

Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure*

Item 1 Cover Page

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Firm Brochure Dated: March 31, 2011

This brochure provides information about the qualifications and business practices of Advanced Financial Solutions, Inc. If you have any questions about the contents of this brochure, please contact us at (208) 376-0091 and/or info@AFS-Idaho.com. 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 Advanced Financial Solutions, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

As a Registered Investment Advisor, the registration does not apply to a certain level of skill or training. However, David A. Wilhite holds several Professional Designations that require ongoing continuation education.

Item 2 Material Changes

Not Applicable.

Item 3 Table of Contents

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Item 4 Services, Fees and Compensation

4.A. Investment Management Services:**AFS Managed Asset Program (MAP):**

Advanced Financial Solutions, Inc. (AFS), a Registered Investment Advisor, has developed and offers an investment advisory and reporting program (the "Managed Assets Program" hereinafter referred to as "MAP") for use in the implementation of the investment management and asset allocation plans AFS has designed for their clients.

AFS will assist Clients in the establishment of a Managed Asset Program (MAP) Account (the "Account"). The client hereby grants an Advisor of AFS limited discretionary authority to purchase and sell no-load mutual funds and other mutual funds that can be purchased at Net Asset Value (NAV), Exchange Traded Funds (ETFs), or where applicable Variable Annuity, Variable Life, or Retirement Plan Sub-accounts pursuant to the investment objectives determined by Client. It is further understood and agreed by Client that transactions in other securities approved by AFS for investment in this Account, including fixed income and equities may be affected in the Account only at Client's direction.

Investment Strategy: Core-Plus™**1. Definition:**

Advanced Financial Solutions, Inc. (AFS) primary Investment Strategy was developed over approximately a ten year period from 1995 to 2005 and since 2005 AFS has implemented and maintained this unique Absolute Return Strategy operating under the trademarked name of Core-Plus™. The objective of Core-Plus™ is to produce a positive return in both up and down market environments. It consists of a proprietary blend of strategic asset allocation; **Passive** – (the "Core" portion of the portfolio) and dynamic asset allocation; **Active** – (the tactical "Plus" portion of the portfolio). These strategies are uniquely blended for the purpose of increasing returns, reducing volatility within the portfolio and minimizing the number of portfolio changes per year. Core-Plus™ portfolios typically average about four to five portfolio adjustments per year to accommodate changing market environments.

2. Risk:

Core-Plus™ is offered by AFS with three general categories of Risk. Within each of the three categories there are three portfolios available with graduated levels of risk within each category making a total of nine portfolios that increase from the most conservative ("Low Risk Conservative") to the most aggressive ("High Risk Aggressive").

a. **Low Risk:** Investment Objective: Moderate Capital Gains with **below**-market risk and volatility. Within Low Risk there are three portfolios available: Conservative, Growth and Aggressive.

b. **Medium Risk:** Investment Objective: Moderate Capital Gains, while accepting **average** market risk and volatility. Within Medium Risk there are three portfolios available: Conservative, Growth and Aggressive.

c. **High Risk:** Investment Objective: Maximum Capital Gains, while accepting **greater than** market risk and volatility. The High Risk uses funds in the active portion of the portfolio that are designed to perform at a 2 beta ratio to the market index in which they are emulating therefore, by definition create **nearly twice** the market risk and volatility than the Medium Risk portfolios. Within High Risk there are three portfolios available: Conservative, Growth and Aggressive.

3. Methodology:

Core-Plus™ is managed using an Absolute Return strategy that is a unique blend of both active and passive management styles, based on the belief that while passive (index-based) investment management is well-diversified and effective in some parts of the markets and in some market conditions, not all parts of all markets and market conditions are well suited to the passive approach such as extended declining Bear Market conditions as experienced in 2000,2001 and 2002 and the Bear Markets of 2007 - 2009, both of which experienced nearly 50% declines or

Item 4 Services, Fees and Compensation (Continued)

Investment Strategy: Core-Plus™4. **Methodology:** (Continued)

simply sharp corrections in an up trending market that present more volatility than what is suitable for the portfolio to endure. Therefore, in those conditions an Advisor managing the **Core-Plus™** strategy may deem it necessary to take active measures to counter those market conditions by applying investments that are designed to offset or “hedge” against the given market risk. **The objective of an Absolute Return strategy is to generate positive returns in both Up and Down markets.** However, the Investor should understand that the results may range from above to below market results based on the skill and timing of these selections as well as the overall markets and furthermore, there are no guarantees that the Advisor will always be successful in obtaining a positive return in all market conditions. As a general rule, because Absolute Return Strategies are defensive in nature, they could very possibly “under perform” in a Bull market, however they are designed to have a strong probability of “outperforming” in a Bear market.

The basic tenets under which Core-Plus™ operates include the following:

In 1948 Alfred Jones, a Harvard graduate and former U.S. diplomat, also known as the “Father of the Hedge Fund” having started the first Hedge Fund in the United States, set forth to try to minimize risk in holding long-term stock positions by short selling other stocks, therefore “hedging” risk. This investing innovation is now referred to as the “Classic long/short hedging model” or sometimes referred to as the “Jones Model”. Jones also at times employed leverage in an effort to enhance returns. The underlying concepts are as follows:

1. **Passive Portion:** The passive portion of the portfolio, in Core-Plus™ is referred to as the “**Core**”, will consist mostly of asset class investments that are defensive enough to stay invested and hold even in down-trending markets. Therefore, this portion of the portfolio will for the most part continue to be invested at all times. Although the Core will be somewhat diversified, it will contain a smaller allocation of equities and larger amounts of fixed income including bonds and cash along with some alternative investments that may contain various forms of absolute return strategies within the funds or managed portfolios. These investments can be both Domestic and International or a Global blend. Typically the investment vehicle utilized for the “Core” consists of low-volatility, low risk mutual funds or variable annuity/VUL sub-accounts that have a proven track record of consistency of achieving the above stated objectives in both Up and Down market environments. Even though the “Core” portion of the portfolio is monitored daily, it will for the most part remain invested at all times and the funds invested in the “Core” will rarely change, maybe once every year or two or as needed if a particular fund violates the criteria required to remain in the “Core” position, whereas the “Active” portion will change three to five times per year. The portion of the portfolio that is allocated to the Core depends on the Investment Objectives and Risk Tolerance of the Investor. However, generally speaking the more Conservative the portfolio is, the larger the allocation of the portfolio there is for the “Core” and smaller amount for the “Active” portion and visa versa for an Aggressive portfolio. For instance where a Conservative portfolio may consist of 80% Core and 20% Active, an Aggressive portfolio may consist of only 20% Core and 80% Active.

2. **Active Portion:** Equities offer the potential for higher long-term investment returns than cash, bonds or fixed income investments. However, Equities are also more volatile in their performance. Investors seeking higher rates of return must increase the proportion of equities in their portfolio, while at the same time accepting greater variation of results (including occasional declines in value). Therefore, the active portion of the portfolio will consist of a blend of equities using Index Mutual Funds, Exchange Traded Funds (ETF’s) or variable annuity/VUL sub-accounts that emulate the performance in equal proportions of the following asset classes: Large Cap, Mid Cap, Small Cap and NASDAQ indices. When the Advisor following the Core-Plus™ methodology perceives the market is in and anticipated to continue in an up trend; the “Active” portion of the portfolio will be invested **Long** (using Index Mutual Funds, ETF’s or variable annuity/VUL sub-accounts that emulate “similar” performance to that of the above mentioned indices).

Item 4 Services, Fees and Compensation (Continued)

Investment Strategy: Core-Plus™**2. Active Portion:** (Continued)

Conversely, when the Advisor following the Core-Plus™ methodology perceives the market is in or anticipated to continue in a **down trending** market condition; the **“Active”** portion of the portfolio will be invested **Short** (using **“Inverse”** Index Mutual Funds, ETF's or variable annuity/VUL sub-accounts that emulate the **“opposite direction”** of the performance of the above mentioned indices). It is when the **“Active”** portion of the portfolio is invested **“Short”** that provides the **“hedging”** aspect for the more conservative portfolios and additionally an opportunity for **“gain”** in the more aggressive portfolios that have a larger allocation to the active portion of the portfolio during a **down trending** market condition.

Given these tenets, the underlying approach to managing the Core-Plus™ strategy shall be to optimize the risk-return relationship appropriate to the Investor's needs and goals. The Portfolios will be diversified globally employing a variety of asset classes. Mutual funds, Managed portfolios, Exchange Traded Funds or variable annuity/VUL sub-accounts will be employed to implement the portfolio and the chosen asset classes will be periodically re-balanced to maintain a more consistent risk/reward profile.

4.B. Investment Management Service Fees:

- The maximum annual fee that AFS will charge for the Investment Management Service will be established with each client, with 3% being the maximum annualized fee that may be charged to the client. AFS will provide a fee schedule to each client with an exact percentage fee based on both the management style and total asset value of the account.

Client Fee Schedules - Annual Tiered Rate / Deducted Monthly or Quarterly:

- Series I - Low Risk / Non-Leveraged = **Tiered** Rate starting at 2.25%
- Series II - Medium Risk / Non-Leveraged = **Tiered** Rate starting at 2.25%
- Series III - High Risk / LEVERAGED = **Tiered** Rate starting at 3.00%

<u>Account Value</u>	<u>Low/Medium Risk</u>	<u>High Risk</u>
Up to \$250,000.....	2.25%	3.00%
\$250,001 - \$500,000.....	2.00%	2.75%
\$500,001 - \$750,000.....	1.75%	2.50%
\$750,001 - \$1,000,000.....	1.50%	2.25%
\$1,000,001 - & above.....	1.50%	2.00%

- Lower fees for comparable services may be available from other sources. The fees on accounts over \$1 million may be negotiable. Some clients may pay lower fees than this schedule because of the nature of the services provided. Also, some accounts may be under historically different fee arrangements.
- Typically, AFS will be compensated by a Solicitor's or Referral Fee paid to AFS by the recommended Service Provider(s). All such fees will be paid in compliance with SEC and applicable State Regulations. The exact fee charged by each recommended Service Provider is available in the appropriate disclosure documentation given to each client prior to signing any service agreement.
- In certain circumstances, all fees and account minimums may be negotiable. The fees charged will **never** be based on the capital gains or the capital appreciation of any funds or any part of any funds of any client (i.e., a “performance fee”). A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. Advisory fees charged by AFS are separate and distinct from fees and expenses charged by mutual fund, variable annuities, and/or variable life, or any other security which may be recommended to clients. A description of these fees and expenses are available in each security prospectus.

Item 4 Services, Fees and Compensation *(Continued)***4.B. Investment Management Service Fees:** *(Continued)*

- The principals of Advanced Financial Solutions, Inc. who are registered representatives of SummitAlliance Securities, LLC (SummitAlliance) may provide advice on the advisability of purchasing other limited partnerships and REITs that have been reviewed and approved for sale by SummitAlliance. In addition, the principals may review existing limited partnerships or REIT investments owned by the client for the purposes of developing an appropriate financial plan or asset allocation strategy. However, such review shall not involve recommendations as to the advisability of purchasing or selling these limited partnerships or REIT investments.

Fees to deduct Client's Assets or to bill Clients for fees incurred:

- Client will compensate AFS for all services furnished under this Agreement by the payment of fees ("Management Fees") in accordance with the provisions of this Section and agreed to by the Client and AFS. Management Fees will be assessed at the end of each Month based on the monthly daily average balance or Quarterly based on the value of the Account assets under management as of the close of business on the last business day of each quarter. In addition to the Management Fees for advisory services, the Account may be assessed transaction charges to cover the costs associated with trade execution. Fees and charges will be noted on the Client's statements or confirmations.

Other Types of Fees or Expenses Clients may pay with Advisory Services:

- Client understands and agrees that Client may incur certain charges imposed by third parties other than AFS or SummitAlliance in connection with investments made through the Account, including but not limited to no-load mutual fund 12 (b) 1 distribution fees, certain deferred sales charges on previously purchased mutual funds, and IRA and Qualified Retirement Plan Fees.
- Client hereby authorizes AFS, SummitAlliance, Fidelity, and/or NFS, or other approved custodian, to deduct all Management Fees and trade execution charges from the Client's Account. Client agrees to indemnify and hold AFS, SummitAlliance, Fidelity, & NFS or other approved custodian and their directors, officers, employees, representatives, agents and control persons harmless from all liabilities and costs, including attorney fees, which they may incur by acting in reliance upon this authorization. This authorization will remain in full force and effect until revoked by Client in writing, delivered personally or sent by registered or certified mail to AFS and SummitAlliance. Client further understands that revocation of this authorization could result in the termination of the Account. The minimum account size is \$100,000. This minimum amount may be reduced or waived at the discretion of AFS to accommodate certain client circumstances.

Compensation on the Sale of Securities, Other Investment Products, or Service Fees from Mutual Funds:

- AFS and/or its principal executive officers may from time to time, receive incentive awards for the recommendation or introduction of investment products. The receipt of this compensation typically involves investment, insurance, or mortgage products. AFS may, from time to time, receive 12(b)-1 distribution fees from investment companies. AFS may be compensated for referring clients to outside money managers. Such compensation will only be accepted if it is fully disclosed to clients and such payment is in compliance with applicable SEC and State Regulations. From time to time AFS may be compensated by a Solicitor's Fee or Referral Fee paid to AFS by a recommended Service Provider(s). All such fees will only be accepted if they are paid in compliance with SEC and applicable State Regulations.
- There may be occasions where AFS will enter into solicitor arrangements with individuals and/or companies for the purpose of generating additional clients for AFS. In such cases, the fees generated will be shared via a solicitor's agreement executed between AFS and the referring individual and/or company. A disclosure document as required by SEC Rule 206(4)-3 will be provided to each client that responds to such solicitation. The solicitor's agreement and fee-sharing arrangement will not affect the fee from AFS to the client. All fees and charges incurred by the client and the fee-sharing arrangement will be completely disclosed in the disclosure document as required and will be in full compliance with SEC requirements and State regulations.

Item 4 Services, Fees and Compensation *(Continued)***Compensation on the Sale of Securities, Other Investment Products, or Service Fees from Mutual Funds:**
(Continued)

- Advanced Financial Solutions, Inc. (AFS) may also receive compensation by means of various solicitor referral fee and/or fee/commission sharing arrangements with independent Financial Industry affiliates where the necessary regulatory compliance disclosures have been established for that purpose.

Conflicts of Interest:

- AFS or individuals associated with AFS may buy or sell securities identical to those recommended to clients. It is expressed policy of AFS that no person employed by AFS may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts. AFS or any related person(s) may have an interest or position in a certain security (ies) which may also be recommended to a client.

As these situations may represent a conflict of interest, AFS has established the following restrictions in order to ensure its fiduciary responsibilities:

- A director, officer, representative or employee of AFS shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of AFS shall prefer his or her own interest to that of the advisory client.
- AFS maintains a list of all securities holdings for itself and anyone associated with its advisory practice. These holdings are reviewed on a regular basis by the executive officers and principals of AFS.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions.
- AFS recognizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where AFS or a recommended manager is given discretionary authority over the client's accounts.
- AFS requires that all individuals must act in accordance with all applicable Federal and State Regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

Revenue from Advisory Clients resulting from Commissions & the Sale of Investment Products:

- David A. Wilhite in his capacity as a registered representative, insurance agent, and/or as an employee of EverBank Banking products receives Commission items resulting in less than 50% of AFS's total revenue. However, AFS, itself receives only Fee-Based revenues.

Advisory Fees in Addition to Commissions:

The advisory fee on a Commissionable Managed Account is waived for the first year while the account is being managed.

Item 5 Account Requirements and Types of *Clients*

Types of Clients:

- AFS generally provides investment advice to:
 - Individuals.
 - Pension and Profit Sharing Plans.
 - Trusts, Estates, or Charitable Organizations.
 - Corporations or Other Business Entities.

Investment Management Service – Account Requirements:

- AFS requires a minimum account size of \$100,000 for the Investment Management Services.
- These minimum amounts may be reduced or waived at the discretion of AFS to accommodate certain client circumstances. However, the independent Investment Advisors recommended through the Financial Planning Service and/or the Investment Management Service has various minimums, all of which are disclosed in their respective service agreements.

Item 6 Portfolio Manager Selection and Evaluation

Portfolio Manager:

- Advanced Financial Solutions, Inc. (AFS) is a Registered Investment Advisory Firm and has been in business since 1993.
- David A. Wilhite is the Principal Owner/President and has had investment experience since 1982.
- AFS requires that persons in an advisory function within the firm possess, minimally, 5 years securities industry experience and one or more of the following examinations or professional designations: the NASD Series 6 or 7 examinations, the CFP designation, or the ChFC designation, as well as any examinations or designations required by the states in which they will operate. Currently David A. Wilhite is the only person determining general investment advice within the AFS firm.

Item 7 *Client* Information Provided to Portfolio Managers

Periodic Review of Accounts:

- Assets under management client accounts, including third-party money manager accounts, will be reviewed as needed no less than quarterly.

Reviews Other than a Periodic Basis:

- AFS Rep will be available to answer client questions and to review the account at the client's request. Triggering factors include material, market, economic, or political events. All accounts will be reviewed by the president of AFS. The number of accounts will never exceed a number that would compromise the standards of AFS.

Content and Frequency of Regular Reports:

- Clients with assets under management will receive either monthly or quarterly statements depending on the investment account and the account custodians. Clients will receive quarterly performance reports, prepared by AFS or by a report provider contracted by AFS, with a written quarterly newsletter.

Item 8 Client Contact with Portfolio Managers

Client Contact with Portfolio Manager:

- AFS Rep will be available to answer client questions and to review the account at the client's request. Triggering factors include material, market, economic, or political events. All accounts will be reviewed by the president of AFS. The number of accounts will never exceed a number that would compromise the standards of AFS.

Item 9 Additional Information

See AFS Part 2A of Form ADV: Firm Brochure

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Item 10 Requirements for State-Registered Advisers

Not Applicable.