



**RAPPAPORT REICHES**  
**CAPITAL MANAGEMENT, LLC**

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This brochure provides information about the qualifications and business practices of Rappaport Reiches Capital Management, LLC. If you have any questions about the contents of this brochure, please contact Stephen Reiches at 847-832-0050 or [stephen.reiches@rrcapital.com](mailto:stephen.reiches@rrcapital.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 Rappaport Reiches Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our Firm's CRD number is 137021.

Updated on March 23, 2023

## **Item 2. Material Changes**

This item requires us to describe any material changes since we last updated our Disclosure Brochure as part of an annual update. We are only required to discuss material changes since the last annual update.

No material changes have occurred since the Firm's last annual update on March 31, 2022. New clients will receive copies of our current notice prior to or at the time of entering into a client agreement and current clients will receive an updated copy any time that there is a change to the notice.

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## **Item 4. Advisory Business**

### **About Rappaport Reiches Capital Management**

Our firm, Rappaport Reiches Capital Management, LLC, is an independent investment adviser offering financial planning and investment management solutions to individuals, families and non-profit organizations. Each client's portfolio is tailored to his or her individual situation. Additionally, through our "*Family CFO Checklist*", we advise and consult on a wide range of financial issues beyond investment planning and management. We diversify clients across a broad range of U.S. and international markets. We construct portfolios in accordance with academic research, utilizing passive and index-related institutional funds. We believe that the benefits of our approach are superior long-term performance, broad diversification, consistency, low cost, and tax efficiency.

### **History**

David Rappaport and Shari Greco Reiches founded our firm in 2005. Its principal place of business is 5202 Old Orchard Road, Suite 160, Skokie, Illinois.

### **Our People**

#### *Shari Greco Reiches - Co-Founder, Principal and Chief Visionary Officer*

Shari has been in the financial services industry for over 35 years, starting at her family's community banks in Highwood and Mundelein, Illinois. Prior to co-founding our firm, Shari managed Private Banking for FirstStar Bank (now U.S. Bank) in Chicago and worked as a financial advisor for Sanford C. Bernstein & Co. Shari received her BS in accounting from the University of Illinois, Urbana-Champaign.

#### *David Rappaport - Co-Founder, Principal and Chief Investment Officer*

David has extensive experience in investment management, working previously at Goldman Sachs and Sanford C. Bernstein & Co. David received his BS in accounting from the University of Illinois, Urbana-Champaign, and his MBA from the Kellogg School of Management at Northwestern University. David is also a CFP® professional.

#### *Stephen Reiches – Principal, Chief Compliance Officer, and Director of Wealth Transfer*

Steve joined our firm after 20 years as an estate-planning attorney at Neal, Gerber & Eisenberg and brings an invaluable expertise to the financial planning process. Steve graduated Phi Beta Kappa from Northwestern University and received his law degree from The University of Chicago.

#### *Karen Asbra – Principal and Chief Operating Officer*

Karen has been with our firm since 2007. Karen has her BA from Northwestern University and is a CFP® professional.

#### *Liz Xilas – Senior Vice-President and Senior Financial Advisor*

Liz joined our firm as an Advisor in 2011 after having been in the financial services industry for over 20 years. She was most recently at RBC Wealth Management for 7 years and prior to that she was at Oppenheimer & Co. for 13 years. Liz's practice, while diverse, has a focus on women going through transition, as well as small business owners. Liz has a BA from the University of Michigan Honors Program in Political Science and Economics.

#### *Kristyn Gibson – Financial Advisor*

Kristyn joined our firm as an Associate in 2016 and was recently promoted to a role as a Financial

Advisor. Prior to joining the firm, Kristyn was a 2<sup>nd</sup> Vice President at Sanford C. Bernstein & Company. Kristyn has a BA from Indiana University in Political Science and Economics.

*Terri Velgara— Financial Advisor and Director of Financial Planning*

Terri joined our firm as a Wealth Planner in 2018. Prior to joining the firm, Terri was an Account Manager at Geneva Advisors and CIBC Private Wealth Management. Terri has a BA in Economics from the University of Illinois, Urbana-Champaign, and an MBA from DePaul University. Terri is also a CFP® professional.

*Rhea Ravindran— Financial Advisor*

Rhea joined our firm in 2017. Rhea has a BS in Finance from the University of Illinois, Urbana-Champaign. Rhea is also a CFP® professional.

## **The Investment Strategy Committee**

Senior members of our Management Team also serve as members of our Investment Strategy Committee. The Committee reviews proposed recommendations and reviews all accounts on a quarterly basis. The current members of the Committee are David Rappaport (chair), Shari Greco Reiches, Stephen Reiches and Karen Asbra.

## **Our Services**

We offer our clients both financial planning and discretionary investment management services.

*Financial Planning.* Financial planning involves the evaluation of a client's present and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. In essence, we become the "Family CFO". If requested by a client, we work in connection with any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze income tax, spending and planning for past, current and future years; then illustrate the impact of various investments on current income tax and future tax liabilities.
- **INVESTMENTS:** We analyze investment alternatives and their effects on a client's managed portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help achieve retirement goals.
- **DEATH & DISABILITY:** We review cash needs at death, income needs of surviving dependents, estate planning and disability income.

*Investment Advisory Services.* Our firm provides advice regarding the investment of funds based on the individual needs of our clients. Through discussions in which goals and objectives are established, we create and manage a portfolio. During our data-gathering process, we determine objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss prior investment history, as well as family composition and background. We manage these advisory accounts on a

discretionary basis, by purchasing mutual funds and exchange traded funds (“ETFs”). We do not recommend individual stocks. Account management is guided by client objectives as well as tax considerations.

*Insurance/Retirement Plans.* We may also render services to clients relative to variable life/annuity products they own, their individual employer-sponsored retirement plans, and/or 529 plans or other products not held by the client’s primary custodian. In so doing, we either direct or recommend the allocation of client assets among the various investment options that are available within the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

## **General Disclosures**

*Client Obligations.* We rely on the information that we receive from clients and their attorneys and accountants. Clients are responsible for notifying us if there is ever any change in their financial situation or investment objectives so that we can review, and if necessary, revise our previous services.

*Restrictions on Transferability of Certain Mutual Funds.* We use mutual funds sponsored by Dimensional Fund Advisors LP (“Dimensional”) in constructing client portfolios. Dimensional funds are generally unavailable to investors through either direct purchase, normal mutual fund retail channels or other financial intermediaries. Dimensional funds are generally available only to institutional investors and clients of select registered investment advisers. Due to Dimensional’s restricted distribution channel, clients who terminate their relationship and transfer their account to another investment adviser or custodian, are encouraged to first discuss any possible limitations regarding the holding of their Dimensional investments with the successor custodian or new investment adviser. Clients may find their ability to hold or purchase additional shares of Dimensional funds restricted or prohibited. If the successor custodian chosen by the client cannot hold Dimensional funds, the client must identify an alternate custodian to accept and hold the client’s Dimensional funds. If no arrangements are made, a client may be required to liquidate all Dimensional funds in the client’s account and have the account custodian send the sales proceeds to the designated receiving broker-dealer, custodian or client. The liquidation transactions will result in the client paying transaction costs and may result in tax consequences.

*Publicly Available Securities.* Many of the securities or the strategies of the securities that we recommend are publicly available. A prospective client could purchase them without engaging us. However, the purchase of securities that we recommend without engaging us would result in the prospective client not receiving the benefit of our initial and ongoing services.

*Retirement and Individual Retirement Accounts.* When we provide investment advice to clients regarding a retirement plan account or an individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with our clients’ interests, so we operate under a special rule that requires us to act in our clients’ best interests and not put our interests ahead of our clients. Under this special rule’s provisions, we must: meet a professional standard of care when making investment recommendations (give prudent advice); never put our financial interests ahead of our clients when making recommendations (give loyal advice); avoid misleading statements about conflicts of interest, fees, and investments; follow policies and procedures designed to ensure that we give advice that is in our clients’ best interests; charge no more than is reasonable for our services; and give our clients basic information about conflicts of interest.

## Assets Under Management

As of December 31, 2022, we had approximately 390 clients and managed approximately \$765,000,000 of clients' assets on a discretionary basis. We do not manage accounts on a non-discretionary basis.

## Item 5. Fees and Compensation

We require fees to be paid quarterly in advance, based upon the valuation of assets under management on the last day of the prior quarterly period.

*Fee Schedule.* Our fee schedule for new clients is as follows:

On the first \$500,000 .....	1.25%
On next \$2,500,000.....	0.75%
On next \$2 million .....	0.50%
On the balance .....	0.25%

The percentages above reflect annual percentages. To calculate fees for each quarter, we divide the numbers above by four and multiply that amount by the assets under management. Cash and cash equivalents are included for billing purposes. We adjust fees for significant deposits and withdrawals at the end of the quarter during which such deposits and withdrawals are made.

We provide a 25% discount for not-for-profit clients who meet our \$1,000,000 account minimum. We neither assess fees on assets held by the Schwab Charitable Fund, nor receive a fee from Schwab for managing such assets.

Fees are assessed on the total value of all accounts in a fee relationship. Generally, we classify members of the same family as a single fee relationship. The decision to allow accounts to be combined for fee calculation purposes is at the firm's discretion. In the event of unique circumstances, we may consider alternative fee arrangements.

We charge each new account a prorated fee for the remainder of the quarter in which we begin to manage the account. The fee is charged in addition to the advance fee for the next calendar quarter. We request authority from our clients to debit fees directly from their client accounts. In addition, we reserve the right to sell securities in order to debit such fees.

*Mutual Fund and ETF Fees.* All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. Each fund's prospectus describes these fees.

*Additional Fees and Expenses.* In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any brokerage or transaction charges imposed by a broker dealer. Please refer to the "Brokerage Practices" section of this brochure for additional information.

*Limited Prepayment of Fees.* Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

*Termination of the Advisory Relationship.* Either party, for any reason by giving written notice, may cancel a client agreement at any time. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

## **Item 6. Performance-Based Fees and Side by Side Management**

We do not charge performance-based fees.

## **Item 7. Types of Clients**

Our firm provides advisory services to individuals, families, and not-for-profit organizations. In addition, we reserve the right to refuse to accept clients and to resign from the management of any account.

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

*Asset Allocation.* We believe that asset allocation is one of the most important determinants of an investor's success. Accordingly, rather than focusing on security selection, we construct diversified portfolios using mutual funds and ETFs that focus on multiple asset classes, including stocks (U.S., international and emerging markets), bonds (U.S. treasury and agency, investment grade corporate, international, tax-exempt, inflation-protected) and real estate securities (U.S. and international). We believe that diversification among many areas of the markets lowers the volatility of short-term performance, preserves capital during difficult periods, and generates attractive returns over the long-term.

We believe that efforts to "beat-the-market" are often destructive. In any asset class, we believe that the only consistently superior performer is the market itself. As such, market tracking index and passive funds form the foundation of our approach. We partner with money managers Dimensional for global equity portfolios and The Vanguard Group, Inc. ("Vanguard") for fixed-income portfolios. Each firm specializes in passive or index-related investing, and we utilize their no-load, low fee mutual funds and ETFs. We do not recommend individual stocks.

Dimensional is a leading global investment firm that has been translating academic research into practical investment solutions since 1981. Guided by a strong trust in market prices, Dimensional offers strategies that focus on the drivers of expected returns. The firm applies a dynamic implementation process that integrates advanced research, methodical portfolio design, and careful execution, while balancing risks, costs, and other tradeoffs that may impact performance.

Dimensional manages approximately \$584 billion (as of 12/31/2022) for a diverse range of clients. We use Dimensional's "Core" mutual funds and exchange traded funds (ETFs) for U.S., International, Emerging Market, and Real Estate stocks. Each Core fund holds stocks across multiple areas of a market – from large-cap to micro-cap. Unlike conventional indexing approaches, the securities are not held in their market-weighted proportions. The portfolios increase the relative weight of small cap stocks, value stocks, and stocks of companies with high profitability, where Dimensional believes that expected returns are greater.



Vanguard is a pioneer in index investing and manages approximately \$8.1 trillion (as of 1/31/23). Vanguard strives to minimize tracking error, keep costs low, and maintain diversified portfolios that reflect the characteristics of their benchmarks. Management expertise plays a major role in their bond index funds, in which the sheer number and illiquid nature of many securities make full replication of a benchmark prohibitive.

*Risks of Investment Strategy.* **Investing in securities involves risk of loss that clients should be prepared to bear.** One risk of using an asset allocation/passive investment approach is that the ratio of securities, fixed income, and cash may change over time due to market movements and, if not corrected, will no longer be appropriate for a client's goals. This risk is mitigated by the fact that we rebalance accounts on a regular basis. Below are additional risk factors regarding our investment strategies and the types of securities in which we invest.

*Passive Investing Risk.* Passive investing differs from active investing in that managers are not seeking to outperform their benchmark. As a result, managers may hold securities that are components of their underlying benchmark, regardless of the current or projected performance of the specific security or market sector. Passive managers do not attempt to take defensive positions based upon market conditions, including declining markets. This approach could cause a passive vehicle's performance to be lower than if it employed an active strategy.

*ETF Risk.* ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of an area of the market. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to:

- *Variance from Benchmark Index.* ETF performance may differ from the performance of the applicable index for a variety of reasons. For example, ETFs incur operating expenses and portfolio transaction costs not incurred by the benchmark index, may not be fully invested in the securities of their indices at all times, or may hold securities not included in their indices. In addition, corporate actions with respect to the equity securities underlying ETFs (such as mergers and spin-offs) may affect the variance between the performances of the ETFs and applicable indices.
- *Secondary Market Risk.* ETFs shares are bought and sold in the secondary market at market prices. Although ETFs are required to calculate their net asset values ("NAV") on a daily basis, at times the market price of an ETF's shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary markets for ETFs, certain ETFs may trade at a larger premium or discount to NAV than shares of other ETFs depending on the markets where such ETFs are traded. The risk of deviation from NAV for ETFs generally is greater in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying ETFs may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of such ETFs, and the liquidity of such ETFs may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares in ETFs. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of ETFs. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the client may incur significant losses from the sale of ETF shares.

## **Item 9. Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

None.

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

Our firm has adopted a Code of Ethics which sets forth the high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Our firm and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of employee quarterly securities transactions as well as initial and annual securities holdings reports. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code also provides for oversight, enforcement, and recordkeeping provisions.

Our Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While we do not believe that we have any access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [stephen.reiches@rrcapital.com](mailto:stephen.reiches@rrcapital.com), or by calling us at 847-832-0050.

## **Item 12. Brokerage Practices**

*Custodians.* We require that clients establish brokerage accounts with either Charles Schwab & Co., Inc. ("Schwab") or TD Ameritrade, Inc. ("TD Ameritrade"), both of which are FINRA registered broker-dealers, and members of SIPC, to maintain custody of clients' assets. Transactions are generally effected through the client's account custodian. Although we require that clients establish accounts at either Schwab or TD Ameritrade, it is the client's decision to custody assets with either custodian. We are independently owned and operated, and not affiliated with either custodian.

Each custodian provides us with access to its institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them. These services are not contingent upon our firm committing to either custodian any specific amount of business (assets in custody or trading commissions). Brokerage services include the execution of securities transactions, custody,

research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Neither custodian charges our clients separately for custody services but is compensated by account holders through commissions and other related fees for services (such as charging interest on margin loans and earning money on cash).

Each custodian also makes available to our firm other products and services that benefit us but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts. These products and services are not provided in connection with securities transactions of clients (i.e. not "soft dollars").

Schwab and TD Ameritrade provide us with products, services, software and other technology that assist us in managing and administering our clients' accounts which (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Each custodian also offers other services intended to help us manage and further develop our business enterprise. These services include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers.

Each custodian may also (i) make available, arrange or pay third-party vendors for services rendered to us, (ii) discount or waive fees they would otherwise charge for some of these services, (iii) pay all or a part of the fees of a third-party providing these services to our firm, and/or (iv) provide other benefits such as educational events or occasional business entertainment for our personnel.

In fulfilling our duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of economic benefits from Schwab and TD Ameritrade create a conflict of interest since these benefits influence the firm's choice of recommending one custodian over another and continuing recommending both custodians. We mitigate this risk by disclosing this conflict of interest and always acting in our clients' best interests.

### **Item 13. Review of Accounts**

We review client accounts at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, changes in the public markets, and the political and economic environment.

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

We receive economic benefits from Schwab and TD Ameritrade in the form of the support products and services they make available to us and other independent investment advisors that have their clients maintain accounts with them. These products and services are described in Item 12.

It is our policy not to allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the services we provide.

## **Item 15. Custody**

As a rule, we debit advisory fees from client accounts. A client may request to be billed directly for advisory fees.

As part of this billing process, we advise the client's custodian of the fee amount to be deducted from that client's account. On at least a quarterly basis, each custodian is required to send a statement to the client showing all transactions within the account during the reporting period.

Because the custodians do not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe there may be an error in their statement.

## **Item 16. Investment Discretion**

Clients hire us to provide discretionary asset management services. This means we place trades in a client's account without contacting the client prior to trading. Our discretionary authority includes the ability to determine the security to buy or sell; and to determine the amount of the security to buy or sell.

## **Item 17. Voting Client Securities**

We vote proxies for client accounts; provided, however, clients have the right to vote proxies themselves. They can exercise this right by providing us written notice of their desire to retain the right to vote.

Our voting guidelines are designed to increase investors' potential financial gain and to maximize client returns through identifying and avoiding financial, audit and corporate governance risks. We have hired Broadridge Investor Communication Solutions, Inc. and Glass, Lewis & Co. to vote proxies for securities held in our client accounts in accordance with these guidelines.

We are not responsible, and each client has the responsibility to take any action with respect to any legal proceeding with respect to transactions, securities or other investments held in the client's account or the issuers of those securities. This includes but is not limited to bankruptcies and shareholder litigation.

A client may obtain a copy of our proxy voting policies and information on how proxies for such client's shares were voted by contacting Stephen Reiches.

## **Item 18. Financial Information**

As previously mentioned, under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

We are 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. Finally, we have never been the subject of a bankruptcy petition.

**Questions? If you have any questions, please contact Stephen Reiches at 847-832-0050 or [stephen.reiches@rrcapital.com](mailto:stephen.reiches@rrcapital.com).**