

ITEM 1 - INTRODUCTION

Watercolor Financial (“Watercolor”) is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser. One of the requirements of being a Registered Investment Adviser (“RIA”) is to produce this Client Relationship Summary.

As an RIA, we do not sell products or accept commissions. We have a fiduciary responsibility to our clients and are legally required to act in their best interests. This differentiates us from brokerage firms, which offer other types of services, fee structures, and working relationships. Brokerage and investment advisory services and fees differ, and it is important to understand these differences, which is why the SEC provides free and simple tools for researching financial professionals at www.investor.gov/CRS. This site also provides educational materials about investment advisors, broker-dealers, and investing.

ITEM 2 – RELATIONSHIP & SERVICE

WHAT INVESTMENT SERVICES AND ADVICE CAN YOU PROVIDE ME?

Watercolor offers investment advisory services to retail investors. Our firm manages accounts on a discretionary basis. In a discretionary account, you have granted written investment authority to your Financial Professional to execute purchase and sell orders in your advisory accounts without consulting with you first. You may limit our discretion, such as by imposing reasonable restriction on investing in certain securities or groups of securities. Our Firm requires a minimum portfolio value of \$1,000,000 to provide advisory services to you. This minimum account size can be negotiated at the Adviser’s discretion.

Additionally, our Firm offers financial planning and consulting services for our clients. Financial Planning services are generally offered on a complimentary basis for investment management clients and are not offered as a stand-alone service.

FOR MORE INFORMATION, PLEASE SEE ITEMS 4, 7, 13, AND 16 OF OUR FORM ADV 2A “BROCHURE.”

- *Given my financial situation, should I choose an investment advisory service? Why or why not?*
- *How will you choose investments to recommend to me?*
- *What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?*

ITEM 3A – FEES, COSTS, CONFLICTS & STANDARD OF CONDUCT

WHAT FEES WILL I PAY?

We generally offer our advisory services for an annual investment advisory fee calculated as a percentage of the value of the assets that we manage in your account. Our fees are assessed quarterly in advance based on market value, as set forth in the fee schedule contained in your advisory agreement, not to exceed 1.50%. Fees are assessed on a tiered fee schedule with a lower annual rate for clients with more than \$1,000,000 in assets under management. Our fees are exclusive of brokerage commissions, transaction fees, exchange fees, and other related costs and expenses. Where we determine to allocate capital to mutual funds or exchange-traded funds (“ETFs”), our fees are exclusive of the fees and expenses of these investments. The structure and level of our fees will vary by client based upon the services provided and other considerations deemed relevant by us. Whether you make or lose money on your investments, you will pay fees and costs. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. The more assets in your advisory account, the more you will pay in fees, and therefore the Firm has an incentive to encourage you to increase the asset value in your account.

The investment management fee covers both our portfolio management services (risk assessment, strategy development, trading, monitoring, and reporting) and our financial planning services.

The custodian (generally Fidelity) for an investment account may charge transaction costs (also known as commissions), as well as custodial, redemption, administrative, and other fees. Most of our clients only pay transaction costs and occasional administrative fees. Fidelity also earns fees in other ways including, but not limited to, managing money market and proprietary mutual funds, margin loan interest, securities lending, and platform fees paid by fund managers. Our Firm does not share in Custodian Fees charged to your account.

For all services, fees will be billed as services are rendered. The amount paid to our Firm and your financial professional generally does not vary based on the type of investments we select on your behalf. Whether you make or lose money on your investments, you will pay fees and costs. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

FOR MORE INFORMATION, PLEASE SEE ITEM 5 OF OUR FORM ADV 2A “BROCHURE.”

- *Help me understand how these fees and costs might affect my investments.*
- *If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

WHAT ARE YOUR LEGAL OBLIGATIONS TO ME WHEN ACTING AS MY INVESTMENT ADVISER? HOW ELSE DOES YOUR FIRM MAKE MONEY & WHAT CONFLICTS OF INTEREST DO YOU HAVE?

When we act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, how we make money conflicts with your interests. You should understand and ask us about these conflicts because they can affect our investment advice. Here are some examples to help you understand what this means.

The following are examples where asset-based fee compensation conflicts with the firm's interests: 1) When advising a rollover 401(k) balance, even when equivalent and less costly options if funds are left with the employer's fund manager. 2) When advising not to pay off a mortgage (thus diminishing assets), even when the mortgage carries a high interest rate. 3) When advising against making a large charitable contribution to get a tax deduction (but decrease assets under management).

Our firm receives a fee as compensation for providing investment services on your account. We manage accounts for multiple clients and allocate our time based on each client's needs. Our firm earns more as we expand our client base to grow our assets under management, and we seek to balance our staffing with each client's individualized needs.

FOR MORE INFORMATION, PLEASE SEE ITEMS 5, 10, 11 AND 14 OF OUR FORM ADV PART 2A "BROCHURE."

- *How might your conflicts of interest affect me, and how will you address them?*

HOW DO YOUR FINANCIAL PROFESSIONALS MAKE MONEY?

Our Financial Professionals are compensated based on our firm's revenue from our investment advisor fees. Our Financial Professionals are compensated based on the amount of assets they service, the amount of time spent, and the complexity required to meet the client's needs or revenue based on the recommendations provided.

FOR MORE INFORMATION, PLEASE SEE ITEMS 5, 10, 11, AND 14 OF OUR FORM ADV PART 2A "BROCHURE" AND REFER TO YOUR FINANCIAL PROFESSIONAL'S ADV 2B BROCHURE

ITEM 4 – DISCIPLINARY HISTORY

DO YOU OR YOUR FINANCIAL PROFESSIONALS HAVE LEGAL OR DISCIPLINARY HISTORY?

No. Visit [Investor.gov/CRS](https://www.investor.gov/CRS) for a free and simple search tool to research Watercolor and our financial professionals.

FOR MORE INFORMATION, PLEASE SEE ITEM 9 OF OUR FORM ADV PART 2A "BROCHURE"
OR REFER TO ITEM 11 OF OUR PART 1

- *As a financial professional, do you have any disciplinary history? For what type of conduct?*

ITEM 5 - ADDITIONAL INFORMATION

For additional information about our investment advisory services, visit the SEC's website at www.adviserinfo.sec.gov. Our firm's IARD number is 327254. You may also contact us for up-to-date information and request a copy of the relationship summary by contacting us at (512) 250-1544 or info@watercolorfinancial.com

- *Who is my primary contact person? Is he/she a representative of an investment adviser or a broker dealer?*
- *Who can I talk to if I have concerns about how this person is treating me?*

SUMMARY OF MATERIAL CHANGES

On March 17, 2025, Form CRS was for annual amendment. The following material updates were made:

- The firm's minimum account size was updated to \$1,000,000.