

BERNHARDT  

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WEALTH MANAGEMENT





## WHO WE ARE

**B**ERNHARDT WEALTH MANAGEMENT IS AN INVESTMENT ADVISORY firm that helps our clients make smart decisions about their money. Gordon Bernhardt, the president and founder of the firm, understands the particular needs of high-net-worth clients, and has developed a specialty practice working with these individuals.

Our firm is committed to developing long-term client relationships built on a foundation of ethics, service and trust. We dedicate ourselves to focusing on our clients' investment goals so they can focus on creating a quality of life that reflects their deepest values.

## WHAT WE DO

**S**INCE OUR FOUNDING IN 1994, BERNHARDT WEALTH MANAGEMENT has acted as a trusted financial advisor in all aspects of our clients' financial lives. If our clients have a need that falls outside our area of expertise, we have a hand-selected network of financial professionals that allows us to offer a full range of services, including the following:

- ▶ Portfolio management
- ▶ Tax planning
- ▶ College planning
- ▶ Insurance planning
- ▶ Retirement planning
- ▶ Estate planning

## HOW WE WORK

WE USE THE STRATEGIC CLIENT CONSULTING PROCESS™ AND Strategic Investment Management Process™, two proprietary systems that help us work toward three very important goals:

- ▶ To get to know each client so that we thoroughly understand their motivation, values and goals
- ▶ To develop a long-range strategy and implement a portfolio that is true to those values and goals
- ▶ To systematically review each portfolio to ensure that it stays on course as the client's life circumstances and the markets change

Throughout our relationship, Bernhardt Wealth Management performs the duties of a Personal Chief Financial Officer. Once we implement the plan that our clients approve, we keep them apprised of what is happening with their money, alert them to any factors that may influence their situation, and make recommendations on the smartest ways to help them meet their goals.

## OUR INVESTMENT PHILOSOPHY

IT HAS BEEN OUR EXPERIENCE THAT INVESTMENT SUCCESS IS MORE likely to be achieved through an unwavering commitment to a set of clearly defined investment principles. These principles define Bernhardt Wealth Management's investment philosophy, and serve as a platform for every portfolio we design for our clients.

- ▶ **EFFICIENT MARKETS:** Security prices are determined according to all freely available information and by fierce competition among market professionals. As such, we believe it is virtually impossible for any single investor to consistently earn more profits than other investors by choosing securities that are undervalued. In other words, market forces create an environment where picking individual stocks does not guarantee superior performance.
- ▶ **MODERN PORTFOLIO THEORY:** Modern Portfolio Theory (MPT) was developed at the University of Chicago by Harry Markowitz and Merton Miller and later expanded on by Stanford professor William Sharpe. Each of these professors later won the Nobel Prize in Economics for their contribution to investment methodology. Unlike traditional asset management, which focuses on predicting individual stock price movements, MPT looks at the portfolio of assets based on the combination of its risk and return components. According to the principles of MPT, there is an optimum combination of investments that will bring the highest rate of return for every level of risk.
- ▶ **DIVERSIFICATION:** Investors can reduce their potential for loss by investing in a basket of different securities. In less technical terms, diversification means the same thing as the adage, "Don't put all your eggs in one basket." It is important to note that a diversified portfolio is not necessarily a properly allocated portfolio.
- ▶ **ASSET ALLOCATION:** Academic research has provided evidence that an investor's asset allocation decision — the choice of asset classes and the portfolio percentage allocated to each — is the single most important element in a portfolio strategy. It accounts for 94 percent of a portfolio's performance compared with 2 percent for market timing decisions and 4 percent for security selection. Asset allocation involves diversifying among several asset groups to improve total return while reducing risk.

## OUR CLIENTS

**B**ERNHARDT WEALTH MANAGEMENT IS DEDICATED TO SERVING high-net-worth individuals in the Washington, D.C. area. We work with a client as long as we can add significant value to their financial life. In general, our clients seek to prudently grow and protect their assets.

To provide maximum impact and a high level of personalized service to each client, we only work with a limited number of clients. Our clients generally have \$1 million or more in financial assets that they want professionally managed.

## WHY OUR CLIENTS TURN TO US

**B**ERNHARDT WEALTH MANAGEMENT BRINGS A UNIQUE COMBINATION of professional competence, a passion for helping individuals and families achieve their financial dreams and a dedication to the highest ethical values. Working with us allows our clients to develop a quality of life that enables them to spend time with their families, focus on their professions, give back to their communities or pursue other things that are important to them.

Our clients rely on us for our financial expertise and our dedication to the highest level of customer service. They also enjoy direct access to Gordon Bernhardt, our in-house team of professionals and our external network of financial professionals.

## OUR FEES

**O**UR CLIENTS MAY ENGAGE BERNHARDT WEALTH MANAGEMENT FOR hourly consultations, financial planning analysis or portfolio management. Our fee for portfolio management is calculated as a percentage of the assets we manage, and our minimum fee for this service is \$10,000 per year.

For a more detailed explanation of our fees, please refer to our Form ADV.

## ABOUT GORDON BERNHARDT

AS PRESIDENT AND FOUNDER OF BERNHARDT WEALTH MANAGEMENT, Gordon Bernhardt has dedicated his career to helping people achieve their financial goals. He has been at the helm of Bernhardt Wealth Management since 1994.

Gordon spent the first two years of his career in the financial services industry working for large financial companies. He started his own firm in 1994 so that he could focus on providing his clients with high-quality service and independent advice.

Gordon has earned the professional designations of CERTIFIED FINANCIAL PLANNER™ practitioner (CFP®), Certified Public Accountant (CPA), and Personal Financial Specialist (PFS). In addition to passing comprehensive examinations, continuing education is a requirement of maintaining these designations.

Gordon left his native Nebraska for Washington, D.C. and his first job, assistant to Representative Virginia Smith. From there, he went to work for the U.S. Senate Finance Committee when it was under the leadership of Senator Bob Dole. Gordon left D.C. to earn a degree in commerce from the University of Virginia. Since then, he has built a career that allows him to combine his financial savvy and experience with his interest in politics.

Gordon recognizes that while fulfilling work is important, our greatest rewards come from living a well-rounded life. Outside of work, he is a board member, treasurer and, most important, a volunteer mentor for the Orphan Foundation of America, the only non-profit organization in the country dedicated to serving children as they age out of the foster care system.

He is also a board member of the University of Virginia's McIntire School of Commerce Cornerstone Society and a member of the following professional organizations: Chamber of Commerce, National Association of Personal Financial Advisors, Association of CPA Financial Planners, Financial Planning Association, Investment Management Consultant's Association, Virginia Society of Certified Public Accountants, American Institute of Certified Public Accountants and Northern Virginia Estate Planning Council. Gordon is also registered with the United States House of Representatives and the United States Senate as an advocacy professional.

## OUR SERVICE GOALS

**B**ERNHARDT WEALTH MANAGEMENT RECOGNIZES THAT PROVIDING high-quality customer service is an essential part of helping our clients to achieve their goals. With this in mind, we offer the following service commitments to each of our clients:

- ▶ We will be genuinely interested in our clients' well-being. Their interests will always be foremost in our minds.
- ▶ We will make an exceptional effort to understand each of our client's unique needs, values and goals before recommending any financial strategies.
- ▶ We will develop a personalized Investment Plan for each client. This plan will serve as a road map for the client's portfolio, and will be updated over time to help the asset allocation stay true to the client's deepest objectives.
- ▶ We will provide each client with an Investment Plan that consists of well thought out and academically sound investment strategies tailored to that client's needs and objectives. Our advice will be prudent and appropriate, based on each client's objectives.
- ▶ We will work closely with our clients so that they can make smart decisions about their money. While we offer guidance based on our professional expertise and our commitment to seeing that each client's needs are met, the client holds the ultimate decision-making authority.
- ▶ We will monitor each client's investment portfolio on a regular and systematic basis.
- ▶ We will meet our deadlines and return calls within 24 hours.
- ▶ We will maintain contact via phone and face-to-face progress meetings, with whatever level of frequency the client desires.
- ▶ We will maintain the highest standards of professional ethics and responsibility.

We also encourage our clients to let us know if we ever do not live up to their expectations in any way, so that we can immediately correct any problem and develop procedures to prevent it from occurring in the future. We consider complaints to be a gift, and always welcome the opportunity to improve our services.

## OUR NETWORK OF PROFESSIONALS

WHEN CLIENTS WORK WITH BERNHARDT WEALTH MANAGEMENT, they benefit from access to our hand-selected network of financial professionals. We leverage this network to provide our clients with an extensive menu of services covering a range of areas, including insurance, tax and legal matters.

Bernhardt Wealth Management is proud to offer all value-added institutional investment strategies exclusively through Dimensional Fund Advisors. Dimensional is a financial consulting firm that works with a roster of institutional clients as well as a select group of independent financial advisors. Our relationship with Dimensional allows us to bring institutional-class asset management solutions to our clients — a level of service that has generally only been available to large corporations and the wealthiest families.

Dimensional shares our commitment to basing investment decisions on well-researched economic principles. Dimensional applies research from its numerous affiliations with leading academicians to the practical world of investing, allowing our clients to implement structured strategies that are at the leading edge of financial market research. While we rely on Dimensional to provide access to the latest research, the advice we offer our clients is always our own.

For any services our clients require that Dimensional or we cannot provide, such as insurance, legal or tax issues, we have a hand-selected network of professionals who help us provide high-quality service in a wide array of wealth management areas.

# STRATEGIC CLIENT CONSULTING PROCESS™

**A**T BERNHARDT WEALTH Management, our mission is to help you make smart decisions about your money. To do so, we use a systematic consulting process to determine what type of plan will ensure that you reach your goals. We have designed this process specifically to help us do three important things:

1. Understand your true financial goals.
2. Create the best possible plan for achieving those goals.
3. Keep us on track at each step of the process.

Our Strategic Client Consulting Process™ is based on a series of five meetings.

**1** At our initial meeting, we will conduct a discovery interview. This will identify the obstacles you face in achieving all that is important to you. We will look at where you are, where you want to go and how we can maximize the possibility of getting you there.

#### WHAT TO BRING:

- ▶ Last two years' tax returns
- ▶ Current bank, mutual fund, brokerage and retirement plan statements
- ▶ Current insurance policies
- ▶ Copies of wills or trusts
- ▶ Other documents that will help us fully understand your financial situation

**2** At this meeting, we will present our findings regarding your current situation (called a Gap Analysis), our recommendations for how we can bridge the gaps in order to reach your goals, and your personalized Investment Plan. These tools will form the foundation for all of our work together.

While you may be tempted to implement your plan immediately, we will wait until you have had time to thoroughly review it. We are looking for a lifelong relationship, so we want to make sure you are completely comfortable with every step of the process.

**3** At this point, we will be ready to make a mutual decision about whether Bernhardt Wealth Management can add substantial value, and if we should proceed. If we both choose to work together, then we will commit to each other to work toward achieving everything that is important to you. We will also execute the documents necessary to put your investment plan into motion.

#### WHAT TO BRING:

- ▶ Any questions or concerns you have regarding your Investment Plan, our investment recommendations or our analysis of your situation

**4** When you have multiple investment accounts, it is easy to become overwhelmed by the amount of paperwork you receive. At this meeting, we will help you organize all that paperwork in a notebook that we provide. We will also answer any questions you may have so that you understand exactly what is happening with your money and how it relates to your Investment Plan.

#### WHAT TO BRING:

- ▶ All the new account paperwork that you will receive in the mail
- ▶ Any questions you may have regarding the execution of your Investment Plan

**5** These meetings, which we will schedule at intervals convenient to you, give us an opportunity to review any major changes in your personal or financial situation since our last meeting. If these changes mean that we need to make adjustments to your Investment Plan, we will do so. We will also review your overall progress toward your long-term financial goals.

#### WHAT TO BRING:

- ▶ Any questions you may have about your progress
- ▶ Any insight you might have about foreseeable changes to your current situation or goals

**W**E RECOGNIZE THAT YOUR SITUATION and goals may change over time. We designed the Strategic Client Consulting Process™ to accommodate new developments in your life. The process may be restarted whenever we mutually determine that a new Discovery Meeting, Gap Analysis and Investment Plan are warranted.



# STRATEGIC INVESTMENT MANAGEMENT PROCESS™

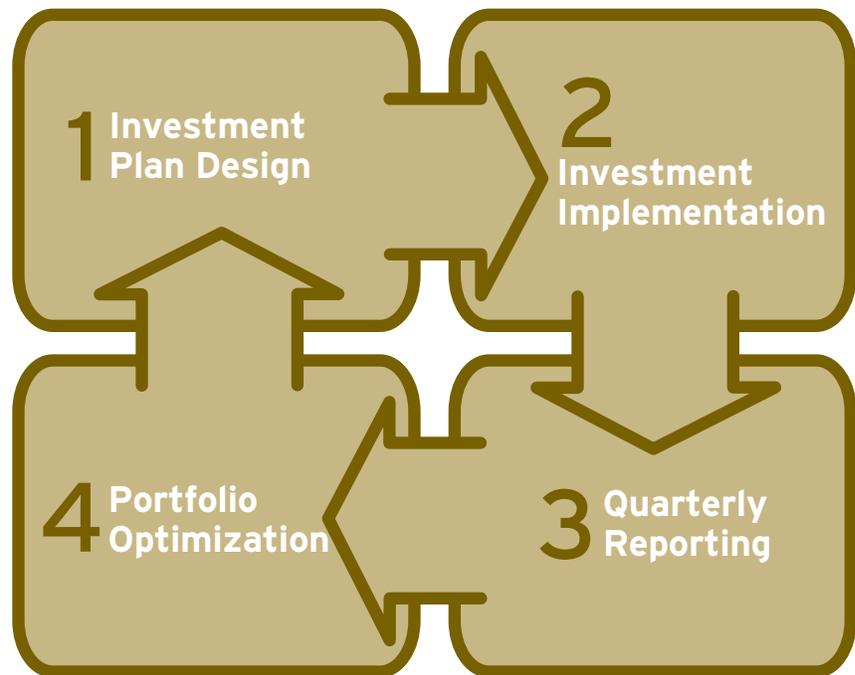
**B**ERNHARDT WEALTH Management has developed the Strategic Investment Management Process™ to ensure that our clients' portfolios are customized to their unique needs and goals, and periodically updated to reflect any changes to those needs and goals. This process enables us to achieve three important goals:

1. To create a road map for each portfolio, based on the client's true financial goals
2. To institute a regular review process that keeps the client's portfolio on track even when life circumstances or the markets have changed
3. To communicate progress to each client in a clear, useful way

At Bernhardt Wealth Management, we base all our portfolio recommendations on the four principles of Our Investment Philosophy. In keeping with these principles, we implement investing strategies that emphasize asset class allocation and minimum trading. The result is a portfolio that harnesses the power of the normal movements of the market while minimizing investment costs and taxes.

We believe that financial security and peace of mind are the result of developing an Investment Plan, and then following it consistently. Using our dynamic and disciplined Strategic Investment Management Process™, we work closely with each of our clients through four distinct phases:

**1 INVESTMENT PLAN DESIGN**  
We assess (or reassess) where the client is now, where the client wants to go, and outline any actions that may be required to maximize the client's probability of achieving those goals. This is called a Gap Analysis.



Based on the Gap Analysis, we develop or refine the personal Investment Plan. This Plan provides a road map for the development of the client's portfolio, clearly defining goals and the investment strategies we will use to help achieve them.

**2 INVESTMENT IMPLEMENTATION** Once the client approves the Investment Plan, we make all the necessary changes to the portfolio to implement the plan. After the trades are completed, the client will receive trade confirmations showing the number of shares, the date the trades were executed, the price per share and all other pertinent information regarding the purchases and sales.

**3 QUARTERLY REPORTING** Shortly after the end of each calendar quarter, we will provide each client with an easy-to-understand, detailed review of his or her portfolio. This report will allow the client to easily determine how the portfolio as a whole and each asset class has performed. The report will also provide a summary of activity that has taken place for the quarter, the last 12 months and since the inception of the account.

**4 PORTFOLIO OPTIMIZATION** The one thing we can always rely on is change. Because proper asset allocation is so important, we conduct a review each quarter of every asset class in each client's portfolio to determine if it is still appropriate to his or her overall plan. If market conditions have caused the actual allocation to shift from the target allocation by an amount greater than our predetermined levels, or if life changes have shifted the client's priorities and tolerance for risk, we will rebalance the portfolio. This review automatically happens every quarter, but it can also be conducted whenever circumstances warrant a reassessment.

**WE USE REGULAR PROGRESS MEETINGS** to ensure that the Investment Plan still reflects the client's objectives. Whenever we determine that there has been a shift in the foundations of the Investment Plan, we will begin the process again. Periodically repeating the Strategic Investment Management Process™ creates the opportunity to make sure that each client's portfolio remains consistent with his or her deepest goals and values. We will repeat this process as long as we continue to work together.

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