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Creating financial strategies to ENHANCE YOUR LIFESTYLE

## **Part 2A of Form ADV: Firm Brochure March 25, 2011**

### **Item 1: Cover Page**

This brochure provides information about the qualifications and business practices of Echelon Group, Inc. If you have any questions about the contents of this brochure, please contact us at: (208) 345-9944, or by email at: [info@echelongroup.com](mailto:info@echelongroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), or by any state securities authority. Additional information about Echelon Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Echelon Group, Inc. is currently registered with the SEC as a Registered Investment Advisor (RIA). This registration does not imply a certain level of skill or training.

## **Item 2: Material Changes**

### **Transfer of advisory business to KMS Financial Services, Inc.**

Because the regulatory compliance part of our business has become complex, challenging and time consuming, Echelon Group, Inc. has decided to transfer all its investment advisory business to the RIA of KMS Financial Services (KMS). This will allow our advisors to use our time more productively, working with clients. KMS already is the broker/dealer of Echelon Group, Inc.'s advisors for securities related business. This transfer will take effect by the end of March, 2011 for most clients, and we are planning to transfer all clients by the end of June, 2011. All new advisory business is being written through KMS. The firm has the intention to withdraw its SEC registration when this transfer process is complete.

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative "plain English" format. The new final rule specifies mandatory sections and organization. As such we have revised our ADV Part 2 form to reflect this new rule.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (208) 345-9944 or by email at: [info@echelongroup.com](mailto:info@echelongroup.com).

### Item 3: Table of Contents

	Page
Material Changes	2
Advisory Business	4
Fees and Compensation	4
Performance-Based Fees	5
Types of Clients	5
Methods of Analysis, Investment Strategies and Risk of Loss	5
Disciplinary Information	6
Other Financial Industry Activities and Affiliations	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	6
Brokerage Practices	6
Review of Accounts	7
Client Referrals and Other Compensation	7
Custody	8
Investment Discretion	8
Voting Client Securities	8
Financial Information	8
Brochure Supplement (Part 2B of Form ADV)	9
Education and Business Standards	
Professional Certifications	

#### **Item 4: Advisory Business**

##### **Firm Description**

The firm has offered independent investment advisory services since 1998, first under Comprehensive Financial Planning Associates, LLC (CFPA) and then through Echelon Group, Inc. since 2004, when the advisory business of CFPA was integrated into Echelon. The founder, president and 100% owner is Donald L. Reiman. There are no intermediate subsidiaries.

Echelon Group, Inc. provides services in two main areas: investment advisory and company benefits. The benefits business consists in providing companies health and dental insurance, life insurance and related services. For the purposes of this brochure, we will focus on advisory services.

##### **Advisory Services:**

Advisory services include fee based comprehensive financial planning, investment advisory services and consulting for qualified retirement plans. However, clients may also choose to additionally do, but they are not obligated to do, commission based securities, insurance and employee benefits business through Echelon Group, Inc. Advisors

For commission based securities business: if clients want Echelon Group, Inc. Advisors to implement the advice, our broker/dealer - KMS Financial Securities, Inc. - is required to be recommended to them.

Echelon Group, Inc. may hire and compensate commercial companies or individuals in order to obtain referrals or investigate initial interest, especially in the case of qualified retirement plan sponsors.

We tailor our advisory services to individual client needs, mostly by (1) agreeing with individual clients to invest in one of five asset allocation models, depending on the risk/return objectives based on a investment policy statement, and (2) consulting with retirement plans on finding appropriate management quality, cost and diversification qualities in investment platforms offered to their employees.

As of December 31, 2010, Echelon Group, Inc. managed approximately \$37,200,000 in assets for about 120 accounts. All this business is non-discretionary, as Echelon Group, Inc. does not exercise discretion.

#### **Item 5: Fees and Compensation**

For consulting services for qualified retirement plans and financial planning, a one-time fee may be charged, depending upon the complexity of the client's financial situation. Fees may be assessed on a flat per project basis, or alternatively, at an hourly rate of up to \$400.00 per hour, depending on the complexity of the case. Fees may be partially payable in advance depending on the nature of the case, with the balance payable upon delivery of the plan. If payment in advance is agreed, this payment would not be more than \$1,200 and more than 6 months in advance. All fees paid in advance are refundable on a pro-rata basis, upon written termination of the contract, unless they are clearly defined as non-refundable.

Portfolio monitoring and consulting fee schedule for managed accounts:

<u>Managed Assets Valued At:</u>	<u>Annual Fee</u>
On the first \$100,000	1.50%
On the next \$150,000	1.25%
On the next \$250,000	1.00%
On the next \$500,000	0.75%
On amounts over \$1,000,000	0.50%

Consulting and Portfolio monitoring fees for participant directed qualified retirement plans:

<u>Managed Assets Valued at:</u>	<u>Annual Fee</u>
On the first \$1,000,000	0.80%
On the next \$1,500,000	0.60%
On the next \$2,500,000	0.40%
On the next \$5,000,000	0.25%
On amounts over \$10,000,000	0.20%

Fees are calculated and billed by the firm quarterly in advance, based on portfolio value as of the close of business on the last day of the previous quarter, and deducted by the custodian directly from individual client's account in most cases. For retirement plans, either the third party administrator or the custodian withdraws the fees. Initial deposits and balance transfers are billed on a partial quarter pro-rata basis from the day the assets are received in the account. Fees are negotiable and may be higher or lower than the basic schedule depending upon business variables such as the overall level of present and expected client business, level of service required, costs incurred, etc. Please note that, to the extent that mutual fund shares are held in the account, client will incur a second level of advisory fees along with those borne by the mutual fund. Additionally, client may bear transaction charges or commissions for transactions executed in the account. In some cases these may accrue to Echelon Group, Inc. and Advisor.

#### **Item 6: Performance-Based Fees**

Echelon Group, Inc. does not accept performance-based fees.

#### **Item 7: Types of Clients**

Echelon Group, Inc. advisory clients include individuals, trusts, companies and pension plans.

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

For individual clients, Echelon Group, Inc. provides several investment models of varying risk/reward characteristics, in part based on research and analysis provided for a fee by Advisor Intelligence, a division of Litman Gregory. Clients are asked to fill out a questionnaire in order to help determine their risk and return goals. Investment strategies are implemented mainly with no-load or load-waived mutual funds selected for their manager's experience, investment style, history, expenses and other relevant characteristics.

For retirement plans, Echelon Group provides ERISA compliant investment platform and manager search services, and portfolio monitoring services, in part based on research and analysis provided for a fee by Retirement Plan Advisory Group.

In addition, Echelon Group, Inc. uses several other independent sources for research, such as Morningstar.

**Item 9: Disciplinary Information**

The firm and its employees have not been involved in any legal or disciplinary events related to past or present activities.

**Item 10: Other Financial Industry Activities and Affiliations**

All Echelon Group, Inc. advisors are also registered representatives and advisory representatives of KMS Financial Services, Inc., a broker/dealer and a Registered Investment Advisor (RIA). Going forward, Echelon Group, Inc. plans to withdraw its SEC registration as RIA as soon as practicable, and its advisors intend to conduct business as securities and advisory representatives of KMS. Advisors are also licensed to sell, for sales commissions, insurance products as agents of a number of un-affiliated insurance companies.

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

As required by SEC rules, Echelon Group, Inc. has adopted an Investment Advisory Code of Ethics confirming current Echelon Group, Inc. compliance and procedures. In summary, Echelon Group, Inc.'s Code of Ethics (1) requires full and fair disclosure of all material elements of the investment advisory relationship to the client; (2) requires compliance with certain policies on personal security trading, which, in general, (a) prohibits an Echelon Group, Inc. investment advisor representative (IAR) from trading a security before a client and (b) prohibits an IAR from opening or having a personal securities trading account without prior approval from Echelon Group, Inc.; (3) prohibits an IAR from acting on or distributing material non public information; and (4) prohibits an IAR from participating in an initial public offering without prior written approval from the Chief Compliance Officer.

On occasion, the applicant's Advisors may buy or sell securities that they recommend to clients. There is a possible conflict of interest, but there are internal procedures in place to prevent it.

**Item 12: Brokerage practices**

The applicant's Advisors suggest brokers and custodians to clients, although they are free to select any broker and are so informed. For the fee based business: Echelon Group, Inc. Advisors will recommend brokers and custodians based mainly on the broker's costs, skills, reputation, dependability, and compatibility with the client. Thus, Echelon Group, Inc. may recommend that clients establish accounts with, for example, the Schwab Institutional division of Charles Schwab & Co., Inc., a registered broker-dealer, member SIPC, with Charles Schwab Trust Company, or others, to maintain custody of clients' assets and to effect trades for their accounts. Echelon Group, Inc. is independently owned and operated and not an affiliate of any broker or custodian. Brokers and custodians provide Echelon Group, Inc. with access to their institutional trading and custody services, which are not typically available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a minimum of the advisor's clients' assets is maintained in accounts and is not otherwise contingent upon Echelon Group, Inc. committing to any specific amount of business (assets in custody or trading). Brokers

and custodians' services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally only available to institutional investors or would require a significantly higher minimum initial investment. For example, for Echelon Group, Inc. clients' accounts maintained in its custody, Schwab Institutional generally does not charge separately for custody but may be compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to Echelon Group, Inc. other products and services that benefit Echelon Group, Inc. but may not benefit its clients' accounts directly. Some of these other products and services assist Echelon Group, Inc. in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of Echelon Group, Inc.'s fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services may be generally used to service all or a substantial number of Echelon Group, Inc.'s accounts, including accounts not maintained at Schwab. Schwab also makes available to Echelon Group, Inc. other services intended to help Echelon Group, Inc. manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Echelon Group, Inc. by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third party providing these services to Echelon Group, Inc.. While Echelon Group, Inc. endeavors to act in its clients' best interests as a fiduciary, and Echelon Group, Inc.'s recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Echelon Group, Inc. of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Echelon Group, Inc. does not aggregate trades for various client accounts.

#### **Item 13. Review of accounts**

Accounts under Advisory Services Agreements: All accounts are reviewed quarterly, semi-annually or annually by the Advisor assigned to the account to determine whether the positions and transactions are consistent with the client's investment objectives. Periodically, employees may also review the accounts. Additionally, an account may be reviewed by any of the two levels of reviewers (employees or Advisor) if triggered by client's inquiry or client addition or withdrawal of funds.

#### **Item 14: Client Referrals and other compensation**

Echelon Group, Inc. has been fortunate to receive many client referrals over the years. The referrals have come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other sources. The firm does not pay for referrals.

We may recommend other professionals (e.g., lawyers, accountants, insurance agents, real estate agents, etc.) at the request of the client. Other professionals are engaged

directly by the client on an as-needed basis even when recommended by the Advisor. Conflicts of interest will be disclosed to the client and managed in the best interest of the client. Echelon Group, Inc. does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

**Item 15: Custody**

Echelon Group, Inc. does not have custody of client investments. Accounts are held at qualified independent custodians who provide clients directly with account statements monthly or quarterly.

Clients are urged to compare the reports they receive from us to those they receive from their qualified custodians.

**Item 16: Investment Discretion**

Echelon Group, Inc. advisory representatives do not accept discretionary authority to manage securities accounts on behalf of clients.

**Item 17: Voting Client Securities**

Echelon Group, Inc. advisory representatives do not vote on proxies on client securities.

**Item 18: Financial Information**

The firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.



**Brochure Supplement (Part 2B of Form ADV)**  
**March 25, 2011**

This brochure supplement provides information about Donald L. Reiman, Joseph A. Chertudi and Robert W. Reynolds that supplements the Echelon Group, Inc. brochure. Please contact Joseph A. Chertudi, Chief Compliance Officer, if you did not receive Echelon Group Inc.'s brochure or if you have any questions about the contents of this supplement. Additional information about Donald L. Reiman, Joseph A. Chertudi and Robert W. Reynolds is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**Educational Requirements:**

- Minimum of college degree or significant work experience
- NASD registered representative exam (6 or 7)
- Series 65 (Uniform Investment Advisers Law Examination)

**Donald L. Reiman** - Born 1955 in Boise, Idaho

- Boise State University, Boise, ID - B.S. Applied Science
- The American College, Bryn Mawr, PA - M.S. Financial Services, and CLU and CFC designations
- Advisor, Echelon Group, Inc.
- Registered Representative of KMS Financial Services, Inc., a broker/dealer
- Involved in insurance sales & management since 1981 and in security sales & management since 1984.
- No disciplinary record.

**Joseph A. Chertudi** - Born 1948 in Kortezubi, Biskay, Basque Country, Spain

- Universidad de Deusto, Bilbao, Spain - B.A. equivalent
- University of Idaho, Moscow, ID - M.A. in Philosophy
- Thunderbird School of Global Management, Glendale, AZ - M.B.A. in International Management.
- Advisor, Echelon Group, Inc.
- Registered Representative of KMS Financial Services, Inc., a broker/dealer.
- Performed in various international executive positions from 1977 to 1988.
- Involved in sales of securities & insurance products since 1989. Providing financial planning & investment advisory services since 1994.
- No disciplinary record.

**Robert W. Reynolds** – Born 1975 in Prescott, Arizona

- Idaho State University, Pocatello, ID – B. S. Microbiology
- Advisor, Echelon Group, Inc.
- Registered Representative of KMS Financial Services, Inc., a broker/dealer.
- Registered Representative of Waddell & Reed, a broker/dealer.
- Involved in financial planning, sales of securities and sales of insurance products since 2006.
- No disciplinary record.