

## **Business Overview of Acuity Financial Advisors, LLC**

The following is a description of the business of Acuity Financial Advisors, LLC and is intended to satisfy the disclosure requirement of Form ADV, Part II. This document contains material information pertaining to business operations including: services offered, fees, types of clients served, investment philosophy and strategy, types of investments utilized, primary sources of information, frequency and basis of account reviews, account statement frequency, custodian of assets, account minimums, advisor's professional credentials, outside business activities and other relevant factors.

### **COMPANY OVERVIEW**

#### **General Description**

Acuity Financial Advisors (AFA) provides comprehensive financial planning and portfolio management services. In addition, we may serve the role of coordinator, working with the client and their other advisors as needed to assist in the proper implementation of recommended financial strategies.

#### **Fiduciary Obligation**

As a Registered Investment Advisor (RIA) under the Investment Advisors Act of 1940, we are subject, by law, to a fiduciary standard which is the highest standard of care in the financial services industry.

A fiduciary has a fundamental obligation to act in the best interests of clients and to provide investment advice that is in the clients' best interest. An advisor serving in a fiduciary capacity, rather than under a suitability standard, owes clients a duty of undivided loyalty and utmost good faith. A fiduciary should not engage in any activity which is in conflict with the interest of any client and should take steps reasonably necessary to fulfill obligations to the clients. Reasonable care should be employed to avoid misleading clients and full and fair disclosure of all material facts must be provided to clients and prospective clients.

Acuity Financial Advisors provides clients with full disclosure, including fees and conflicts of interest which may exist. We will never accept incentives or inducements from a third party as these compromise the integrity and impartiality of our services.

### **Statement of Mission**

We will treat our clients with the utmost of respect and operate with integrity at all times. Believing that trust is the most important factor for a successful client-advisor relationship, we will do what is reasonably possible to earn and maintain this trust. We also believe that revenue is the byproduct of high quality service and advice. As a result, we will never operate from the posture of selling but instead will endeavor to protect our client's interests through objective and thorough analysis, only recommending products and/or services we believe are truly in our client's best interest. In short, we will always place the interest of our clients first.

### **Overview of Services**

- Comprehensive Financial Planning
- Portfolio Management (direct)
- Investment Management (indirect)
  - Retirement plan investment advisory services

## **COMPREHENSIVE FINANCIAL PLANNING**

### **Philosophy**

It is our belief that without a comprehensive financial plan, prudent decision making becomes much more difficult. For instance, without proper planning, it is much more difficult to determine the rate of return needed to achieve certain client objectives. The financial plan compiles pertinent data into a clear and concise description of the client's current situation and future goals so that decisions may be made within the context of a more comprehensive review.

### **Process**

Comprehensive financial planning generally consists of the following three phases:

#### Phase One – Initial Plan

In this phase, we interview the client and gather relevant information necessary for the preparation of the initial financial plan and recommendations

#### Phase Two – Implementation

In the Implementation phase, the advisor and client work together and if necessary utilize the services of other professionals such as attorneys or Certified Public

Accountants to implement appropriate strategies. At the end of this phase, we perform a check to ensure that each action item has been properly implemented.

### Phase Three – Monitoring

The final phase of the process generally begins after the first year. Here we update your financial plan, measure progress toward goals, and perform a periodic review of documents such as insurance policies, wills, etc to ensure their continued suitability.

### **Financial Planning Methodology**

Our financial plan is designed to go beyond typical off-the-shelf financial planning reports. Though we begin with static or linear assumptions, we rely upon statistical analyzes such as Monte Carlo simulation to attempt to provide probabilistic forecasts of future financial states. By utilizing statistical forecasting techniques and our experience, we attempt to better address such issues as: the probability of running out of money, the probability of leaving a legacy of a certain value, the probability of experiencing negative portfolio returns, the potential to deliver your required rate of return, the probability of achieving your required rate of return and other variables not described herein.

### **Financial Planning Reviews and Updates**

We will continue to measure progress toward your goals by updating your financial plan on a regular basis.

### **Financial Planning Fees**

**Initial plan** – Our fee for comprehensive financial planning is determined on a case by case basis and will depend on the specific circumstances of the client. The fee will be fully disclosed in the engagement letter and provides access to the initial financial plan and ongoing planning advice for a period of 12 full months from initial plan presentation to the client.

**Subsequent years** – Since the majority of the financial planning work is concentrated in the early stages, the renewal fee is considerably less than the first year fee. Generally, the on-going fee ranges from 25 – 40% of the initial plan fee and in the case of a wealth management arrangement may be waived entirely.

## **PORTFOLIO MANAGEMENT**

### **Overview**

We manage client assets in accordance with fiduciary standards. The fiduciary standard is the highest standard of care in the industry and states that we must always place the interests of our clients first. In addition, we are subject to the Uniform Prudent Investors Act (UPIA), the Investments Advisors Act of 1940, state trust/fiduciary laws, and the appropriate state and/or federal regulatory body.

### **Investment Philosophy**

In managing client assets according to fiduciary standards, we will employ a policy of prudent diversification. We consider the client's ability and willingness to assume risk as well as the required rate of return necessary to meet client goals. Our investment focus is on achieving positive return while minimizing risk by utilizing investment vehicles we believe offer the best risk-adjusted return at the lowest cost to meet the objective.

We will employ a strategic (long-term) asset allocation policy but may make tactical adjustments when necessary to capture short-term market inefficiencies. Our investment process is strategic, in that we will create and maintain a broad asset allocation for the portfolio but may make tactical adjustments within these broad asset groups. For example, we may reduce foreign investments if we believe that the U.S. dollar will strengthen or purchase inflation-protected bonds if we believe inflation is expected to increase.

### **Custodian of Assets**

All client assets are held by Scottrade Advisor Services. Scottrade is one of the largest discount and online brokerage firms and also has over 450 branch offices.

### **Account Statements**

Client account statements are issued by Scottrade on a quarterly basis unless there is current account activity. In this case, statements will be issued on a monthly basis. Online account access is also available to clients.

### **Frequency and Basis for Account Reviews**

AFA conducts account reviews with clients during the months immediately following the end of each calendar quarter. Therefore, account reviews occur in the following months: January, July and October. There also may be certain triggering factors, or material changes in circumstances, to warrant a review outside the normal review cycle.

During our reviews, we will discuss information pertaining to account performance, current

allocation and individual holdings. In addition, we will present our outlook for the economy and the financial markets.

**Account Minimums**

Although we do not have a stated account minimum, per se, our normal minimum relationship size is approximately \$250,000. However, we may make exceptions in certain circumstances.

**Types of Investments Utilized**

We have access to an broad range of financial instruments including, but not limited to: stocks, mutual funds, Exchange Traded Funds (ETFs), government and corporate bonds, municipal bonds, certificates of deposit (CDs), money market instruments, real estate, structured investment products, options and limited partnerships.

**Primary Sources of Information**

We attempt to incorporate a number of sources of information into our investment decision-making including, but not limited to: Federal Reserve policy, economic indicators, professional journals, rating organizations, independent market research, financial press, and trade publications.

**Portfolio Management Fees**

Our fees for portfolio management are based on a percentage of assets under our supervision. We will aggregate the client's accounts and use this combined value to determine the applicable percentage. We do not charge commissions under any circumstances so our compensation is not related to the number of transactions, but rather to value of our client assets. This approach ensures that our interests are aligned with the clients' interests.

**Portfolio Management (direct) also often called Wealth Management**

This is the most common arrangement, whereby client assets, held at the custodian, are managed by us. The client authorizes us, using a limited power of attorney for trading (trading authorization) to manage the portfolio risk and return for them. We initiate the transactions in the portfolio on behalf of the client.

Our fee schedule for Portfolio Management (direct) is as follows:

Assets under Management (AUM)	Annual fee (%)
Less than \$250,000	0.85%
\$250,001 - \$500,000	0.75%
\$500,001 - \$1,000,000	0.65%
\$1,000,001 - \$2,000,000	0.55%
\$2,000,001 - \$3,000,000	0.45%
Greater than \$3,000,000	negotiable

All amounts above are rounded to the nearest U.S. dollar. Billed and paid quarterly based on the prior four quarters' average account balance.

**Investment Management (Indirect Portfolio Management)**

In some cases, a client may not be able to, or may not elect to transfer assets to our custodian. In these cases, we may still provide a level of account management oversight. Under this arrangement, we still provide a thorough analysis of the client's current portfolio and provide investment recommendations. However, it is then the responsibility of the client and/or their current financial services agent to implement the recommendations as we do not have access or authorization to effect transactions in their account.

The fee schedule for Investment Management (Indirect Portfolio Management) is:

AUM	Annual fee (%)
Less than \$500,000	0.55%
\$500,001 - \$1,000,000	0.45%
\$1,000,001 - \$2,000,000	0.35%
\$2,000,001 - \$3,000,000	0.20%
\$3,000,001 - \$5,000,000	0.15%
\$5,000,001 and above	0.08%*

\*may be negotiated

All amounts above are rounded to the nearest U.S. dollar. Billed and paid quarterly based on the prior four quarters' average account balance.

**IMPORTANT NOTE:** Our fee schedule is not a tiered schedule. We simply aggregate all the assets under management in a client account, refer to the appropriate fee schedule, and apply the appropriate percentage based on total assets. In other words, under Portfolio Management (direct) we do not charge 0.85% on the first \$250,000, then 0.75% on the next \$250,000, and so on. For example, for AUM of \$450,000, we simply apply the 0.75% fee to the assets under management.

**Investment Management – Retirement plans (401k, 403b, 457 and other similar plans)**

Under this arrangement, we provide a thorough analysis of this portion of the client's current portfolio and provide investment recommendations. However, it is then the responsibility of the client and/or their current financial services agent to implement the recommendations as we do not have access or authorization to effect transactions in their account.

The fee schedule for Investment Management (401k and other employer retirement plans) is:

AUM	Annual fee (%)
Any	0.25%

Billed and paid quarterly based on the prior four quarters' average account balance. Fees are paid directly by the client as these assets are not held by our custodian, but rather are held in the employee's retirement account with their employer or the employer's custodian.

## CLIENT OVERVIEW

### Type of Client

The majority of our clients would be categorized as either individual investors or high net worth (HNW) individual investors. Our business model is designed to provide a high level of personalized service to a smaller number of clients.

The following is a breakdown of our clientele:

Category	Percentage
High Net Worth clients	45
Non High Net Worth clients	45
Banks or Thrift Institutions	0
Investment Companies	0
Pension and Profit Sharing Plans	0
Trusts, Estates or Charitable Organizations	10

## CLIENT SERVICE

It is our goal to provide high touch, high quality customer service. We strive to treat all clients with the utmost respect at all times. We strive to be perceptive, responsive and objective professionals. We always welcome client feedback to help facilitate continual improvement and always appreciate and encourage referrals to others you know who could utilize our services.



## **PROFESSIONAL DESIGNATIONS**

### **Advisor's Credentials**

Acuity Financial Advisors, LLC is a Registered Investment Advisor (RIA) in the State of Indiana.

Timothy E. Voegele is the founder and President of Acuity Financial Advisors, LLC.

His professional designations include:

- Chartered Financial Analyst (CFA) awarded 2007.
- Certified Financial Planner (candidate). Passed exam July 2008.

He is subject to a strict Code of Ethics, as drafted and adopted by the CFP Board of Standards and is subject to CFP Board continuing education requirements. He is also subject to the CFA Institute Standards and Practice guidelines and Code of Conduct.

## **OUTSIDE BUSINESS ACTIVITIES**

Mr. Voegele is a member of the National Association of Personal Financial Advisors (NAPFA), the Financial Planning Association (FPA) and CFA Institute, and is currently a Board member of the CFA Society of Indianapolis.

He also provides personal finance coaching under the firm, VIA Money Management, LLC using the principles utilized by Dave Ramsey, nationally known personal financial expert.

