



## Part 2A of Form ADV

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This Brochure provides information about the qualifications and business practices of Tanglewood Total Wealth Management Inc. "Tanglewood". If you have any questions about the contents of this Brochure, please contact the firm's Chief Compliance Officer Keith A. Fenstad at (713) 840-8880. 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.

Tanglewood is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Tanglewood also is available on the SEC's website at <https://adviserinfo.sec.gov/>



## Item 2 – Material Changes

There were no material changes since our last Annual Amendment Disclosure Brochure dated September 27, 2023.

Although not material, Tanglewood made disclosure changes, enhancements, and additions in Items 4, 5 and 13.

Tanglewood’s Chief Compliance Officer, Keith Fenstad, remains available to address any questions regarding this Part 2A of Form ADV. Our brochure may be requested by contacting us at (713) 840-8880. A copy is also available on our web site <http://www.tanglewoodwealth.com>. Additional information about Tanglewood is also available via the SEC’s web site <https://adviserinfo.sec.gov/>



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## Item 4 – Advisory Business

Tanglewood Total Wealth Management, Inc. “Tanglewood” was originally founded in 1979 by John F. Merrill. John is currently the President and majority owner of the firm. In addition, Keith Fenstad and Brian Merrill each own 10%. John, Keith, and Brian collectively serve as the firm’s management team.

Tanglewood offers its clients professional money management and access to a complete range of personal wealth planning services. Depending on the range of services desired by the client, Tanglewood offers two distinct advisory relationship types from which clients can choose: the “**Wealth Management**” relationship or the “**Investment Management**” relationship.

With its *Wealth Management* relationships, Tanglewood offers to address a client’s total financial well-being. In addition to individually-tailored investment management services, personalized wealth planning is available at no additional charge.

For *Investment Management* relationships, Tanglewood provides turnkey investment management. The *Investment Management* relationship is offered to those clients who do not wish to receive wealth planning services available through the Wealth Management relationship.

In either of the above advisory relationships, Tanglewood has discretion over the purchase of liquid (tradable) investments including U.S. or foreign government bonds, mutual funds, Exchange Traded Funds (ETFs), annuities and cash or equivalents for each client’s account. An unrelated qualified custodian or broker/dealer maintains custody of all client assets under management. Tanglewood is named as investment advisor on these accounts.

As of December 31, 2023, Tanglewood managed \$1,305,375,189 of client assets on a discretionary basis.

### **Wealth Management Relationship**

In addition to investment management, our primary wealth planning role is to serve as a knowledgeable and unbiased source of information and education. The depth and complexity of planning varies with each client. Wealth planning is a “value added” service offered to our Wealth Management clients.

Tanglewood offers personalized wealth planning advice to those *Wealth Management* clients who seek our guidance in one or more of the following areas:

- Estate Planning
- Retirement Planning
- Insurance Analysis
- College Funding
- Asset Protection
- Employee Benefit Analysis
- Business Planning
- Charitable Planning

All Wealth Management clients are encouraged to involve us in each aspect of their financial lives.

As a value-added service for Wealth Management relationships, Tanglewood offers Family Financial Consulting (FCC) free of charge to the adult children of its Wealth Management clients. FCC includes access to tools and resources developed by Tanglewood to help with common financial planning areas of most interest to them. These individuals would not be clients of the firm unless they otherwise qualified and engaged Tanglewood for investment management services directly.



## Investment Management Relationship

There are no ongoing financial planning services for Investment Management relationships. However, advice necessary to the professional management and servicing of the accounts is provided as needed.

## Miscellaneous Notes Regarding Tanglewood's Advisory Business

**Financial Planning Limitations and Non-Investment Consulting/Implementation:** To the extent requested by a Wealth Management client, Tanglewood shall generally provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Tanglewood will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions could occur based upon assets under management, extraordinary matters, special projects, stand-alone planning engagements, etc. for which Tanglewood may charge a separate or additional fee). Please Note: Tanglewood believes that it is important for the client to address financial planning issues on an ongoing basis. Tanglewood's advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with Tanglewood. Tanglewood does not serve as an attorney, accountant or insurance agent, and no portion of our services should be construed as legal, accounting or insurance services. Accordingly, Tanglewood does not prepare estate planning documents or tax returns, nor does it sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e., attorneys, accountants, insurance, etc.). The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Tanglewood and/or its representatives. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Tanglewood and/or its representatives. If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

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



**Charles Schwab & Co., Inc.:** As discussed below in Item 12, unless the client directs otherwise, Tanglewood shall generally recommend that Charles Schwab & Co., Inc. (“Schwab”) serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including *Schwab*, do not currently charge fees on individual equity transactions, others do). In addition to Tanglewood’s investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses). **Please Note:** there can be no assurance that *Schwab* will not change their transaction fee pricing in the future. **Please Also Note:** *Schwab* may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

**Use of Mutual Funds:** Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Tanglewood independent of engaging Tanglewood as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Tanglewood’s initial and ongoing investment advisory services. **Separate Fees:** All mutual funds (and exchange traded funds) impose fees at the fund level (e.g., management fees and other fund expenses). All mutual fund fees are separate from, and in addition to, Tanglewood’s Wealth Management fee as described at Item 5 below. Tanglewood’s Chief Compliance Officer, Keith Fenstad, remains available to address any questions that a client or prospective client may have regarding the above.

**Cash Positions:** Tanglewood continues to treat cash as an asset class within its managed portfolio allocations. Separate cash holdings identified as restricted by the client will not be included in advisory fee calculations. As such, unless determined to the contrary by Tanglewood, all managed cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Tanglewood’s advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Tanglewood may overweight cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Tanglewood’s advisory fee could exceed the interest paid by the client’s cash holdings. Tanglewood’s Chief Compliance Officer, Keith Fenstad, CFP, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.

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



indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

**Borrowing Against Assets/Risks.** A client who has a need to borrow money could determine to do so by using:

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

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

- by taking the loan rather than liquidating assets in the client's account, Tanglewood continues to earn a fee on such Account assets and
- if the client invests any portion of the loan proceeds in an account to be managed by Tanglewood, Tanglewood will receive an advisory fee on the invested amount.

**Please Note:** The client must accept the above risks and potential corresponding consequences associated with the use of margin or pledged asset loans.

#### **Other Assets:**

A client may:

- hold securities that were purchased at the request of the client or acquired prior to the client's engagement of Tanglewood. Generally, with potential exceptions, Tanglewood does not/would not recommend nor follow such securities, and absent mitigating tax consequences or client direction to the contrary, would prefer to liquidate such securities. **Please Note:** If/when liquidated, it should not be assumed that the replacement securities purchased by Tanglewood will outperform the liquidated positions. To the contrary, different types of investments involve varying degrees of risk, and there can be no assurance that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Tanglewood) will be profitable or equal any specific



performance level(s) In addition, there may be other securities and/or accounts owned by the client for which Tanglewood does not maintain custodian access and/or trading authority; and,

- hold other securities and/or own accounts for which Tanglewood does not maintain custodian access and/or trading authority.

**Corresponding Services/Fees:** When agreed to by Tanglewood, Tanglewood shall: (1) remain available to discuss these securities/accounts on an ongoing basis at the request of the client; (2) monitor these securities/accounts on a regular basis, including, where applicable, rebalancing with client consent; (3) shall generally consider these securities as part of the client's overall asset allocation; and, (4) report on such securities/accounts as part of regular reports that may be provided by the Registrant; and, (5) include the market value of all such securities for purposes of calculating advisory fee.

**Tanglewood Dashboard:** Tanglewood may provide Wealth Management relationships access to account aggregation services (provided by eMoney or Right Capital), which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets that we manage (the "Excluded Assets"). The client and/or their other advisors that maintain trading authority, and not us, shall be exclusively responsible for the investment performance of the Excluded Assets. Tanglewood does not provide investment management, monitoring or implementation services for the Excluded Assets. The client may engage Tanglewood to provide investment management services for the Excluded Assets pursuant to the terms and conditions of the Investment Advisory Agreement between Tanglewood and the client.

- ***eMoney and Right Capital.*** In the event that Tanglewood provides the client with access to an unaffiliated vendor's website such as *eMoney or Right Capital*, and the site provides access to information and/or concepts, including financial planning, the client, should not, in any manner whatsoever, infer that such access is a substitute for services provided by Tanglewood. Rather, if the client utilizes any such content, the client does so separate and independent of Tanglewood.

**Client Obligations:** In performing our services, Tanglewood shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her responsibility to promptly notify Tanglewood if there is ever any change in his/her financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

**WE DON'T HAVE OR RECOMMEND an ESG strategy:**

*Socially Responsible Investing* involves the incorporation of Environmental, Social and Governance ("ESG") considerations into the investment due diligence process. ESG investing incorporates a set of criteria/factors used in evaluating potential investments: Environmental (i.e., considers how a company safeguards the environment); Social (i.e., the manner in which a company manages relationships with its employees, customers, and the communities in which it operates); and Governance (i.e., company management considerations). The number of companies that meet an acceptable ESG mandate can be limited when compared to those that do not, and could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. As with any type of investment





(including any investment and/or investment strategies recommended and/or undertaken by Registrant), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful. Registrant does not maintain or advocate an ESG investment strategy, but will seek to employ ESG if directed by a client to do so. If implemented, Registrant shall rely upon the assessments undertaken by the unaffiliated mutual fund, exchange traded fund or separate account manager to determine that the fund's or portfolio's underlying company securities meet a socially responsible mandate.

**WE DON'T RECOMMEND Cryptocurrency:** For clients who want exposure to cryptocurrencies, including Bitcoin, Tanglewood, will advise the client to consider a potential investment in corresponding exchange traded securities, or an allocation to separate account managers and/or private funds that provide cryptocurrency exposure. Crypto is a digital currency that can be used to buy goods and services but uses an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated, and their price is determined by the supply and demand of their market. Because cryptocurrency is currently considered to be a speculative investment, Tanglewood will not exercise discretionary authority to purchase a cryptocurrency investment for client accounts. Rather, a client must expressly authorize the purchase of the cryptocurrency investment. **Please Note:** Tanglewood **does not** recommend or advocate the purchase of, or investment in, cryptocurrencies. Tanglewood considers such an investment to be **speculative**. **Please Also Note:** Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for **liquidity constraints, extreme price volatility and complete loss of principal**.

## Item 5 – Fees and Compensation

The advisory fee schedule for Wealth Management relationships and Investment Management relationships are different due to the uniqueness of the services they provide.

### WEALTH MANAGEMENT RELATIONSHIP

The advisory fee schedule for the **Wealth Management** relationship (*wealth planning and investment management combined*) is:

- 0.70% per year on the first \$3,000,000
- 0.42% per year on the next \$17,000,000
- Above \$20,000,000 the fee is negotiated.

Note: The minimum annual fee for the Wealth Management relationship is \$14,000.

Wealth Management fees are deducted directly from the account(s) unless other arrangements are made between Tanglewood and the client.

For Wealth Management relationships, the annual fee is based on the average daily market value of managed assets in the “family group” of accounts. Managed assets within the “family group” are listed in the client’s Investment Management Agreement and combined for purposes of calculating the fee.



The following types of accounts will be grouped for fee purposes:

- Community property accounts;
- Separate property accounts of client and spouse;
- Revocable living trust accounts (where client and/or spouse are the only trustees);
- Family limited partnerships (where client and/or spouse are the only general partners and other partners' interests are less than 20%);
- Custodial accounts for minor children or grandchildren;
- Personal tax-deferred accounts such as IRAs, SEP-IRAs, and Keoghs (for client and/or spouse);
- Other accounts as agreed to by client and Advisor.

### **Financial Planning Fees**

Wealth planning services as described in Item 4 above are provided at no additional charge to Wealth Management clients. Family Financial consulting services for the adult children of Wealth Management clients are also provided at no charge.

### **Quarterly Billing**

The Wealth Management fee is based upon the average daily account value of the previous calendar quarter. The Wealth Management fee is applied to each account on a pro rata basis and is billed quarterly, in arrears.

## **INVESTMENT MANAGEMENT RELATIONSHIP**

The advisory fee schedule for the **Investment Management** (*only*) relationship is:

- 0.50% per year on the first \$5,000,000
- 0.25% per year above \$5,000,000

Note: There is no minimum annual advisory fee for Investment Management relationship.

Investment Management fees are deducted directly from the account(s) unless other arrangements are made between Tanglewood and the client.

The annual Investment Management fee is based on the average daily market value of managed assets in the "family group" of accounts. Managed assets within the "family group" are listed in the client's Investment Management Agreement and combined for purposes of calculating the fee.

### **Financial Planning Fees**

Not applicable, as financial planning is not a part of the Tanglewood Investment Management relationship.

### **Quarterly Billing**

The Investment Management fee is based upon the average daily account value of the previous calendar quarter. The Investment Management fee is applied to each account on a pro rata basis and is billed quarterly, in arrears.



**PLEASE NOTE:** In either relationship, Tanglewood, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its minimum annual fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). As a result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. If a client is subject to the annual minimum fee, the client will pay a higher percentage fee than the fee percentage referenced in the above fee schedules.

## **FEES & CHARGES COMMON TO ALL TANGLEWOOD CLIENTS**

Charles Schwab & Co., Inc., the current custodian of the majority of assets under our management, charges transaction fees on the purchase or sale of some of the mutual funds we select for client accounts (maximum fee is \$12). Mutual funds that participate in Schwab's One Source program are bought and sold without any transaction costs. As broker/dealer on each managed account, Schwab has waived its commissions for the purchase or sale of closed-end mutual funds, Exchange Traded Funds (ETFs) and most other stock and bond transactions. Sale confirmations will however indicate an "Exchange Processing Fee" which Schwab charges to offset fees imposed by the national securities exchanges.

Every mutual fund and ETF has internal management fees, legal, accounting, brokerage, custodial and operating expenses that are borne by the fund investor. These expenses are never directly observed by fund investors as they are netted against gross returns and only the net returns are reported to shareholders. The charges can vary for each position in the portfolio. Our intent is to limit the weighted average of such internal fund expenses within each client account to less than 0.50% per year through the selection of funds (where available) that demonstrate competitive fee structures and/ or offer institutional class shares with reduced expenses to clients of advisors.

In unique circumstances, specific clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as custodial fees, redemption fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Tanglewood's fee, and Tanglewood shall not receive any portion of these commissions, fees, and costs.

Tanglewood **does not** recommend the use of margin for investment purposes. As described in Item 4, a *margin account* is a brokerage *account* that allows investors to borrow money to buy securities and/or for other non-investment borrowing purposes. The broker/custodian charges the investor interest for the right to borrow money and uses the securities as collateral. Additionally, by using borrowed funds, the customer is employing leverage that will magnify both account gains and losses. The use of margin can cause significant adverse financial consequences in the event of a market correction. **Our Chief Compliance Officer, Keith Fenstad, remains available to address any questions that a client or prospective client may have regarding the use of margin.**

Clients may terminate the relationship with Tanglewood at any time and without notice. Tanglewood may terminate its relationship with a client upon 30 days written notice. In the event of termination, the Investment Management fee due to the Advisor for the termination period shall be prorated and shall be based on the latest valuation of the assets as of the date notice was received.



Item 12 further describes the factors that Tanglewood considers in selecting or recommending custodians for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

Tanglewood is not a party to any performance or incentive-related compensation arrangements with its clients.

## Item 7 – Types of Clients

Tanglewood provides its services to individuals, high net worth individuals, corporations, pension and profit-sharing plans, charitable institutions, foundations and other trust programs.

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

Tanglewood assists all clients with determining the appropriate Investment Policy based on that individual's risk tolerance, time horizon, and investment objectives. Each client of the firm has an individually prepared Investment Policy Statement that sets out how conservatively or aggressively how his or her account(s) will be managed. Both the Wealth Management relationship and Investment Management relationship offerings are based on the same principals of asset allocation and investment strategies as described on the following pages.

### Asset Allocation

The primary determinant of both risk and reward is referred to as asset allocation. The underlying principles of asset allocation are:

- **Asset Classes** - Types of investments with similar characteristics are grouped together as asset classes. As a group, these securities will tend to react in the same way to economic and investment forces.
- **Diversification** - A cross-section of securities within an asset class is required in order to deliver the return associated with that asset class and to minimize the risk of opportunity loss (substantial underperformance) and the risk of owning too large a position in a single security.
- **Financial History is Rational and Repetitive (over the long term)** - The variation in returns from each asset class diminishes significantly with time. The longer an asset class is held, the more reliable its performance in relation to historical averages.

A client's Investment Policy Statement establishes a long-term targeted rate-of-return objective for their portfolio. It will also set the risk parameters to which their portfolio is exposed including the range of declines it has experienced in prior bear markets.

Developing an asset allocation is a two-stage process. It begins by establishing a pre-determined mix of the two major families of asset classes: stocks and fixed income. Once the allocation to stocks and fixed income is set, Tanglewood will rarely deviate materially from it in managing the account. The second



stage of our investment management process is somewhat more dynamic and one where Tanglewood applies its management skills over time. This is the evaluation, selection, and allocation to each individual asset class.

The primary individual asset classes utilized by Tanglewood are:

**Domestic Stocks:** Large Companies (large and mid-cap)  
Small Companies (small and micro-cap)

**International Stocks:** Developed Countries  
Emerging Markets

**Real Assets:** Securitized Real Estate (Primarily REITS)

**Bonds:** High Quality Bonds (varying maturities)  
High-Yield Bonds  
Foreign Bonds

**Cash:** Money Market Accounts

Asset classes such as Commodities and International Bonds are not part of Tanglewood's Normal Asset Class weightings. Each of these asset classes is considered too volatile (cyclical) for permanent representation within your portfolio. However, from time to time, we may determine that the unique characteristics and/or evaluations of any of these asset classes may be of special benefit to your portfolio, i.e., enhancing its overall risk/reward profile.

The purchase of an alternative asset class for your managed account should not disrupt its overall asset class allocation guidelines. For example, the purchase of a Foreign Bond Fund for your portfolio would not increase your overall allocation to Fixed Income funds beyond its specified maximum percentage.

While the majority of such positions are typically purchased in a mutual fund and Exchange Traded Fund (ETF) format, Tanglewood may also purchase individual bonds that are issued by domestic and foreign governments.

## Style & Sector Strategies

After individual asset class weightings, there are three additional ways in which we seek to add value to the performance of our clients' portfolios: *style* weightings, *sector* weightings, and occasionally the use of hybrid funds.

There are four primary styles of stock selection: growth, value, growth-at-a-price, and index. Each of these management styles has a unique risk/reward makeup. Over time, each of these styles tends to come into, and go out of favor. Tanglewood constructs client portfolio so as to achieve a favorable balance of all four styles.



Individual companies are categorized by industry sector. Examples of industry sectors are healthcare, financial, retail, technology, and so forth. Tanglewood evaluates long-term demographic and business trends to determine which sectors, if any, to enhance within our client portfolios.

Tanglewood may allocate a portion of the assets under its management to *hybrid* mutual funds. These individual funds cannot be neatly earmarked into one defined area of the asset allocation guideline. Some hybrid funds invest in both stocks and bonds. Others employ equity strategies that maximize income instead of growth by techniques such as writing covered “calls” against the equities they own. (The call writer [seller] receives premium income but, in return, does not participate in the rise of the underlying stock’s price above a pre-determined level.) Such hybrid funds offer unique opportunities to reduce the volatility risk within managed accounts.

Tanglewood’s Investment Strategy is primarily implemented through long-term and short-term security purchases as investments are made with the intention of holding for at least 30 days. Tanglewood may however sell securities within 30 days of purchase if the market environment changed significantly causing Tanglewood to reevaluate holdings in light of new information.

Tanglewood does not initiate the use of margin as part of any Investment Strategy. Those clients with a short-term liquidity need may utilize margin if desired.

In the management of our accounts, Tanglewood relies on its own internally generated research on both the historical and current risks and rewards of various asset classes and combinations of asset classes (portfolios).

### **Combined Account Management aka “Combo”**

This management technique treats two or more accounts (with similar Investment Policies and objectives) as if they were one account for investment management purposes. The primary goal is to make the accounts more tax- efficient. The Combo portfolio exists only on paper, as the individual accounts never actually commingle their respective investments.

For example, aggregating taxable and tax-deferred accounts as a Combo allows Tanglewood to allocate more tax-efficient asset classes and mutual fund managers to the client’s taxable account(s) and the least tax-efficient to their tax-deferred account(s). Managing the overall risk and return at the Combo level allows Tanglewood more flexibility to focus trading within tax-deferred account(s).

Each individual account within the Combo will look and perform differently than the others, but when viewed in aggregate, the allocations and performance of the Combo would be consistent with the chosen Investment policy.

### **Principal Risks**

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

The principal risks of investing in Tanglewood’s strategies are summarized as follows:



*Asset allocation risk* - The allocation decisions made by Tanglewood to the various asset classes and market sectors could cause the portfolio to underperform other strategies with a similar investment objective.

*Risks of stock investing* - Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which a fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

*Risks of bond investing* - Bonds have two main sources of risk. *Interest rate risk* is the risk that a rise in interest rates will cause the price of a debt security held by the fund to fall. Securities with longer maturities typically suffer greater declines than those with shorter maturities. Mortgage-backed securities can react somewhat differently to interest rate changes because falling rates can cause losses of principal due to increased mortgage prepayments and rising rates can lead to decreased prepayments and greater volatility. *Credit risk* is the risk that an issuer of a debt security will default (fail to make scheduled interest or principal payments), potentially reducing income distributions and market values. This risk is increased when a security is downgraded, or the perceived creditworthiness of the issuer deteriorates.

*Foreign investing risk* – This is the risk that the fund’s investments in foreign securities may be adversely affected by political and economic conditions overseas, reduced liquidity, or decreases in foreign currency values relative to the U.S. dollar.

*Index Fund/ETF Tracking Risk* - Tracking error is the divergence of an Index fund’s performance from that of its underlying index. Tracking error may occur because of differences between the securities held in the fund’s portfolio and those included in the underlying index, pricing differences, transaction costs, the fund’s holding of uninvested cash and changes to the underlying index. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because the fund incurs fees and expenses, while the underlying index does not.

*Mutual Fund Risk* Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund’s investments in accordance with the fund’s investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. 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).

*Exchange Traded Fund Risk* ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience



price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) the price of an ETF may or may not fluctuate with the price of the underlying securities that make up the fund; (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.

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

*Pandemic Risk* Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Tanglewood or the integrity of Tanglewood's management. Tanglewood has had no legal or disciplinary events applicable to this Item.

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

John F. Merrill has a minority ownership interest in a savings and loan holding company, National Advisors Holdings, Inc. ("NAH") that has formed a federally chartered trust company, "National Advisors Trust Company" ("NATC"). NAH and NATC are regulated by the Office of Thrift Supervision. The trust company intends to provide a low-cost alternative to traditional trust service providers, and Tanglewood Total Wealth Management, Inc. may refer clients to NATC for trust services. Tanglewood and John Merrill do not receive additional compensation for referring clients to NATC.

A conflict of interest arises because Mr. Merrill, as a result of his minority ownership interest in NAH, could indirectly benefit from a client's engagement of NATC. Tanglewood's Chief Compliance Officer, Keith Fenstad, remains available to address any questions regarding this conflict of interest.





## Item 11 – Code of Ethics

Tanglewood has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and personal securities trading procedures, among other things. All supervised persons at Tanglewood must acknowledge the terms of the Code of Ethics annually, or as amended.

Tanglewood anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Tanglewood has management authority to effect and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Tanglewood, its affiliates and/or clients, directly or indirectly, have a position of interest. Tanglewood's employees and persons associated with Tanglewood are required to follow Tanglewood's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Tanglewood and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Tanglewood's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Tanglewood will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Tanglewood's clients. Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Tanglewood and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Tanglewood's obligation of best execution. In such circumstances, the affiliated and client accounts will receive securities at a total average price. Tanglewood will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Tanglewood's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm's Chief Compliance Officer, Keith Fenstad.

## Item 12 – Brokerage Practices (Custodian Selection)

Tanglewood does not maintain custody of client assets that we manage although we may be deemed to have custody of client assets only due to our ability to request management fees to be debited from client accounts (*see Item 15 Custody, below*). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Tanglewood recommends that clients establish brokerage accounts with Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, Member SIPC, as the qualified custodian. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to. Tanglewood is independently owned and operated and not



affiliated with Schwab. At this time, we are not recommending other brokerage firms. Prior to engaging Tanglewood to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Tanglewood setting forth the terms and conditions under which Tanglewood shall advise on the client's assets, and a separate custodial/clearing agreement with Schwab.

For our clients' accounts it maintains, Schwab generally does not charge separately for custody services, but is compensated by charging commissions or other fees on trades that it executes or that settle into a client's Schwab account. We negotiate with Charles Schwab & Co. to provide all our clients with transaction costs that are below Schwab's published schedule. In rare instances when Schwab must execute transactions through other firms (i.e., securities traded on foreign exchanges), Tanglewood attempts to further negotiate the best possible commission rates for the client. Offering clients the best execution and reporting at a competitive cost is our objective for all advisory accounts.

### **How We Select Brokers/Custodians to Recommend**

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors including, but not limited to the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (*see "Products and Services Available to Us from Schwab"?*)

### **Products and Services Available to Tanglewood from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage--trading, custody, reporting and related services--many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

Here is a more detailed description of Schwab's support services:

Services that Benefit You. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that



would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services that May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research from both Schwab and third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Tanglewood. Schwab also offers other services intended to help us manage and further develop our business enterprise.

These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Schwab has provided Tanglewood a waiver of their short-term mutual fund redemption fees. Tanglewood recognizes the effect frequent short-term trading can have on mutual fund expenses and performance and does not currently employ short-term trading as part of its management strategy. Instances when Tanglewood will rely on Schwab's fee exemption are limited to the following:

- 1) Newly transferred-in fund shares subject to redemption fees.
- 2) Unusual factors that cause Tanglewood to lose faith in a particular mutual fund's management and/or execution of the fund's stated strategy.
- 3) A dramatic and unexpected change in the global economic or investment environment that Tanglewood feels would have a detrimental impact on the fund.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. We may have an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We



believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above - see "How We Select Brokers/Custodians to Recommend") and not Schwab's services that benefit only us.

**Tanglewood's Chief Compliance Officer, Keith Fenstad, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflict of interest such arrangements may create.**

### **Directed Brokerage**

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

In the event that the client directs Tanglewood to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Tanglewood. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

### **Order Aggregation**

Transactions for each client account generally will be effected independently, unless Tanglewood decides to purchase or sell the same securities for several clients at approximately the same time. Tanglewood may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Tanglewood's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Tanglewood shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13 – Review of Accounts**

### **REVIEW OF ACCOUNTS**

#### **Portfolio Management**

Reviews of Wealth Management relationship and Investment Management relationship advisory accounts as a whole will be completed no less often than quarterly. (The managed positions within clients' accounts will have almost continuous monitoring.)



Tanglewood's Investment Committee consisting of John F. Merrill, President, Curtis Holden, CFA, Sr. Investment Officer, and Brian J. Merrill, CFP®, Vice President is responsible for reviewing investment selections and making asset allocation decisions. The Committee reviews the investments within each account for performance (both historical and expected) and for their continuing applicability and "fit" into the client's account based on the client's objectives and the advisory firm's outlook for such securities.

John F. Merrill makes the final decisions on all investment selections and asset allocations. He is also responsible for all buy and sell decisions. Curtis Holden and Alma Ozuna assist John with implementing approved allocation changes in accounts.

The total number of accounts reviewed is approximately 1,286.

### **Financial Planning Services**

Tanglewood offers its Wealth Management clients a range of personalized financial planning services as described above in Item 4. We depend on our clients to provide all the information necessary to properly evaluate their financial position. In providing these services, we meet directly with our clients to gather information and assess their current financial situation. Once we fully understand our client's specific needs and objectives, we develop a strategy to meet those goals. Advice is given on a "best efforts basis" and is communicated both verbally and in written format.

On an ongoing basis, it is up to each Wealth Management client to seek out our advice in the various areas of planning and to ensure all his or her Financial Planning needs have been met. Tanglewood will attempt to meet with each Wealth Management client at least annually to discuss and address financial planning issues raised by the client.

John Merrill, Brian Merrill, CFP®, Keith Fenstad, CFP®, Jeff Speight, CFP®, Abigail Gunderson, CFP® and Peter Faust, CFP® work both independently and as a team as needed to help clients address their financial planning concerns.

## **REPORTING**

### **Portfolio Management**

Each client's custodian sends detailed monthly reports directly to clients. These reports detail all transactions since the last report, indicate dividends and interest credited and show all positions held on the date of the report.

Tanglewood Total Wealth Management, Inc. prepares its own client reports no less often than quarterly. These reports show positions held at the date of the report. These portfolio reports will also categorize the securities into three asset class families: Cash & Equivalents, Fixed Income and Equities (Domestic, Global and International, Commodities and Real Estate).

The individual positions held will also indicate the cost basis (less dividend reinvest) and the percentage that security represents of the managed portfolio.



All clients of Tanglewood Total Wealth Management, Inc. receive daily, monthly and quarterly reports as follows:

### **Daily/Monthly**

Copies of all brokerage confirmations and related materials, which detail the purchases and sales, are sent directly from the brokerage firm to each affected account. A few days after the end of each month, the custodian sends a monthly statement directly to each client which details month-end portfolio positions and all transactions completed within the month.

### **Quarterly**

A quarterly report is issued by Tanglewood Total Wealth Management, Inc. which includes:

- The Asset Allocation for the Portfolio at quarter-end;
- Performance of managed assets for the quarter and year-to-date;
- Activity Summary for the quarter;
- Cumulative Net Investment vs. Portfolio Value since inception
- Portfolio Holdings at quarter-end and;
- Statement of Management Fees.

While the above information is provided to all Tanglewood clients, the format of the report may vary between Wealth Management relationship accounts and Investment Management accounts.

### **Quarterly Newsletter**

This publication is issued on a quarterly basis to all clients at no extra charge. It is mailed to Wealth Management clients as part of their quarterly report package and is available to all clients via the Tanglewood online vault. The newsletter covers current investment strategies, investment performance and information about securities held within client accounts.

### **Monthly Commentaries**

These communications are issued via email to all clients at no charge. Monthly commentaries typically cover current economic and market events.

### **Wealth Planning**

The nature and frequency of reports depend on the nature and frequency of the reviews. Reporting may be in the form of financial analysis and projections, as well as recommendations. Reporting may not be in written form.

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

As indicated at Item 12 above, Tanglewood may receive from Schwab without cost (and/or at a discount), support services and/or products. Tanglewood's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as result of this arrangement. There is no corresponding commitment made by Tanglewood to Schwab or any other entity to invest any specific



amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. Tanglewood's Chief Compliance Officer, Keith Fenstad, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflict of interest such arrangements may create.

Tanglewood does not maintain solicitor or promoter arrangements/pay referral fee compensation to non-employees for new client introductions.

### Item 15 – Custody

Tanglewood is not a broker-dealer and does not take possession of client assets. Our client assets are housed in nationally recognized brokerage firms, otherwise known as qualified custodians. Pursuant to the Custody Rule, Tanglewood is deemed to have custody of client assets only due to its ability to request management fees to be debited from client accounts. We have procedures in place to ensure fees are calculated correctly and in accordance with the clients agreed upon rates.

Clients should receive at least quarterly statements from the custodian that holds and maintains client's investment assets. They will be sent to the email or postal mailing address you provided to the custodian. Tanglewood urges you to carefully review such statements promptly and compare such official custodial records to the account statements you receive from us. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### Item 16 – Investment Discretion

Tanglewood Total Wealth Management, Inc. has discretionary authority over all managed accounts with regard to both the selection and proportions of securities held in managed accounts.

Tanglewood considers a number of factors when determining to purchase or sell a security for a particular client account. These factors include but are not limited to:

- Investment objective, policies and strategy of the account,
- Appropriateness of the investment to the account's time horizon and risk objectives,
- Existing levels of ownership of the investment and other similar securities
- Immediate availability of cash to fund the investment.

Clients who engage Tanglewood on a discretionary basis may, at any time, impose restrictions, **in writing**, on Tanglewood's discretionary authority. (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, , etc.).

### Item 17 – Voting Client Securities

It is the policy of Tanglewood Total Wealth Management, Inc. to vote proxies for all accounts for which it has voting authority only for assets that are under our discretion, in a manner in which Tanglewood believes it to be in the best interests of its clients. However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the assets, including, but not



limited to, class action lawsuits. Tanglewood generally votes in accordance with the recommendations of the issuer's existing management, unless it is not prudent to do so. In the event there is a conflict of interest, Tanglewood will, at its expense, engage the services of an outside proxy voting service or consultant who will provide an independent recommendation on the direction in which Tanglewood should vote on the proposal.

A written copy of the proxy policies and procedures along with information on how your particular securities were voted are available upon request.

It is Tanglewood's policy to NOT vote proxies received for non-managed (Restricted) securities held within a client's managed Schwab account.

Clients may wish to have their proxies voted by an independent third party or other named fiduciary or agent, at the client's cost.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Tanglewood's financial condition. Tanglewood has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

Tanglewood does not solicit prepayment of fees. If we did, we would be required to provide you with a copy of our balance sheet.

### **Item 19 – Additional Information**

Tanglewood has implemented a disaster recovery system, known as the "Contingency and Disaster Recovery Plan" which has been designed to enable Tanglewood to resume operations and recover client and firm records in the event of a significant business disruption, such as a natural disaster or terrorist attack. Because Tanglewood does not directly custody client's funds or securities, a significant business disruption should not impact a client's ability to access their funds and securities directly from the custodian. Continuity of business operations is made possible through the establishment of a regular electronic back up of records and plans to restore systems offsite to assess these records.

### **Any Questions?**

Tanglewood's Chief Compliance Officer, Keith Fenstad, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.







Part 2B of Form ADV  
Brochure Supplement

March 23, 2024

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This Brochure Supplement provides information about the individuals listed above that supplements the Tanglewood Total Wealth Management, Inc. ("Tanglewood") Brochure. You should have received a copy of that Brochure. Please contact Keith A. Fenstad, Chief Compliance Officer, at (713) 840-8880 if you did *not* receive Tanglewood's Brochure or if you have any questions about the contents of this supplement.

Additional information about the individuals named above is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Certifications/Credentials:

A number of Tanglewood's employees included in this Brochure Supplement have earned certifications and credentials that are described below.

Certain of our representatives are certified for financial planning services in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board"). Therefore, each such representative may refer to himself/herself as a CERTIFIED FINANCIAL PLANNER™ professional or a CFP® professional, and he/she may use these and CFP Board's other certification marks (the "CFP Board Certification Marks"). The CFP® certification is voluntary. No federal or state law or regulation requires financial planners to hold the CFP® certification. You may find more information about the CFP® certification at [www.cfp.net](http://www.cfp.net).

CFP® professionals have met CFP Board's high standards for education, examination, experience, and ethics. To become a CFP® professional, an individual must fulfill the following requirements:

- **Education** – Earn a bachelor's degree or higher from an accredited college or university and complete CFP Board-approved coursework at a college or university through a CFP Board Registered Program. The coursework covers the financial planning subject areas CFP Board has determined are necessary for the competent and professional delivery of financial planning services, as well as a comprehensive financial plan development capstone course. A candidate may satisfy some of the coursework requirement through other qualifying credentials. CFP Board implemented the bachelor's degree or higher requirement in 2007 and the financial planning development capstone course requirement in March 2012. Therefore, a CFP® professional who first became certified before those dates may not have earned a bachelor's or higher degree or completed a financial planning development capstone course.
- **Examination** – Pass the comprehensive CFP® Certification Examination. The examination is designed to assess an individual's ability to integrate and apply a broad base of financial planning knowledge in the context of real-life financial planning situations.
- **Experience** – Complete 6,000 hours of professional experience related to the personal financial planning process, or 4,000 hours of apprenticeship experience that meets additional requirements.
- **Ethics** – Satisfy the Fitness Standards for Candidates for CFP® Certification and Former CFP® Professionals Seeking Reinstatement and agree to be bound by CFP Board's Code of Ethics and Standards of Conduct ("Code and Standards"), which sets forth the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements to remain certified and maintain the right to continue to use the CFP Board Certification Marks:

- **Ethics** – Commit to complying with CFP Board's Code and Standards. This includes a commitment to CFP Board, as part of the certification, to act as a fiduciary, and therefore, act in the best interests of the client, at all times when providing financial advice and financial planning. CFP Board may sanction a CFP® professional who does not abide by this commitment, but CFP Board does not guarantee a CFP® professional's services. A client who seeks a similar commitment should obtain a written engagement that includes a fiduciary obligation to the client.
- **Continuing Education** – Complete 30 hours of continuing education every two years to maintain competence, demonstrate specified levels of knowledge, skills, and abilities, and keep up with developments in financial planning. Two of the hours must address the Code and Standards.



Certain of our representatives are CFA® Charterholders. CFA® designates an international professional certificate that is offered by the CFA Institute. The Chartered Financial Analyst® (CFA®) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 190,000 CFA® Charterholders working in over 170 countries and regions. To earn the CFA® charter, candidates must: (1) pass three sequential, six-hour examinations; (2) have at least four years of qualified professional investment experience; (3) join CFA Institute as members; and (4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **High Ethical Standards**

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA® Charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

### **Global Recognition**

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA® charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA® Charterholders —often making the charter a prerequisite for employment. Additionally, regulatory bodies in 38 countries/territories recognize the CFA® charter as a proxy for meeting certain licensing requirements, and more than 466 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

### **Comprehensive and Current Knowledge**

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.



## General Supervision Guidelines:

After discussing a client's specific investment objectives, time horizon and risk tolerance, Tanglewood provides the client with information regarding the various investment policies suitable for meeting their objectives. The client makes the final decision about what Investment Policy to implement.

On a quarterly basis the Chief Compliance Officer monitors the overall asset allocation of all client accounts to ensure actual portfolio allocations are consistent with the client's chosen investment policy. Clients are also urged to monitor trading in their own accounts by reviewing trade confirmations delivered to them and by reviewing account statements delivered to them directly from the custodian.

Tanglewood requires all officers and employees to adhere to the firm's Code of Conduct, setting the expectation that all employees hold themselves to the highest standard of professional and personal conduct. In addition, the firm maintains a Code of Ethics outlining the firm's requirement that employees must avoid all activities, interests and relationships that run contrary to the best interests of clients. At all times, Tanglewood employees must:

- 1) Place client interests ahead of Tanglewood's
- 2) Engage in personal trading that is in full compliance with Tanglewood's personal trading and reporting policies
- 3) Avoid taking advantage of their position within the firm.

A complete copy of Tanglewood's Code of Ethics is available upon request.

John F. Merrill and the firm's Chief Compliance Officer, Keith A. Fenstad, are responsible for implementing and enforcing the Code of Ethics.



# John F. Merrill

## Educational Background and Business Experience

John, born in 1948 was raised in Arlington, Texas and attended the University of Texas in Arlington (UTA) from 1966 through 1970, majoring in government and economics. In 1970, he lacked only 6 semester hours to fulfill the requirements for a degree. In 2011, John completed his education at UTA and received a Bachelor of Science degree in University Studies.

John has been exclusively employed in the financial services industry in Houston since 1974. John founded his own financial planning and investment management firm in October 1979 and changed its name to Tanglewood Capital Management on January 1, 1992. Tanglewood became incorporated on January 1, 2000. The firm changed its name to Tanglewood Wealth Management, Inc. on July 1, 2008. On February 24, 2017 the firm changed its business operating name to Tanglewood Total Wealth Management, Inc. to be more reflective of the firm's current capabilities and services. Tanglewood Wealth Management, Inc. remains as the full legal name.

John is an avid researcher and has authored five books of his own on the financial markets and investing.

## Disciplinary Information

None.

## Other Business Activities

John is not actively engaged in any other investment-related businesses or occupations.

John is not actively engaged in any non-investment-related business or occupation for compensation.

## Additional Compensation

John's annual compensation is based, in part, on the amount of assets under management and the number of clients that John introduces to Tanglewood. Accordingly, John has a conflict of interest for recommending Tanglewood to clients for investment advisory services, as the recommendation could be made on the basis of compensation to be received, rather than on a client or prospective client's best interests.

## Supervision

Tanglewood provides investment advisory and supervisory services in accordance with its policies and procedures manual. The primary purpose of Tanglewood's Rule 206(4)-7 policies and procedures is to comply with the supervision requirements of Section 203(e)(6) of the Investment Advisers Act of 1940 (the "Act"). Tanglewood's Chief Compliance Officer, Keith A. Fenstad, is primarily responsible for the implementation of Tanglewood's policies and procedures and overseeing the activities of its supervised persons. Should a client have any questions regarding Tanglewood's supervision or compliance practices, please contact Keith at (713) 840-8880.



## Keith A. Fenstad, CFP®

### Educational Background and Business Experience

Keith has worked in the financial services and financial planning industry since 1993. He was born in Omaha, Nebraska in 1970 and moved to Houston, Texas in 1986. He attended Sam Houston State University from 1990 to 1993 and received a Bachelor of Business Administration degree majoring in Finance. Keith went on to complete the Personal Financial Planning program at the University of Houston and obtained the CERTIFIED FINANCIAL PLANNER™ certification in early 2000.

Keith joined Tanglewood in 2002 as Director of Financial Planning and also serves as Tanglewood's Chief Compliance Officer. In January 2014, Keith became a 10% owner of Tanglewood.

### Disciplinary Information

None.

### Other Business Activities

Keith is not actively engaged in any other investment-related businesses or occupations.

Keith is not actively engaged in any non-investment-related business or occupation for compensation.

### Additional Compensation

Keith's annual compensation is based, in part, on the amount of assets under management and the number of clients that Keith introduces to Tanglewood. Accordingly, Keith has a conflict of interest for recommending Tanglewood to clients for investment advisory services, as the recommendation could be made on the basis of compensation to be received, rather than on a client or prospective client's best interests.

### Supervision

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## Brian J. Merrill, CFP®

### Educational Background and Business Experience

Brian was born in 1978 in Houston, Texas. He joined Tanglewood in January of 2002 after leaving Enron Corporation's Financial Analyst Program. A member of the Client Relationship team, he also provides marketing and portfolio management support. Additionally, he is a member of Tanglewood's Investment Committee.

He attended Southern Methodist University from 1997 to 2001 and received a B.B.A. degree double majoring in Finance and Marketing. Brian went on to complete the Personal Financial Planning program at Rice University and obtained the CERTIFIED FINANCIAL PLANNER™ certification in 2014. In January 2014, Brian became a 10% owner of Tanglewood.

### Disciplinary Information

None.

### Other Business Activities

Brian is not actively engaged in any other investment-related businesses or occupations.

Brian is not actively engaged in any non-investment-related business or occupation for compensation.

### Additional Compensation

Brian's annual compensation is based, in part, on the amount of assets under management and the number of clients that Brian introduces to Tanglewood. Accordingly, Brian has a conflict of interest for recommending Tanglewood to clients for investment advisory services, as the recommendation could be made on the basis of compensation to be received, rather than on a client or prospective client's best interests.

### Supervision

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As a member of Tanglewood Investment Committee, Brian is kept apprised of current investment funds, models and strategies. On a weekly basis the Investment Committee meets to discuss and review the recent market events and its impact on Tanglewood's investment strategy.



## Jeff A. Speight, CFP®

### Educational Background and Business Experience

Jeff was born in Kankakee, Illinois in 1965 and moved to Houston, Texas in 2006. He attended the University of Tulsa from 1983 to 1988 and received a Bachelor of Science in Business Administration degree in Finance with a minor in Management Information Systems. Jeff went on to complete the CFP® Certification Professional Education Program at the College for Financial Planning in 2000 and obtained the CERTIFIED FINANCIAL PLANNER™ certification in early 2001. In 2004-05, he completed 12 credit hours of Project Management courses at the Keller Graduate School of Management.

Jeff has worked in the financial services and investments industry since 1987, including over ten years with Charles Schwab Institutional. He joined Tanglewood in September 2012 as a member of the Client Relationship team. Other duties include developing business opportunities with professionals and business owners.

### Disciplinary Information

None.

### Other Business Activities

Jeff is not actively engaged in any other investment-related businesses or occupations.

Jeff is not actively engaged in any non-investment-related business or occupation for compensation.

### Additional Compensation

Jeff's annual compensation is based, in part, on the amount of assets under management and the number of clients that Jeff introduces to Tanglewood. Accordingly, Jeff has a conflict of interest for recommending Tanglewood to clients for investment advisory services, as the recommendation could be made on the basis of compensation to be received, rather than on a client or prospective client's best interests.

### Supervision

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# Abigail C. Gunderson, CFP®

## Educational Background and Business Experience

Abigail was born in 1969 in the Philippines and moved to Houston, Texas in 1991. She attended the Ateneo de Manila University from 1987-1991 and received a Bachelor of Science degree in Industrial Engineering. She completed the Personal Financial Planning program at the University of Houston and obtained the CERTIFIED FINANCIAL PLANNER™ designation in 2006.

Abigail joined Tanglewood in April 2013 as part of the firm's Client Relationship team. She has been working in the financial services industry since 2003 and has helped design comprehensive financial and estate plans for executives, professionals, and business owners.

## Disciplinary Information

None.

## Other Business Activities

Abigail is not actively engaged in any other investment-related businesses or occupations.

Abigail is not actively engaged in any non-investment-related business or occupation for compensation.

## Additional Compensation

Abigail's annual compensation is based, in part, on the amount of assets under management and the number of clients that Abigail introduces to Tanglewood. Accordingly, Abigail has a conflict of interest for recommending Tanglewood to clients for investment advisory services, as the recommendation could be made on the basis of compensation to be received, rather than on a client or prospective client's best interests.

## Supervision

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# Curtis J. Holden, CFA®

## Educational Background and Business Experience

Curtis was born in 1974 in Houston, TX. He attended the University of Houston first, from 1993 to 1997, and received a BBA with a major In Finance, and then from 2000 to 2001 and received a Master of Science in Finance. Curtis is a CFA® Charterholder and member of the Houston Society of Financial Analysts.

Curtis joined Tanglewood in November 2013 as a Senior Investment Officer and member of the Tanglewood Investment Committee. He has worked in the Houston financial community in various capacities since 1997.

## Disciplinary Information

None.

## Other Business Activities

Curtis is not actively engaged in any other investment-related businesses or occupations.

Curtis is not actively engaged in any non-investment-related business or occupation for compensation.

## Additional Compensation

Curtis's annual compensation is based, in part, on the amount of assets under management and the number of clients that Curtis introduces to Tanglewood. Accordingly, Curtis has a conflict of interest for recommending Tanglewood to clients for investment advisory services, as the recommendation could be made on the basis of compensation to be received, rather than on a client or prospective client's best interests.

## Supervision

Tanglewood provides investment advisory and supervisory services in accordance with its policies and procedures manual. The primary purpose of Tanglewood's Rule 206(4)-7 policies and procedures is to comply with the supervision requirements of Section 203(e)(6) of the Investment Advisers Act of 1940 (the "Act"). Tanglewood's Chief Compliance Officer, Keith A. Fenstad, is primarily responsible for the implementation of Tanglewood's policies and procedures and overseeing the activities of its supervised persons. Should a client have any questions regarding Tanglewood's supervision or compliance practices, please contact Keith at (713) 840-8880.

As a member of Tanglewood Investment Committee, Curtis is kept apprised of current investment funds, models and strategies. On a weekly basis the Investment Committee meets to discuss and review the recent market events and its impact on Tanglewood's investment strategy.



## Peter L. Faust, CFP®

### Educational Background and Business Experience

Peter was born in 1980 in Detroit, Michigan and moved to Houston, Texas in 2013. He attended the Haworth College of Business at Western Michigan University and received a Bachelor of Business Administration degree in Finance in 2003, graduating magna cum laude. He obtained the CERTIFIED FINANCIAL PLANNER™ designation in 2006.

Peter joined Tanglewood in May 2016 as part of the firm's Client Relationship team. He has been working in the financial services industry since 2003 and has helped design comprehensive financial and estate plans for executives, professionals, and business owners. Peter is also the primary contact for those utilizing Tanglewood's Family Financial Consulting program.

### Disciplinary Information

None.

### Other Business Activities

Peter is not actively engaged in any other investment-related businesses or occupations.

Peter is not actively engaged in any non-investment-related business or occupation for compensation.

### Additional Compensation

Peter's annual compensation is based, in part, on the amount of assets under management and the number of clients that Peter introduces to Tanglewood. Accordingly, Peter has a conflict of interest for recommending Tanglewood to clients for investment advisory services, as the recommendation could be made on the basis of compensation to be received, rather than on a client or prospective client's best interests.

### Supervision

Tanglewood provides investment advisory and supervisory services in accordance with its policies and procedures manual. The primary purpose of Tanglewood's Rule 206(4)-7 policies and procedures is to comply with the supervision requirements of Section 203(e)(6) of the Investment Advisers Act of 1940 (the "Act"). Tanglewood's Chief Compliance Officer, Keith A. Fenstad, is primarily responsible for the implementation of Tanglewood's policies and procedures and overseeing the activities of its supervised persons. Should a client have any questions regarding Tanglewood's supervision or compliance practices, please contact Keith at (713) 840-8880.

