

# Cornerstone Wealth Management, Inc. Client Brochure

*This brochure provides information about the qualifications and business practices of Cornerstone Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at (925) 824-2880 or by email at: [info@cornerstonewmi.com](mailto:info@cornerstonewmi.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Cornerstone Wealth Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Cornerstone Wealth Management, Inc.'s CRD number is: 149053*

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*Registration does not imply a certain level of skill or training.*

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## Item 2: Material Changes

Cornerstone Wealth Management, Inc. material changes since the previous amendment filed on January 15, 2015.

**None**

## Item 3: Table of Contents

### Table of Contents

Item 2: Material Changes .....	i
Item 3: Table of Contents .....	ii
Item 4: Advisory Business .....	1
A. Description of the Advisory Firm .....	1
B. Types of Advisory Services .....	1
Financial Planning .....	1
Services Limited to Specific Types of Investments .....	1
C. Client Tailored Services and Client Imposed Restrictions .....	1
D. Wrap Fee Programs .....	2
E. Amounts Under Management .....	2
Item 5: Fees and Compensation .....	3
A. Fee Schedule .....	3
Financial Planning Fees .....	3
Fixed Fees .....	3
Hourly Fees .....	3
B. Payment of Fees .....	3
Payment of Financial Planning Fees .....	3
C. Clients Are Responsible For Third Party Fees .....	4
D. Prepayment of Fees .....	4
E. Outside Compensation For the Sale of Securities to Clients .....	4
1. This is a Conflict of Interest .....	4
2. Clients Have the Option to Purchase Recommended Products From Other Brokers .....	4
Item 6: Performance-Based Fees and Side-By-Side Management .....	4
Item 7: Types of Clients .....	5
Minimum Account Size .....	5
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss .....	5
A. Methods of Analysis and Investment Strategies .....	5
Methods of Analysis .....	5
Fundamental analysis .....	5
Technical analysis .....	5
Investment Strategies .....	5
B. Material Risks Involved .....	5
Methods of Analysis .....	5
Fundamental analysis .....	5
Technical analysis .....	6

C. Risks of Specific Securities Utilized .....	6
Item 9: Disciplinary Information .....	6
Item 10: Other Financial Industry Activities and Affiliations .....	6
A. Registration as a Broker/Dealer or Broker/Dealer Representative .....	6
B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.....	6
C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests .....	7
D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections .....	7
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	7
A. Code of Ethics.....	7
B. Recommendations Involving Material Financial Interests .....	7
C. Investing Personal Money in the Same Securities as Clients.....	8
D. Trading Securities At/ Around the Same Time as Clients' Securities.....	8
Item 12: Brokerage Practices.....	8
A. Factors Used to Select Custodians and/or Broker/Dealers .....	8
1. Research and Other Soft-Dollar Benefits.....	8
2. Brokerage for Client Referrals .....	8
3. Clients Directing Which Broker/Dealer/Custodian to Use.....	8
B. Aggregating (Block) Trading for Multiple Client Accounts .....	9
Item 13: Reviews of Accounts .....	9
A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews.....	9
B. Factors That Will Trigger a Non-Periodic Review of Client Accounts.....	9
C. Content and Frequency of Regular Reports Provided to Clients.....	9
Item 14: Client Referrals and Other Compensation.....	9
A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes) .....	9
B. Compensation to Non -Advisory Personnel for Client Referrals.....	9
Item 15: Custody.....	10
Item 16: Investment Discretion.....	10
Item 17: Voting Client Securities (Proxy Voting).....	10
Item 18: Financial Information .....	10
A. Balance Sheet.....	10
B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients.....	10
C. Bankruptcy Petitions in Previous Ten Years .....	10
Item 19: Requirements For State Registered Advisers .....	11
A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background .....	11
B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any) .....	11
C. How Performance Based Fees are Calculated and Degree of Risk to Clients.....	11
D. Material Disciplinary Disclosures for Management Persons of this Firm .....	11
E. Material Relationships That Management Persons Have With Issuers of Securities (If Any).....	11

## Item 4: Advisory Business

### A. Description of the Advisory Firm

This firm has been in business since January 6, 2009, and the principal owner is Richard Patrick Arzaga.

### B. Types of Advisory Services

Cornerstone Wealth Management, Inc. (hereinafter "CWM") offers the following services to advisory clients:

#### *Financial Planning*

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on fixed fees or hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

#### *Services Limited to Specific Types of Investments*

CWM limits its investment advice to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, third party money managers, REITs, insurance products including annuities, private placements, and government securities. CWM may use other securities as well to help diversify a portfolio when applicable.

### C. Client Tailored Services and Client Imposed Restrictions

CWM offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent CWM from properly servicing the client account, or if the restrictions would require CWM to deviate from its standard suite of services, CWM reserves the right to end the relationship.

### D. Wrap Fee Programs

CWM does not participate in any wrap fee programs.

### E. Amounts Under Management

CWM has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$0.00	\$0.00	12/31/2015

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Financial Planning Fees Fixed Fees*

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$3,500 and \$25,000. Fees are paid in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

#### *Hourly Fees*

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$250 and \$350. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

### B. Payment of Fees

#### *Payment of Financial Planning Fees*

Hourly Financial Planning fees are paid via check in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

Fixed Financial Planning fees are paid via check in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

**Financial Planning Disclosure:** In accordance with CCR Section 260.235.2, we are required to disclose if a conflict exists between the interests of the investment adviser and the interests of the client. If so, the client is under no obligation to act upon the investment adviser's recommendation, and, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser.

### C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by CWM. Please see Item 12 of this brochure regarding broker/custodian.

### D. Prepayment of Fees

CWM collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check.

### E. Outside Compensation For the Sale of Securities to Clients

All representatives of CWM are also registered representatives with LPL Financial, a broker dealer, and they accept compensation for the sale of securities to CWM clients.

#### 1. *This is a Conflict of Interest*

CWM and its supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person and CWM an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which CWM receives compensation, CWM will document the conflict of interest in the client file and inform the client of the conflict of interest.

#### 2. *Clients Have the Option to Purchase Recommended Products From Other Brokers*

Clients always have the option to purchase CWM recommended products through other brokers or agents that are not affiliated with CWM.

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

CWM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

**Advisory Fees in General:** In accordance with CCR Section 260.238(j), clients should note that lower fees for comparable services may be available from other sources.

## Item 7: Types of Clients

CWM generally provides investment advice to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Corporations or Business Entities
- ❖ Real Estate Investors
- ❖ Other Financial Planners
- ❖ Small Business Owners

### *Minimum Account Size*

There is no account minimum.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

CWM's methods of analysis include fundamental analysis and technical analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

#### *Investment Strategies*

CWM only provides financial planning services to their client's therefore they do not utilize investment strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

CWM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

All representatives of CWM are also registered representatives. From time to time, they will offer clients advice or products from those activities. Clients should be aware that **the firm will either charge a fee for assets managed or charge a commission** and involve a possible conflict of interest, as **commissionable** products can conflict with the fiduciary duties of a registered investment adviser. CWM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of CWM in their capacity as a registered representative.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither CWM nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

All representatives of CWM are licensed insurance agents and they are also registered Representatives. Richard Patrick Arzaga is also a licensed real estate broker; however his license is currently inactive. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. CWM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of CWM in their capacity as an insurance agent.

All material conflicts of interest under Section 260.238 (k) of the California Corporations Code are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

CWM does not utilize nor select other advisors or third party managers.

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

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

CWM does not recommend that clients buy or sell any security in which a related person to CWM has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of CWM may buy or sell securities for themselves that they also recommend to clients. CWM will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of CWM may buy or sell securities for themselves at or around the same time as clients. CWM will always act in the best interest of the client.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. CWM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

#### **1. *Research and Other Soft-Dollar Benefits***

CWM receives no research, product, or service other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

#### **2. *Brokerage for Client Referrals***

CWM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

CWM allows clients to direct brokerage. CWM may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage CWM may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices.

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

CWM does not engage in block trading for multiple client accounts.

# **Item 13: Reviews of Accounts**

## **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Richard Patrick Arzaga, Founder/CEO. There is only one level of review and that is the total review conducted to create the financial plan.

## **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

## **C. Content and Frequency of Regular Reports Provided to Clients**

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

CWM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to CWM clients.

## **B. Compensation to Non -Advisory Personnel for Client Referrals**

CWM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

CWM does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the Custodian. Clients will receive account statements from the custodian and should carefully review those statements.

## **Item 16: Investment Discretion**

CWM does not have discretion over client accounts at any time.

## **Item 17: Voting Client Securities (Proxy Voting)**

CWM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

CWM does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither CWM nor its management have any financial conditions that is likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

CWM has not been the subject of a bankruptcy petition in the last ten years.

## **Item 19: Requirements For State Registered Advisers**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

CWM currently has only one management person and only one executive officer; Richard Patrick Arzaga. Richard Patrick Arzaga's education and business background can be found on the Supplemental ADV Part 2B form.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Richard Patrick Arzaga's other business activities can be found on the Supplemental ADV Part 2B form.

### **C. How Performance Based Fees are Calculated and Degree of Risk to Clients**

CWM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at CWM has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

### **E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Neither CWM, nor its management persons, has any relationship or arrangement with issuers of securities.