

**ITEM 1: COVER PAGE**

# **Hantz Financial Services, Inc.**

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This brochure provides information about the qualifications and business practices of Hantz Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 248.304.2855. 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 Hantz Financial Services, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment adviser does not imply a certain level of skill or training.

## **ITEM 2: SUMMARY OF MATERIAL CHANGES**

This section summarizes material changes that have been made to our brochure since the date of its last version which was distributed to our clients during 2017. Complete copies of our current firm brochure, and any of our brochure supplements, are available upon request.

No material changes have been made to our firm brochure since its last distribution. To request copies of the complete firm brochure, or any of our advisor's brochure supplements, please contact our Chief Compliance Officer at the address or telephone number listed on the cover page of this document.

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## **INTRODUCTION**

In this brochure, references to “we,” “us,” “our,” or “our firm” refer to Hantz Financial Services, Inc. (“HFSI”). Our related companies are referred to as “affiliates.” Individuals who serve as directors, officers, and employees are referred to as “representatives” of our firm or our affiliates. Our firm’s clients and prospective clients are referred to as “you,” “your,” or “our clients.”

**This brochure contains important information. We encourage you to read it carefully and ask questions if it contains information that you do not understand.** The format and content of this brochure have been prepared in accordance with the instructions to Form ADV, Part 2A. Form ADV, Part 2A is prescribed for use by registered investment advisers under federal and state securities laws and related rules and supersedes the older Form ADV, Part II.

### **ITEM 4: ADVISORY BUSINESS**

HFSI has been in business since June 23, 1998. We are owned by a parent company, Hantz Group, Inc., whose majority shareholder is John R. Hantz.

We offer services as an investment adviser, broker-dealer, and mortgage broker. We offer a variety of investment advisory services to our clients, including financial planning, investment portfolio management services, and retirement plan services. We tailor our advice and services to the stated objectives of each of our clients. Our affiliates and our representatives offer other services described throughout this brochure.

#### **Financial Planning Services**

Our financial planning and consulting services are offered in three different packages: (1) the Horizon Planning Service; (2) the Premier Planning Service; and (3) the Premier Business Planning Service.

For each of these service packages, we gather information through in-depth personal interviews with you. This may include one or more in-person meetings and/or telephone calls. We may gather information that includes, but is not limited to, your current financial position, future goals and attitudes toward risk, and investment objectives. We ask you to fill out a client profile questionnaire that we will carefully review, along with all other documentation you supply. Because we do not independently verify, and instead rely only upon the information you provide to us, it is imperative that you update information that impacts your financial condition whenever it changes. Based on the information you provide, we will initially provide our advice in the form of a written financial plan. You should review the financial plan carefully and ask questions. The financial plan is designed to help you achieve your stated financial goals and objectives, but there can be no assurance that you will attain those goals and objectives because of many variables beyond our control.

If you choose to implement your financial plan, we recommend that you work closely with a team of qualified professionals, which may include a securities broker, insurance agent, tax advisor, accountant, and attorney. You are not obligated to use our services, or

the services of our affiliates and representatives, to implement any part of your financial plan. If you choose to implement our recommendations, you will incur additional costs that are not covered by our financial planning and consulting fees, as described below under the section heading, “*Fees and Compensation.*”

### **Horizon Planning Service™**

This package of our basic planning services typically includes an analysis and presentation of the following topics that are pertinent to individuals: financial position, protection planning, basic investment planning, retirement planning, estate planning (excluding legal services), and income tax considerations (excluding tax return preparation services). These basic financial planning services are all provided by us.

### **Premier Planning Service™**

This package of our advanced planning services typically includes an analysis and presentation of the following topics that are pertinent to higher net worth individuals and business owners:

- Financial position (including assets and liabilities, income and expenses, and debt strategies);
- Asset protection planning (including disability income, survivor income, long term care, home, auto and liability insurance, business owner concerns);
- Investment planning (including asset allocation, accumulation goals, and education planning);
- Retirement planning (including income and expenses, lump sum distribution planning, and business owner concerns); and
- Estate planning (excluding legal services).

This package includes income tax planning and tax return preparation by Hantz Tax & Business, LLC, or another of our Tax and Business Consulting Affiliates specified in the Financial Planning and Consulting Services Agreement.

## **Premier Business Planning Service™**

This package of our advanced planning services typically includes an analysis and presentation of the following topics that are pertinent to businesses and business owners:

- Business accounting services (including accounting and tax preparation);
- Entity structure (including liability, tax implications, and ownership and entity review);
- Executive compensation analysis (including selective benefits, ownership percentage, and key employees);
- Qualified retirement plans (including employer funded plans, employee funded plans, and maximum owner contributions); and
- Succession planning (including buy-sell and related key person insurance arrangements, and transition strategies).

You are able to select the specific services you desire and they will also be specified in the Financial Planning and Consulting Agreement that we will enter into with you. These consulting services are provided by our affiliates, Hantz Tax & Business, LLC, or the Tax and Business Consulting Affiliate specified in the Financial Planning and Consulting Services Agreement. However, HFSI provides all financial planning and investment advisory services.

### **Termination of Financial Planning Services**

You may terminate our services without incurring any fee or penalty within the first five business days after you sign our Financial Planning and Consulting Agreement. After the initial five-business day period, you or we may terminate the contract by giving five business days' written notice for any reason or no reason.

Upon termination of our Financial Planning and Consulting Agreement, we will refund your prepayment for services if no services have been performed. We typically will not refund client payments if we have already performed substantial services in the engagement. If you terminate our services after we have delivered the financial plan and performed our services, you are responsible to pay the remaining balance due.

### *Retirement Plan Services*

If you are a retirement plan sponsor, we offer retirement plan investment consulting services to assist you in meeting your fiduciary obligations to your company sponsored Defined Contribution Plan or Defined Benefit Plan. We can provide these services either on an ongoing basis or by way of a specific or one-time project-based request.

Through interviews with the appropriate individuals at your company, we identify and confirm, together with you, targeted goals and objectives. Based upon information you provide, we are able to offer all of the following advisory services to you for your selection, as needed:

- Assistance to develop, document, and review your plan's investment policy;
- Recommendations regarding the retention, selection, or termination of certain designated investment alternatives and/or qualified default investment alternatives in accordance with your plan's guidelines; and
- Preparation and presentation of periodic investment measurement reports for your plan. These reports typically include analyses and recommendations regarding (1) the current investment market environment, as well as possible future market trends; (2) manager performance and asset allocation; (3) reporting provided by Custodians and Administrators; (4) investment performance and investment costs of current selections compared to benchmarks and market averages.

We also offer participant level advice to your current employees in the plan if you select that service in the Participant Advice Supplement ("Supplement") to our agreement with you. If you select participant level advice, each employee seeking individual advice will in turn sign a separate Participant Acknowledgement electing to utilize the service while actively employed by the plan sponsor. Participant level advice is only applicable to participant account(s) held within the retirement plan while the participant is employed by your company.

Through interviews with employee participants who desire our advice, our representatives will gather information regarding their time horizon, risk tolerance, and investment goals. Based on the information obtained, our representatives will provide non-discretionary investment recommendations to the plan participant in regards to their retirement plan account. Non-discretionary investment advice means that the participant must choose whether to follow and implement the advice or recommendations that we provide to them.

## **Termination of Retirement Plan Services**

As the plan sponsor, you may terminate the Retirement Services Consulting Agreement without incurring fees or penalties within 5 business days after entering into this contract.

After 5 business days, you or we may terminate the Retirement Plan Consulting Agreement by providing 15 days' prior written notice. The Agreement will then terminate on the month end immediately following the 15-day notice period ("*Termination Date*"). We will prorate our compensation to the Termination Date. With the exception of any compensation due and owing upon termination, we do not have any additional termination charges or termination fees. After the Termination Date, we will have no further duties or obligations to the Plan.

The participant level advice Supplement may be terminated at any time by you or us upon 10 business days' prior written notice. After termination of the Supplement, participant advice will no longer be available to plan participants. An employee of a plan sponsor may also individually select to terminate their Participant Acknowledgment at any time by sending written notice to us at our address on the cover of this brochure. We will also discontinue providing participant advice when an employee ends his or her employment with you or your affiliates.

## **Investment Portfolio and Wealth Management Services**

We offer portfolio management services in which we manage your investment assets based upon your individual financial and personal needs, investment objectives, time horizon, and risk tolerance. Our investment management services generally include allocating your assets in accordance with one or more of our model portfolios, all of which employ the use of a broad range of no-load or load-waived mutual funds, exchange-traded funds ("ETFs"), and separately managed accounts by third-party money managers. A model portfolio is how we communicate to you what specific investments you should have in your portfolio at any given time, depending on your investment objectives and risk tolerance, among other factors. We will typically provide quarterly rebalancing services to your portfolio to help maintain the asset allocation consistent with the model portfolio(s) selected for your account.

On occasion and where suitable for you, we may also allocate your assets among alternative investments, including privately placed securities such as hedge funds, private equity funds, and real estate funds. Additional differences in holdings may stem from legacy securities transferred into the account, cash available for the purchase of securities and gradients of risk tolerance that you may request within the same investment objective. The unique nature of your account may result in your investment returns being different from other clients with the same or similar investment objective.

Because we tailor our advisory services to meet your individual needs and seek on a continuous basis to ensure that your portfolio is managed in a manner consistent with your needs and objectives, we will consult with you on an initial and ongoing basis to assess your specific risk tolerance, time horizon, liquidity constraints, and other related factors relevant to the management of your portfolio. As a result, we require your active participation while we formulate advice and recommendations. We do not verify the accuracy of the data you provide. We assume that the information you provide is reliable and current. We may also request the names and relationships of other advisors (e.g., attorney, accountant, banker, etc.). You should promptly notify us whenever there are changes in your financial situation or if you wish to place any limitations on the management of your portfolio.

We are able to manage your assets on a discretionary or non-discretionary basis, as determined by you and as set forth in the written Investment Advisory Agreement that you will enter into with us. When managing assets on a discretionary basis, we will determine the portfolio for your account consistent with your stated investment objectives and risk tolerance. You may also provide us with written guidelines and restrictions with respect to our authority to invest in certain securities or types of securities so long as they are reasonable and do not materially affect the performance of a model portfolio management strategy or prove overly burdensome to our management efforts. If we manage your assets on a non-discretionary basis, then you will retain the authority to make the investment decisions prior to our implementing them. See Item 16, entitled, “Investment Discretion” for more information.

Our Investment Advisory Agreement may be terminated by you or us at any time by providing the other party with five business days written notice. Advisor will not prorate or refund pre-paid advisory fees, which are deemed fully earned at the beginning of each monthly billing period.

Termination of an Investment Advisory Agreement will not affect any liabilities or obligations we have incurred or that have arisen from transactions initiated under the agreement prior to the termination date, such as the purchase of investments by us for your account. You remain responsible for any cost incurred in transferring assets from your account to a different account or custodian. After the date the agreement terminates, we will have no further duties or obligations to you under the agreement.

### **Separately Managed Accounts (“SMAs”) through Third-Party Money Managers**

We make available SMAs of several third-party investment managers. Unlike mutual funds or ETFs, when you invest in an SMA, you will own a portfolio of individual securities under the management of an independent or third-party investment adviser who is responsible for the day-to-day investment decisions for your portfolio. Under our SMA services, our Asset Management Team provides ongoing investment monitoring and advice tailored to your individual needs and as described below in “*Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss.*”

In providing SMA services, your representative will typically obtain the necessary financial data from you to assist our Asset Management Team in determining appropriate investment objectives and selecting the SMA whose style and talent best fit your individual needs and circumstances. Your representative will also assist you in opening an account with the SMA. Our Asset Management Team will assist you in selecting a model portfolio of securities and a suitable SMA to provide discretionary asset management services.

You should understand that it is the SMA Manager (and not HFSI or your representative) that has authority to purchase and sell securities on a discretionary basis according to the investment objective you choose after evaluating our recommendations. This authorization will be set out in the SMA client agreement. We currently use SMAs made available by Charles Schwab & Co. (“Schwab”). Unless directed otherwise, your agreement with the SMA gives us the authority to hire or fire these managers on your behalf. Once a manager is selected, your representative and our Asset Management Team will continue to monitor their performance. We seek to ensure that the independent managers’ strategies and target allocations remain aligned with our clients’ investment objectives, risk tolerance, and overall best interests. Additionally, we will meet with you, at least annually, to determine whether any changes in your financial status warrant adjustments to your investment objectives with the third-party money manager or whether there should be a change in the manager(s). We will also be happy to meet with you more frequently, if needed.

If you are interested in learning more about any of these SMA services, a complete description of their programs, services, fees, payment structure, and termination features are found in their respective service disclosure brochures, investment advisory agreements, and account opening documents, all of which we will provide to you prior to engaging their services.

From time to time we review other SMA Managers and reserve the right to make additional programs available to our clients as, in our discretion, we deem appropriate and consistent with our investment strategies.

## **ITEM 5: FEES AND COMPENSATION**

### **Financial Planning Services**

#### **Horizon Planning Service™**

The annual fee for the Horizon Planning Service is \$360. This fee is renewable yearly if you wish to continue the financial planning and consulting services offered in this package. Additional information about the payment of our fees is described later in this section.

#### **Premier Planning Service™**

The annual fee for our Premier Planning Service generally starts at \$1,200. This fee is renewable yearly if you wish to continue the financial planning and consulting services offered in this package. This fee may be higher because of factors such as higher net worth, income, or the complexity of your tax issues. Upon request, we may negotiate fees based upon a variety of factors such as the complexity of your financial circumstances, any requests you may have affecting our cost of providing the services, the services we are providing for any related accounts, the longevity of our relationship, and the existence of any personal or family relationships. The actual fee for the service will be specified in the Financial Planning and Consulting Agreement. Information about the payment of our fees is described later in this section.

### **Premier Business Planning Service™**

The fee for our Premier Business Planning Service generally starts at \$1,200. This fee is renewable yearly if you wish to continue the financial planning and consulting services offered in this package. This fee may be higher because of factors such as higher net worth, income, or the complexity of your tax issues, as well as the complexity, circumstances, and needs of the desired business consulting services. Upon request, we may negotiate fees based upon a variety of factors such as the complexity of your financial circumstances, any requests you may have affecting our cost of providing the services, the services we are providing for any related accounts, the longevity of our relationship, and the existence of any personal or family relationships. The actual fee for the service will be specified in your Financial Planning and Consulting Agreement. Information about the payment of our fees is described later in this section.

### **Additional Fee Information**

You must pay our initial financial planning and consulting fees at the time you complete and sign the Financial Planning and Consulting Agreement. You may pay our fees annually or in monthly installments through your bank from your checking account via the Automated Clearing House (ACH) Network. You must complete, sign and submit the ACH authorization form and give us a voided check from your checking account. We will only charge your account the specific installment amount stated in the ACH authorization form. Your bank will report the charge in your periodic bank account statement. You can terminate this ACH authorization at any time by notifying us or your bank. We are not responsible for any overdraft charges that you may incur for insufficient funds in your checking account. You are responsible for all fees that are not paid by ACH transfer.

We do not calculate or charge fees on the basis of a share of capital gains or capital appreciation of your funds or any portion of your funds.

## **Renewal Fees**

We will renew your Financial Planning and Consulting Agreement yearly until you terminate the contract. You may terminate the contract by sending us written notice. The renewal fees in your contract will apply unless changed by mutual agreement because of changes in the factors we described above that affect our cost of providing these services. Renewal fees are paid in the same manner as described above.

## **Third-Party Fees and Charges**

You will incur additional fees and charges if you choose to implement our recommendations. Additional fees and charges typically include brokerage commissions, custodial fees, insurance commissions, and other transaction-related charges. We will provide you, in advance, with information about those additional fees and charges.

Fees and expenses charged by mutual funds or by insurance companies to their funds are separate and in addition to the fees we charge for our financial planning and consulting services. You will incur additional fees and charges at the fund level, if you purchase mutual fund shares or a variable insurance product. Each mutual fund or variable insurance product prospectus describes these fees and expenses. The additional fund-level fees may include, but are not limited to: a management fee, other fund expenses, mortality and expense risk charge or possible distribution fee. If the product imposes a sales charge, you may pay an initial or deferred sales charge.

Before investing, you should consider the total cost of fund-level fees, our advisory fees, and any transaction-related commissions or charges. You may choose to invest in mutual funds or variable insurance products directly, without our services.

Our representatives may receive continuing 12b-1 fees, sometimes called trail commissions, from mutual funds and insurance companies based on client funds held in those accounts. 12b-1 fees are described in each fund's prospectus. In addition, our firm receives marketing allowances and reimbursements from preferred suppliers, which may change from time to time. Recent marketing allowances and reimbursements are disclosed in our *Disclosure of Possible Conflicts of Interest* or in the investment or insurance product prospectus or brochure.

A copy of our *Disclosure of Possible Conflicts of Interest* will be given to you in our new account documents when our relationship formally begins, and annually thereafter. It is also available upon request, and can be found on the Hantz Group internet website at [www.hantzgroup.com](http://www.hantzgroup.com).

For additional information about the compensation we may receive if you use our services to implement our advice, see the discussion under the heading below, “*Client Referrals and Other Compensation.*”

### **Commissions and Sales Charges for Recommendations of Securities**

With respect to our financial planning services, if desired, you may engage certain of our registered representatives to render securities brokerage services, which will be under a separate written commission-based agreement with us. However, you are under no obligation to do so and may choose brokers or agents not affiliated with us.

In engaging us for securities brokerage services, our registered representatives may provide those services and implement securities transactions for your account at our firm. When we do so we will receive brokerage commissions, as well as a share of any ongoing distribution or service (12b-1) fees from the sale of mutual funds. We may also recommend no-load or load-waived funds, where no sales charges are assessed. However, prior to effecting any securities brokerage transactions, you are required to enter into a separate account agreement.

A conflict of interest exists to the extent that we or our representative recommends the purchase or sale of securities where we receive commissions or other additional compensation as a result of the recommendation. However, we have compliance supervisory procedures in place to help ensure that any recommendations made are suitable and in the best interest of clients. You are also welcome to discuss with us any concerns you may have about our conflicts of interest.

### **Other Contract Terms and Amendments**

We may unilaterally amend the Financial Planning and Consulting Agreement, including our fee schedule. We will send you written notice of a change at least 30 days before its effective date. There is no penalty to you if you choose to discontinue our services because of the change. Simply notify us in writing of your decision to terminate our services before the effective date. You will remain responsible for services performed prior to the termination date.

We will not “assign” the Financial Planning and Consulting Services Agreement to someone else without your consent, which you may give orally or in writing. We will imply your consent if all the following conditions are met: (1) We provide you at least 30 days’ prior written notice of the proposed assignment; (2) we provide you with written confirmation that the assignment has occurred; (3) you do not respond objecting to the assignment; and (4) you do not terminate our services within 30 days after the effective date of the assignment.

### **Retirement Plan Services**

Depending on the service(s) you select and if you would like to establish an ongoing relationship or project based relationship, we may invoice our fees monthly or quarterly in advance or in arrears.

We bill our investment advisory services in arrears on a monthly or quarterly basis, as selected in our agreement, and according to one of the following options:

- Fixed flat fee; or
- Percentage of the assets.

As the plan sponsor, you may pay invoiced fees directly or as a deduction from plan assets. Like many of our retirement plan clients, you may already have a relationship with a third-party custodian or record keeper of plan assets that requires or has the ability to establish ongoing authorization to have our fees deducted from plan assets. If you establish an automatic payment agreement from plan assets, we will not provide a monthly or quarterly invoice to the plan sponsor or third party. However, plan provided statements will reflect the fee payments.

Our retirement plan consulting fees generally range from 5 basis points to 75 basis points of the value of plan assets, depending on factors of the plan and the service(s) you select. One basis point is equal to 0.01% of the amount. For example, 10 basis points is equal to 0.10%. Factors we consider in determining our fees include, but are not limited to:

- Amount of assets in the plan;
- Annual contributions to the plan;
- Investment committee experience and training;
- Number of employees and participants of the plan; and
- Complexity of the plan and services required.

Hourly rates and one-time flat fees are dependent on the project based service requested and professional knowledge required to perform such service. Hourly rates typically range from \$100 per hour to \$300 per hour. Flat one-times typically range from \$100 to \$30,000.

Our fees are negotiable and all fees and payment methods, as agreed upon with you, will be described in our Retirement Plan Services Agreement with you.

### **Renewal Fees**

We will automatically renew our Retirement Plan Services Agreement annually. You or we may terminate the contract by sending written notice to the other party. There is no penalty to you if you choose to discontinue our services. You will remain responsible for services performed prior to the termination date. The renewal fees in your contract will apply unless changed by mutual agreement because of changes in factors that affect our cost of providing services. Payment of fees will continue in the manner as selected in the most current agreement. Automatic renewal of fees does not apply to project-based agreements.

### **Third-Party Fees and Charges**

The plan sponsor, plan assets, and participants of the plan may incur additional fees and charges from third parties in addition to the fees for our services. Typically, third-party fees and charges include recordkeeping fees, custodial fees, third party administration fees, and other transaction-related charges by parties that are separately engaged by the fiduciary to perform services. We will provide you, in advance, with information about additional fees and charges based on our recommendations and reviews.

Fees and expenses charged by mutual funds or by insurance companies to their funds are separate and in addition to the fees we charge for our retirement plan services. Additional fees and charges will be incurred at the fund level as mutual fund shares or variable insurance separate accounts are purchased within the plan. Each mutual fund or variable insurance product's prospectus describes these fees and expenses.

Before investing, you should consider the total cost of fund-level fees, our advisory fees, and any transaction-related commissions or charges. You may choose to invest in mutual funds or variable insurance products directly, without our services.

Our representatives may receive continuing 12b-1 fees, sometimes called trail commissions, from mutual funds and insurance companies based on client funds held in those accounts. 12b-1 fees are described in each fund prospectus. In addition, our firm receives marketing allowances and reimbursements from preferred suppliers, which may change from time to time. Recent marketing allowances and reimbursements are disclosed in our Disclosure of Possible Conflicts of Interest or in the investment or insurance product prospectus or brochure. For accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that HFSI in its sole discretion deems appropriate, HFSI may provide its investment advisory services on a fee-offset basis. In this scenario, HFSI may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by our representatives in their individual capacities as our registered representatives.

A copy of our Conflicts of Interest Disclosure will be given to you in our new account documents when our relationship begins and annually thereafter. It is also available upon request, and can be found on the Hantz Group internet site at [www.hantzgroup.com](http://www.hantzgroup.com).

For additional information about the compensation we may receive if you use our services to implement our advice, see the discussion under the heading below, *Client Referrals and Other Compensation*.

### **Other Contract Terms**

We will not “assign” the Retirement Plan Services Agreement to someone else without your consent, which you may give orally or in writing. We will imply your consent if all the following conditions are met: (1) We provide you at least 30 days’ prior written notice of the proposed assignment; (2) we provide you with written confirmation that the assignment has occurred; (3) you do not respond objecting to the assignment; and (4) you do not terminate our services within 30 days after the effective date of the assignment.

### **Portfolio Management Services**

Annual fees for our portfolio management services are negotiable based upon the size and complexity of the account. Our standard investment management fee is generally based on the amount of assets under our management and varies between 20 and 100 basis points (0.20% - 1.00%), depending on the composition of your portfolio and the types of services you select. Alternatively, we may negotiate a fixed fee for our services in accordance with the monthly billing cycle described below.

Advisor’s fees for the initial billing period will be billed when your Account is first opened based on your initial investment. Thereafter, Advisor’s fees are billed monthly in advance based on asset values reported by Client’s Custodian as of the end of the prior billing period.

In view of the initial and on-going work performed for the Account, fees are fully earned at the beginning of each monthly billing period. Prorated adjustments will not be made for either new investments in or withdrawals from the Account during a monthly billing period. No fee refunds will be made if assets are withdrawn or if the Account is terminated prior to a month-end.

Additionally, for asset management services provided with respect to certain client holdings (for example, held-away assets, alternative investments, etc.), we may negotiate a fee rate with you that differs from the range set forth above and as set forth in your Investment Advisory Agreement.

### **Fee Negotiation**

We may, in our sole discretion, negotiate a lesser fee with you based upon certain criteria, such as anticipated future earning capacity, anticipated future additional

assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing or legacy client relationships, account retention, and pro bono activities.

### **Third Party Fees and Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that you may incur. For example, you may incur certain charges imposed by custodians, brokers or third party investment managers. There may also be custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, exchange traded funds, and variable insurance products also charge internal management fees, which are disclosed in their product prospectuses. Such charges, fees and commissions are exclusive of and in addition to our fee.

### **Direct Billing to Client's Custodian**

Generally, you will authorize us (and/or SMA advisors) under the Investment Advisory Agreement to directly deduct fees from your accounts held at the custodian. Your custodian's periodic statements will show each fee deduction from your account. You may withdraw this authorization for direct billing of these fees at any time by notifying us or your custodian in writing.

### **Account Additions and Withdrawals**

You may make additions to and withdrawals from your account at any time. Additions may be in cash or securities provided that we reserve the right to liquidate any transferred securities or decline to accept particular securities into your account. You may withdraw account assets on notice to us, subject to the usual and customary securities settlement procedures. However, we generally design our portfolios as long-term investments. Consequently, the withdrawal of assets may impair the achievement of your investment objectives. We may consult with you about the options and implications of transferring securities. You should understand that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

### **SMA Services**

Your representative may recommend that you use an SMA program. When using an SMA, our advisory fee, which ranges from 0.20% to 1.00%, compensates your representative and us for the on-going monitoring and review of the manager's

performance. Your specific fee will be described in your Investment Advisory Agreement that you will enter into with us. All SMA program fees are separate from and

in addition to our advisory fee. In the SMA programs we make available, Schwab is acting as the broker-dealer and custodian with respect to any transactions in your SMA account. The program fee is a bundled fee arrangement and includes most of Schwab's brokerage transaction costs and the SMA's portfolio management services, but does not include our fee. Depending on the amount of assets under management and the asset class selected, the program fees range from 0.25% to 1.00%.

The following other fees and expenses are generally not included in our fee or the program fee arrangement of the SMA (please refer to Schwab's Managed Account Select & Managed Account Access Account Applications for detailed information):

- Services provided by broker-dealers other than Schwab for transactions executed away from Schwab but settle into your SMA account at Schwab;
- Custody and set-up fees for non-standard assets such as non-publicly traded limited partnership interests, certain foreign securities, and non-marketable securities. Note that most non-standard securities are not eligible to be placed in a SMA account;
- SEC exchange fees, ADR fees, transfer taxes, odd-lot differentials, mutual fund short-term redemption fees, certificate delivery fees, reorganization fees, electronic funds or wire transfer fees, and any other similar costs and charges; and
- Management and administrative fees charged by mutual funds (including money market funds), closed-ended funds and ETFs, which are paid by the fund or ETF to its advisor and service providers and which are borne pro rata by the mutual fund's shareholders.

Management fees charged by SMAs may not be negotiable.

If the SMA program is a wrap fee program, you should understand that the wrap fee cost may be more than purchasing the program services separately. For example, paying fees for the advisory services of the SMA and us, plus commissions for each transaction in the account.

The investment products and services available to be purchased in a SMA can generally be purchased by clients outside of a SMA account through broker-dealers or other investment firms not affiliated with us or the SMA.

For further details, please be sure to review carefully the third-party manager's disclosure brochures (or Wrap Fee Program Disclosure Brochure) and investment program agreements that we will provide to you.

### **Account Type Disclosures**

As described above in this Item 5, we offer both commission-based brokerage and asset-based fee arrangements. None of our asset-based fee accounts cover brokerage services (i.e., all of our accounts are "fee-plus-commissions"). Your choice of investment-related services, described above in Item 4, typically drives the selection of your account type because our investment-related services are, for the most part, only available using a particular account type. For example, our financial planning services are only available for a fixed fee; our investment management services are only available in a fee-based account, as described above. Please ask us questions about our services and the related account types. Your total cost for investment-related services can vary significantly depending upon, among other things, the account type, the amount and type of investments you hold, and the custodian holding your assets, as summarized above in this Item 5.

The selection of account type and related compensation arrangements typically depends upon, among other things, the investment-related services you are seeking, the amount of your investable assets, your investment goals, investment objectives, investment time horizon, and investment strategies, as described in Item 4 above.

Our recommendation and your selection from among available investment services and related account types is an important discussion topic because it depends upon your circumstances. As your circumstances change, you may be better served by moving to different investment services with a different account type for some or all of your investable assets. Be sure to alert us to relevant changes in your circumstances.

From time to time we may recommend changing your investment services and the related account types. Moving between commission-based and asset-based account arrangements can affect your total investment-related costs, which can have a significant impact on your total investment returns over time, so this is an important topic to discuss with your representative when you open an account and from time to time thereafter.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Our fees are described above. We do not charge performance-based fees.

## **ITEM 7: TYPES OF CLIENTS**

Generally, we provide our financial planning and consulting services to individuals and their related IRAs, trusts, as well as businesses and their related pension or retirement plans.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### **Methods of Analysis**

Our analysis begins with a review of your goals, time horizon, and risk tolerance through an interview process in an effort to determine a plan and/or portfolio that will best suit your needs. We design our financial planning services to, among other things, assist you in selecting investment, insurance, and other financial products and services that are appropriate to your personal circumstances and financial objectives. We design our retirement plan investment recommendations to assist plan sponsors in meeting their fiduciary responsibilities and adhering to the plan's investment policy statement.

Our primary method of security analysis involves fundamental analysis. Fundamental analysis is a technique that attempts to determine a security's value by focusing on the financial and economic well-being of a particular issuer or fund as opposed to only its price movements. When conducting fundamental analysis, various factors are evaluated including, but not limited to a review of an issuer's management team, investment strategies, style drift, past performance, reputation, and financial strength in relation to the asset class concentrations and risk exposures of our model asset allocations.

For third-party money manager analysis for SMA services, we examine the experience, expertise, investment philosophies, and past performance of these third party managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations, and leverage as a part of our overall periodic risk assessment. Additionally, as a part of our due-diligence process, we survey the manager's compliance and/or business enterprise risks.

### **Investment Strategies**

In providing our investment advice to you, the concept of asset allocation or spreading investments among a number of asset classes (domestic stocks vs. international stocks; large company stocks vs. small company stocks; corporate bonds vs. government securities) is generally at the forefront of our strategies since we believe that risk reduction is a key element to long-term investment success. At its heart, asset allocation is the implementation of a diversified investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to a client's risk tolerance, investment objectives, and investment time horizon.

We primarily recommend implementing these strategies using a variety of ETFs, mutual funds, and SMAs to promote portfolio diversification within various asset classes, such as industry sectors, domestic/international, or stocks/bonds. We generally utilize a model

portfolio strategy targeting different levels of risk and return objectives tailored to your specific goals and needs. Sometimes called rebalancing, we may recommend periodic purchases, sales, and exchanges within mutual fund families, between different mutual fund families or ETFs, as well as SMAs when there are changes in your needs, market conditions, or economic developments. While we use a proactive management process across multiple asset classes in our models, such diversification and management does not ensure a profit and may not protect against loss in declining markets.

### **Types of Investments and Risk of Loss**

We offer advice about a variety of investment types, including SMAs, mutual funds, index funds, ETFs, as well as fixed and variable annuities, each having different types and levels of risk. We will discuss these risks with you in determining the investment objectives that will guide our investment advice for your account. We will explain and answer any questions you have about these kinds of investments, which present special considerations such as the following described below in this section.

Investing in securities involves risk of loss that you should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We work with you to attempt to identify the balance of risks and rewards that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not fully understand the risks associated with any investment or investment strategy.

Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure you that your investments will be profitable or assure you that no losses will occur in your investment portfolio. Past performance is one relatively important consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

### **Mutual Funds**

We often recommend mutual funds of different kinds to promote portfolio diversification within various asset classes, such as industry sectors, domestic/international, or equities/bonds. We may recommend periodic purchases, sales, and exchanges of those mutual fund shares within mutual fund families and between different mutual fund families, when there are changes in your needs, market conditions, or economic developments.

The different kinds of mutual funds we use each have inherently different risk characteristics and should not necessarily be compared side by side. A bond fund with below-average risk, for example, should not be compared to a stock fund with below average risk. Even though both funds have low risk for their respective categories, stock funds overall have a higher risk/return potential than bond funds.

With respect to all classes of SMAs, mutual funds and ETFs, diversification does not protect you from an overall decline in the market. You should consider these risks in determining whether to use our services.

### **Exchange-Traded Funds and Index Funds**

Exchange-traded funds (“ETFs”) represent a fractional ownership interest in an underlying portfolio of securities or commodities. Many exchange-traded funds are passively managed to track a specific market index and some are actively managed. Some invest in specific economic sectors, domestically or globally. Most ETFs combine characteristics of an open-end mutual fund and a stock. However, unlike mutual funds, individual investors do not purchase or redeem shares from the fund. Instead, like stocks, individuals buy and sell shares of ETFs on an exchange, including the American Stock Exchange, the New York Stock Exchange, and the Chicago Board Options Exchange. The trading dynamic is also a mixture of the two types of securities. That is, prices of ETFs fluctuate according to changes in their underlying portfolios and also according to changes in market supply and demand for ETF shares themselves. Unlike open end mutual funds, ETFs are not bought and sold by the fund’s underwriter at the daily net asset value. ETFs offer investors a cost-effective opportunity to obtain portfolio diversification by buying or selling an interest in a portfolio of stocks or bonds in a single transaction.

Sometimes referred to as a “tracking error,” expenses and other factors may affect the performance of an index-oriented ETF so that the ETF’s performance will not exactly match the performance of their respective underlying indexes.

### **Use of Independent Money Managers**

A risk of investing in an SMA with a third-party money manager who has been successful in the past is that the money manager may not be able to replicate that success in the future. In addition, even though we strive to conduct ongoing due diligence, we do not control the underlying investments in a third-party manager’s portfolio, so there is a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager’s day-to-day business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory, or reputational deficiencies.

## **ITEM 9: DISCIPLINARY INFORMATION**

We entered into a settlement with FINRA, publicly reported on January 4, 2012, arising out of a former registered representative’s misconduct that we discovered, investigated, self-reported, and remedied with affected customers. Without admitting or denying FINRA’s allegations, we agreed to resolve FINRA’s concerns by taking additional corrective action in amending and implementing our written supervisory procedures for recording incoming checks and investigating customer complaints, accepting a censure, and paying a fine. FINRA noted our investigation was instrumental in exposing the manner of the representative’s misconduct and in

determining the extent of the representative's harm, for which we voluntarily reimbursed affected customers.

By Letter of Acceptance, Waiver and Consent signed December 17, 2013 ("AWC"), the Company resolved with the FINRA regulatory concerns about documenting internal reviews, enforcement of related procedures, and requiring on-going due diligence on SEC-registered but not publicly traded securities. FINRA notified the Company of its acceptance of the AWC by notice letter dated January 31, 2014. The AWC imposed a censure and \$75,000 fine upon the Company and required it to engage an independent consultant to conduct a comprehensive review of the Firm's related policies, systems and procedures.

Information about these matters is publicly available on the Investment Adviser Public Disclosure website at: <http://www.adviserinfo.sec.gov/>.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Our Other Activities**

We are registered as a broker-dealer with the Securities and Exchange Commission ("SEC"), the State of Michigan, and other states. We are a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation.

We are also licensed in Michigan as a residential mortgage broker. As part of the financial planning process, we may make recommendations involving refinancing, debt consolidation, debt reduction, or mortgage-related strategies to help provide funds for retirement, children's education and other expenses. If we recommend mortgage financing or refinancing your existing debt, you are under no obligation to do so and you may obtain financing through any lender of your choosing. If you choose to implement a mortgage strategy to generate investable funds, you will receive a disclosure pamphlet entitled, "Betting the Ranch: Risking your Home to Buy Securities" that outlines the risks associated with mortgaging your home.

We originate mortgages to an affiliated lender. This lender compensates us based on the loan amount. This compensation is disclosed on the loan estimate and closing disclosure forms required by the Truth in Lending Act ("TILA"). We pay our licensed mortgage brokers based on the loan amount. This additional compensation creates potential conflicts of interest, further discussed below under the section heading "*Client Referrals and Other Compensation.*"

We may refer you to our other affiliates for various financially-related products and services to implement various aspects of our recommendations. You have no obligation to purchase their products and services. Purchasing their products and services indirectly

benefits us. The products and services offered by our affiliates are available from similar service providers, some of which could be at a lower cost than our affiliates may charge.

### **Our Tax and Business Consulting Affiliates**

Our Tax and Business Consulting Affiliates, listed below, provide the tax planning, consulting and, if applicable, tax return preparation services that are included in our service packages described above. Your Financial Planning and Consulting Agreement will specify, among other things, which of these firms will provide these services for you.

Beyond our service packages, these affiliates provide other accounting, tax, and business consulting services to our clients and to the general public. Many of our representatives work through these affiliates to provide tax, accounting, or consulting services as a CPA, a tax practitioner, or an IRS Enrolled Agent. An IRS Enrolled Agent is a tax practitioner authorized to represent taxpayers before the Internal Revenue Service.

Our Tax and Business Consulting Affiliates include: Hantz Tax & Business, LLC; Hantz Titus Urbanski, LLC; and Hantz Ewald, LLC.

### **Our Parent Company and its Affiliates**

We are a wholly owned subsidiary of Hantz Group, Inc. of Southfield, Michigan. Through its various subsidiaries, Hantz Group, Inc. is engaged in a variety of businesses that offer financial, investment, accounting, insurance, tax, and related services that are listed below. Hantz Group, Inc. also owns other affiliates that are not financially-related businesses. Our directors and principal executive officers also serve in similar capacities with our affiliates and other Hantz-related companies. The amount of time they may devote in their executive and management capacities for these businesses varies as managerial time requirements may dictate.

Hantz Group, Inc. is affiliated by common ownership with Hantz Holdings, Inc., a bank holding company headquartered in Southfield, Michigan (“Hantz Holdings”). Hantz Holdings owns Hantz Bank.

Hantz Bank (“the bank”) is a full service, state-chartered, commercial bank headquartered in Southfield, Michigan. The bank offers a full range of personal and commercial banking products and services. The bank may refer clients to us and other affiliates for the financially-related services described in this brochure. We may refer you to the bank for banking-related services. Your purchase of the bank’s products and services indirectly benefits us and our affiliates. Always bear in mind that, unlike the bank’s federally-insured deposit products, the investment products and services we may offer you are:

- Not insured by the FDIC;
- Not a deposit or other obligation of, or guaranteed by, the bank; and

- Subject to investment risks, including possible loss of the principal amount invested.

### **Our Other Affiliates**

Our other affiliates include, and are engaged in, these financially-related businesses:

- Hantz Agency, LLC, and PLUS Agency, LLC are insurance agencies; and
- Hantz Commercial Insurance Agency, LLC is an insurance agency that provides services such as property and casualty and workers' compensation to businesses.

### **Our Representatives**

Most of our representatives are registered or licensed to sell one or more financial products and services, including securities, insurance, and residential mortgages through our firm or one of our affiliates. You have no obligation to use the services of our representatives. Purchasing products and services through our representatives directly benefits them personally and benefits us because of the additional compensation we will receive in those transactions. Additional compensation creates potential conflicts of interests, discussed below under the section heading, "*Client Referrals and Other Compensation.*"

When acting as insurance agents, our representatives use Hantz Agency, LLC, listed above, as their insurance agency and may represent one or more insurance companies. We are not affiliated by common ownership or control with any insurance company.

### **Other Relationships**

One of our directors, David Shea, is a member of Shea, Aiello, PLLC, a general practice law firm. The law firm is not otherwise affiliated with us. If legal services are desired, the law firm can be retained for legal representation and services, including wills, trusts, estate plans, contracts, litigation, and various other legal matters. You are under no obligation to use this law firm for legal services as a condition of engaging us for any of our services.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### **Code of Ethics**

We have adopted a Code of Ethics. It expresses our core fundamental values to be honest, fair, and forthright in our dealings with clients and others in the conduct of our business. Our Code of Ethics also guides our practices in giving investment advice to our clients and proprietary trading of securities for our own and related accounts. A copy of our

Code of Ethics is available upon request by contacting the firm at the number stated on this brochure's cover page.

### **Participation or Interest in Client Transactions**

Our firm or our representatives may buy, sell, or hold for their personal accounts, sometimes called proprietary or personal securities trading, the same securities that we may recommend to you and other clients. Based on everyone's own personal circumstances, personal securities trading may be similar to or different than recommendations made to you.

Most of our securities recommendations involve widely-held, publicly traded securities, mutual funds, or similar funds that are held inside variable insurance contracts. We generally do not give advice about thinly traded securities unless you happen to already hold those securities in your account. Accordingly, our investment advice and our personal securities trading have little potential to affect the price of the securities that we recommend. Our Code of Ethics and related policies address the potential conflicts of interest with respect to personal trading activities by our representatives.

Generally, our representatives may not purchase or sell a security prior to a transaction being completed for a client's account. We have this policy to prevent our employees from benefiting from transactions placed on behalf of a client's account. Because these situations have the potential of raising conflicts of interest, we have established the following trading restrictions:

- Our representatives may not use information available to them because of their employment with us to buy or sell securities for their personal portfolios, unless the information is also available to the investing public upon reasonable inquiry. A representative shall not favor his or her interests above your interests;
- We inform you that our representatives may receive separate compensation when implementing our financial plans;
- You have the unrestricted right to decline to implement any advice we render;
- You have the unrestricted right to choose any broker, dealer, or insurance company;
- We require our representatives to act in accordance with all applicable federal and state regulations that govern investment advisers and broker-dealers; and
- A representative who violates these restrictions may be subject to disciplinary action, up to and including termination.

## **ITEM 12: BROKERAGE PRACTICES**

### ***The Custodian and Brokers We Use***

Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. For investment portfolio services, we generally require that our clients use Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when instructed to do so. While we recommend that you use Schwab as a custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. If you do not wish to place your assets with Schwab, we cannot manage your account. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described in the next paragraph.

### ***How We Select Brokers/Custodians***

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- Capability to execute, clear and settle trades (buy and sell securities for your account);
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;

- Competitiveness of the price of these services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- Reputation, financial strength and stability of the provider;
- Their prior service to us and our other clients; and
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us from Schwab”).

### **Your Custody and Brokerage Costs**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. For some accounts, particularly those accounts at SMAs, Schwab may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab’s commission rates and asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain \$500,000,000 of our clients’ assets in accounts at Schwab. This commitment benefits you because the overall commission rates and asset-based fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available 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 are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients’ assets in accounts at Schwab. Here is a more detailed description of Schwab’s support services:

**Services that Benefit You.** Schwab’s Institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we 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 you and your account.

**Services that May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. 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 may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist 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:

- Educational conferences and events;
- Technology, compliance, legal, and business consulting;
- 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 these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

HFSI uses most of the Schwab institutional services that are discussed above.

***Our Interest in Schwab's Services***

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interest of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us. We have well in excess of the \$10 million in minimum client assets under management, and do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest. See also, Item 14 below, "Client Referrals and Other Compensation."

### **Aggregation of Orders**

We have adopted a trade allocation policy to govern how we aggregate orders for securities transactions on a portfolio basis. In doing so, we strive to treat each client fairly and will not favor one client over another client. Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by us in that security on a given business day. If an aggregated order is not filled in its entirety, it may be allocated among participating accounts on a pro rata basis. However, if the partial fill is determined to be inappropriate for an account such that the number of shares for a particular account would be too few to warrant the investment or result in partial shares, then the shares will not be allocated to that account. If the security is so thinly traded that we are unable to obtain sufficient shares for all clients, it is possible that the entire trade would be busted.

We will not aggregate trades for your accounts if you have placed restrictions on your accounts or when your account is subject to customized management. Thus, if you place restrictions on your account, we may not be able to aggregate your trades with that of our other clients.

### **Trade Error Policy**

We have the responsibility to effect orders correctly, promptly and in the best interests of our clients. We have established an error correction policy, to identify and correct any errors as promptly as possible without disadvantaging you or benefiting us in any way.

We have defined a "trade error" to mean when we have purchased or sold a financial instrument for a client account and that action is then determined to have been a mistake

and the error results in a financial gain or loss for the client. Examples of errors may include:

- Purchases or sales of an incorrect or unintended security or number of shares of a security for a client account;
- Purchases or sales of securities for the incorrect or unintended client account;
- Purchases or sales of securities that are not authorized by the client's investment guidelines or applicable law or regulations (e.g. prohibited transaction under ERISA);
- Purchase or sale transpositions (where an intended purchase is entered as a sale, or vice versa); and
- Trade misallocations.

If the error is our responsibility, your transaction will be corrected and we will reimburse you for any loss resulting from an inaccurate or erroneous order. If your account is custodied at Schwab, Schwab will reimburse you for any loss less than \$100. If a trade error occurs and it results in a gain, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain or it is not permissible for you to retain the gain.

If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain of \$100 or over to charity. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

**Brokerage Practices related to Our Financial Planning Services Exclusive of Investment Management Services**

We are a registered broker-dealer. Most of our representatives are registered through us to handle securities brokerage transactions. Accordingly, we recommend our own brokerage services if you choose to implement our recommendations through the purchase or sale of any securities. Commissions, 12b-1 fees, and other compensation received from the implementation of our recommendations is in addition to our compensation from the financial planning and consulting fees described above.

You are never obligated to use our firm, our affiliates, or our representatives to implement our financial planning recommendations. Securities brokerage services are available from other sources at a lower cost; however, discount brokerage firms generally do not provide investment advice or other customer services that we can provide you.

**ITEM 13: REVIEW OF ACCOUNTS**

**Investment Management Services**

**Reviews:** While we continually monitor the underlying securities within our clients' accounts, our Asset Management Team reviews them at least quarterly on either a random or targeted basis. We review each client's account in the context of your stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as changes in your individual circumstances, the market, as well as the political or economic environment. These accounts are reviewed by members of our Asset Management Team.

**Reports:** In addition to the monthly statements and confirmations of transactions that you receive from your custodian broker-dealer, we may provide you with quarterly reports. These reports summarize your portfolio position, asset allocation and investment performance information on your total portfolio, as well as performance information on each security in your account. We encourage personal meetings with you at least annually. When available, reports may be delivered to you via email upon request.

**Qualified Retirement Plans**

**Reviews:** If we provide qualified retirement plan advisory services, we will review your Investment Policy Statement (IPS) whenever you advise us of a change in circumstances regarding the needs of the plan. We will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur annually. These accounts are reviewed by the Retirement Services Team at the time of the account opening and, on a random or targeted basis.

**Reports:** We will provide reports to Qualified Retirement Plan clients based on the terms set forth in their Investment Policy Statement (IPS).

### **Selection and Monitoring of SMAs**

**Reviews:** These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser. Our Asset Management Team will provide reviews as contracted for at the inception of the advisory relationship.

**Reports:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

Our Asset Management Team may provide these client accounts with reports as contracted for at the inception of the advisory relationship.

### **Financial Planning and Consulting Services**

**Reviews:** The frequency of our reviews of clients' accounts varies depending on your desired service level. Accordingly, you can specify the frequency of our reviews in your Financial Planning and Consulting Services Agreement.

**Reports:** We provide a financial plan that organizes and reports on the information you provide us. The Premier Planning Service and Premier Business Planning Services may also include deliverables as specified in the Financial Planning and Consulting Services Agreement.

We will conduct client meetings on at least an annual basis if you renew your Financial Planning and Consulting Services Agreement. More frequent reviews may be requested or may be triggered by material changes in your circumstances, or material changes in the market, political, or economic environment. Please promptly tell us when circumstances affecting your financial condition change.

If you purchase investments, you will also receive periodic reports from the custodian for your accounts such as a clearing broker-dealer, investment company, or insurance company. We do not provide custodial services. We are an introducing broker-dealer for Hilltop Securities, Inc., a clearing firm. Hilltop Securities, Inc. carries our clients' accounts. Mutual funds, insurance companies, and banks may also serve as a custodian for one or more of your accounts and they typically send account statements to you. We are not responsible for their services or the accuracy of their account statements. Like you, we rely upon their statements and reporting for accurate information.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see “*Item 12 Brokerage Practices*”). The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Additionally, in engaging Schwab to provide custodial services to our clients Schwab has agreed to provide up to \$150,000 in credits for each of three years to pay for our expenses related to technology. The amount of credits that we will receive is dependent on the expenses we actually incur.

Our financial planning recommendations may include the purchase of products or services offered through our firm, our affiliates, and our representatives. You are under no obligation to purchase any recommended product or service. If you elect to implement any of our recommendations, we will receive commissions and other fees (e.g. marketing fees) in connection with purchases made using our firm, our affiliates, and our representatives. Fees charged for our financial planning services do not include additional compensation that may be earned by our firm, our affiliates, and our representatives.

We believe that having access to a variety of services, products and providers presents us with an opportunity to offer you what we consider to be the “best of breed” because we do not create proprietary investment or insurance products. It is industry practice for broker-dealers to have marketing agreements with various product suppliers (e.g. mutual funds, annuity and insurance companies, limited partnerships). Marketing agreements generally provide for the payment of marketing fees to us in addition to stated brokerage commissions and charges. These arrangements are sometimes referred to as “preferred supplier” relationships. These fees are paid by the sponsoring company in part to help defray the cost incurred by us for marketing and training related to the product. These marketing fees, paid to the firm, result in conflicts of interest. However, we seek to mitigate these conflicts by having our compliance department perform suitability reviews of client accounts and by training our representatives to put client interests first and to match the benefits and features of investment products to individual client needs without regard to our “preferred supplier” relationships. You should also understand that this additional compensation does not directly increase your expenses to invest in these products. Please see our Disclosure of Possible Conflicts of Interest for additional information about the preferred supplier compensation we receive.

We may refer you to one or more of our affiliates, and they may refer clients to us for our financial planning, securities, and mortgage brokerage services. We do not pay them for referrals to us, and they do not pay us for referrals to them; however, when you purchase products or services from or through our affiliates, our firm and our introducing representatives also benefit from the additional compensation earned on your transactions. Please review the

disclosures in this brochure under the section heading, “*Other Financial Industry Activities and Affiliations*” for additional information about our affiliates and representatives.

Our representatives who are additionally employed as a registered representative, licensed insurance agent, or mortgage broker are able to implement our recommended securities, insurance, or mortgage transactions for you for additional fees and charges described above. Registered representatives and insurance agents who handle these transactions will receive additional compensation.

Additional compensation includes, but is not limited to various kinds of marketing materials and promotions such as pens, pencils, cookies, candy, notepads, caps, clothing, meals, golf outings, event and seminar sponsorships, and tickets to various concerts and sporting events. This compensation is not based on a written agreement or sales performance, but is provided at the discretion of the product company or its representatives.

Our firm and our representatives may, from time to time, receive incentive awards, such as trips, for the recommendation/introduction of investment products, or other financial planning products. However, our representatives are required to report such compensation in their gift and gratuity log and on the monthly compliance report. The gift and gratuity log is monitored by our compliance department through its written policies and procedures. The receipt of these incentives may create the potential or appearance of a conflict of interest for us or our representatives regarding our recommendations.

#### **ITEM 15: CUSTODY**

We do not have custody of any client accounts. Your custodian will provide you with account statements at least quarterly. We urge you to carefully review such statements and compare these official custodial records to any account statements or other reports that we may provide to you as described in above in, “*Item 13 Review of Accounts.*” Our advisor reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

As a broker-dealer we may handle your individual funds or securities in purchasing or selling investments, insurance, or other financial products and services. However, we do not act as an account custodian. We promptly transmit funds or securities to the account custodian. We are an introducing broker-dealer. If you open a securities brokerage account through us, it will be held at our clearing brokerage firm, Hilltop Securities, Inc.

If you open a brokerage account with our firm, you will receive periodic statements from Hilltop Securities. We urge you to carefully review those statements and compare that information to the information we may provide to you about your account. Please promptly review and ask any questions about your account statements.

## **ITEM 16: INVESTMENT DISCRETION**

### **Our Investment Management Services**

We generally receive limited discretionary authority in writing from clients at the outset of an advisory relationship in the Investment Advisory Agreement. If you choose to do so, limited discretionary authority grants us the ability to determine, without obtaining your specific consent, the securities to be bought or sold for your portfolio and the amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with your stated investment objectives for the account and by considering the size of your account and your risk tolerance. This means that we will rebalance your accounts at least quarterly, or as needed, based upon the asset allocation model you agreed to when you engaged our investment services. We will not seek your consent prior to each rebalancing. However, we will not take discretion in changing the asset allocation of your portfolio that you have agreed to unless you subsequently authorize us to do so in writing.

### **SMA Services**

Third party or SMA money managers will also receive discretionary authority in writing from you at the time of engaging their services. You should understand that it is the SMA (and not HFSI or your representative) that has authority to purchase and sell securities on a discretionary basis according to the investment objective you choose. This authorization will be set out in the SMA client agreement. We currently use SMAs made available by Charles Schwab & Co. (“Schwab”). You should also understand that, unless directed otherwise, your agreement with the SMA gives us the authority to hire or fire these managers on your behalf. In granting us this authority, such discretion is to be exercised in a manner consistent with your stated investment objectives for the account, the size of your account, and your risk tolerance. Once a manager is selected, your representative and our Asset Management Team will continue to monitor their performance. Additionally, we will meet with you, at least annually, to determine whether any changes in your financial status warrant adjustments to your investment objectives with the third-party money manager or whether there should be a change in the manager(s). We will also be happy to meet with you more frequently, if requested.

### **Our Financial Planning Services**

You may also give us, in writing, instructions that guide, limit, or restrict our investment recommendations. We do not implement any of our recommendations or portfolio strategies without your prior approval of each specific transaction, consistent with any limitations or restrictions you may have given us.

### **ITEM 17: VOTING CLIENT SECURITIES**

We will not vote proxies for the election of corporate directors or other corporate actions described in companies' proxy statements. If you have questions about those matters, please do not hesitate to ask us. Typically, your account custodian will forward proxies and proxy statements to your address of record or to your designee.

### **ITEM 18: FINANCIAL INFORMATION**

While we require the prepayment of our financial planning and consulting fees as described above, we perform our services within six months of our initial engagement. We do not require or solicit prepayment of more than \$1,200 in fees, per client, six months or more in advance. As described above under the heading, "*Custody*," we have temporary custody of your funds or securities when handling some brokerage transactions that you request but we do not have on-going or permanent discretionary authority or custody of your funds or securities.

Additionally, we have no financial condition that impairs our ability to meet our contractual and fiduciary commitments to you. We have not been the subject of any bankruptcy proceeding.

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