

# SFS

---

## SUNSET FINANCIAL

---

**Sunset Financial Services, Inc.**

3520 Broadway  
Kansas City, Missouri 64111

Telephone: 816-753-7000  
Email: [sunsetfinancial@kclife.com](mailto:sunsetfinancial@kclife.com)

**Rep as Portfolio Manager Program**

March 2012

This wrap fee brochure provides information about the qualifications and business practices of Sunset Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 816-753-7000 or [sunsetfinancial@kclife.com](mailto:sunsetfinancial@kclife.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 Sunset Financial Services, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 3538.

## **Item 2    Material Changes**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Wrap Fee Program Brochure ("Wrap Brochure"). There are no material changes to report about our Wrap Brochure since the last filing dated 03/30/2011.

The current Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure for Sunset Financial Services, Inc. is dated March 2012.

### ***Full Brochure Available***

You may request a copy of our Part 2A Appendix 1: Wrap Fee Program Brochure by telephone at (816) 753-7000 or by email at [Sunsetfinancial.com](mailto:Sunsetfinancial.com).

A current Wrap Brochure is delivered to a client before or at the time an advisor enters into an advisory relationship. We will ensure that each client receives a summary of any material changes to this and subsequent Wrap Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide each client with other interim disclosures about material changes as necessary.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Services, Fees and Compensation	4
Item 5	Account Requirements and Types of Clients	7
Item 6	Portfolio Manager Selection and Evaluation	8
Item 7	Client Information Provided to Portfolio Managers	10
Item 8	Client Contact with Portfolio Managers	10
Item 9	Additional Information	10

## **Item 4 Services, Fees and Compensation**

### **SERVICES**

Sunset Financial Services, Inc. ("SFS") is a SEC-registered investment adviser and broker/dealer registered with the Financial Industry Regulatory Authority (FINRA) with our principal place of business located in Missouri. Sunset Financial Services, Inc. began conducting business in 1996.

We sponsor the Rep as Portfolio Manager Program ("RPM"), a wrap fee program, where we provide both brokerage and investment advisory services. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions.

This Wrap Fee Program Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services and fees offered by our firm, clients should refer to our Form ADV Part 2: Firm Brochure.

You may obtain a copy of our Firm Brochure by contacting us at 816-753-7000.

### **REP AS PORTFOLIO MANAGER ("RPM") PROGRAM**

The RPM program offers clients an asset management account in which investment advisor representatives direct and manage specified client assets, upon authorization by the client. Clients participating in the RPM Program receive continual advice, from their investment advisor representative, regarding the investment of their funds based on their individual needs. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, our investment advisor representatives develop the client's personal investment policy which serves as the basis for managing the client's portfolio. During the data-gathering process, our investment advisor representatives determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

Sunset Financial Services, Inc. has partnered with Envestnet Asset Management ("Envestnet") and National Financial Services, LLC ("NFS") to provide the RPM program to our clients. Investment advisor representatives will utilize Envestnet's technology platform to support performance reporting, fee calculation, billing and account evaluation.

As sponsor and investment manager of the RPM program, we have designed this program to connect our firm's clients with professional investment advisor representatives and investment vehicles suitable for their financial circumstances and investment objectives.

We manage these advisory accounts on a non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

**Types of Securities:** As appropriate to the needs of the client, the following types of securities may be utilized in the client's portfolio:

<b><u>Equities</u></b>	<b><u>Fixed-Income</u></b>	<b><u>Mutual Funds</u></b>
Listed/OTC	Corporate Bonds	No-load
Preferred	U.S. Treasuries	Load-Waived
ADRs	Mortgage-backed	Money Market
Closed-end funds	Unit Trusts	
ETFs	Municipal Bonds	
	Certificates of Deposit	

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

## **FEEES**

***Fees:*** Clients pay an asset-based fee that covers the services provided by Sunset Financial Services, Inc. The annual management fee schedule for the RPM program account will vary by investment advisor representative. The specific annual fee the client will be charged is disclosed in the Statement of Investment Selection but will not exceed 2.75%. Subject to this maximum, the fee may be a fixed rate applicable to all assets in the account or a schedule of rates applicable to different breakpoints.

Client fees are generally not negotiable and client fees charged by the investment advisor representative may be higher or lower than other investment advisor representatives participating in the RPM program. The client fee is paid to and retained by the investment advisor representative, the investment advisor representative's broker/dealer, Southwest Financial Services, Inc. and Envestnet. The investment advisor representative receives a portion of the management fee paid by the client. The portion received by the investment advisor representative will typically be no more than 90% of the total fee paid by the client.

The program "wrap fee" is inclusive and "wrapped" around a bundle of services including management and brokerage-related costs. Fees are generally deducted quarterly, in advance, from the account and are calculated as a percentage of account value at the end of the prior quarter. Program fees are charged quarterly in advance. If management begins after the start of a month, Program fees will be prorated accordingly. When authorized by the client, fees will be debited from the account in accordance with the terms set forth in the Statement of Investment Selection.

***What services are covered by the Program fees?:*** The Program fees pay for our firm's advisory services to clients under the Program, administrative expenses of the Program, custody charges for clients' assets custodied at National Financial Services, Inc., Inc. and brokerage services for Program accounts to the extent trades are conducted through Sunset Financial Services, Inc..

***What services are not covered by the Program fees?:*** The Program fees do not include expenses of mutual funds and electronically traded funds such as fund management fees charged to each fund's investors.

***Other Fees and Expenses:*** Clients may incur charges for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, safekeeping fees, wire transfer fees, interest charges on margin loans, exchange fees, IRA fees and fees for transfers of securities.

***Additional Information about Program fees:*** Under the Program, the participant receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified Program Fee. Clients are cautioned that depending on the level of fees charged by the executing broker-dealer, and the amount of portfolio activity in the clients' account, the value of the services provided under this Program may exceed the total cost of such services had they been provided separately. In addition, the Program Fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

***Mutual Fund Fees:*** All fees paid to Sunset Financial Services, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Exchange-Traded Funds:*** Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF.

***ERISA Accounts:*** Sunset Financial Services, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Sunset Financial Services, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Sunset Financial Services, Inc.'s advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

***Limited Negotiability of Advisory Fees:*** Although Sunset Financial Services, Inc. has established the aforementioned fee parameters; we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## **Item 5 Account Requirements and Types of Clients**

### **MINIMUM ACCOUNT REQUIREMENTS**

Participation in this program is generally subject to minimum account requirement of \$25,000. The minimum may be negotiable under certain circumstances. Sunset Financial Services, Inc. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annual fee. The Program's portfolio managers do not impose minimum investment requirements for client participation.

RPM program clients must direct Sunset Financial Services, Inc. as to the broker dealer/custodian to be used in managing their account. As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through Sunset Financial Services, Inc.. Sunset Financial Services, Inc. is also a FINRA registered broker dealer and Sunset Financial Services, Inc. utilizes the clearing and custody services of National Financial Services, Inc. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than Sunset Financial Services, Inc.. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Sunset Financial Services, Inc.'s minimum account requirements in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

### **TYPES OF CLIENTS**

SFS provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Corporations, Trusts or other businesses not listed above

## **Item 6 Portfolio Manager Selection and Evaluation**

### **PORTFOLIO MANAGER SELECTION**

As previously disclosed, all participating clients' assets are managed by advisory personnel of our firm. Each investment advisor representative participating in the RPM program is required to possess the Series 7 or 65 securities licenses or have received one of the following professional designations: Certified Financial Planner, Chartered Financial Consultant, Certified Public Accountant or Chartered Financial Analyst. In addition, each investment advisor representative must meet their specific state requirements. Exceptions may apply where a representative was grandfathered under previous SFS or state requirements. Please refer to Item 4 for detailed disclosures regarding the portfolio management services we provide to program clients.

### **PORTFOLIO PERFORMANCE REPORTING**

As previously disclosed, all client assets in this program are managed by our investment advisor representatives. Please refer to Item 4 for a detailed description of the RPM program's services and fees.

### **PERFORMANCE-BASED FEES**

Sunset Financial Services, Inc. does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client's assets).

### **METHODS OF ANALYSIS**

Investment advisor representatives typically determine the methodologies, sources of information and investment strategies utilized in the RPM program.

***Risks for all forms of analysis:*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **INVESTMENT STRATEGIES**

Our investment advisor representative will use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:



**Long-term purchase:** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases:** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading:** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Margin transaction:** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a “margin call”, and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

## VOTING CLIENT SECURITIES

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the

client copies of all proxies and shareholder communications relating to the client's investment assets. We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 7 Client Information Provided to Portfolio Managers**

Investment advisor representatives are responsible for developing an initial financial profile of the prospective client. Prior to opening an account, our investment advisor representative will assist in determining a participant's profile for the Program by obtaining from the participant appropriate information (i.e., investment objectives, risk tolerance, time horizon, and any reasonable restrictions the client wishes to impose upon the management of the account). Initial investment strategy is jointly determined based on an assessment of the information provided by the client.

While our investment advisor representative provides the client with periodic reminders, it remains the client's responsibility to advise us of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategy(ies) and/or objectives. We will promptly communicate any reported changes to the client's investment advisor representative.

Sunset Financial Services, Inc.'s investment adviser representative will directly contact each wrap fee program client at least annually to verify that there has been no change in the client's financial circumstances and/or investment objectives, and determine whether the client wishes to impose any reasonable restrictions on the management of the account(s). Any such changes or requests are communicated in writing to the client's portfolio manager, who is responsible for implementing appropriate adjustments to the client's portfolio.

## **Item 8 Client Contact with Portfolio Managers**

Sunset Financial Services, Inc. promotes open lines of communication between the investment advisor representative and our clients, encouraging the investment advisor representative's accessibility to remain available to our clients to discuss investment philosophy, objectives and to answer client questions.

## **Item 9 Additional Information**

### **DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Sunset Financial Services, Inc. is a wholly owned subsidiary of Kansas City Life Insurance Company, whose principal business is the sale and servicing of insurance products. Associated persons of Sunset Financial Services, Inc. may recommend and/or offer life insurance products, for which they may earn

product sale commissions.

Sunset Financial Services, Inc. is registered as a securities broker-dealer and is a member of the Financial Industry Regulatory Authority. Sunset Financial Services, Inc. has a clearing arrangement with National Financial Services, LLC. All general securities trades for Sunset Financial Services, Inc., the broker-dealer, are cleared through this entity.

As indicated previously, Sunset Financial Services, Inc. is a wholly owned subsidiary of Kansas City Life Insurance Company. Many, if not most, of our representatives are affiliated with Kansas City Life insurance Company, as well as other insurance companies, to offer a variety of insurance products and services to their clients. These individuals may recommend traditional insurance products to investment advisory clients for which they will receive separate, yet customary compensation. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

While Sunset Financial Services, Inc. and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Additionally, Kansas City Life Insurance Company has retained Sunset Financial Services, Inc. for purposes of evaluating the model allocation portfolio's that are selected as a result of a Guaranteed Minimum Withdrawal Benefit rider for the Kansas City Life Insurance Century II Variable Annuity product line. Sunset Financial Services, Inc. as a registered investment advisor does not charge clients, nor does it receive additional compensation for this role.

By recommending the RPM program to clients, Sunset Financial Services, Inc., is in essence, recommending its own brokerage services. As disclosed previously, Sunset Financial Services, Inc. is a FINRA member broker dealer. Clients who decide to participate in the Advisor Programs are also choosing the brokerage services of Sunset Financial Services, Inc.. Through these programs, clients appoint National Financial Services, LLC as custodian for all assets.

In the RPM program, all transactions will be executed through Sunset Financial Services, Inc., the broker-dealer. National Financial Services, LLC, Sunset Financial Service's clearing firm, shall execute all purchase and sales orders directed to it by Sunset Financial Services, Inc., the broker-dealer, and perform the clearance of same. Physical custody of funds and securities will be maintained by National financial Services, LLC or other third parties, not by Sunset Financial Services, Inc. or our investment advisor representatives.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Sunset Financial Services, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's

access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement). Our code also provides for oversight, enforcement and recordkeeping provisions.

Sunset Financial Services, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [sunsetfinancial@kclife.com](mailto:sunsetfinancial@kclife.com), or by calling us at 816-753-7000.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

## **REVIEW OF ACCOUNTS AND REPORTS**

**Reviews:** While the underlying securities within RPM accounts are continuously monitored, these accounts are reviewed with the client at least annually by the SFS investment advisor representative.

Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**Reports:** In addition to the monthly/quarterly statements and confirmations of transactions that RPM program clients receive, the applicable SFS investment advisor representative may provide quarterly reports summarizing account performance, balances and holdings.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

It is Sunset Financial Services, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **FINANCIAL INFORMATION**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Sunset Financial Services, Inc. has no financial condition to report that is reasonably likely to impair our ability to meet our contractual obligations.

Sunset Financial Services, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.