Advisory Services**

We offer our clients the services of various third-party investment advisors (“Third-Party Advisory Services”) for the provision of certain investment advisory programs including mutual fund wrap and separately managed account programs.

*If you are interested in learning more about any of these services, please note that a complete description of the programs, services, fees and payment structure, and termination features is available via the*

*applicable Third-Party Advisory Service's disclosure brochures, investment advisory contracts, and account opening documents.*

In connection with these arrangements, we will provide assistance in the selection and ongoing monitoring of a particular Third-Party Advisory Service. Factors that we consider in the selection of a particular third-party advisor may include but may not be limited to: i) our assessment of a particular Third-Party Advisory Service; ii) the client's risk tolerance, goals, objectives and restrictions, as well as investment experience; and, iii) the assets available for investment.

Clients should know that the services provided by Davidson through the use of Third-Party Advisory Services are under certain conditions directly offered by them to clients. The fees charged by Third-Party Advisory Services who offer their programs directly to clients may be more or less than the combined fees charged by the Third-Party Advisory Service and Davidson for its participation in the investment programs. However, when using the services of Third-Party Advisory Services directly, clients do not receive our expertise in developing an investment strategy, selecting a Third-Party Advisory Service, monitoring the performance of clients account and changing a Third-Party Advisory Service provider when appropriate.

Davidson receives compensation pursuant to its agreements with these Third-Party Advisory Programs for introducing clients to these Third-Party Advisory Programs and for certain ongoing services provided to clients. This compensation, which is disclosed to the client in a separate disclosure document provided by the Third-Party Advisory Program, is typically equal to a percentage of the investment advisory fee charged by that Third-Party Advisory Program or a fixed fee. Due to the fact that Davidson receives compensation from the Third-Party Advisory Services for referring clients and because such compensation may differ depending upon the individual agreement with each Third-Party Advisory Service, Davidson may have an incentive to recommend one of these Third-Party Advisory Services over others with which it has less favorable compensation arrangements or other advisory programs offered by Third-Party Advisory Services with which it has no compensation arrangements.

### **VISION2020 Wealth Management Platform – Model Portfolios Program**

The Wealth Management Platform - Model Portfolios Program ("Model Program") offers clients managed asset allocation models ("Asset Allocation Models") of mutual funds, exchange traded funds ("ETFs") or a combination diversified across various investment styles and strategies. The Asset Allocation Models are constructed by managers ("Program Managers") such as Russell Investment Management Company, SEI Investments Management Corporation and Morningstar Associates, LLC.

Based upon the risk tolerance of each client, the Model Program utilizes a system that selects a specific Asset Allocation Model. After the Asset Allocation Model is chosen, we, with the assistance of the Model Program sponsor, will open a Model Program account. Client accounts will be invested in the specific investments contained within the recommended Asset Allocation Model. Clients have the opportunity to place reasonable restrictions on investments held within

the Model Program account. **For further Model Program details, including a full list of Program Managers, please see the Model Program Wrap Fee Program Brochure. We provide this brochure to clients prior to or concurrent with their enrollment in the Model Program.**

### **VISION2020 Wealth Management Platform – SMA and UMA Program**

The Wealth Management Platform – SMA and UMA Account Program (“Wealth Managed Account Program” or “WMAP”) provides clients with the opportunity to invest their assets across multiple investment strategies and asset classes by implementing an asset allocation strategy. WMAP is a Wrap Account program that offers these advisory services along with brokerage and custodial services for a single, asset-based, advisory fee.

We will present clients with a WMAP asset allocation model (“WMAP Model”) for their approval which will consist of: 1) third party money managers (“WMAP Managers”) who will manage your WMAP account according to a particular equity or fixed income model or strategy, or 2) no-load mutual funds (“Funds”), or 3) exchange traded funds (“ETFs”) or any combination thereof (individually or collectively, “WMAP Investments”). WMAP Investments will be managed according to the selected WMAP Model. WMAP Investments are held within a separately managed account or a series of separately managed accounts (collectively, “SMA Account”) or in one, unified managed account (“UMA Account”).

We will suggest a WMAP Model based on a client’s response to a risk tolerance questionnaire (“Questionnaire”) and discussion that we have together regarding among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation. In addition, clients have the opportunity to place reasonable restrictions on investments held within your WMAP account. **For further WMAP details please see the WMAP Wrap Fee Program Brochure. We provide this brochure to clients prior to or concurrent with their enrollment in WMAP.**

### **SEI GoalLink – Integrated Managed Account Program**

We offer the GoalLink program to high net worth individuals, trusts, endowments, foundations and institutions. Through the GoalLink program, we serve as the primary client contact, responsible for analyzing their current financial situation, return expectations, risk tolerance, time horizon, and asset class preference. Using the GoalLink presentation tool, Davidson and the client select an investment strategy which is then submitted and reviewed by a representative of SEI Investment Management Corporation (“SIMC”). The strategy may include a combination of individual securities and mutual funds advised by SIMC (“SEI Funds”) based upon the client’s selected strategy and account size.

To participate in the program, Davidson, SIMC, and the client execute a tri-party agreement. Pursuant to the agreement, the client appoints Davidson as its investment adviser to assist the client in selecting the strategy. Based upon the selected strategy, SIMC will have investment

authority of the assets and will make prescribed adjustments to the strategy weights based on the market environment at a point in time. However, the client may, at any time, impose reasonable restrictions on the management of the client's account or choose a new strategy. SIMC's investment authority is effective until changed or revoked in writing. SIMC may delegate its day-to-day responsibility for selecting particular securities to one or more sub-advisors.

### **SEI Asset Allocation Program**

Davidson participates in the SEI asset allocation program, which is offered to high net worth individuals, defined benefit plans, participant and non-participant directed defined contribution plans, institutions, endowments, and foundations.

With the SEI asset allocation program, Davidson serves as the investment advisor to the client, and is responsible for analyzing the client's current financial situation, return expectations, risk tolerance, time horizon, and asset class preference, pursuant to Davidson's investment advisory agreement. Based upon the client's information, Davidson and the client select an investment strategy and choose from one of many mutual fund allocation models, which may be provided by SIMC, or purchase the individual mutual funds.

Davidson will allocate the assets placed in the client's account among the SEI Funds (a family of mutual funds advised by SIMC) in accordance with the investment strategy or model selected by the client. The client, through an advisor, may make adjustments to their asset allocation to help ensure that the mix reflects the objectives of the chosen strategy. The client may, at any time, impose reasonable restrictions on the management of his/her account or choose a new investment strategy. For participant directed plans, assets will be invested in the SEI asset allocation mutual funds and other style specific SEI funds (if applicable).

In accordance with the client's investment objectives, Davidson may also allocate assets placed in the client's account among the SEI funds through SEI's private client models, which reflect SIMC's institutional asset allocation models most aligned with individual client's goals. SIMC expects to make changes to the private client model periodically to incorporate changes to the mutual fund asset allocation underlying the models. Upon consent from Davidson (utilizing limited discretion), these asset allocation changes will be made to the client account invested in the private client models.

### **Retirement Plan Consulting Services**

We offer retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor in meeting its management and fiduciary obligations to the plan under ERISA. Retirement consulting services will consist of general or specific advice, and may include any one or all of the following:

1. Platform Provider Search and Plan Set-up

2. Strategic Planning and Investment Policy Development/Review.
3. Plan Review.
4. Plan Fee and Cost Review.
5. Acting as Third-Party Service Provider Liaison.
6. Assessment of Plan Investments and Investment Options.
7. Plan Participant Education and Communication.
8. Investment Advice to Participants.
9. Plan Benchmarking
10. Plan Conversion to New Vendor Platform
11. Assistance in Plan Merger
12. Legislative and Regulatory Updates; Plan Corrections

The Plan Sponsor may also engage us to provide a review of executive benefits, for separate compensation.

We will determine with the Plan Sponsor in advance the scope of services to be performed and the fees for all requested services. Prior to engaging us to provide pension consulting services, the Plan Sponsor will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the relevant fees and fee paying arrangements. The services outlined above that we provide are explained in more detail in the written agreement. We will also provide additional disclosures about our services and fees, where required by ERISA.

When we perform our agreed upon services, we will not be required to verify the accuracy or consistency of any information received from the Plan Sponsor.

We will serve in a nondiscretionary ERISA fiduciary capacity with respect to some but not all of the services that we provide which will be further explained in the written agreement we sign with the Plan Sponsor. The Plan Sponsor is always free to seek independent advice about the appropriateness of any recommendations made by us.

### **Financial Planning**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial

planning process, all questions, information and analysis will be considered as they impact and are impacted by the entire financial and life situation of the client.

In general, the financial plan will address any or all of the following areas of concern. The client and advisor will work together to select the specific areas to cover. These areas may include, but are not limited to, the following:

- **Business Planning:** We provide consulting services for clients who currently operate their own business, are considering starting a business, or are planning for an exit from their current business. Under this type of engagement, we work with you to assess your current situation, identify your objectives, and develop a plan aimed at achieving your goals.
- **Cash Flow and Debt Management:** We will conduct a review of your income and expenses to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice may also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. We may also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
- **College Savings:** Includes projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Recommendations as to savings strategies are included, and, if needed, we will review your financial picture as it relates to eligibility for financial aid or the best way to contribute for grandchildren (if appropriate).
- **Employee Benefits Optimization:** We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible of your employee benefits. If you are a business owner, we will consider and/or recommend various benefit programs that can be structured to meet both business and personal retirement goals.
- **Estate Planning:** This usually includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-

to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

- **Financial Goals:** We will help clients identify financial goals and develop a plan to reach them. We will identify what you plan to accomplish, what resources you will need to make it happen, how much time you will need to reach the goal, and how much you should budget for your goal.
- **Insurance:** Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **Investment Analysis:** This may involve developing an asset allocation strategy to meet clients' financial goals and risk tolerance, providing information on investment vehicles and strategies, reviewing employee stock options, as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian. The strategies and types of investments we may recommend are further discussed in Item 8 of this brochure.
- **Retirement Planning:** Our retirement planning services typically include projections of your likelihood of achieving your financial goals, typically focusing on financial independence as the primary objective. For situations where projections show less than the desired results, we may make recommendations, including those that may impact the original projections by adjusting certain variables (i.e., working longer, saving more, spending less, taking more risk with investments).

If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

- **Risk Management:** A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance ("self-insuring").
- **Tax Planning Strategies:** Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make recommendations on which type of account(s) or specific investments should be owned based in part on their "tax efficiency," with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that may impact your situation.

We recommend that you consult with a qualified tax professional before initiating any tax planning strategy, and we may provide you with contact information for accountants or attorneys who specialize in this area if you wish to hire someone for such purposes. We will participate in meetings or phone calls between you and your tax professional with your approval.

## Wrap Fee Programs

We do not participate in wrap fee programs.

# Item 5: Fees and Compensation

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Please note, unless a client has received the firm's disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees. How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

## Asset Management Program

Our standard advisory fee is based on the market value of the assets under management and is calculated as follows:

| Account Value             | Maximum Annual Advisory Fee |
|---------------------------|-----------------------------|
| \$0 - \$499,999           | 1.75%                       |
| \$500,000 - \$999,999     | 1.50%                       |
| \$1,000,000 - \$2,999,999 | 1.25%                       |
| \$3,000,000 - \$4,999,999 | 1.00%                       |
| \$5,000,000 and Above     | 0.75%                       |

The annual fees are negotiable and are pro-rated and paid in arrears on a quarterly basis. No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement.

Advisory fees are directly debited from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice. Since fees are paid in arrears, no rebate will be needed upon termination of the account.

Please note, as of October 2016, Vision 2020 Wealth Management Platform clients will be billed in advance. However, existing client account have been grandfathered and continue to be billed in arrears.

## **Third-Party Advisory Services**

When Davidson directs clients to Third-Party Managers, Davidson will be compensated via a fee share from each of the advisors to which it directs clients. The fees shared will not exceed any limit imposed by any regulatory agency. The Third-Party Manager will debit the client's account for the advisory fee, and will remit Davidson's portion of the fee to Davidson.

Compensation in connection with Third-Party Advisory Services generally consists of five elements: i) management and advisory fees shared by Third-Party Advisory Services, Davidson, and its Investment Advisory Representatives; ii) transaction costs – if applicable – which may be paid to purchase and sell such securities; iii) custody fees; iv) revenue sharing compensation paid to Osaic Wealth the securities broker-dealer to which members of Davidson are associated with; and v) fees paid to Osaic Wealth for administrative and supervisory services. In connection with some Third-Party Advisory Services, fees for investment advisory services and brokerage execution are wrapped together as a single fee.

Please note that a complete description of the fees and charges associated with any of these arrangements is available via the applicable Third-Party Advisory Service's disclosure brochures, investment advisory contracts, and account opening documents.

Davidson's portion of the management and advisory fees may be negotiated based on assets under management, the type of services requested and other factors that Davidson deems relevant to its provision of the advisory services related to the program, however clients should be aware that Third-Party Advisory Services may not be willing to negotiate their share of referenced fees, and Davidson is not authorized to negotiate a Third-Party Advisor's Fees.

## **Financial Planning Fee**

Financial Planning will generally be offered on a fixed fee basis. In special circumstances it may be offered on an hourly basis at a rate of \$250.00 per hour, depending on the nature of the specified services. Fixed fees will be determined on a case-by-case basis with the fee based on the complexity of the situation and the needs of the client. The fixed fee will be agreed upon before the start of any work. The fixed fee can range between \$1,000.00 - \$10,000.00. One-half of the estimated fee is due when the client provides the data and executes a contract, and the balance is due when a written financial plan is presented. The client may reject the plan at the time of presentation and receive a refund of the deposit. When the plan is accepted, the client is requested to pay the balance due. Flat fees may be negotiated for consultation or individual reports.

## **Other Types of Fees and Expenses**

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

Davidson generally provides investment advice on equity securities, debt securities, life insurance, variable and fixed annuities, mutual fund shares, and limited partnerships. Financial plans may be

executed through Osaic Wealth. In this capacity Davidson's representatives may earn a commission in addition to any fees paid for the financial plan.

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

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We do not offer performance-based fees.

## Item 7: Types of Clients

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Individuals, pension plans, profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. We do not have a minimum account size requirement.

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

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Our primary methods of investment analysis are fundamental, technical, and charting analysis.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical analysis** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may under perform other trading methods when fundamental factors dominate price moves within a given market.

**Charting analysis** involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends. Charts may not accurately predict future price movements. Current prices of securities may not reflect all information about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

## **Material Risks Involved**

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

## **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities issued by a corporation for the purpose of borrowing money. Generally, issuers pay clients periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, clients can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, clients should compare the relative after-tax return to the after-tax return of other bonds, depending on the client's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which clients invest.

## Item 9: Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Davidson or the integrity of our management. We have no information applicable to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

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Associated persons of Davidson Wealth Management, LLC are Registered Representatives associated with Osaic Wealth, Member of Advisor Group and a member of the Financial Industry Regulatory Authority ("FINRA"). Securities transactions purchased or sold by the customer may be transacted through the Broker/Dealer. Davidson may recommend securities or insurance products offered by Advisor Group or its affiliates. If a client purchases these products through the representative, the representative will receive the normal commission. Thus a conflict exists between our interests and those of the advisory clients. The client is under no obligation to purchase products recommended, or to purchase products either through Davidson or Osaic Wealth.

Under the rules and regulations of FINRA, Osaic Wealth has obligations to maintain records and perform other functions regarding certain aspects of the investment advisory activities of its registered

representatives in relation to certain advisory accounts for which its registered representatives provide investment advice. These obligations require Osaic Wealth to coordinate with, and have the cooperation of, the account custodian. To fulfill its obligation, Osaic Wealth has established a list of custodian and brokerage firms which it has arranged to obtain the required cooperation, and which therefore may be utilized for custody of accounts directly advised either by registered representatives of Osaic Wealth who are investment advisers or other investment advisor entities which are affiliated with registered representatives of Osaic Wealth. In certain instances, Osaic Wealth will collect as paying agent for Davidson, the investment advisory fee remitted to Davidson by the account custodian, and Osaic Wealth will retain a portion as a charge to the investment advisor (not the client) for the functions Osaic Wealth is required to carry out by the FINRA. This fee will not increase execution or brokerage charges to the client or the fee the client has agreed to pay Davidson pursuant to the client's advisory agreement. A portion of the fee retained by Osaic Wealth may be re-allowed to other registered representatives of Osaic Wealth who, as registered representatives of Osaic Wealth, are responsible for the supervision of other representatives and assist Osaic Wealth with the functions described above.

As discussed in Item 5, associated persons accept compensation for the sale of securities or other investment and/or insurance products, including asset-based sales charges or service fees from the sale of mutual funds.

1. This practice presents a conflict of interest and gives us an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Davidson will recommend no-load mutual funds in certain circumstances.
2. Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.
3. Associated persons of Davidson do not receive compensation related to the sales of securities or investment products in advisory accounts.

In 2019, Osaic Wealth provided Richard Prozzo with a five (5) year forgivable loan as an incentive to remain with Osaic Wealth during the buy-out by Reverence Capital. To achieve loan forgiveness, Mr. Prozzo must remain with Osaic Wealth through the end of the loan period (2024). This is a conflict of interest for Mr. Prozzo to maintain a relationship with Osaic Wealth rather than moving to another broker/dealer that is more suitable, lower cost, and/or offer services that better serve you. The costs to a client to maintain accounts through Osaic Wealth are different from other broker/dealers. To help mitigate this conflict of interest, we do use the alternative custodians Charles Schwab & Co., Inc. and SEI Investments Distribution Co. for clients, and do conduct a review of which custodian would be a better fit for the client.

Davidson Wealth Management, LLC is a licensed Insurance Agency in the State of New Jersey. Mr. Prozzo and Mr. Sevchenko sell life and health insurance products individually, and as solicitors for the firm. Commissions from insurance sales are paid either to the individual or the firm.

Davidson Wealth Management, LLC has a material relationship with Next Generation Wealth Planning, LLC, CRD Number 141615, Yale J. Levey, Managing Member and Chief Compliance Officer.

## Recommendations or Selections of Other Investment Advisers

As described in Items 4 & 5 above, Davidson utilizes SEI Investments Management Corporation "(SIMC)" to provide investment management services to its clients through SIMC's programs SEI Wealth Network and Global Institutions Group as defined below.

**SEI Wealth Network:** SIMC offers its clients either directly or in conjunction with affiliated entities a variety of advisory and financial administration services through the SEI wealth network (the program). The program features a life-goals-based wealth advice process that includes financial administration and management, and a full range of implementations and programs in the area of investment advice and portfolio management, securities, administrative services, insurance, credit, trust and estate planning services, philanthropy, long-term care planning services and other related services provided or procured through SIMC, its affiliates and/or third parties.

**Global Institutions Group:** Global Institutions Group provides asset management services for various types of sophisticated institutional clients, including traditional corporate pension plans, Taft-Hartley benefit plans, funded welfare plans (i.e., VEBAs), charitable foundations, endowment funds, pooled giving funds and other general organizational investment accounts.

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

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Davidson has adopted a written Code of Ethics in compliance with SEC Rule 204A-1. The Code of Ethics sets forth standards of conduct and requires compliance with various federal securities laws. Our Code of Ethics also addresses personal trading and requires our personnel to report their personal securities holdings and transactions to Richard Prozzo, the Chief Compliance Officer of Davidson. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

It is further noted that Davidson is in and shall continue to be in total compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, Davidson has adopted a firm wide policy statement outlining insider trading compliance by Davidson and its associated persons and other employees. This statement has been distributed to all associated persons and other employees of Davidson and has been signed and dated by each such person. A copy of such firm wide policy is left with such person and the original is maintained in a master file. Further, Davidson has adopted a written supervisory procedures statement highlighting the steps which shall be taken to implement the firm wide policy. These materials are also distributed to all associated persons and other employees of Davidson, are signed, dated and filed with the insider trading compliance materials. There are provisions adopted

for (1) restricting access to files, (2) providing continuing education, (3) restricting and/or monitoring trading on those securities of which Davidson's employees may have non-public information, (4) requiring all of Davidson's employees to conduct their trading through a specified broker or reporting all transactions promptly to Davidson, and (5) monitoring the securities trading of Davidson and its employees and associated persons.

Davidson or individuals associated with Davidson may buy or sell securities identical to those recommended to customers for their personal account.

It is the expressed policy of Davidson that no person employed by Davidson may purchase or sell any security before a transaction(s) being implemented for an advisory account, therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Davidson or any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

As these situations may represent a conflict of interest, Davidson has established the following restrictions to ensure its fiduciary responsibilities:

1. A director, officer or employee of Davidson shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Davidson shall prefer his or her own interest to that of the advisory client.
2. Davidson maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. These holdings are reviewed on a regular basis by Mr. Richard Prozzo, President and Chief Compliance Officer.
3. Davidson requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to termination.

### **Investment Advice Relating to Retirement Accounts**

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.
- Give you basic information about conflicts of interest.

In addition, and as required by this rule, we provide information regarding the services that we provide to you, and any material conflicts of interest, in this brochure and in your client agreement.

## Item 12: Brokerage Practices

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In the capacity as an Osaic Wealth registered representative, an associated person of Davidson may suggest that clients execute securities transactions through Osaic Wealth. If clients freely choose to execute such transactions through Osaic Wealth, the associated persons of Davidson may receive the normal commissions and/or other compensation. Davidson may recommend to clients the purchase of investment products in which it or a related entity may have some financial interest, including the receipt of compensation. Certain mutual funds (and/or their related persons) in which a client may invest make payments to broker-dealers. Such payments may be distributed pursuant to a 12b-1 distribution plan or pursuant to another arrangement as compensation for distribution or administrative services and may be paid out of the fund's assets. Associated persons of Davidson in their capacity as registered representatives of Osaic Wealth do not receive such fees or other compensation in advisory accounts.

No-load mutual funds will be purchased through the facilities of Schwab Institutional and Osaic Wealth. There are transaction charges involved when purchasing the funds and the client will be notified of all charges before the execution of any trade. Associated persons of Davidson are registered representatives of Osaic Wealth and may suggest that clients execute transactions through Osaic Wealth. If clients freely choose to execute transactions through Osaic Wealth, these associated persons do not receive commissions and/or other compensation.

### **Aggregating (Block) Trading for Multiple Client Accounts**

Investment advisers may elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. We do not engage in block trading. It should be noted that implementing trades on a block or aggregate basis may be less expensive for client accounts; however, it is our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or "block" client transactions. Considering the types of investments, we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Our

strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

## Item 13: Review of Accounts

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Reviews are done at various intervals depending on client needs which will be done in person or via telephone. Current reports can be generated at any time at the request of the advisory client.

The firm may periodically review reports provided to the client. As needed, but no less than annually, the firm contacts clients and reviews client's financial situation, objectives, and restrictions and communicates information to the Third-Party Advisory Service; and may assist the client in understanding and evaluating the services provided by the Third-Party Advisory Service.

**Account Statements.** Clients receive an account statement from their custodian at least quarterly, which includes the amount of any fees paid directly to such Third-Party Advisory Service, or any other advisor selected by the client to manage the account.

## Item 14: Client Referrals and Other Compensation

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We do not receive any economic benefit, directly or indirectly from any third party for advice rendered to our clients. Nor do we directly or indirectly compensate any person who is not advisory personnel for client referrals.

## Item 15: Custody

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Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**Standing Letters of Authorization:** Davidson does maintain a standing letter of authorization (SLOA) where the funds or securities are being sent to a third party, and the following conditions are met:

- a. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.

- b. The client authorizes Davidson, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- c. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- d. The client has the ability to terminate or change the instruction to the client's qualified custodian.
- e. Davidson has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- f. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- g. Davidson maintains records showing that the third party is not a related party of Davidson or located at the same address as Davidson.

## Item 16: Investment Discretion

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For those client accounts where we provide asset management services, we maintain discretion over client accounts with respect to securities to be bought and sold and the amount of securities to be bought and sold.

Investment discretion is explained to clients in detail when an advisory relationship has commenced. At the start of the advisory relationship, the client will execute a Limited Trading Authorization which will grant our firm discretion over the account. Any Limited Trading Authorization(s) of any brokerage firm signed by client and Davidson shall be considered an integral part of its contractual obligations. The limited trading authority relates only to no-load mutual funds within a fund family, exchange traded funds, or in the separate account of a variable annuity. Additionally, the discretionary relationship will be outlined in the advisory contract and signed by the client.

## Item 17: Voting Client Securities

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We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## Item 18: Financial Information

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

We do not have custody of client funds or securities or require or solicit prepayment of more than \$1,200 in fees per client six months in advance.