

## Item 1 - Cover Page



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This Brochure, "Breakwater Investment Management ADV Part 2" provides information about the qualifications and business practices of Breakwater Investment Management, LLC ("Breakwater"). If you have any questions about the contents of this Brochure, please contact us at 206.621.8832 or [info@breakwater.com](mailto:info@breakwater.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) nor by any state securities authority.

Breakwater is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about Breakwater Investment Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

We have made the following material changes since the publication of our last brochure, dated January 3, 2024:

- Item 4 has been amended to disclose our use of model portfolios to manage client accounts.
- Item 7 has been amended to disclose that we now require a minimum annual fee of \$5,000 to commence or continue an advisory relationship for new clients only. This minimum is waivable at our discretion.
- Item 12 has been amended to disclose our receipt of certain benefits as a result of our recommendation of Charles Schwab & Co, Inc. to clients for brokerage and custodial services.

We will update this brochure and summarize in this Item 2 the occurrence of any material changes with respect to our advisory business in accordance with applicable law. All current clients will receive a Summary of Material Changes to this and subsequent firm brochures within 120 days of the close of our fiscal year and certain additional other-than-annual updates regarding changes with respect to our firm and our business practices promptly following their occurrence. Updated information concerning these changes will be provided to you free of charge. A Summary of Material Changes is also included within our firm brochure found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can obtain additional information about our firm by searching for us on the foregoing website by our firm name or by our unique IARD/CRD number 150841. A copy of this brochure will be provided to you free of charge by contacting us at the telephone number or e-mail address reflected on the cover page.

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## Item 4 - Advisory Business

Breakwater Investment Management, LLC is referred to in this document as “Breakwater,” the “company,” “us,” “we,” or “our.” In this document we refer to current and prospective clients of Breakwater as “you,” “your,” or “client.” Breakwater is a Washington limited liability company founded in August 2009. The owner of Breakwater is Bethany A. Steinhaus (Beth). Breakwater offers investment advisory and financial planning services to its clients. Advice and services are tailored to the stated objectives of you, the client.

### *Investment Advisory Services*

We manage investment portfolios on a separately managed account basis for individuals, high net worth individuals, qualified retirement plans, trusts, businesses, and non-profit organizations. We will work with you to determine your investment objectives and investor risk profile. We will allocate your portfolio, taking into consideration the overall management style selected by you. You may impose restrictions on investing in certain securities or types of securities. You must clearly state these restrictions to us in writing.

We work with new clients to develop a plan to transition from your existing portfolio to the desired portfolio. During the transition, we are sensitive to the tax implications of changing positions in a portfolio. Please note that it may take years until we have transitioned your portfolio in a tax-efficient manner. We will then monitor and update the allocations that make up your portfolio on an ongoing basis.

For some clients, we manage client accounts by implementing certain model portfolios (“Model Portfolios”) that are intended to align with varying degrees of client risk tolerance, ranging from a more aggressive investment strategy to a more conservative approach. The Model Portfolios we utilize typically invest primarily in exchange traded funds (“ETFs”), but may include other investments, including some or all of the following: mutual funds, individual stocks, corporate and government bonds, cash and cash equivalent investments. Where appropriate and in line with the client’s investment needs and objectives, client portfolios may also include other types of investments.

Pursuant to your agreement, you grant us ongoing and continuous discretionary authority to execute our investment recommendations without prior approval in accordance with your objectives, as understood by us or as stated in your Investment Policy Statement (or similar document and/or notes and discussions from meetings used to establish your objectives and suitability.) Under this authority, you allow us to purchase and sell securities and instruments in your account, and act on your behalf in most matters necessary or incidental to the handling of your account, including the selection and retention of subadvisors, as applicable. The exception to this management is that we do not receive or vote proxies on issues held in the account or receive annual reports (see page 9). This responsibility remains with you.

### *Financial Planning Services*

In addition to managing your investment portfolio, we may consult with you on various financial areas including college financial planning, retirement planning, and personal cash flow analysis, among other things.

Financial planning services may address some or all of the following financial topics, depending on the client's needs:

- Investment Planning/Investment Policy Statements;
- Financial Independence/Retirement Planning;
- Capital Needs Analysis (Goal Funding);
- Income Tax Planning;
- Estate Planning;
- Education Planning;
- Risk Management (Life and Disability Insurance);
- Employee Benefit and Stock Option Planning; and
- Tax minimization Strategies.

Some written plans may include a personal balance sheet and financial projections. Any reports, financial statement projections, and analyses are intended exclusively for your use in developing and implementing your financial plan. You are ultimately responsible for the assumptions and personal data upon which Breakwater's projections are based. The financial plan assumptions and reports are primarily a tool to alert you to certain potential financial outcomes. The reports are not intended to, nor do they provide any guarantee about future events including your investment returns. In fact, there is little evidence that economic outcomes can be accurately forecasted. The implementation of the plan is solely your responsibility.

We provide financial planning services consistent with our understanding of your financial and tax status and risk profile. We may also provide general non-securities financial planning on topics that may include tax and budgetary planning, estate planning, and business planning.

#### *Breakwater Absorption of Transaction Costs for Certain Existing Clients*

A program was put in place in 2009 to facilitate the transfer of accounts to Breakwater for clients that worked with Jay Turley, the former owner, at another firm prior to the inception of Breakwater. This program is closed to new accounts. As was the case in the prior firm, clients in the program pay no management fees on cash and pay no trading fees. Trading fees are paid by Breakwater. In theory this program creates an incentive for us to not recommend cash holdings and discourages us from trading. In practice we believe there is no difference between our management and our recommendations for clients in the program and those not in it. The custodians which house all our clients' accounts now waive most trading costs, further reducing the conflict.

#### *Advisory Services to 401(k) Plans*

Breakwater may enter into agreements with 401(k) Plan Sponsors to recommend investment options available to participants in a Plan, comprised of stand-alone mutual funds or ETFs; and we may recommend, as appropriate, replacements of investment options.

#### *Trustee Services to Trust Accounts*

Breakwater serves in the capacity of corporate trustee. Typically, responsibilities include managing disbursements from the trust accounts consistent with the governing trust documents, investment management or selection of investment managers, and various reporting and filings for taxes and to the beneficiaries.

### *Wrap Fee Program; Types of Investments Recommended*

A wrap fee program is an investment program under which the costs of an investment adviser's investment advice and the costs associated with the execution of brokerage transactions (e.g., trading commissions) charged by a broker-dealer are bundled together into a single asset-based fee. We do not participate in any wrap fee programs or recommend wrap fee programs to clients.

Investments typically recommended to clients include mutual funds, exchange traded funds ("ETFs"), individual stocks, corporate and government bonds, cash and cash equivalent investments. However, we may recommend other types of investments in accordance with your unique investment objectives and limitations. Investment advice may be offered on any investments held by a client at the start of the advisory relationship.

### *Assets Under Management*

As of December 31st, 2024, we managed a total of \$250,792,070.54 in client assets, all of which was discretionary.

## **Item 5 - Fees and Compensation**

### *Fees for Investment Advisory Services*

The specific manner in which fees are charged by us is established in your written investment advisory agreement. We generally bill fees on a monthly basis in arrears. Fees are deducted directly from your investment accounts in accordance with the written authority granted in our advisory agreement and/or the account opening documentation of your custodian. Our asset-based advisory fees are based on a percentage of the market value of your assets at the close of business on the last business day of the month as determined by the custodian. Fees are prorated for capital contributions and withdrawals made during the applicable calendar month. You share responsibility for verifying the accuracy of fee calculations.

Our standard fee schedule for Investment Advisory Services is as follows:

- 1.25% on entire balance for assets up to \$500,000;
- 1.00% on entire balance for assets between \$500,001 and \$1,000,000; and
- 0.85% on entire balance for assets between \$1,000,001 and \$5,000,000 Fees on assets in excess of \$5,000,000 are negotiated

As described above, fees for investment advisory services will be directly deducted from your account at the qualified custodian of your assets. The custodian will send you an account statement on a monthly basis identifying the amount of funds and each security in your account at the end of the period and setting forth all transactions in the account during the period, including the amount of any advisory fees paid directly to us. Clients are advised that the custodian will not verify our fee calculations. Accordingly, clients are encouraged to review the custodian's account statements promptly upon receipt to confirm the accuracy of our fees. If you believe there has been an error or have any other questions regarding your accounts, please contact us promptly at the telephone number on the cover page of this brochure.

### *Fees for Financial Planning Services*

In general, planning services are offered without additional charge to investment advisory clients. For non-investment advisory clients, fees for planning services are based on an hourly rate of \$400.00 per hour or a flat fee of \$2,500.00 to \$20,000.00, based on the complexity of the engagement. We occasionally do pro bono (free) planning for clients, based on their financial need. Special arrangements may be made with you should you wish to retain financial planning services on an ongoing basis.

### *Fees for Trustee Services*

Trustee services are calculated and quoted on a per account or relationship basis. Pricing is impacted by reporting complexity, whether Breakwater is also managing the assets and general attractiveness of the engagement.

### *Other Fees and Costs*

Our advisory fees cover the costs of our investment advice only and are exclusive of brokerage commissions, transaction fees, custodial fees and charges, taxes, margin expenses, wire fees, fund internal fees, fund early redemption fees, and other related costs and expenses which shall be incurred by the client.

### *Fee Negotiation*

Notwithstanding the above, all fees are negotiable on a client-by-client basis. Not all clients will pay the same fee. There is no minimum balance to open or maintain an account.

### *Terminating Engagements*

You can terminate our engagement at any time by giving us written notice (e-mail or letter). For investment advisory services, your account will be charged for the days prior to receipt of your notice. For financial planning services, you will be charged for the number of hours of service provided prior to termination (in the case of hourly fees) or our good faith determination of the value of services provided prior to termination (in the case of flat fees). In all cases we will be cooperative in resolving disputes and helpful if you wish to move your investments to the care of another firm. Our goal is excellent service any time you work with us, whether you are engaging us or leaving us.

### *Compensation for Sales of Securities*

Breakwater and its associated persons do not receive or accept any compensation for the sale of any securities or investment products.

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

We do not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client) or engage in the side-by-side management of accounts (the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees).

We provide investment advisory services to other clients in addition to you. Not all clients receive the same investment advice, nor do they pay the same fee. We strive to and are always obligated to act in the best interests of each of our clients.

## Item 7 - Types of Clients

It is more important to us to work with people who are pleasant in nature and kind to animals and nature, than those who meet a threshold level of wealth or investable assets. We provide portfolio management services to individuals, high net worth individuals, qualified retirement plans, trusts, non-profit organizations, and businesses. We provide financial planning services to individual clients.

For All new client relationships, we require a minimum annual fee of \$5,000 to commence or continue an advisory relationship, though we may waive this requirement for certain clients at our discretion. Existing clients are exempt from this requirement. We do not maintain any minimum amount of assets to commence or continue an advisory relationship.

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

### *Methods of Analysis and Investment Strategies*

There is no guarantee that we will achieve any level of investment performance, and you will at times experience a loss when implementing an investment strategy or Model Portfolio. The primary vehicles to be used in the investment portfolios we manage for clients are ETFs, primarily passive but also including some actively managed ETFs and, secondarily, mutual funds. We prioritize these types of investments in client portfolios based on their relatively low costs, tax efficiency, transparency, low tracking error, and liquidity as we seek to capture asset class returns in the appropriate asset classes.

We generally seek to offer you global investment portfolios. In an attempt to diversify risk and home country bias, portfolios will frequently have a significant amount (as much as half) of their investments in a combination of international bonds, international stocks and international real estate. Portfolios will typically have significant exposure to emerging markets and currency risks.

Our investment philosophy and strategy is based on traditional academic principles of modern portfolio theory and academic research that have demonstrated that investment markets are generally efficient. While we generally subscribe to the view that attempts by “active” investment managers and mutual funds to exceed the performance of their respective benchmark (i.e., index) will result in underperformance over longer periods of time, we will occasionally allocate client assets to actively managed ETFs and mutual funds when appropriate to do so.

Our analysis is grounded in our educational background and training, and utilizes financial newspapers, journals, and magazines, as well as research reports prepared by others, corporate rating services, prospectuses, filings with the SEC and company press releases. We also periodically attend investment and academic presentations and conferences.

Despite our occasional use of active managers, we generally prefer a passive investment strategy. Accordingly, our Model Portfolios typically will allocate significantly all client funds to passively managed ETFs and mutual funds. We do not attempt to take defensive positions in declining markets based upon the predictions of ‘experts’ or the ebb and flow of business activity and are more comfortable staying the course. We believe that the risks of not being invested are huge compared to the risks of being invested, and that a well-diversified investment portfolio that is periodically rebalanced offers the investor the greatest opportunity to pursue their financial goals. We believe that investing is not a competition for market returns or a race with your neighbor. It is about providing long-term financial security. No investment strategy will make up for inadequate savings.



In order to help manage risk, a portfolio must be properly diversified at all times. This means not simply owning a large number of stocks and bonds, but spreading investment assets over many asset classes, each of which may behave differently in response to varying economic and market conditions. By building a portfolio that invests in asset classes that are less than perfectly correlated with one another, we strive to create a more optimized portfolio that minimizes risk for a given level of return or maximizes return for a given level of risk.

The second part of our approach to portfolio management involves managing costs. We strive to seek low-cost investments within each asset class, we monitor trading costs, we attempt to be very tax-efficient (typically harvesting tax losses when they are material,) and we keep our advisory fees competitive.

As with any investment, there is the possibility that you could lose all or part of your investment, including all of your initial, subsequent, and unrealized gains on investments managed by Breakwater. Your account's performance could also trail that of other investments. During a general downturn in the securities markets, multiple asset classes may be negatively affected.

We are a small firm with one principal executive who is also our Chief Investment Officer (CIO). This fact leads to "key person risk," or the risk that some sort of incapacitation could happen to Beth Steinhaus that would impact the stewardship of your portfolio.

### *Investment Risks*

We use our best judgment and good faith efforts in rendering investment advice to our clients, acting in a fiduciary capacity. We cannot warrant or guarantee any particular level of investment performance or that any investment or account will be profitable over time. Not every investment recommendation we make will be profitable. Investing in securities involves risk of loss that clients should be prepared to bear. You assume all market risk involved in the investment of your assets. Investments are subject to various market, currency, economic, political, and business risks.

While all investing involves risks, including the risk of loss, we generally recommend a broad and diversified allocation of your assets intended to reduce the specific risks associated with a concentrated or undiversified portfolio. Securities investments are not guaranteed, and you may lose money on your investments. Our investment recommendations are subject to market risk—the possibility that securities prices will decline over short or extended periods of time. As a result, the value of your account(s) will fluctuate with the market, and you could lose money over short or long periods of time. You should recognize whenever you determine to invest in the securities markets your entire investment is at risk. Clients should not invest money if they are unable to bear the risk of total loss of their investments. You are solely responsible for the results of any self-directed transactions where we have advised you that such transactions are not in your best interests.

Below is a summary of risks you may encounter when engaging our services:

- **Risk of Loss:** Securities investments are not guaranteed, and you may lose money on your investments. As with any investment manager that invests in common stocks and other equity securities, our investment recommendations are subject to market risk—the possibility that securities prices will decline over short or extended periods of time. As a result, the value of your account(s) will fluctuate with the market, and you could lose money over short or long periods of time. You should recognize whenever you determine to invest in the securities markets your entire investment is at risk. Clients should not invest money if they are unable to bear the risk of total loss of their investments.

- Economic Risk: The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.
- Financial Risk: Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the “dot com” companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.
- Market Risk: The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company’s intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security’s price due to company specific events (e.g., earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g., such as a “bear” market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.
- Risks Related to Analysis Methods: Our analysis of securities relies in part on the assumption that the issuers whose securities we recommend for purchase and sale, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.
- Cybersecurity Risk: We rely on the use of various electronic technologies to conduct our investment advisory business and are therefore susceptible to operational, information security, and related risks, including risks of unintentional cyber incidents and deliberate cyber-attacks. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of corrupting data, or causing operational disruption, as well as denial-of-service attacks on websites. Cyber incidents may cause disruptions and impact on our business operations, potentially resulting in financial losses, interference with a client’s ability to value their investments, impediments to trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. While the firm and its most significant counterparties and vendors have established business continuity plans and risk management systems to help mitigate cyber incidents, there are inherent limitations in such plans and systems that are inherently outside of our control.

- 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. It is difficult to predict the long-term impact of such events because they are dependent on a variety of factors including the global response of regulators and governments to address and mitigate the worldwide effects of such events. Workforce reductions, travel restrictions, governmental responses and policies and macroeconomic factors may negatively impact investment returns.
- Risks Related to Analysis Methods: Our analysis of securities relies in part on the assumption that the issuers whose securities we recommend for purchase and sale, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.
- Securities Transactions at the Direction of Clients: All assets are held at an independent qualified custodian in your name. You will typically maintain the concurrent ability to self-direct transactions within your account. We are not responsible for the consequences, costs, and fees generated by your self-directed investment transactions or transactions you instruct us to implement on your behalf where we have advised you that such transactions are not in your best interests.
- Interim Changes in Client Risk Tolerance and Financial Outlook: The particular investments recommended by our firm are based solely upon the investment objectives and financial circumstances disclosed to us by you. While we strive to connect with clients at regular intervals to discuss any changes in their financial circumstances, the lack of constant and continuous communication presents a risk insofar as your liquidity, net worth, risk tolerance and/or investment goals could change abruptly, with no advance notice to our firm, resulting in a mis-aligned investment portfolio and the potential for losses or other negative financial consequences.

While we will make reasonable efforts to update your suitability information and investment profile at least annually, we strongly encourage you to give us complete information and to promptly notify us of any changes in your financial circumstances, income level, investment goals or employment status. We encourage you to contact us regularly to discuss any such changes.

## **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 us or the integrity of our management. Our firm and the individuals employed by the firm have an unblemished compliance record.

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

Our firm and our associated persons are not registered, nor do they have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing.

Except for certain benefits we receive from the broker-dealers we recommend to clients as outlined in Items 12 and 14 of this brochure, we have no arrangements or other financial industry affiliations to disclose that would present any material conflicts of interest with clients. We do not receive any additional compensation or benefits, either directly or indirectly, in connection with referrals of our clients to any attorneys, accountants, insurance brokers, mortgage professionals, or any other third-parties. We will only recommend and refer such third-parties to you when we believe such recommendations to be in your best interests. You are never obligated to engage any third-party we recommend to you and do so at your sole discretion and risk.

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

We have no greater responsibility than to put your interests before our own. We have a culture of transparency and integrity. Our Code of Ethics is designed to codify a culture of placing clients' interests first and treating clients as we would wish to be treated if we ourselves were clients. Our Code of Ethics is adopted for all employees of the firm. It codifies the expectation of a high standard of business conduct and fiduciary duty to you. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, and personal securities trading procedures, among other things.

All employees of Breakwater must acknowledge the terms of the Code of Ethics annually, or as amended. Prompt reporting of internal violations is mandatory. Our Chief Compliance Officer, Beth Steinhaus, regularly evaluates employee performance to ensure compliance with the Code of Ethics. A copy of the Code of Ethics is available to you or any prospective client upon request. We welcome discussion on this important topic.

Breakwater or individuals associated with us may buy and sell some of the same securities for our own accounts that we buy and sell for you. We may buy or sell securities for our own accounts for reasons not related to the strategies adopted by our clients. We will disclose to you any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice. We will only place trades in our personal accounts after we believe there will be no more client trading in that particular security for the day.

It is our policy that the firm will not affect any principal or agency cross-securities transactions for your accounts. We will also not cross trades between your and another client's accounts. All trades are executed in publicly traded markets.

## **Item 12 - Brokerage Practices**

### *Broker-Dealer Selection and Recommendation*

We typically require that clients engage the trade execution and custodial services of Charles Schwab & Co., Inc. ("Schwab"). We have selected Schwab for this purpose based on their relatively low transaction fees, customer service, transparency, and access to a broad selection of investment options. Schwab charges their own trade fees related to transactions. The client will incur account maintenance and/or money movement charges directly from Schwab.

We are not affiliated with Schwab, and they do not monitor or control the activities of our firm or our personnel. Schwab will act solely as a custodian and/or broker-dealer and not as your investment advisor. They will hold your assets in a brokerage account or accounts in your name and buy and sell securities and execute other transactions when instructed to do so by you or Breakwater. We do not have the discretion to determine the commission rates at which transactions are to be affected for your account and we may require that clients engage different custodians and executing brokers in the future.

### *Best Execution*

In recommending broker-dealers, we have an obligation to seek the “best execution” of transactions in your account. This duty requires that we seek to execute securities transactions for clients such that the total costs or proceeds in each transaction are the most favorable under the circumstances. The determinative factor in the analysis of best execution is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the recommended broker-dealer’s services. The factors we consider when evaluating a broker-dealer for best execution include, without limitation, the broker-dealer’s execution capability, commission rates, financial responsibility, responsiveness and customer service, custodian capabilities, research services/ancillary brokerage services provided; and any other factors that we consider relevant.

Therefore, while we seek competitive commission rates, we may not obtain the lowest possible commission rates for specific account transactions. With this in consideration, our firm will continue to require that clients use Schwab until their services do not result, in our opinion, in best execution of client transactions.

### *Directed Brokerage*

We do not permit clients to direct brokerage. Clients should be aware of the fact that not all investment advisors require clients to use a particular brokerage firm. Because clients having accounts managed by Breakwater are typically required to open accounts with and use the trade execution services of Schwab, we may not be able to achieve the most favorable execution of specific client transactions. Thus, our exclusive use of Schwab may cost clients more money compared to other firms offering similar custodial and brokerage services.

### *Soft Dollars and Other Benefits Received from Custodians and Broker-Dealers*

In general, broker-dealers recommended to clients may provide investment advisors like Breakwater with certain brokerage and research products and services that qualify as “brokerage or research services” under Section 28(e) of the Securities Exchange Act of 1934 (“Exchange Act”) in exchange for directing a certain amount of transactions to the broker-dealer. This is commonly referred to as a “soft dollar” arrangement. As of the date of this brochure, except for the benefits we receive from Schwab described below, Breakwater does not maintain any soft dollar or similar arrangements with any broker-dealer.

### *Benefits Received from Schwab*

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like Breakwater. They provide us and our clients with access to institutional brokerage — trading, custody, reporting, and related services — many of which are not typically available to Schwab retail customers. Schwab also makes available to us 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 generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us. Below is a more detailed description of Schwab’s support services.

Services That Benefit Clients: Schwab’s institutional brokerage services include access to a broad range of investment products and services, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Breakwater 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 clients and their accounts.

Services That May Not Directly Benefit Clients: Schwab also makes available to Breakwater other products and services that benefit us but may not directly benefit our clients. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab, if any. In addition to investment research, Schwab also makes available software and other technology that provides access to client account data (such as duplicate trade confirmations and account statements); facilitates trade execution; provides pricing and other market data; facilitates payment of our advisory fees from our clients' accounts; and assists us with back-office functions, recordkeeping, and client reporting.

Services That Generally Benefit Only Us: Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include access to educational conferences and events; consulting on technology, compliance, legal, and business needs; access to 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 the above services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may discount or waive its fees for some or all of these services. The research and brokerage services provided to Breakwater by Schwab qualify for the safe harbor exemption defined in Section 28(e) of the Exchange Act.

The aforementioned research and brokerage services are generally used by Breakwater to manage accounts over which we have been granted investment discretion. Without these arrangements, Breakwater might be compelled to purchase the same or similar services at its own expense. As part of our fiduciary duty to clients, Breakwater endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm and/or our associated persons creates a conflict of interest and may indirectly influence our recommendation of Schwab to clients. We examined this potential conflict of interest in choosing to recommend Schwab and have determined that the recommendation of Schwab is in the best interests of our clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Schwab does not make client brokerage commissions generated by client transactions available for our use.

Breakwater does not receive referrals of advisory clients from Schwab or any other custodian or broker-dealer in exchange for using that custodian's services for client trades.

### *Block Trading*

Breakwater does not aggregate purchases and sales and other transactions amongst client accounts. Our practice of not combining multiple clients' buy and sell orders (i.e., block trading) may result in our firm being unable to achieve for its clients the most favorable execution at the best price available, and accordingly, may cost clients more money than other arrangements.

## **Item 13 - Review of Accounts**

All reviews are either conducted or supervised by Beth Steinhaus. The frequency of reviews is based on your investment objectives and cash deposits and withdrawals, on an as-needed basis. More frequent reviews may be triggered by a change in your investment objectives, tax considerations, large deposits or withdrawals, large sales or purchases, or changes in macro- economic climate. You have a duty to notify us of material changes in your financial situation.

If you are a financial planning client, you will receive your financial plan recommendations in the form of a detailed email at the time service is completed. Financial plans are not reviewed after delivery.

Investment advisory clients receive standard account statements from the Custodian of their accounts on a monthly basis.

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

As referenced in Item 12 above, Schwab provides services and products to us without cost or at a discount that we may use to service some or all of our client accounts, including accounts that do not execute trades through Schwab. We may enter into similar arrangements with other broker-dealers and custodians in the future. As part of its fiduciary duties to clients, Breakwater endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by our firm and/or our supervised persons in and of itself creates a conflict of interest and may indirectly influence our choice to recommend Schwab for trade execution and custodial services.

We are not compensated for any referrals we provide, nor do we compensate anyone who refers clients to us with anything other than gratitude.

## **Item 15 - Custody**

You should receive regular statements from the custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare such official custodial records to performance evaluations that we may provide to you. Our statements and reports may vary from custodial statements based on accounting procedures and reporting dates. All securities are valued by the Custodian.

While clients maintain their funds at a qualified custodian independent of us, we do directly deduct management fees from your accounts. The SEC considers this action to be a form of custody. It is ultimately the third-party, independent custodian that is responsible for the safekeeping and reporting of client assets.

Breakwater serves as trustee for a limited number of trusts. Because of this dual advisor trustee role, Breakwater is deemed to have custody of certain client funds or securities in those trust accounts. As such, we are subject to certain annual independent audit or surprise examination requirements relating to those accounts. On an annual basis Breakwater engages an independent public accountant to conduct the surprise exam or audit and create a report. The accountant must file a Form ADV-E along with a copy of the audit or surprise examination report within 120 days of the audit or surprise examination. Once filed, the Form ADV-E and the report are available to the public on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 16 - Investment Discretion**

We receive discretionary authority from you at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, such discretion is to be exercised in a manner consistent with our understanding of the stated investment objectives for your particular account.

When considering and selecting securities and determining amounts for investments, we will observe the guidelines for your investment policies, limitations, and restrictions, if any. Any investment guidelines and restrictions must be provided to us in writing.

## **Item 17 - Voting Client Securities**

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on your behalf. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. For ERISA accounts (typically 401(k) accounts,) the plan trustee votes proxies. Clients will receive proxies and other solicitations directly from their custodian or a transfer agent. Please contact Beth Steinhaus at (206) 621-8832 if you have questions about a particular solicitation.

## **Item 18 - Financial Information**

Breakwater does not require nor solicit prepayment of more than \$1,200 in fees per client, six (6) months or more in advance of services being rendered. Therefore, we are not required to include a balance sheet with this firm brochure.

As an advisory firm that maintains discretionary authority for client accounts, Breakwater is required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. We have no such financial circumstances to report.

Breakwater has not been the subject of a bankruptcy petition in the last ten (10) years.



Item 1 – Cover Page



**BETHANY A. STEINHAUS, CFP®**

Breakwater Investment Management, LLC  
2033 6<sup>th</sup> Avenue, Suite 1010  
Seattle, WA 98121  
Telephone: 206-621-8832  
[www.breakwater.com](http://www.breakwater.com)

Supplement Last Updated:

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This Brochure Supplement “Breakwater Investment Management ADV Part 2B Brochure Supplement” provides information about Beth Steinhaus that supplements the Breakwater Investment Management, LLC ADV Part 2A Brochure. You should have received a copy of that Brochure. Please contact Beth at 206.621.8832 or [info@breakwater.com](mailto:info@breakwater.com), if you did not receive the Breakwater Investment Management, LLC Brochure or if you have any questions about the contents of this Supplement.

Additional information about Beth Steinhaus is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Beth is 5311241.

## **BETHANY A. STEINHAUS, CFP®**

Year of Birth: 1982

### **Item 2 – Educational Background and Business Experience**

#### Educational Background:

- Master of Education, Teaching English to Speakers of Other Languages, Seattle University 2009
- Visiting Student, Universidad de Salamanca 2004
- Bachelor of Arts, University of Michigan 2004

Beth is a CFP® (Certified Financial Planner™) designee. The CFP® designation is issued by the Certified Financial Planner Board of Standards, Inc. A CFP® candidate must have a bachelor's degree or higher from an accredited college or university, and 3 years full-time personal financial planning experience. The candidate must complete a CFP-board registered program or hold one of the following: CPA, ChFC, CLU, CFA, Ph.D. in business or economics, Doctor of Business Administration or an Attorney's License. CFP® candidates must pass the CFP® Certification Examinations. To maintain the designation, she must attend at least 30 hours of continuing education every two years.

#### Business Experience:

- Breakwater Investment Management 2009-Present, Managing Member, Chief Compliance Officer, Financial Advisor
- Ameriprise Financial Services 2007-2009, Operations Manager

### **Item 3 – 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 each supervised person providing investment advice. Beth has no legal or disciplinary events related to the financial services industry.

### **Item 4 – Other Business Activities**

Beth is not involved in any investment related business activities outside of her work with Breakwater.

### **Item 5 – Additional Compensation**

Beth's compensation comes solely from Breakwater Investment Management, LLC.

### **Item 6 – Supervision**

Breakwater Investment Management, LLC supervises its investment advisor representatives through a system of internal control procedures overseen by our Chief Compliance Officer, Beth Steinhaus. This oversight includes review of client portfolios, investment advisor representative personal securities transactions, and correspondence. You can reach Beth at 206-621-8832.

## BREAKWATER INVESTMENT MANAGEMENT, LLC

### ANNUAL NOTICE OF PRIVACY PRACTICES

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Breakwater Investment Management, LLC, an investment advisory firm, is committed to safeguarding the confidential information of its clients. We do collect nonpublic personal information to provide you with accurate and pertinent financial advice. We hold all nonpublic personal information you provide to us in the strictest confidence. If we were to change our firm policy, we would be prohibited under the law from doing so without advising you first.

You may direct us not to make disclosures (other than disclosures required by law) regarding nonpublic personal information to nonaffiliated third parties. If you wish to opt out of disclosures to non-affiliated third parties, please contact us at (206) 621- 8832.

Breakwater Investment Management, LLC collects personal information about you from the following sources:

- Applications or other forms.
- Discussions with nonaffiliated third parties.
- Information about your transactions with us or others.
- Questionnaires.
- Tax Returns.
- Estate Planning Documents.
- Insurance Policies.

Breakwater Investment Management, LLC uses your personal information in the following manner:

- We do not share, sell, or disclose your personal information to third parties without your explicit consent, except where required by law. Your information is kept confidential and used solely for the purposes you have agreed to.
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- We limit employee and agent access to information only to those who have a business or professional reason for knowing, and only to nonaffiliated parties

as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or so that our firm can discuss your financial situation with your accountant or lawyer.)

- In general, we do not use texting as a means of communicating with clients. If we send you a text message, you have the right to opt out of receiving text messages from Breakwater at any time. To opt out, you can reply "STOP" to any text message you receive from us. By providing your phone number and opting in to receive text messages, you consent to the collection and use of your personal information as described in this policy. We ensure that your consent is obtained explicitly, and you are informed about the types of messages you will receive.

- We will provide notice of changes in our information sharing practices. If, at any time in the future, it is necessary to disclose any of your personal information in a way that is inconsistent with this policy, we will give you advance notice of the proposed change so you will have the opportunity to opt out of such disclosure.

- For nonaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.

- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.

- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws.