

**Hanson McClain Retirement Network, LLC  
dba Hanson McClain Securities  
(SEC ID No. 8-52250)**

**Annual Audit Report**

**December 31, 2016**

**PUBLIC DOCUMENT**

Filed Pursuant to Rule 17-A-5(E)(3) as a Public Document

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL
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8-52250

REPORT FOR THE PERIOD BEGINNING 1/1/16 AND ENDING 12/31/16  
mm/dd/yy mm/dd/yy

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Hanson McClain Retirement Network, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

8775 Folsom Blvd, Suite 100

(No. and Street)

Sacramento

California

95826

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Steve Burnett

916-475-1319

(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst Wintter & Associates LLP

(Name – if individual, state last, first, middle name)

675 Ygnacio Valley Road, Suite A200

Walnut Creek

California

94596

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY


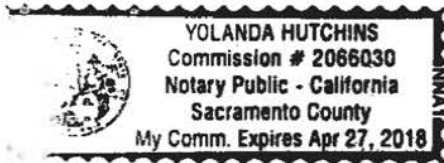
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

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information contained in this form are not required to respond  
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### OATH OR AFFIRMATION

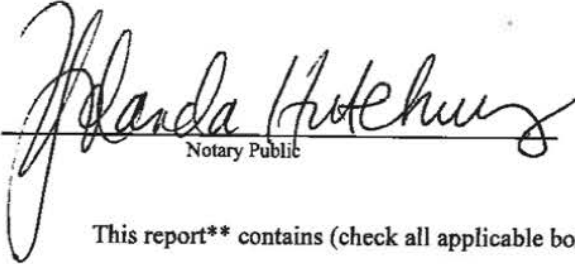
I, **Steve Burnett**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Hanson McClain Retirement Network, LLC**, as of **December 31, 2016**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE



Signature

President  
Title



Notary Public

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Cash Flows.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirement Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

*\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

# **Hanson McClain Retirement Network, LLC**

## **Notes to the Financial Statement**

**December 31, 2016**

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Walnut Creek, CA 94596

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**Report of Independent Registered Public Accounting Firm**

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To the Member of  
Hanson McClain Retirement Network, LLC

We have audited the accompanying statement of financial condition of Hanson McClain Retirement Network, LLC (the "Company") as of December 31, 2016, and the related notes to the financial statement. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Hanson McClain Retirement Network, LLC as of December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

 + Associates LLP

Walnut Creek, California  
February 27, 2017

# Hanson McClain Retirement Network, LLC

## Statement of Financial Condition

December 31, 2016

<b>Assets</b>		
Cash and cash equivalents	\$	473,615
Commissions receivable		307,425
Deposit with clearing broker		50,000
Prepaid expenses and other assets		46,585
<b>Total Assets</b>	<b>\$</b>	<b>877,625</b>
<b>Liabilities and Member's Equity</b>		
Accounts payable	\$	47,291
Due to clearing broker		15,160
Accrued compensation and benefits		84,834
Due to related parties		51,344
<b>Total Liabilities</b>		<b>198,629</b>
<b>Member's Equity</b>		<b>678,996</b>
<b>Total Liabilities and Member's Equity</b>	<b>\$</b>	<b>877,625</b>

See independent auditor's report and accompanying notes.



# **Hanson McClain Retirement Network, LLC**

## **Notes to the Financial Statement**

**December 31, 2016**

### **1. Organization**

Hanson McClain Retirement Network, LLC (the "Company"), dba Hanson McClain Securities, was formed as a limited liability company in California in July 1998, with a termination date of July 1, 2028. Under this form of organization, the member is not liable for the debts of the Company.

The Company registered as a broker-dealer with the Securities and Exchange Commission in July 2000, and is a member of the Financial Industry Regulatory Authority. The Company provides marketing and training support to independent financial advisors. The Company is also a securities dealer with customer accounts and it conducts business under a fully disclosed agreement with National Financial Services LLC ("NFS").

### **2. Significant Accounting Policies**

#### **Customer and Proprietary Securities Transactions**

Solely for the purpose of correcting for trading errors made in its client's accounts, the Company, in its capacity as a securities dealer, makes and records proprietary securities transactions in regular-way trades on the trade date, as if they had settled. Profit and loss arising from all proprietary securities transactions entered into and for the account and risk of the Company are recorded on a trade date basis. In connection with these proprietary securities transactions, the Company will have amounts receivable and payable to their clearing broker for transactions that have not reached their contractual settlement date. These receivables and payables are recorded on a net basis on the statement of financial condition.

#### **Commission Revenue**

The Company clears customers' transactions on a fully disclosed basis in accordance with a clearing agreement with NFS. The Company promptly transmits all funds and securities to NFS and does not otherwise hold funds or securities for, or owe money or securities to customers. Commission income and expenses and related clearing charges generated from customer securities transactions are recorded on a trade date basis as the transaction occurs.

Additionally, revenue is generated from concessions and commissions related to sales of mutual funds, variable products, and 12b1 fees. Revenue is recorded when earned on the trade date.

#### **Marketing Revenue**

The marketing fees received by HMRN from its marketing partners are calculated as percentages of the marketing partners' gross revenues. Upon receipt of payments, HMRN looks to the documentation that accompanies such payments to determine the period during which the payments were earned.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2016, the Company had no cash equivalents.

#### **Commissions Receivable**

The Company evaluates its accounts receivable and estimates the provision for doubtful accounts based on historical collection experience, delinquency rates, bankruptcies, and information obtained about and/or provided by the person or entity who owes the Company and other current economic conditions.

Past due balances over 30 days are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company considers all accounts receivable to be fully collectable, and therefore there is no allowance at December 31, 2016.

# Hanson McClain Retirement Network, LLC

## Notes to the Financial Statement

December 31, 2016

### 2. Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are stated at cost and include office furniture and equipment, business software and computers. Expenditures for repairs and maintenance which do not extend the useful life of the furniture and equipment, along with purchases below \$1,000 are charged to expense when made. Upon retirement, the asset cost and related accumulated depreciation are relieved from the financial statements. Depreciation and amortization are computed using the straight-line method over the estimated useful lives ranging from 3 to 5 years.

#### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods.

#### Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such assets and liabilities. The Company has no financial instruments required to be reported at fair value on a recurring basis.

#### Income Taxes

The Company has elected under the Internal Revenue Code to be treated as a qualified subchapter S subsidiary of its member, Hanson McClain Group, Inc. ("HMG"). As a qualified subchapter S subsidiary, the Company is subject to the California income tax on S corporations. All items of income, deductions, and credits are included in HMG's tax return. Income taxes represent payments to HMG as if the Company was a stand alone tax paying company in California.

### 3. Risk Concentration

At December 31, 2016, the Company held cash deposits at a financial institution which were in excess of applicable federal insurance limits by \$225,805.

### 4. Deposit with Clearing Broker

The Company's clearing broker, NFS, requires that they maintain at least \$50,000 in deposits and a minimum net capital of \$100,000.

### 5. Property and Equipment

Property and equipment, net consist of the following as of December 31, 2016:

Furniture and fixtures	\$ 39,454
Computers and equipment	12,310
Business software	11,594
Total cost	63,358
Total accumulated depreciation	(63,358)
Property and equipment, net	\$ 0



# **Hanson McClain Retirement Network, LLC**

## **Notes to the Financial Statement**

**December 31, 2016**

### **6. Postretirement Plan**

The Company maintains a pension plan consistent with provisions under section 401(k) of the Internal Revenue Code. Under this plan employees may make an elective deferral to reduce their taxable gross wages. The Company made matching and safe harbor contributions of \$29,031 in 2016 to the 401(k) plan to supplement employee contributions.

### **7. Income Tax Provision**

The provision for income taxes shown consists of the Company's share of state income taxes of \$40,800, which is included in due to related parties on the accompanying balance sheet.

Deferred income taxes are recognized for differences between the basis of assets and liability for financial statement and income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are not significant for the Company.

The Company is no longer subject to examinations by major tax jurisdictions for years before 2012.

### **8. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1) which requires the Company to maintain a minimum net capital equal to or greater than \$50,000 and a ratio of aggregate indebtedness to net capital not exceeding 15 to 1, both as defined in Rule 15c3-1. At December 31, 2016, the Company's net capital was \$592,305, which exceeded the requirement by \$542,305.

### **9. Related Party Transactions**

Under an overhead sharing agreement, HMG, the Company's, and the Company's related party by common ownership, Hanson McClain, Inc. ("HMI") share certain administrative services. These include office space, information technology, computer and telephone support, human resource management and accounting services. In 2016, the Company recognized expenses of \$245,000 for these services. In addition, the Company reimburses related parties and is reimbursed by related parties for various payments made to vendors by one related party on behalf of the other. At December 31, 2016, \$10,544 was the payable to HMI, and \$40,800 was the payable to HMG for these services and reimbursements.

The Company reimburses HMG for rent expense. In 2016, the Company paid HMG \$23,637 for rent expense.

# Hanson McClain Retirement Network, LLC

## Notes to the Financial Statement

**December 31, 2016**

### **9. Related Party Transactions (continued)**

HMI is a registered investment advisory firm that uses the Company's broker-dealer services for some of its accounts. HMI is the only registered investment advisor using the Company for broker-dealer services. The Company also collects investment advisory fees on behalf of HMI. The Company collected \$892,363 in advisory fees (net of certain costs) on behalf of HMI for the year ended December 31, 2016.

The balance sheet reflects the following payables and receivables resulting from related party transactions:

#### **Due to Related Parties**

HMI, net of \$13,980 receivable	\$10,544
HMG	\$40,800

The Company's results of operations and financial position could differ significantly from those that would have been obtained if these entities were unrelated.

### **10. Off-Balance-Sheet Credit Risk**

As a securities broker, the Company executes transactions with and on the behalf of customers. The Company introduces these transactions for clearance to NFS on a fully disclosed basis.

In the normal course of business, the Company's customer activities involve the execution of securities transactions and settlement by NFS. The agreement between the Company and NFS provides that the Company is obligated to assume any exposure related to nonperformance by its customers. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contracted obligations. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at the prevailing market price in order to fulfill the customer's obligation.

The Company seeks to control off-the-balance-sheet credit risk by monitoring its customer transaction and reviewing information it receives from NFS on a daily basis and reserving for doubtful accounts when necessary.

### **11. Subsequent Events**

The Company has evaluated subsequent events through February 27, 2017, the date which the financial statements were available to be issued.