

# **Liberty Advisory Services, LLC**

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**Santa Ana CA 92705**

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**1/10/2011**

This Brochure provides information about the qualifications and business practices of Liberty Advisory Services, LLC. If you have any questions about the contents of this Brochure, please contact us at 949-724-8848 or via email at [mtiberg@libertycapitalmgt.com](mailto:mtiberg@libertycapitalmgt.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.

Liberty Advisory Services, LLC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them. Additional information about Liberty Advisory Services, LLC is also available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

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Pursuant to new SEC rules, we have submitted the paperwork to be registered as an Investment Adviser in the state of California. Liberty Advisory Services, LLC. will be dually registered with the SEC and the state of California until March 31, 2012 at which time we will withdraw our SEC registration. We have added the "Requirements for State Registered Advisers" and updated the "Advisory Business Introduction" sections to reflect our new registration status.

In the past we have offered or delivered information about our qualifications and business practices to our clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide you with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting Michael W. Tiberg at (949) 724-8848.

Additional information about Liberty Advisory Services, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Liberty Advisory Services, LLC is 147533. The SEC's web site also provides information about any persons affiliated with Liberty Advisory Services, LLC who are registered, or are required to be registered, as investment adviser representatives.

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## Item 4 - Advisory Business Introduction

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Liberty Advisory Services, LLC (LAS) is a Registered Investment Adviser [Adviser] which offers investment advice, securities, insurance, and other financial services to clients. We have applied for registration as a state registered investment adviser through the California Securities Regulation Division and are currently registered with the SEC. We are regulated by the California Securities Regulation Division and the United States Securities and Exchange Commission ("SEC"). In March of 2012, we will withdraw our SEC registration as required by the Dodd-Frank Act.

We provide investment advice through investment adviser representatives ("advisor") associated with us. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on behalf of us. In addition, all advisors are required to complete the FINRA Series 7 examination for General Securities Representatives. The FINRA Series 6 for Investment Company Variable Contract Representatives will be permitted on a limited basis. A Series 6 licensed representative must obtain a FINRA Series 65 Uniform Investment Advisor license to be able to provide investment advice. Our advisors must also have educational or industry experience and must meet the standards for all continuing education requirements.

LAS was founded in September 2008 by Michael W. Tiberg. Michael serves as a Managing Member and Chief Compliance Officer as well as an agent/advisor. We provide portfolio management services to individuals and high net worth individuals, trusts, estates, pension and profit-sharing plans, charitable organizations, corporations, and other businesses. Our company was founded on the highest level of integrity, professionalism, and service to clients and business relationships.

### Services

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We provide various asset management and financial planning services, with an emphasis on portfolio management and retirement planning. Portfolios are managed and customized using your personal objectives, expectations, and risk tolerance. Our focus is on helping you develop and execute plans that are designed to build and preserve your wealth.

As of 12/31/2011, we provided asset management services for 118 accounts, managing total assets of \$35,988,784.00.

This amount is managed on a nondiscretionary basis which means that we must obtain your prior written or oral authorization before we can transact any business in your account. You have not given us the authority to determine the following without your consent:

- Securities to be bought or sold for your account
- Amount of securities to be bought or sold for your account
- Broker-dealer to be used for a purchase or sale of securities for your account
- Commission rates to be paid to a broker or dealer for your securities transaction

Your account may be rebalanced or reallocated periodically in order to reestablish the targeted percentages of your initial asset allocation. This rebalancing or reallocation will occur on the schedule you have determined with us. You will be responsible for any and all tax consequences resulting from any rebalancing or reallocation of the account. We are not tax professionals and do not give tax advice. However, we will work with your tax professional to assist you with tax planning. You will have the opportunity to meet with us periodically to review the assets in your account.

## **1. Financial Planning**

We provide services such as, but not limited to, comprehensive financial planning, development of an in-depth financial plan, estate planning, educational planning, pension consulting, retirement planning, and insurance planning. Fee based financial planning is a comprehensive relationship which incorporates many different aspects of your financial status into an overall plan that meets your goals and objectives. You must agree to provide us the information and documentation we request regarding your income, investments, taxes, insurance, estate plan, etc. You must also agree to discuss your investment objectives, needs and goals with us and to keep us informed of any changes.

We will conduct meetings with you to prepare a financial plan. Your advisors such as attorneys and accountants can be present if necessary. During these meetings we will analyze your overall financial situation and your specific investment goals and objectives. We will review your retirement needs, estate planning needs, income tax planning, life and disability insurance needs, investment needs, and college education planning. With this information we will create a document typically referred to as financial plan which includes the information provided by you and renders advice, counsel, and recommendations based on the information provided. This document serves as a roadmap to guide your wealth management program. You may elect to have a full plan completed or individual modules. The document for the service level you have selected will be delivered to you upon completion.

If you engage us to perform these services, you will receive a written agreement detailing the services, fees, terms and conditions of the relationship. You will also receive this Brochure. You are under no obligation to implement recommendations through us. You may implement our recommendations through any financial organization of your choice.

We do not verify any information obtained from you, your attorney, accountant or other professionals. We do obtain information from a wide variety of publicly available sources to assist us in the preparation of your plan. However, we do not have any inside private information about any investments that are recommended. All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations. You must decide what advice to follow.

## **2. Asset Management**

With an Asset Management Account, you engage us to assist you in developing a personalized asset allocation program and custom-tailored portfolio designed to meet your investment objectives. Asset management is the professional management of securities (stocks, bonds and other securities) and assets (e.g., real estate) in order to meet your specified investment goals. The recommended portfolio may include various securities such as mutual funds, exchange traded funds, debt instruments, foreign securities, municipal securities, individual equity securities, and option contracts. We have agreements

with several third-party money managers that we can use to customize your portfolio. We also offer advice on other products such as variable life sub-accounts and variable annuities sub-accounts.

We will meet with you to discuss your financial circumstances, investment goals and objectives, and to determine your risk tolerance. We will recommend an appropriate asset allocation or investment strategy. Our recommendation and ongoing management is based upon your investment goals and objectives, risk tolerance, and the investment portfolio you have selected. We will monitor the account, trade as necessary, and communicate regularly with you. Your circumstances shall be monitored in quarterly and annual account reviews. These reviews will be conducted in person, by telephone conference, and/or via a written inquiry/questionnaire. We will work with you on an ongoing basis to evaluate your asset allocation as well as rebalance your portfolio to keep it in line with your goals as necessary. We will be reasonably available to help you with questions about your account.

Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy in determining your asset allocation. However, past performance is not an indication of future performance.

You can expect us to do the following:

- Review your present financial situation
- Monitor and track assets under management
- Provide portfolio statements, periodic rate of return reports, asset allocation statement, rebalanced statements as needed
- Advise on asset selection
- Determine market divisions through asset allocation models
- Provide research and information on performance and fund management changes
- Build a risk management profile for you
- Assist you in setting and monitoring goals and objectives
- Provide personal consultations upon your request or as needed

You must notify us promptly when your financial situation, goals, objectives, or needs change.

You shall have the ability to impose reasonable restrictions on the management of your account, including the ability to instruct us not to purchase certain mutual funds, stocks or other securities. These restrictions may be a specific company security, industry sector, asset class, or any other restriction you request.

Under certain conditions, securities from outside accounts may be transferred into your advisory account. However, we may recommend that you sell any security if we believe that it is not suitable for the current recommended investment strategy. You are responsible for any taxable events in these instances.

Your account can be managed in a tax aware manner; however, we do not provide tax advice or tax management services. You should always consult with your tax advisor for specific tax advice. Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is not an indication of future performance.

If you decide to implement our recommendations, we will help you open a custodial account(s). We recommend using Pershing as the custodian, based upon their level of service and cost structure. However, you may select any custodian you desire. If you have an IRA account we may recommend using SunAmerica as the custodian. You will enter into a separate custodial agreement with the custodian which gives them permission to allow us to make investment decisions regarding your account. With your approval, we will select the securities bought and sold and the amount to be bought and sold, within the parameters of the objectives and risk tolerance of your account. The custodian is authorized and directed to effect transactions, deliver securities, make payments and do what we instruct. You are notified of any purchases or sales through trade confirmations and monthly statements that are provided by the Custodian, as long as there is activity in the account. You will at all times maintain full and complete ownership rights to all assets held in your account, including the right to withdraw securities or cash, proxy voting and receiving transaction confirmations.

You will receive, at least quarterly, a statement from your custodian containing a description of all the activity in your account, your current position and current market value. The statement may be in either printed or electronic form based upon your preferences.

### **Royal Alliance**

We must execute your transactions through a broker-dealer. Our advisors are registered representatives of Royal Alliance Associates, Inc. (Royal) and may not refer their clients to other broker-dealers. Therefore, we generally use Royal to execute your transactions. The custodian that Royal uses for all accounts is Pershing.

### **Royal Advisory Services Accounts (RASA)**

We offer certain clients fee-based asset management services through Royal. Our advisors will manage these portfolios for you. These accounts are referred to as “Royal Advisory Services Accounts” (RASA). Royal provides brokerage and other administrative services for accounts in this program. The RASA Account allows you to maintain an Account of no-load mutual funds, load funds at NAV and other equity and debt securities on a non-discretionary basis as previously described in this brochure. All transactions in the RASA accounts require prior written or oral authorization from you. . You will receive our ADV Part 2A and sign our advisory agreement.

## **3. Third Party Money Managers**

We may determine that opening an account with a professional third party money manager is in your best interests. Through Royal we have contracts with several approved third party money managers that you may use.

These programs allow clients to obtain portfolio management services that typically require higher minimum account sizes outside of the program. The money managers selected under these programs will have discretion to determine the securities they buy and sell within the account, subject to reasonable restrictions imposed by you. Our advisors may also act as an advisor of Royal’s Corporate Registered Investment Adviser (RIA). Under this arrangement you will be offered copies of Royal’s Form ADV Part 2a Brochure pursuant to the Investment Advisers Act of 1940. Due to the nature of these programs, each of the independent money managers is obligated to provide you with a separate



disclosure document. You should carefully review this document for important and specific program details, including pricing.

We generally use the Wealth Management Platform- Model Portfolios Program which offers you managed asset allocation models of mutual funds or exchange traded funds (ETFs) diversified across various investment styles and strategies. The Asset Allocation Models are constructed by managers such as Russell Investment Management Company, ICON Advisers, Inc. and Morningstar Associates, LLC.

Complete details pertaining to these programs will be provided to you prior to or concurrent with your enrollment in the Model Program. Please read it thoroughly before Investing.

Under these programs, we may:

- Assist in the identification of investment objectives
- Recommend specific investment style and asset allocation strategies
- Assist in the selection of appropriate money managers and review performance and progress
- Recommend reallocation among managers or styles within the program
- Recommend the hiring and firing of money managers utilized by you

You should read the ADV Part 2 disclosure document of the money manager for complete details on the charges and fees you will incur.

#### **4. Other Services**

We are also available to provide you with a second opinion regarding your existing portfolio. We also offer advice on real estate investment trusts, investing in equipment leasing, cable television, and fast-food franchising, and tangible assets such as gold, silver, rare coins and gems.

We also hold investment and financial planning seminars occasionally to provide educational information regarding investments and the services we provide.

We may also recommend and sell annuities, life, disability, health, and long-term care insurance.

### **Item 5 - Fees and Compensation**

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We provide asset management and financial planning services for a fee. The fee is based on the size of your portfolio or your net worth or gross income. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge.

Our Advisory Agreement or Financial Planning Agreement defines what fees are charged to you and their frequency. Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians, brokers, third party investment companies and other third parties. These include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, money market funds and exchange traded funds also charge internal management fees, which are disclosed in the

fund's prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. All such fees are in addition to our management fee. You should review all fees charged to fully understand the total amount of fees you will pay.

You could invest in a mutual fund directly, without our services. In that case, you would not receive the services provided by us which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition and objectives.

Variable annuity companies generally impose internal fees and expenses on your variable annuity investment, including contingent deferred sales charges and early redemption fees. In addition, variable annuity companies generally impose mortality charges of approximately 1.25% annually. These fees are in addition to the fees and expenses referenced above. Complete details of such internal expenses are specified and disclosed in each variable annuity company's prospectus. Please review the Variable Annuity prospectus for full details.

In addition to the per-trade transaction charges referenced above, you will also be subject to per-trade confirmation fees as disclosed on your trade confirmation (typically \$4.00 per trade) and an additional fee of \$1.50 for each trade confirmation that you do not elect to receive electronically. You may also be subject to an additional, per trade transaction charge on the selling of certain securities as disclosed on your trade confirmation (generally less than \$1.00 on trades of \$50,000 or less). These fees are not shared with us but are transaction charges paid to Royal Alliance and our custodian.

There are additional fees relating to IRA and Qualified Retirement Plan accounts that you may incur such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.

Either party may terminate the initial agreement at any time by providing written notice to the other party within five (5) business days of signing the agreement. You will incur charges for advisory or consulting services rendered up to the point of termination and such fees will be due and payable by you within five business days of being billed. Refunds will be given on a pro-rata basis within five business days of cancellation. Accounts opened or terminated during a calendar quarter will be charged a prorated fee. Once an account is established, either party may terminate the relationship with a 30 day written notice. Upon termination of any account, any prepaid fees that are in excess of the management services performed, will be promptly refunded to you. Any fees that are due, but have not been paid, will be billed to you and are due immediately. We have no obligation to refund fees charged by your custodian.

## **1. Financial Planning/Consulting Fees**

You may desire to engage us to create a financial plan. We will work with you to create the plan. We will provide analysis and recommendations for your retirement needs, estate planning needs, income tax planning, life and disability insurance needs, investment needs, and college education planning. You can have us create a full financial plan or select any of the individual modules for review and analysis.

Based upon your needs, we may also provide consultations throughout the year to advise and counsel you about other financial issues. We can help you with transition planning, major transaction analysis, employee benefits elections, coordinated with cash flow needs, retirement needs, estate planning

needs, income tax planning, life and disability insurance needs, investment needs, and college education planning.

The following fee schedule applies for financial planning services:

Gross Income	Net Worth	Fee
\$0- 100,000	\$100,000-200,000	\$2,000
\$100,001-150,000	\$200,001-400,000	\$3,000
\$150,001-200,000	\$400,001-750,000	\$4,000
\$200,001-300,000	\$750,001-1,000,000	\$5,000
Above \$300,000	Above \$1,000,000	Negotiable

Financial planning fees are a fixed rate based upon your gross income or net worth, whichever is greater. However, all fees are negotiable. Net worth does not include primary residence, personal property, or automobiles. The above fees are the minimum for financial plans.

A deposit of one-third of the fee charged is due when the financial planning agreement is signed. The remaining two-thirds of the fee is due when the financial plan is delivered to you. We cannot and will not, require you to pre-pay more than \$500 in fees or require you to pay more than 6 months of fees in advance of services being rendered. The financial planning agreement will terminate once you receive the final written plan or once you receive consultation for the plan.

If you need a consultation on specific investment or other financial planning issues without needing a financial plan, we charge an hourly rate which is listed below. Consultation services without a financial plan require no minimum net worth or gross income. The hourly rates are as follows:

- a \$200 hourly rate for financial planner
- a \$75 hourly rate for paraplanner
- a \$50 hourly rate for support staff

You are free to obtain legal, accounting, and brokerage services from any professional source to implement our recommendations. We will cooperate with any attorney, accountant, or broker you choose to implement any recommendations.

## **2. Asset Management RASA Fee Schedule**

Our minimum account opening balance is \$100,000.00. The fee charged is based upon the amount of money you invest, however, there is no fee charged for cash, fixed annuities and money market accounts. We have the ability to negotiate fees on a client-by-client basis. The exact fee charged will be stipulated within your advisory agreement and applies on all assets within the portfolio or household as defined in the agreement. Advisory fees are charged quarterly, in arrears, and may be tiered in their calculation. Factors we consider when determining fees may include the following:

- Size of portfolio/assets under management
- Types of securities to be purchased, sold or held within the portfolio

- The custodian used to hold your assets
- The amount of non-managed assets, if any
- The extent of additional services to be provided
- Whether the account is discretionary or non-discretionary
- Other professional services you may receive from us

Payments are based on the ending balance of the account for the previous quarter. Fees are due on the last day of each quarter and are calculated as follows:

Percentage	Portfolio Size (AUM)
1.50%	\$0-\$500,000
1.00%	\$500,001-\$1,000,000
0.75%	\$1,000,001- \$2,000,000
0.50%	\$2,000,001-\$5,000,000
Negotiable on	\$5,000,001+

Fees may be tiered with charges as follows:

Percentage	Portfolio Size (AUM)
1.50%	\$0-\$500,000
1.0%	\$500,000 - \$1,000,000
0.75%	For the next million
0.50%	For the next million
Negotiable on	\$5,000,001+

A flat fee may be negotiated as long as it does not exceed the maximum fees set forth above. If a flat fee is negotiated, that fee will be listed in your Advisory Agreement. Fees will not be based upon a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client. No increase in the annual fee shall be effective without prior written notification to you. We believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

Your account may also be charged for certain additional assets managed for you by us but not held by the Custodian (i.e. variable annuities,). Accounts can be structured where you invest in assets that pay a commission, such as variable annuities. In the case of variable annuities, we do not charge a fee for two years and we are paid the usual and customary commission for the sale of the product.

Certain programs offered by us involve investment in mutual funds. Load and no load mutual funds may pay annual distribution charges, sometimes referred to as “12(b) (1) fees”. These fees are paid to our broker-dealer Royal, who may distribute some of the fees back to us. The 12(b) (1) fee, deferred sales charges and other fee arrangements will be disclosed upon your request and are described in the fund’s

prospectus. With this program we may receive a percentage of the 12(b)(1) fees in addition to our advisory fees.

If authorized, we will deduct your fees directly from your account on a quarterly basis. If direct debiting is not selected, an invoice will be sent to you. Invoices are due upon receipt. Statements provided by your custodian will detail the total amount of the fees that were deducted each quarter. In some cases, fee notifications may be sent by us to you. Fees are not verified by your custodian; it is your responsibility to do so.

### **Royal Alliance**

We must execute your transactions through Royal. Royal, in conjunction with the custodians Pershing, charge brokerage commissions and/or transaction fees for executing these transactions. We may or may not receive any additional compensation from these transactions depending upon how your account was set up. The brokerage commissions and/or transaction fees charged to you by the broker-dealer or custodian are in addition to the fee charged by us. However, you are not required to implement our recommendations through Royal, Pershing. You may select any investment professional to implement the recommendations.

### **Royal Advisory Services Accounts (RASA) Fees**

You will pay an annualized advisory services fee, administrative services fee and certain transaction charges for RASA accounts. The annualized investment advisory services fee is based on a percentage of assets in the account. The client transaction charges are a fixed charge. Both will be described in detail in the RASA account Client Services Agreement provided to each client who decides to open a RASA account. Each client should review the Client Services Agreement in detail. There may also be a transaction or ticket charge for orders placed in these accounts.

## **3. Third Party Money Managers**

There is a \$25,000 minimum account balance for most third party managers. You will receive a Form ADV Part 2 from the selected money manager that details how its fees and expenses are paid and our relationship with them. You should read it carefully and ask us any questions you may have. You may pay advisory fees to a third party money manager and to us depending upon which manager you select.

Our fees are usually based on the ending balance of the account for the previous quarter. Fees are calculated as follows:

Percentage	Portfolio Size (AUM)
1.50%	\$0-\$500,000
1.00%	\$500,001-\$1,000,000
0.75%	\$1,000,001- \$2,000,000
0.50%	\$2,000,001-\$5,000,000
Negotiable on	\$5,000,001+

## **4. Other Fees**

Our advisors are licensed as insurance agents and may provide analysis of, and recommend, the purchase and sale of certain insurance products. These services are performed by our advisors who are also registered representatives of Royal Alliance and insurance agents/brokers of various insurance companies. We may receive the normal commissions and/or other compensation from the sale of insurance, real estate, securities or other products or services recommended in the financial plan. You are not obligated to use us as your insurance broker or agent, or to use any recommended insurance company for any recommended insurance transaction. The fees and expenses you pay for the purchase of these products may be more or less than the expenses you would pay should you decide to implement recommendations through another investment advisory firm or broker-dealer and are typically determined by the broker-dealer or investment company sponsoring the product.

If you choose to attend any of the investment and financial planning seminars we host, you may pay a fee. Fees charged for investment and financial planning seminars are to cover the cost of the materials only and are a nominal amount.

Fees for fixed price consulting services are typically determined by estimating the number of hours to be spent completing the project and then quoting a fixed price. If additional work is requested (beyond the original scope of the project), it may be billed on an hourly basis or a fixed price basis as negotiated and agreed upon between both you and us.

## **Item 6 - Performance Based Fee and Side by Side Management**

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Liberty Advisory Services, LLC does not charge any performance-based fees. These are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 - Types of Client(s)**

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We provide portfolio management services Liberty Advisory Services, LLC provides portfolio management services to individuals, high net worth individuals, trusts, estates, pension and profit-sharing plans, charitable organizations, corporations, and other businesses.

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

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We use the fundamental and technical methods of investment analysis.

### **1. Fundamental Analysis**

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental

analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

One of the primary assumptions of fundamental analysis is that the price on the stock market does not fully reflect a stock's "real" value. We use a combination of qualitative and quantitative factors to try and find stocks and mutual funds that are undervalued. We look at both macroeconomic factors such as the overall economy and industry conditions and company-specific factors such as financial condition and management. When we are examining a stock, we might look at the stock's annual dividend payout, earnings per share, Price to Earnings ratio and many other quantitative factors. However, no analysis is complete without taking into account brand recognition and other qualitative factors.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

We use publically available research and reports regarding individual securities, issuers, investment strategies and performance of asset classes to select the funds we offer. We use resources, such as:

- Morningstar
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Research materials prepared by others
- Company press releases
- Corporate rating services
- Company websites
- Inspections of corporate activities

The investment strategies we use to implement any investment advice given to you include:

- Long term purchases -securities held at least a year
- Short term purchases - securities sold within a year
- Trading -securities sold within 30 days

Once we discover undervalued funds, funds that are investing in undervalued stocks; we look at the company offering these funds to determine stability and volatility of the funds.

## **2. Technical Analysis**

Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

In order to perform technical analysis, we use the following techniques:

- Charting and chart patterns
- Supply and demand indicators
- Investor behavior and psychology
- Mathematical models of price and volume behavior

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

### **3. Risks**

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principle is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made for your account by us are subject to various market, currency, economics, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance. For a more comprehensive description of all the risks associated with our strategies, please refer to the glossary under Risks.

## **Item 9 - Disciplinary Information**

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information to disclose here about the firm or any of our investment advisors. We adhere to high ethical standards for all advisors and associates. We strive to do what's in your best interests.

## **Item 10 - Other Financial Industry Activities and Affiliations**

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Michael W. Tiberg, the Managing Member and Chief Compliance Officer for Liberty Advisory Services, LLC, is a licensed insurance agent in California for life and disability insurance, CA Insurance License# 0720952. In his role as an insurance agent/broker, he may offer commissionable (non-variable) insurance products to you for which he may receive usual and customary commissions from insurance companies. Therefore, a conflict of interest may exist between our interests and your interests since we may recommend products that pay us compensation. We may have an incentive to recommend particular products based upon the potential compensation rather than your needs. We have policies and procedures in place to monitor this. We also have a fiduciary duty to put your interests before our own.

All representatives of our firm that provide advice to you are associated with Royal Alliance Associates, Inc. as Registered Representatives. Royal Alliance is a diversified financial services company registered with the Financial Industry Regulatory Authority (-FINRA-) as a broker-dealer engaged in the offer and sale of securities products. Our Advisory Representatives may recommend the purchase of securities



offered by Royal Alliance. If you purchase these products through them, they will receive normal commissions which may be in addition to customary advisory fees. As such, Advisory Representatives may have an incentive to sell you commissionable products in addition to providing you with advisory services when such commissionable products may not be suitable. Alternatively, they may have an incentive to forego providing you with advisory services when appropriate and instead recommend the purchase of commissionable investments, if they deem that the payout for recommending the purchase of these investments would be higher than providing management advice on these products for an advisory fee. Therefore, a conflict of interest may exist between their interests and your best interests.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

In addition, some members of Liberty Advisory Services, LLC, are affiliated with Royal's Investment Advisor. They may service your accounts through Royals Corporate RIA rather than through Liberty Advisory Services.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer.

Michael W. Tiberg is a Certified Financial Planner (CFP®) professional and a member of the Financial Planning Association. He completes continuing professional education in order to keep his designation intact and stay current on developing information in financial planning and investment management. This designation requires us to exercise our fiduciary duty in a very tangible way. Any abuse of our policy must be reported to management.

## **Item 11 - Code of Ethics**

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### **1. General Information**

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

We may recommend securities to you that we have purchased for our own accounts. We may trade securities in our account that we have recommended to you as long as we place our orders after your orders. This policy is meant to prevent us from benefiting as a result of transactions placed on behalf of advisory accounts.

We have established the following restrictions in order to ensure our fiduciary responsibilities to you are met:

- We shall not buy or sell securities for our personal portfolio(s) where this decision is substantially derived, in whole or in part, from our role as an Investment Advisory Representative of Liberty Advisory Services, LLC, unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.
- We emphasize your unrestricted right to decline to implement any advice rendered.

However, some securities trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above.

In addition, open-end mutual funds and/or investment sub-accounts which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value. Therefore, purchases of mutual funds and/or variable insurance products by an advisor are not likely to have an impact on the prices of the fund in which you invest. These types of transactions are not prohibited.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

You may request a copy of the firm's Code of Ethics by contacting Michael W. Tiberg.

## **2. Responsibility**

It is the responsibility of all supervisory personnel to ensure that we conduct business with the highest level of ethical standards and in keeping with our fiduciary duties to you. We must put your interests first and refrain from having outside interests that conflict with your interests.

## **3. Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. Our Privacy Policy is available upon request.

## **4. Prohibited Acts**

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices
- Participating in Client accounts

## **5. Conflicts of Interest**

We have a duty to disclose potential and actual conflicts of interest. We have a duty to report potential and actual conflicts of interest to the Company. Gifts (other than de minimis gifts, which are usually defined as having a value under \$100.00) should not be accepted from persons or entities doing business with us.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interest of all the accounts we advise.

Through our professional activities, we realize a potential conflict of interest if the firm or individuals associated with the firm purchase or sell securities, for their personal accounts, identical to those recommended to customers. We may have an interest or position in one or more securities, which may also be recommended to you. However, we have policies and procedures in place to monitor the personal trading activities for all access persons to ensure front running or other potential conflicts do not occur.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

## **6. Use of Disclaimers**

We shall not attempt to limit liability for willful misconduct or gross negligence through the use of disclaimers.

## **7. Suitability**

We shall only recommend those investments that we believe are suitable for you based upon your particular situation and circumstances. However, you must notify us of any significant changes in your situation or circumstances so that we can respond appropriately.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

# **Item 12 - Brokerage Practices**

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## **1. Soft Dollars**

Royal and other third party managers may provide us with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). These research products and/or services will assist the Advisor in its investment decision making process. Such research generally will be used to service all of the Advisor's

clients, but brokerage commissions paid by the client may be used to pay for research that is not used in managing the client's account. The account may pay to a Broker-Dealer a commission greater than another qualified Broker-Dealer might charge to effect the same transaction where the Advisor determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

There may other benefits from recommending Royal or other third party managers such as software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Other services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom LAS may contract directly. LAS may receive seminar expense reimbursements from product sponsors which may be based on the sales of products to their clients. LAS advisors could also receive 12(b) (1) fees as a result of placing clients with mutual funds. Clients will receive full disclosure regarding this prior to such a sale.

## **2. Brokerage for Client Referrals**

We do not recommend broker-dealers based on whether we receive client referrals from a broker-dealer or third party. We receive no referrals.

## **3. Directed Brokerage**

Our advisors are registered representatives of Royal and may not use any other broker-dealer to place trades without their prior approval. We require you to use Pershing or SunAmerica as the custodial firm and Pershing for execution of your transactions. They are the only custodians allowed by Royal. Royal's strong partnership with Pershing, provides highly competitive rates for you and gives us access to their technology solution to help efficiently manage our business.

Not all advisory firms require you to direct brokerage to a specific broker/dealer. We have an obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Broker-Dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

By directing brokerage to Pershing you may pay higher fees or transaction costs than those obtainable by other broker-dealers. In most cases, we believe you are paying a discounted and reasonable rate. You may pay higher or lower fees if you select another broker-dealer. Generally, we will not negotiate lower rates below the rates established by the executing broker-dealer for this type of directed brokerage account, unless we believe that such rate is unfair or unreasonable for the size and type of

transaction. We believe that Royal pays industry standard commissions on transactions they handle for us. These commissions are reasonable and customary.

Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commission or other transaction costs. Under this procedure, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

Transactions placed in an asset management account by a third party manager will be executed through their broker-dealer or custodian. In determining best execution for these transactions, the third party manager is looking at whether the transaction represents the best qualitative execution, taking into consideration the full range of a Broker-Dealer’s services including the value of research provided, execution capability, commission rates, and responsiveness. While they look for competitive commission rates, they may not obtain the lowest possible commission rates for account transactions. The aggregation and allocation practices of mutual funds and third party managers that we recommend to you are disclosed in the respective mutual fund prospectuses and third party manager disclosure documents which will be provided to you.

## **Item 13 - Review of Accounts**

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### **1. Duty to Supervise**

We are responsible for ensuring adequate supervision over the activities of all persons who act on our behalf. Specific duties include:

- Establish procedures that could be reasonably expected to prevent and detect violations of law by our Advisory personnel
- Analyze operations and create a system of controls to ensure compliance with applicable securities laws
- Ensure that all Advisory personnel fully understand the Company's policies and procedures
- Establish a review system designed to provide reasonable assurance that the Company's policies and procedures are effective and being followed

### **2. Reviews**

Michael Tiberg, Managing Member and Chief Compliance Officer, conducts reviews at least quarterly and sends Clients reports. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, we will monitor for changes and shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. You should notify us promptly of any changes to your financial goals, objectives or financial situation as such changes may require us to review your portfolio and make recommendations for changes.

### **3. Reports**

You will be provided with account statements reflecting the transactions occurring in the account on at least a quarterly basis. These statements will be written or electronic depending upon what you selected when you opened the account. You will be provided with paper or electronic confirmations for each security transaction executed in the account. You must notify your advisor of any discrepancies in the account or any concerns you have about the account. These reports will list your account holdings, transactions, and fees paid to us and are provided by the account custodian, Pershing.

## **Item 14 - Client Referrals and Other Compensation**

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We do not currently have any referral agreements. However, we may enter into written agreements to pay referral fees to other third-party investment advisers. We may compensate these individuals for referring our advisory services. All solicitors' agreements are in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. In addition, all applicable federal and state laws will be observed. All clients procured by solicitors will be given full written disclosure describing the terms and fee arrangements between the Advisor and the solicitor. We will pay the fee to the solicitor. You are not charged this amount. You will pay the usual fee for the services rendered per your advisory agreement.

As discussed previously, all our Advisory Representatives are Registered Representatives of Royal Alliance. This arrangement requires us to offer you advisory services and programs sponsored or approved by Royal Alliance. Royal Alliance sets limits on how much we can charge you for these advisory services. Some advisory programs have higher fee limits than others. As such, there may be an incentive for us to recommend to you advisory services or programs with higher limits. In addition, Royal Alliance may charge us certain usage fees and expenses to use their advisory programs which may decrease the amount of money we make when offering investment advice to you. Therefore, there may be an incentive to provide you with advisory programs and services that may be cheaper for us to use but not as suitable to your needs as other advisory programs that Royal Alliance sponsors which may be more expensive for us to use.

In addition, Royal Alliance offers our Advisory Representatives educational, training and incentive programs for those Advisory Representatives that meet certain sales production goals. There may be an incentive for us to manage your account in ways that assist us in meeting these production goals even if such strategies may not always be suitable for your account.

Certain Third Party Advisory Service programs may provide our Advisory Representatives with the opportunity to attend training or education conferences. Such conferences include the payment or reimbursement of travel, meals and lodging expenses for attendees. Payment/reimbursement of expenses is not contingent upon sales targets or contests, but rather on total assets managed on their respective Third Party Advisory Service platforms. We may have an incentive to recommend Third Party Advisory Service programs that provide us with the above referenced opportunities over those that do not.

Royal Alliance has provided some of our Advisory Representatives with funding in the form of loans as incentive to establish, maintain or expand our broker-dealer relationships with Royal Alliance. Such

loans are typically used to assist in the transition and expansion of our practice. All or a portion of the loans require cash repayments of principal and interest if specific production levels are not achieved over a specified time frame. Any year in which the practice achieves its production levels initiates pro rata loan forgiveness by Royal Alliance. Thus, there may be an incentive for us to offer advisory services and programs to you that may not be suitable in an effort to achieve specific production levels.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer.

## **Item 15 - Custody**

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We do not have custody of any accounts. We use Royal Alliance as broker/dealer who uses Pershing as the custodian for all your accounts. If you have an IRA account we may also use SunAmerica as your custodian. These firms were chosen based upon their reputation and the quality of the trade execution. We do not direct trades to other custodians or broker-dealers.

You should receive at least quarterly statements from the broker-dealer or custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare this official custodial record to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you notice any discrepancies, please contact Michael W. Tiberg.

We do not debit the client fees directly from your advisory account. Only the custodian has the authority to directly charge and debit the advisory to your account, which is then forwarded to us. The Custodian will provide you immediate transaction confirmations and monthly statements, either by mail or electronically per your request. Monthly statements list the total value of the account at the start and end of the month and itemize all transactions and security positions. For taxable accounts, the Custodian will provide you consolidated year-end summary statements including IRS forms 1099 and other tax-related forms, as applicable. We are not allowed to make alterations or amendments to the custodian's statement. This preserves the integrity of the Custodian's statement and provides you with an independent appraisal of the account.

## **Item 16 - Investment Discretion**

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We do not usually receive discretionary authority from you to select the type of securities and amount of securities to be bought or sold. The Third Party money manager and/or custodians have discretion over the account. You will be educated about this and sign the Advisory Agreement which details this in full at the beginning of the relationship. We usually only have the ability to rebalance and reallocate your accounts on a quarterly basis, with your permission.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for your particular account. We must observe your investment objectives, limitations and restrictions.

We will contact you to obtain your permission to make changes to your account. Any transactions will be carried out only upon receipt of this information. We shall be fully protected in relying upon any such direction, notice, or instruction until it has been duly advised in writing of changes therein.

## **Item 17 - Voting Client Securities**

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As a matter of firm policy and practice, we do not have any authority to and does not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. We may provide advice to you regarding your voting of proxies. We are authorized to instruct the Custodian to forward to the client copies of all proxies and shareholder communications relating to the account assets.

## **Item 18 - Financial Information**

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients, and have not been the subject of a bankruptcy proceeding.



## **Item 19 - Requirements for State Registered Advisers**

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Liberty Advisory Services, LLC. has one principal owner, Michael W. Tiberg. His information is provided on the Brochure Supplement that directly follows this section.

## **Brochure Supplement (Part 2B of Form ADV) Liberty Advisory Services, LLC**

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### **Item 1 – Cover Page**

## **Liberty Advisory Services, LLC**

**Michael W. Tiberg**  
**1811 E Garry Avenue**  
**Santa Anna, CA 92705**  
**(949) 724-8848**

This brochure supplement provides information about Michael W. Tiberg that supplements the Liberty Advisory Services, LLC brochure. You should have received a copy of that brochure. Please contact Michael W. Tiberg at (949) 724-8848 if you did not receive Liberty Advisory Services, LLC brochure or if you have any questions about the contents of this supplement.

More information about Michael Tiberg is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Michael W. Tiberg is a financial service professional with over 25 of experience. His past experience includes ownership in various financial firms and working with some of the country's largest brokerage firms as a registered representative and investment advisory representative. Michael was born in 1951.

## Item 2 - Educational Background and Business Experience

### Education

B.A in Recreational Administration 1974  
California State University, Chico, CA

A.A. in Computer Science 1971  
Chaffey College, Alta Loma, CA

### Designations

CFP® 1986  
College for Financial Planning, Denver, CO

### Minimum Designation Requirements

#### Certified Financial Planner (CFP®)

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- **Experience:** Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year)
- **Educational Requirements:** Complete an advanced college level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning
- **Examination Type:** Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios

designed to test one's ability to correctly diagnose financial planning Issues and apply one's knowledge of financial planning to real world circumstances

- **Ethics:** Agree to be bound by CFP Board's Standards of Professional/Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- **Continuing Education/Experience Requirements:** Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct to maintain competence and keep up with developments In the financial planning field
- **Ethics:** Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services In the best interests of their clients

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

### **Business History**

2008-Present	Owner, Founder and CCO, Liberty Advisory Services, LLC
1997-Present	Partner, Granite Properties, LLC
1997-Present	Partner, Liberty Capital Management, Inc
1994- Present	Registered Rep. Royal Alliance Associates, Inc.
1990- 1997	Associate, Worldwide Investment Network, Inc.
1988- 1994	Registered Rep., Financial Network Investment Corp.

### **Item 3 - Disciplinary Information**

Michael W. Tiberg has no disciplinary history that must be disclosed.

### **Item 4 - Other Business Activities**

Michael W. Tiberg is the founder and investment advisory representative of Liberty Advisory Services, LLC. Michael is also an investment advisory representative with Royal Alliance, a corporate Registered Investment Advisor. He may offer investment advisory services through LAS or Royal Alliance.

Michael W. Tiberg is a licensed insurance agent in California for life and disability insurance, CA Insurance License #0720952. He is also a registered representative of Royal Alliance. In his role as an insurance agent/broker, he may offer commissionable (non-variable) insurance products to you for which he may receive compensation from insurance companies. He may recommend and sell life, health, and long-term care insurance and will receive the usual and customary commissions.

Michael is also a co-owner, with five other individuals, of Granite Properties, LLC. Granite Properties owns and oversees the operations of a small office building. This is a completely separate business from LAS even though they operate out of the same location.

Michael is also the President and a Board Member of Whittier Lutheran Towers, a non-profit organization that provides property management for a low-income, senior retirement apartment complex.

### **Item 5 - Additional Compensation**

There is no additional compensation awarded Michael W. Tiberg for providing advisory services, such as sales awards or prizes. He may receive additional compensation for sales of insurance products.

#### **Performance Fees**

We do not charge a performance-based fee (fees based on a share of capital gains on, or capital appreciation of, the assets of a client) for our normal asset management accounts.

#### **Other Relationships**

Neither the firm nor Michael W. Tiberg has any relationship with any issuer of securities.

### **Item 6 - Supervision**

In the course of his supervisory duties as Chief Compliance Officer, Michael will periodically review advisory accounts, correspondence, financial plans, and advisory activities. Please contact Michael W. Tiberg at (949) 724-8848 with questions regarding supervision.

### **Item 7 – Requirements for State-Registered Advisers**

Michael W. Tiberg has no reportable events to disclose here.

# Glossary of Key Terms and Investment Terms

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**Adviser** – Liberty Advisory Services, LLC

**Advisor** – Your individual representative at Liberty Advisory Services, LLC.

**Asset Allocation** – The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward tradeoff based on an individual's or institutions specific situation and goals. A key concept in financial planning and money management.

**Asset Allocation Models** – Basic models of asset allocation utilized by a financial institution. These models vary amongst institutions and include the percentage of an investment portfolio that is invested in each of the three major asset classes which are cash and their equivalents, fixed income investments such as bonds and, equity Investments such as common stock.

**Asset-class investment portfolios** – An asset class is a grouping of similar investments whose prices tend to move together. Asset classes can be defined on a very general level, such as stocks or on a more specific level, such as American silver producing companies. The concept of asset classes is important because one of the goals when building an investment portfolio is to use different asset classes which are not correlated with each other.

**Designation - The CFP®, CERTIFIED FINANCIAL PLANNER™** and certification marks are financial planning credentials awarded by Certified Financial Planner Board of Standards Inc. (CFP Board) to individuals who meet education, examination, and experience and ethics requirements. CFP® certificate holders are required to have 30 continuing education hours every two years. [www.cfp.net](http://www.cfp.net)

**Diversification** – a portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

**Exchange-Traded Funds** – a type of an investment company (either an open-end company or UIT) whose objective is to achieve the same return as a particular market index. ETFs differ from traditional open-end companies and UITs, because, pursuant to SEC exemptive orders, shares issued by ETFs trade on a secondary market and are only redeemable from the fund itself in very large blocks (blocks of 50,000 shares for example).

**Expense Ratio** – the fund's total annual operating expenses (including management fees, distribution (12b-1) fees, and other expenses) expressed as a percentage of average net assets.

**Fees** – a list of all fees associated with different products we offer are listed below:

1. **12b-1 Fees** — Fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services.

"Distribution fees" include fees to compensate brokers and others who sell fund shares and to pay for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. "Shareholder Service Fees" are fees paid to persons to respond to investor inquiries and provide investors with information about their investments.

2. **Account Fee**— A fee that some funds separately impose on investors for the maintenance of their accounts. For example, accounts below a specified dollar amount may have to pay an account fee.
3. **Distribution Fees** — Fees paid out of fund assets to cover expenses for marketing and selling fund shares, including advertising costs, compensation for brokers and others who sell fund shares, and payments for printing and mailing prospectuses to new investors and sales literature prospective investors. Sometimes referred to as "12b-1 fees."
4. **Management Fee** — fee paid out of fund assets to the fund's investment adviser or its affiliates for managing the fund's portfolio, any other management fee payable to the fund's investment adviser or its affiliates, and any administrative fee payable to the investment adviser that are not included in the "Other Expenses" category. A fund's management fee appears as a category under "Annual Fund Operating Expenses" in the Fee Table.
5. **Operating Expenses** — the costs a fund incurs in connection with running the fund, including management fees, distribution (12b-1) fees, and other expenses.
6. **Purchase Fee** — a shareholder fee that some funds charge when investors purchase mutual fund shares. Not the same as (and may be in addition to) a front-end load.
7. **Redemption Fee** — a shareholder fee that some funds charge when investors redeem (or sell) mutual fund shares. Redemption fees (which must be paid to the fund) are not the same as (and may be in addition to) a back-end load (which is typically paid to a broker). The SEC generally limits redemption fees to 2%.
8. **Sales Charge (or "Load")** — the amount that investors pay when they purchase (front-end load) or redeem (back-end load) shares in a mutual fund, similar to a commission. The SEC's rules do not limit the size of sales load a fund may charge, but FINRA rules state that mutual fund sales loads cannot exceed 8.5% and must be even lower depending on other fees and charges assessed.
9. **Shareholder Service Fees** — fees paid to persons to respond to investor inquiries and provide investors with information about their investments. See also "12b-1 fees."

**Index Fund** — describes a type of mutual fund or Unit Investment Trust (UIT) whose investment objective typically is to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, the Russell 2000 Index, or the Wilshire 5000 Total Market Index.

**Investment Adviser** — generally, a person or entity who receives compensation for giving individually tailored advice to a specific person on investing in stocks, bonds, or mutual funds. Some investment advisers also manage portfolios of securities, including mutual funds.

**Investment Company** — a company (corporation, business trust, partnership, or limited liability company) that issues securities and is primarily engaged in the business of investing in securities. The three basic types of investment companies are mutual funds, closed-end funds, and unit investment trusts.

**Investment Goals** — objective or target, usually driven by specific future financial needs. Some common goals for an individual are: saving for a comfortable retirement, saving to send children to college, managing finances to enable a home purchase, minimizing taxes, and maximizing return on investments given a certain risk tolerance, and estate or trust planning.

**Investment Objectives** — The financial goal or goals of an investor. An investor may wish to maximize current income, maximize capital gains, or set a middle course of current income with some appreciation of capital. Defining investment objectives helps to determine the investments an individual should select.

**Load** — see "Fees - Sales Charge."

**Margin** — borrowing money (usually using securities you already own as collateral) that is used to purchase securities

**Mutual Fund** — the common name for an open-end investment company. Like other types of investment companies, mutual funds pool money from many investors and invest the money in stocks, bonds, short-term money-market instruments, or other securities. Mutual funds issue redeemable shares that investors purchase directly from the fund (or through a broker for the fund) instead of purchasing from investors on a secondary market.

**NAV (Net Asset Value)** — the value of the fund's assets minus its liabilities. SEC rules require funds to calculate the NAV at least once daily. To calculate the NAV per share, simply subtract the fund's liabilities from its assets and then divide the result by the number of shares outstanding.

**No-load Fund** — a fund that does not charge any type of sales load. But not every type of shareholder fee is a "sales load," and a no-load fund may charge fees that are not sales loads. No-load funds also charge operating expenses.

**Open-End Company** — the legal name for a mutual fund. An open-end company is a type of Investment Company

**Option Contracts**—the right, but not the obligation, to buy (for a call option) or sell (for a put option) a specific amount of a given stock, commodity, currency, index, or debt, at a specified price (the strike price) during a specified period of time. For stock options, the amount is usually 100 shares. Each option contract has a buyer, called the holder, and a seller, known as the writer. If the option contract is exercised, the writer is responsible for fulfilling the terms of the contract by delivering the shares to the appropriate party. In the case of a security that cannot be delivered such as an index, the contract is settled in cash. For the holder, the potential loss is limited to the price paid to acquire the option. When an option is not exercised, it expires. No shares change hands and the money spent to purchase the option is lost. For the buyer, the upside is unlimited. Option contracts, like stocks, are therefore said to have an asymmetrical payoff pattern. For the writer, the potential loss is unlimited unless the contract is



covered, meaning that the writer already owns the security underlying the option. Option contracts are most frequently as either leverage or protection. As leverage, options allow the holder to control equity in a limited capacity for a fraction of what the shares would cost. The difference can be invested elsewhere until the option is exercised. As protection, options can guard against price fluctuations in the near term because they provide the right to acquire the underlying stock at a fixed price for a limited time. Risk is limited to the option premium (except when writing options for a security that is not already owned). However, the costs of trading options (including both commissions and the bid/ask spread) is higher on a percentage basis than trading the underlying stock. In addition, options are very complex and require a great deal of observation and maintenance.

**Paraplanner** — Individual who prepares plans and reports for financial planners. They do most of the administrative work so that financial planners can focus on the client and their financial needs.

**Portfolio** — an individual's or entity's combined holdings of stocks, bonds, or other securities and assets.

**Profile** — summarizes key information about a mutual fund's costs, investment objectives, risks, and performance. Although every mutual fund has a prospectus, not every mutual fund has a profile.

**Prospectus** — describes the mutual fund to prospective investors. Every mutual fund has a prospectus. The prospectus contains information about the mutual fund's costs, investment objectives, risks, and performance. You can get a prospectus from the mutual fund company (through its website or by phone or mail). Your financial professional or broker can also provide you with a copy.

**Risks** — a list of all risks associated with the strategies, products and methodology we offer are listed below:

#### 1. Fundamental Analysis Risk

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- When using this method with mutual funds, the funds are composed of many companies and not all of them will be undervalued.
- The data used may be at least six months out of date.
- It is difficult to give appropriate weightings to the factors.
- In the early 1970s and 1980s price/earnings multiples of 80 or 90 were considered acceptable by some for 'blue chip' stocks in the United States.
- In the 1980s in the United States some biotechnology stocks sold at '50 times sales'. The companies had no earnings and paid no dividend. The new yardstick to value these became 'products in the pipeline'. By the late 1980s most had lost three-quarters of their stock price.
- It assumes that the analyst is competent.
- A fundamental analyst assumes that other fundamental analysts will form the same view about the company and buy the stock, thus restoring its value and returning the trader or

investor a capital gain. In practice, an undervalued company's stock price can stay at approximately the same level (or decline) for years.

- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- Even when fundamental analysis reveals an undervalued company, or a stock with high growth prospects, it does not tell us anything about the timing of the purchase of the stock. In other words, we may have discovered a grossly undervalued stock whose price has been falling for some time, and may well continue falling.

## 2. Mutual Funds Risk

Mutual funds can offer the advantages of diversification and professional management. But, as with other investment choices, investing in mutual funds involves risk and fees and taxes will diminish a fund's returns.

But mutual funds also have features that some clients might view as disadvantages, such as:

- **Costs despite Negative Returns** — Clients must pay sales charges, annual fees, and other expenses) regardless of how the fund performs. And, depending on the timing of their investment, clients may also have to pay taxes on any capital gains distribution they receive — even if the fund went on to perform poorly after they bought shares.
- **Lack of Control** — Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Price Uncertainty** — with an individual stock, you can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling your advisor. You can also monitor how a stock's price changes from hour to hour. But with a mutual fund, the price you purchase or redeem shares for will typically depend on the fund's NAV, which the fund might not calculate until many hours after you've placed your order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Currency Risk** -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.

- Inflation Risk - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- Manager Risk -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- Market Risk -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### 3. Bond Fund Risk

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- Call Risk - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- Credit Risk — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- Interest Rate Risk — the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- Prepayment Risk — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### 4. Stock Fund Risk

Although a stock fund's value can rise and fall quickly over the short term, historically stocks have performed better over the long term than other types of investments — including corporate bonds, government bonds, and treasury securities.

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

Not all stock funds are the same. For example:

- Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.

- Income funds invest in stocks that pay regular dividends.
- Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all — or perhaps a representative sample — of the companies included in an index.
- Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

## 5. Alternative Investment Risk

Investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices
- Lack of liquidity in that there may be no secondary market for the fund and none expected to develop
- Volatility of returns
- Restrictions on transferring interests in the fund
- Absence of information regarding valuations and pricing
- Delays in tax reporting
- Less regulation and higher fees than mutual funds

## 6. Insurance Product Risk

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- Liquidity and Early Withdrawal Risk – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.
- Sales and Surrender Charges –Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- Fees and Expenses – There are a variety of fees and expenses which can reach 2% and more such as:

- Mortality and expense risk charges
  - Administrative fees
  - Underlying fund expenses
  - Charges for any special features or riders
- Bonus Credits – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.
  - Guarantees - Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
  - Market Risk -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
  - Principal Risk -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

## 7. Overall Fund Risk

- Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.
- Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.
- While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

**Risk Tolerance** – the extent to which an investor is willing to accept more risk in exchange for the possibility of a higher return. An investor with a high risk tolerance is likely to invest in securities, such as stocks in startup companies, and is willing to accept the possibility that the value of his/her portfolio will decline, at least in the short-term. An investor with a low risk tolerance, on the other hand, tends to invest predominantly in stable stocks and/or highly-graded bonds. One's risk tolerance is subjective and may vary according to age, needs, goals, and even personal dispositions.

**Soft Dollars** – Non-monetary payment for services received from brokerage firms. Payments are made through commissions instead of actual cash payments.

**Third Party Money Manager** — the professional management of various securities (shares, bonds and other securities) and assets (e.g., real estate), to meet specified investment goals for the benefit of the investors. The managers are not the actual advisers working with the investor. Investors may be institutions (insurance companies, pension funds, corporations, individuals etc.

**Total Annual Fund Operating Expense** — the total of a fund's annual fund operating expenses, expressed as a percentage of the fund's average net assets. You'll find the total in the fund's fee table in the prospectus.

**Unit Investment Trust (UIT)** — a type of investment company that typically makes a one-time "public offering" of only a specific, fixed number of units. A UIT will terminate and dissolve on a date established when the UIT is created (although some may terminate more than fifty years after they are created). UITs do not actively trade their investment portfolios.

**You** — the client