

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

**Part 2A of Form ADV: Firm Brochure**



SEC File #: 801-63790  
Firm IARD/CRD #: 133697

**Schaeffer Financial, LLC**

REGISTERED INVESTMENT ADVISOR

This Disclosure Brochure provides information about the qualifications and business practices of Schaeffer Financial, LLC, which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Schaeffer Financial, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Schaeffer Financial, LLC has attained a certain level of skill or training.

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BROCHURE  
DATED

**10  
FEBRUARY  
2023**

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**MATERIAL CHANGES**

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ITEM 2

There are no material changes to report. This Disclosure Brochure has been reviewed and is current as of the date indicated on the cover.

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## ADVISORY BUSINESS

ITEM 4

### Who We Are

Schaeffer Financial, LLC<sup>1</sup> (hereinafter referred to as “Schaeffer Financial”, “the Company”, “we”, “us” and “our”), a Maryland Limited Liability Company organized in December 2004, is a fee-based registered investment advisor<sup>2</sup> committed to taking the mystery out of financial matters and helping you, our client, make smart financial decisions that create **stability, security, and independence.**

For over the last 35 years, the experience behind Schaeffer Financial has developed special areas of expertise for addressing the needs of a wide variety of clients including federal government employees, foreign nationals holding G-IV visas, as well as handling the multi-faceted issues of intergenerational planning. We are particularly skilled at combining the worlds of financial facts and human emotions into a workable plan.

### Owners

The following persons control Schaeffer Financial:

Name	Title	CRD#
Karen P. Schaeffer	Managing Member	705691
Kaitlin Schaeffer Yardley	Chief Compliance Officer	5336245

### Mission

We help guide people to smart money decisions through competent, ethical, affordable financial planning advice.

### Assets Under Management

As of December 31, 2022, our assets under management totaled:

Discretionary Accounts <sup>3</sup> .....	\$178,357,368
Non-Discretionary Accounts <sup>4</sup> .....	0

<sup>1</sup> Schaeffer Financial, LLC and its investment adviser representatives are a **fiduciaries**, as defined within the meaning of the Employer Retirement Income Security Act of 1974 (“ERISA”) and/or as defined under the Internal Revenue Code of 1986 (the “Code”) for any asset management services provided to a client who is: (i) a plan participant or beneficiary of a retirement plan subject to ERISA or as described under the Code; or, (ii) the beneficial owner of an Individual Retirement Account (“IRA”).

<sup>2</sup> The term “registered investment advisor” is not intended to imply that Schaeffer Financial, LLC has attained a certain level of skill or training. It is used strictly to reference the fact that we are “registered” as a licensed “investment advisor” with the United States Securities & Exchange Commission (the “SEC”) - and “Notice Filed” with State Regulatory Agencies that have limited regulatory jurisdiction over our business practices.

<sup>3</sup> Portfolio assets managed by independent third-party money managers (“Portfolio Managers”) are not included in our “Regulatory Assets Under Management” calculation in our Form ADV Part 1A, Item 5.F **unless** we have discretionary authority to hire and fire Portfolio Managers and reallocate your assets without your prior consent. Therefore, the discretionary and non-discretionary totals disclosed in this Disclosure Brochure may not always match what is reported in our ADV Part 1A.

<sup>4</sup> You understand that to engage us to manage your portfolio on a non-discretionary basis means we cannot effect securities transactions in your account without first obtaining your verbal consent to perform the transactions. Thus, in the event of a market correction, should we be unable to communicate with you, your account could experience greater market volatility over accounts managed on a discretionary basis.

## What We Do

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We provide **financial solutions** that stress the importance of you making fiscally responsible decisions and disciplined economic choices in your personal life so we can effectively help you achieve your monetary goals for **today's needs, tomorrow's dreams**, and a strategy to build a **lasting legacy** for future generations.

**With experience comes flexibility.** We strive to deliver services that are structured to meet your unique needs rather than trying to mold you to a program. You may be one who wants to meet more frequently to discuss financial issues; or, you may like to manage your own day-to-day investment decisions rather than delegating all management decisions to us. Whatever you need, we are there for you.

### Financial Planning Services

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The focus of any portfolio management service we may offer you **begins with financial planning** to identify your standards of living and quality of life expectations. We will accomplish this through a data-gathering session where we will review the financial documents we asked you to bring to the meeting<sup>5</sup> for discussion. Together, questions will be asked, information shared, and an evaluation made as to whether we should move forward with additional services. During the meeting, we will address planning topics and offer advice on, but not limited to:

- ❖ Financial Statements - Cash Flow Management
- ❖ Savings and Emergency Reserves
- ❖ Asset Allocation and Investment Portfolio Analysis
- ❖ Tax Planning
- ❖ Risk Management and Insurance Analysis
- ❖ Retirement Income Analysis
- ❖ Long-Term Healthcare
- ❖ Estate and Family Legacy Planning
- ❖ Business Succession Planning

Financial planning services are independent of any investment management strategies we implement for your portfolio assets. **We do not offer comprehensive written financial plans and there is no continuous advisory relationship associated with our financial planning services.** Once we have completed our engagement and corresponding responsibilities/obligations our relationship will be concluded. However, you can engage us as needed for any additional financial planning needs.

For information on our fees for financial planning, see “Financial Planning Fee” under Item 5, “Fees & Compensation.”

### Portfolio Management Services

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Moving forward from the financial planning session, if you engage us for management services, we will design a portfolio allocation strategy based on your unique investment parameters and risk tolerance level using a mix of mutual funds, Exchange-Traded Funds (“ETFs”), and/or independent third-party money managers (“Portfolio Managers”) to achieve the best return on your investment capital.

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<sup>5</sup> The personal information we gather from you in our meeting is vital for us to effectively advise you on your unique financial needs and help you plan for your future. Electing to dismiss certain requested documents or respond to questions with limited input can put us at a disadvantage and handicap our ability to successfully manage your investment expectations. Therefore, if you want the best advice we can offer on your managed account(s), you should make every effort to provide us with detailed personal information and be as accurate with your responses as you possibly can.

Any separate Portfolio Managers we may recommend to manage a portion of your portfolio will implement an investment strategy that correlates best with your investment parameters. Under the arrangements with Portfolio Managers, we are **not involved in the day-to-day management of your portfolio assets**. Our responsibility to both you and the Portfolio Manager we direct to manage your account, will be to:

- ❖ Recommend only Portfolio Managers whose investment strategies fit your management criteria and risk tolerance level, while ensuring you meet the minimum requirements of the Portfolio Manager to open a managed account;
- ❖ Evaluate the Portfolio Manager's investment returns and performance expectations;
- ❖ Suggest changes in a Portfolio Manager, if necessary, as market factors and your personal goals dictate;
- ❖ Handle all administrative and clerical duties as may be required by the Portfolio Manager to service your account since they will have little or no direct contact with you.

Information regarding our management fee structure is disclosed under "Portfolio Management Fee" in Item 5, "Fees & Compensation" and further description of our investment strategies under Item 8, "Methods of Analysis, Investment Strategies & Risk of Loss".

## FEES & COMPENSATION

ITEM 5

### Financial Planning Fee

For the financial planning session where we discuss your financial needs and review the data you brought to the meeting, we will charge a **negotiable fixed fee not to exceed \$725**. The objectives we strive to accomplish with you during this meeting are to:

- ❖ Diagnose your current financial need;
- ❖ Confirm the solution we reach properly addresses your financial concerns;
- ❖ Refer, if needed, to other tax, legal, and insurance professionals for you to meet with to perform the desired task; and,
- ❖ Ensure that where appropriate, the financial recommendations aim to lower costs, reduce risks, and improve the likelihood of achieving your goal.

You will be responsible for implementing any recommendations coming out of the planning session. The initial planning fee will be due at the end of the session. Once our session is over, all financial planning services will have been concluded and we are not responsible to implement the advice or for any ongoing supervision, monitoring, and/or reporting.

Should additional planning needs be evident, we will have you enter a separate agreement outlining the terms, conditions, and scope of services to be provided. Financial planning fees are **based on a negotiable hourly rate not to exceed \$400 per hour** depending upon the level of service engaged by our staff. As previously mentioned, we do not prepare a written financial plan or provide comprehensive financial planning services.

All financial planning fees will be itemized in a billing statement or a financial planning agreement. All fees will be due when the financial planning service is complete. Financial planning services can be terminated at any time.

### Portfolio Management Fee

Portfolio Management services are primarily provided on an **asset-based fee** arrangement. The management fee will be calculated based on the **aggregate market value** of your portfolio

account(s) on the last business day of the previous calendar semi-annual period (i.e., June 30<sup>th</sup> and December 31<sup>st</sup>) **multiplied by one-half** the corresponding annual percentage rate (i.e.,  $1.00\%/2 = 0.50\%$ ).

We retain **discretion to negotiate the management fee within each tier** on a client-by-client basis depending on the size, complexity, and nature of the portfolio managed. In addition, as your portfolio value exceeds each tier level, either through additional deposits or asset growth, a fee break will occur. The tier breaks are as follows:

Portfolio Value	Annual Fee Rate Not to Exceed
Up to \$1,500,000.....	1.00%
\$1,500,001 - \$5,000,000 .....	0.75%
Over \$5,000,000 .....	0.65%

If mutually agreed upon, we may charge an annual fixed fee for Portfolio Management services. Such fees are individually negotiated, based upon the scope and complexity of the engagement, and charged semi-annually (June 30<sup>th</sup> and December 31<sup>st</sup>) in arrears.

For any portion of your account managed by an independent Portfolio Manager, **this management fee schedule and the “Protocols for Portfolio Management” listed below do not apply.** The Portfolio Manager(s) used to manage your account(s) will disclose their fee schedule for management services in their Disclosure Brochures (the Portfolio Manager’s ADV Part 2A: Firm Brochure), **which we will provide you prior to when, or at the same time as, we open an account.**

The Portfolio Manager will bill your account for management services **based on their fee schedule and split a portion of that management fee with us** as agreed. Our portion of the management fee received from the Portfolio Manager **will not exceed 1.00%**. Such split of the management will **not result in you paying a higher management fee** than what the Portfolio Manager has disclosed in their Disclosure Brochure.

The Portfolio Manager’s Disclosure Brochure contains all pertinent disclosures relating to their management services, the fee structure for such services, and termination provisions - **you are encouraged to carefully review their document.**

### **Protocols for Portfolio Management**

The following protocols establish how we handle our Portfolio Management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals of funds; and (iv) other fees charged to your account(s).

#### **Discretion**

Unless you request otherwise, we will establish discretionary trading authority on all management accounts to execute securities transactions without your prior consent or advice.

You may, at any time however, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).

#### **Billing**

Your account will be **billed semi-annually (i.e., June 30<sup>th</sup> and December 31<sup>st</sup>) in arrears** based on the aggregate, fair market value of your portfolio and where it **falls within our**

**tiered** fee schedule. For **new managed** accounts opened between billing periods, our fee will be based upon a **pro-rated calculation of your assets managed** for the prior semi-annual period.

If you are under a fixed fee arrangement, your account will be billed on a semi-annual basis (June 30<sup>th</sup> and December 31<sup>st</sup>) at one half the annual fee.

Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

We consider cash to be an asset class and will allocate a portion of your assets among various cash and/or cash equivalent positions for liquidity management, defensive, or other purposes. Therefore, we will include cash and cash equivalents as part of the aggregate fair market value of your portfolio when calculating our portfolio management fee. When assets are invested in cash and/or cash equivalents, our portfolio management fee could exceed the current yield on such cash positions.

### Fee Exclusions

The above fees for all of our Portfolio Management services are exclusive of any charges imposed by the custodial firm who has custody of your account; including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, such as, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for Portfolio Management services are separate from any fees and expenses charged on mutual fund shares by the Investment Company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as 12b-1 fees. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds/ETFs is contained in each mutual fund's or ETF's prospectus. You are encouraged to carefully read the fund prospectus.

For more information on the custodial firm that we will recommend to custody your portfolio accounts, see Item 12, "Brokerage Practices".

### Termination of Portfolio Management Services

To terminate our Portfolio Management services, either party (you or us), by **written notification to the other party**, may terminate the Investment Advisory Agreement at any time. Such written notification should include the date the termination will go into effect along with any final instructions on the account (e.g., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the last day of June and/or December, **we shall bill your account a pro-rated management fee** based upon the number of days during the semi-annual calendar period we managed your portfolio. **Once the termination of investment advisory services has been implemented, neither party has any obligation to the other** - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.



## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

## TYPES OF CLIENTS

ITEM 7

We primarily offer financial services to individuals and their families. We may also advise a foundation or endowment, a charitable organization, a corporation and/or small business, a trust, a guardianship, an estate, or any other type of entity to which we choose to give investment advice.

We do not require your portfolio to be at a minimum asset level to open a management account, or to remain above a certain level to avoid a minimum fee charge.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

The goal of our Portfolio Management services is to grow long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio assets will be diversified across asset classes using a mix of Investment Company (“mutual funds”) products, Exchange-Traded Funds (“ETFs”), and independent third-party money managers (“Portfolio Managers”) to achieve the best return on your investment capital.

### Methods of Analysis

In analyzing securities to develop an efficient asset allocation portfolio, we will use a combination of analysis techniques to gather information and to guide us in our management decisions.

#### Fundamental Analysis

Fundamental analysis considers: efficiency ratios, growth rates, enterprise value, economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

**RISKS** - Fundamental analysis places greater value on the long-term financial structure and health of a company, which may have little to no bearing on what is actually happening in the market place. Investing in companies with sound financial data/strength and a history of healthy returns can be a good long-term investment to hold in your portfolio; however, such fundamental data does not always correlate to the trading value of the stock on the exchanges. In the short-term, the stock can decrease in value as investors trade in other market sectors.

#### Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

**RISKS** - Technical analysis is charting the historical market data of a stock, taking into consideration current market conditions, to forecast the direction of a future stock price rather than using fundamental tools for evaluating a company's financial strength. Technical analysis focuses on the price movement of a security trading in the market place. This is an ideal tool for short-term investing to identify ideal market entry/exit points. However, no market indicator is absolutely reliable and your investment portfolio can underperform in the short-term should the market indicators be incorrect.

**Fundamental analysis** provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while **technical analysis** is short-term, focusing on the statistics generated by market activity.

## Investment Strategies

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We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short-term gains.

### Asset Allocation

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Asset allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this we may use more narrow and aggressive asset allocation derivatives.

### Dollar-Cost Averaging

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Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging can lessen the risk of investing a large amount in a single investment at the wrong time.

## Managing Risk

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The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in international securities can be affected by changes in exchange rates.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc.).

The risk factors we have cited here are not intended to be an exhaustive list, but are the most common risks your portfolio will encounter. Other risks that we have not defined could be

political, over-concentration, and liquidity to name a few. However, notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear.** Furthermore, **past market performance is no guarantee that you will see equal or better future returns on your investment.**

### **Portfolio Manager - Methods of Analysis, Investment Strategies & Managing Risks**

With the use of Portfolio Managers, focus of our selection and monitoring is to **balance investment return and risk, with the emphasis on spreading risk among asset classes.** The specific methods of analysis, investment strategies, and risk management will be handled at the discretion of the Portfolio Manager.

## **DISCIPLINARY INFORMATION**

ITEM 9

We have no legal or disciplinary events to report.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

ITEM 10

### **Financial Industry Activities**

#### **Grove Point Financial, LLC**

Certain supervised persons, who are Investment Advisor Representatives (“IARs”) of the Company, are also licensed as Registered Representatives (“RRs”) of Grove Point Financial, LLC, an unaffiliated registered broker-dealer (member FINRA/SIPC). As RRs, these supervised IARs of the Company may execute as brokers, securities transactions for you and earn sales commissions from such transactions. This can be considered a conflict of interest when giving investment advice for a fee on securities products that can be sold for a commission. Therefore, IARs licensed as RRs will **not receive commissions for securities transactions that occur within Schaeffer Financial management accounts.**

Notwithstanding the fact that certain supervised persons are licensed as RRs of Grove Point Financial, LLC, The Company is solely responsible for all advisory services rendered. Grove Point Financial, LLC has no authority to influence the Portfolio Management services we offer and/or with any Portfolio Manager(s) we may recommend. **Our investment advice is separate and independent from the brokerage services offered through Grove Point Financial, LLC**

#### **Independent Insurance Agent**

Certain IARs of the Company maintain insurance licenses, as required by law, to give advice on the benefits and needs of insurance, a component of financial planning. Because they are properly licensed insurance agents and could earn commissions from the sale of insurance products, there is a potential conflict of interest that we want to bring to your attention. IARs have a fiduciary responsibility to act in your best interest and recommending that you purchase an insurance product in which they can earn a commission creates a situation of divided loyalty, potentially making the advice less objective and possibly disadvantageous to you.

In an effort to manage this conflict, the IARs do not accept any insurance commissions and will refer you to an independent insurance broker for specific advice when insurance products are warranted. Furthermore, you should keep in mind that you are under no obligation to accept

the IARs recommendation to purchase insurance products, nor are you obligated to work with the referred agent. You are free to choose the insurance agency, agent and company to purchase the insurance. Note that if you do elect to purchase an insurance product, regardless of where or from whom you purchased it, that person will be entitled to earn a commission.

### Law Firm Recommendations

If you need legal advice regarding trust and estate planning matters, we can, upon your request, recommend one or more law firms from which to choose. While we will strive to partner with reputable law firms, we cannot guarantee the quality or outcome of the legal services they provide. Any legal services provided to you will be billed separately by the law firm. Legal fees paid by you to the law firm are separate and distinct from the investment advisory fees you pay to us. No referral fees are paid between us and the recommended law firms. As a fiduciary, we have a responsibility to act in your best interest. You are in no way obligated to accept our recommendations and are free to obtain legal services from other law firms.

### Industry Activity Conflicts

Referral to, from, and between these entities in which IARs of the Company can conceivably receive commissions creates a potential conflict of interest to our fiduciary duty to be impartial with our advice and to keep your interests ahead of our own. As RRs and/or insurance agents, IARs are able to influence the direction of investment activities, the sale of securities, and the purchase of insurance products. Accepting their recommendations can lead to increased personal revenues in the form of advisory/consulting fees, bonuses, commissions, and incentive programs. Therefore, before accepting their recommendations on commissioned securities transactions and/or any insurance products, you are free to consider other options to ensure that the commissioned products are comparable or equivalent to a product you might receive from other independent firms.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

## Client Transactions

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We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

### Participation or Interest

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It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

### Insider Trading Policy

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We comply with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and have established internal controls to guard your personal information.

## Personal Trading

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Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Sometimes, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made, at or about the same time, in an employee's account. This practice can create a conflict of interest as our employees may benefit from the sale and purchase of those securities. In these situations, we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative ("IAR"), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. Our Chief Compliance Officer, or a designated supervisor, reviews securities holdings for all our access employees on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Aggregating Trade Orders" below under Item 12, "Brokerage Practices") may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by our Chief Compliance Officer to ensure that such activities do not impact upon your security or create conflicts of interest.

## BROKERAGE PRACTICES

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ITEM 12

### Custodial Services

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The Company maintains a custodial relationship with Charles Schwab & Company, Inc., a registered broker-dealer (member FINRA/SIPC), through their division Schwab Advisor Services

for investment advisors. Schwab offers us services, which include custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with Schwab has no direct correlation to the services we receive from Schwab and the investment advice we offer you, although **we do receive economic benefits for which we do not have to pay** through our relationship with Schwab that are typically not available to Schwab retail clients. This creates an incentive for us to recommend Schwab based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These economic benefits include the following products and services provided without cost or at a discount:

- ❖ Receipt of duplicate client statements and confirmations;
- ❖ Research related products and tools and consulting services;
- ❖ Access to a dedicated trading desk;
- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts);
- ❖ The ability to have advisory fees deducted directly from accounts;
- ❖ Access to an electronic communications network for order entry and account information; and,
- ❖ Access to mutual funds and ETFs with no transaction fees and to certain institutional money managers.

**We are not a subsidiary of, or an affiliated entity of, Schwab.** We have sole responsibility for investment advice rendered, and **our advisory services are provided separately and independently from Schwab.**

#### Direction of Transactions and Commission Rates (Best Execution)

**We have a fiduciary duty to put your interests before our own.** The advisory support services we receive from Schwab creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with Schwab may have been influenced by these arrangements/services. **This is not the case;** we have selected Schwab as our custodian of choice based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.
2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience in working with Schwab staff.

Since we do not recommend, suggest, or make available a selection of custodians other than Schwab, **best execution may not always be achieved.** Therefore, **you do not have to accept our recommendation to use Schwab as your custodian.** However, if you direct us to use another custodian, **we may not be able to provide you complete institutional services and such service may cost you more in transaction fees.**

#### Selection of Portfolio Managers

We may make available a select group of Portfolio Managers from which you may choose to manage your accounts. We will assist you in determining which is most likely to provide the most effective financial growth based on your stated investment objectives and risk tolerance level. **Where applicable, the brokerage practices of the Portfolio Manager will be disclosed in their ADV Part 2A: Firm Brochure, which we will provide you prior to, or at the same time as, opening an account.**

While we have exercised our best efforts in evaluating the investment performance and cost of services offered by these Portfolio Managers, we make no representation that the Portfolio



Manager to which you are referred has the best investment performance or the lowest Portfolio Management costs. The selection of Portfolio Managers will be limited to those with whom we have entered into service agreements. Therefore, it is possible that you could contract for similar services elsewhere or separately with higher performance at a lower cost. **You are under no obligation to accept our Portfolio Manager recommendation.**

### Aggregating Trade Orders

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we typically bunch (aggregate) orders for a block trade when: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition, preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

## REVIEW OF ACCOUNTS

ITEM 13

### Portfolio Management Reviews

Your investment strategies and investments are monitored by the management person in-charge of your account and reviewed on an ongoing basis. The general economy, market conditions, and/or changes in tax law can trigger more frequent reviews. Cash needs will be adjusted as necessary. Material changes in your personal/financial situation and/or investment objectives will require additional review and evaluation for us to properly advise you on revisions to previous recommendations and/or services. However, it is **your responsibility to communicate these changes** for us to make the appropriate corrections to your management account(s).

You will receive statements, at least quarterly, from Schwab where your account(s) are held in custody that identifies your current investment holdings, the cost of each of those investments, and their current market values. You are encouraged to review the trading activities disclosed on your account statements which summarizes your portfolio account value, current holdings, and all account transactions made during the quarter. It is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.

### Portfolio Manager Reviews

The management person in-charge of your account will monitor and evaluate the performance of the Portfolio Manager managing your account on a regular basis. We understand your goals and tolerance for risk may change over time; therefore, **even though we are not involved in any way with the day-to-day management** of your assets maintained with a Portfolio Manager,

we will supervise your portfolio and will make recommendations to you regarding the Portfolio Managers as market factors and your personal goals dictate.

## CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

### Referral Compensation

We do not receive any economic benefit from an independent party for managing your account(s). In addition, we do not compensate persons/firms for client referrals.

### Other Compensation (Indirect Benefit)

The Company receives an indirect economic benefit from Schwab (See “Custodial Services” above under Item 12, “**Brokerage Practices**” for more detailed information on what these services and products could be.)

### Indirect Compensation Relating to Financial Planning

As previously mentioned, certain of our supervised persons, who are Investment Advisor Representatives (“IARs”) of the Company, are also licensed as Registered Representatives (“RRs”) and commissioned insurance agents (See “Financial Industry Activities & Affiliations” above in Item 10, “**Other Financial Industry Activities & Affiliations**” for more information.). This can create a conflict of interest when recommending through a financial planning arrangement that you purchase securities and/or insurance products where they can also earn commissions.

In addition, there are also potential conflicts of interest when these supervised persons suggest the need for outside consultations and professional services (i.e., attorneys, accountants, etc.) to implement certain aspects of the financial plan. Even though they do not share in any fees earned by the outside professionals to whom you may be referred, it does create an incentive on their part to refer your business to only those entities that in turn refer potential clients to us.

In both cases, there is potential for divided loyalty and the objectivity of the advice we render could be subjective and create a disadvantage to you. Therefore, to ensure you understand the choices and risks you have in receiving financial planning services along with all other investment recommendations, the following disclosures are provided to assist you with your decisions:

- ❖ Certain aspects of our financial planning may require the assistance of a RR of a broker-dealer to execute a transaction. In this situation regardless of who performs the transaction(s), **such person will be entitled to earn a commission.**
- ❖ If requested by you to implement any insurance recommendations we made from our financial planning service, the IAR will refer you to an independent agent to write the policy. In such cases, **that independent insurance agent will receive the normal commissions associated with such insurance transactions.**
- ❖ You are under no obligation to have any outside professionals that we recommend prepare planning documents (i.e., estate, retirement, tax, etc.). **You are free to choose those outside professionals to implement the recommendations made from our financial planning services.**
- ❖ We do not receive any economic benefit from referring you to another professional without first notifying you of such possibilities.

Notwithstanding such potential conflicts of interest, we strive to serve your best interest and ensure such disclosure is being properly made to you in compliance with the Investment Advisers Act of 1940, Rule 275.206.



## Retirement Transfer Compensation

When it comes to your retirement account, you have four options to consider when transitioning employment from one employer to another, or for when you are seeking full retirement:

- ❖ Leave the account assets in the former employer's plan, if permitted;
- ❖ Transfer the assets to the new employer's plan, if one is available and transfers are permitted;
- ❖ Transfer the account assets to an Individual Retirement Account (an "IRA"); or,
- ❖ Cash out the retirement account assets (There will be tax consequences and/or IRS penalties depending on your age.).

Should you approach us to advise you on which option would be the best for your particular situation, we have an economic incentive to recommend you transfer your retirement account to a managed IRA account with us where we would earn a management fee on the assets. This can create a potential conflict of interest; the objectivity of the advice we render can be subjective and a cost to you. Therefore, if we recommend you transfer your retirement account to an IRA account, you are under no obligation to engage us to manage your assets. You are free to take your account anywhere.

## CUSTODY

ITEM 15

### Management Fee Deduction & SLOAs

We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities are maintained with Charles Schwab & Company, Inc. as indicated above in Item 12, "Brokerage Practices."

We do however, meet the definition of custody since clients have authorized us to deduct our advisory fees directly from their accounts and to disburse funds from their accounts to a third-party under a Standing Letter of Authorization ("SLOA"). Therefore, to comply with the United States Securities and Exchange Commission's Custody Rule (1940 Act Rule 206(4)-2) requirements, and to protect clients as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ Client funds and securities will be maintained with a qualified custodian (Schwab) in a separate account in the client's name.
- ❖ Authorization to withdraw our management fees directly from client accounts will be approved by you prior to engaging in any Portfolio Management services.
- ❖ Any SLOA established with a client to disburse funds to a third-party must adhere to the following conditions:
  1. The client provides an instruction to Schwab, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes us, in writing, either on Schwab's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.

3. Schwab performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to Schwab.
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. We maintain records showing that the third party is not a related party of the Company or located at the same address as the Company.
7. Schwab sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

### Serving as Trustee/Executor

From time to time on a limited basis, certain employees will serve as the trustee of a trust or executor of a client's estate for whom we provide investment advisory services. When this occurs, by virtue of his/her position, the trustee or executor has legal ownership of, or access to, the client assets and the authority to dispose of funds and securities in those accounts. This creates a custody situation which requires us to undergo an annual surprise inspection (irregular from year to year) by an independent public accountant of the funds or securities in those accounts for which we have custody. To comply with 1940 Act Custody Rule 206(4)-2 we will:

- ❖ Request that the custodian send account statements to the trust beneficiaries and/or a designated independent representative.
- ❖ Undergo an annual surprise inspection by a certified public accountant

In addition, Schwab is required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to review the trading activities disclosed on your account statements from Schwab, which summarizes your portfolio account value, current holdings, and all account transactions made during the quarter. It is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.**

### INVESTMENT DISCRETION

ITEM 16

Unless you request otherwise in our Investment Advisory Agreement, our Agreement sets forth our discretionary trading authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at any time, impose restrictions, **in writing**, on our discretionary authority (e.g., limit the types/amounts of particular securities purchased for your account, etc.).

### VOTING CLIENT SECURITIES

ITEM 17

**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies solicited for securities held in your managed accounts. The custodian of your managed accounts will mail you all proxy solicitations. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

However, if you have specific questions regarding an action being solicited by the proxy that you do not understand or you want clarification, you may contact us and we will explain the particulars. **Keep in mind we will not advise you in a direction to vote; the ultimate decision on how you vote is your responsibility and left to you to decide.**

## FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you. In addition, the Company has not, nor have any of our officers and directors, been the subject of a bankruptcy petition at any time during the past ten years.

**END OF DISCLOSURE BROCHURE**