

## **Firm Brochure**

(Part 2A of Form ADV)

**TMFS Advisory Services, LLC**  
**7301 College Blvd., Suite 220**  
**Overland Park, Kansas 66210**  
**(913) 319-8100**  
**(866) 801-0222**

**[www.MutualFundStore.com](http://www.MutualFundStore.com)**

This brochure provides information about the qualifications and business practices of TMFS Advisory Services, LLC. If you have any questions about the contents of this brochure, please contact us at (913) 319-8100 or (866) 801-0222 or by email at [info@MutualFundStore.com](mailto:info@MutualFundStore.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about TMFS Advisory Services, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

December 2012

## **Material Changes**

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### **Annual Update**

The Material Changes section of this brochure is updated annually to report any material changes to the previous version of the Firm Brochure. The section below provides a summary of material changes since the last update.

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

The U.S. Securities and Exchange Commission issued a rule which required investment advisers to begin providing their clients with new Form ADV, Part 2A (the Firm Brochure), which replaced the prior Form(s) ADV, Part II and Schedule F. The new Form ADV, Part 2A, requires the reporting of specific information about the investment adviser and its advisory services, all in a narrative *plain English* format. The new Form ADV, Part 2A, must be provided to all new clients, as well as to existing clients who request it.

Investment advisers must update the information in their Form ADV, Part 2A, when a material change has occurred. TMFS Advisory Services, LLC, is updating its Form ADV, Part 2A, [dated October 2012] to report the following-

- I. Removal of former personnel of TMFS Advisory Services, LLC.

The revised Form ADV, Part 2A, for TMFS Advisory Services, LLC, is dated December 2012.

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### **Full Brochure Available**

Whenever you would like to receive a copy of our Firm Brochure, please contact us by telephone at (913) 319-8100 or (866) 801-0222 or by email at [info@MutualFundStore.com](mailto:info@MutualFundStore.com).

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## **Advisory Business**

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### **Description of Advisory Firm and Principal Owners**

TMFS Advisory Services, LLC (TMFS Advisory Services) provides investment advisory management services for accounts of those clients who have requested the Retirement Paycheck® service, which is available from and provided by Franchisees and Affiliates of The Mutual Fund Store® system. TMFS Advisory Services is an SEC registered investment adviser and began providing advisory services in September 2009.

TMFS Advisory Services is a wholly owned subsidiary of The Mutual Fund Store, LLC, which has granted franchise rights to independently-owned and -operated Mutual Fund Store franchises in cities across the United States (Franchisees). The Franchisees are investment advisers, registered with the SEC and/or appropriate states' securities regulatory authorities. The Mutual Fund Store, LLC also has affiliated investment advisers, which are company-owned and operated, as those share common owners with The Mutual Fund Store, LLC and also share common senior managers (Affiliates). The Affiliates are investment advisers and are registered with the SEC. The Franchisees and Affiliates are collectively referred to as investment advisers in The Mutual Fund Store® system

TMFS Advisory Services, LLC is 100% owned by The Mutual Fund Store, LLC. TMFS Holdings, LLC owns 100% of The Mutual Fund Store, LLC. Warburg Pincus Private Equity X, L.P., through intermediate entities, owns between 50% and 75% of TMFS Holdings, LLC. The remainder of TMFS Holdings, LLC is owned by various individuals and entities, none of which individually own 25% or more.

John Bunch is Chief Executive Officer of TMFS Advisory Services, LLC. Adam Bold continues to serve as Chairman.

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### **Types of Advisory Services Offered**

Clients of Franchisees and Affiliates in The Mutual Fund Store® system who have selected the Retirement Paycheck® service and who have been placed in the Retirement Paycheck® service by the Franchisee or Affiliate authorize and direct the Franchisee or Affiliate to access the discretionary (sub) advisory services of TMFS Advisory Services to provide day-to-day portfolio management and to direct day-to-day investment and reinvestment of the clients' assets in the Retirement Paycheck® service. The Mutual Fund Store Franchisee or Affiliate retains investment supervision over the client's account and the account is still subject to the overall oversight and supervision of the Franchisee or Affiliate.

In selecting the Retirement Paycheck® service, the Franchisee and Affiliate clients authorize TMFS Advisory Services to make investment decisions, including executing securities transactions, for their accounts.

TMFS Advisory Services, for the Retirement Paycheck® service, will primarily focus on creating and managing a portfolio with two main components; the growth component with investment company securities (mutual funds) and the income protection component, with highly rated fixed income investments.

The mutual funds may include those holding domestic and/or international stocks and those holding domestic and/or international fixed income investments. The fixed income investments may include FDIC insured bank certificates of deposit, securities issued by national or local governments or government agencies and highly rated fixed income and related debt issued by corporations. Each client's portfolio will be held by the client in the client's investment account maintained by the client at the custodian designated by the client. TMFS Advisory Services requests Franchisees and Affiliates recommend their clients use Charles Schwab & Co., Inc. as custodian.

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### **Tailored Advisory Services**

Clients of Franchisees and Affiliates of The Mutual Fund Store® system who select the Retirement Paycheck® service will have substantially the same securities and investments in their accounts as do other Retirement Paycheck® clients. Clients with different monthly withdrawal percentage rates will have will also have be differences in the percentage amount of their assets which are invested in the growth component and the percentage amount invested in the income protection component.

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### **Amount of Clients' Assets Managed**

TMFS Advisory Services manages assets for clients of Franchisees and Affiliates of The Mutual Fund Store® system who have selected the Retirement Paycheck® service.

As of December 31, 2011, TMFS Advisory Service managed \$152,170,101 in assets for 497 clients. TMFS Advisory Services manages Retirement Paycheck® service clients' assets on a discretionary basis.

## **Fees and Compensation**

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### **Fees**

Each Franchisee and Affiliate in The Mutual Fund Store® system uses the same fee schedule for the investment advisory fees it charges its clients for

investment advisory services. The same fee schedule is applicable to clients who use the Retirement Paycheck® service and clients who use the Standard service. The basis for the fees paid by each client to the Franchisee or Affiliate is a percentage of the client's assets under management with Franchisee or Affiliate. The fee schedule details the fee percentages and is included in the Form ADV, Part 2A for each Franchisee and Affiliate. The fee schedule is also included in the investment management agreement between the client and the Franchisee or Affiliate. Franchisee or Affiliate clients who participate in the Retirement Paycheck® service do not pay additional management fees for the service.

If the registered investment adviser doing business as The Mutual Fund Store® is a Franchise in The Mutual Fund Store® system and has one or more clients participating in the Retirement Paycheck® service, TMFS Advisory Services is indirectly compensated from the franchise fee payable by Franchisee to the Franchisor (The Mutual Fund Store, LLC) which is the owner of TMFS Advisory Services. Additional information about the franchise fee is provided in the Form ADV, Part 2A for The Mutual Fund Store® franchise.

If the registered investment adviser doing business as The Mutual Fund Store® is an Affiliate in The Mutual Fund Store® system - through sharing common owners with the Franchisor (The Mutual Fund Store, LLC) - and has one or more clients participating in the Retirement Paycheck™ service, there is not a franchise or other fee payable by the Affiliate. In such instances, because there are common owners for both the Franchisor (The Mutual Fund Store, LLC) and Affiliate, those owners may benefit from management fees paid by the client to the advisor.

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## **Termination of Agreement and Services**

The investment management agreement between each client and The Mutual Fund Store® may be cancelled at any time, by written notice. Such cancellation would, as of the same day, cancel the (sub) advisory services TMFS Advisory Services provides to the client through the Retirement Paycheck® service.

TMFS Advisory Services has entered into a written advisory agreement with each Franchisee and Affiliate in The Mutual Fund Store® system which participates in the Retirement Paycheck® service. The agreement details the investment management service to be provided by TMFS Advisory Services to each client account of each Franchisee and Affiliate of The Mutual Fund Store® system which is participating in the Retirement Paycheck® service. The agreement permits either party (TMFS Advisory Services and the Franchisee/Affiliate) to cancel the agreement upon 90 days written notice to the other party. Additionally, the agreement would terminate automatically upon the termination of the franchise agreement between a Franchisee and

the Franchisor (The Mutual Fund Store, LLC). See *Affiliations* for more information on Termination.

## **Performance-Based Fees**

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TMFS Advisory Services does not assess nor does it collect performance-based fees for its non-discretionary investment advisory services.

Performance-based fees may contain the potential for conflicts of interest. For example, performance-based compensation could create an incentive for an adviser to recommend an investment which has a high degree of risk to the client, in the hope and belief that if the investment has a significant increase in value, the adviser will receive more fees than if a more appropriate, less risky investment was made.

## **Types of Clients**

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### **Description of Clients**

TMFS Advisory Services provides investment management for accounts of clients of Franchisee and Affiliates of The Mutual Fund Store® system who have selected the Retirement Paycheck® service. The Retirement Paycheck® service is provided by The Mutual Fund Store® system Franchisees and Affiliates. The investment advisory management provided by TMFS Advisory Services is through an advisory arrangement (and written agreement) between TMFS Advisory Services and the Franchisee and Affiliate registered investment advisers doing business as The Mutual Fund Store®, in specific geographic regions.

TMFS Advisory Services is the (sub) advisor for accounts of clients of The Mutual Fund Store® who have requested and are given access to the Retirement Paycheck® service. These accounts will primarily belong to the individuals.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

TMFS Advisory Services utilizes research and information provided by The Mutual Fund Research Center, LLC (the Research Center), an SEC registered investment adviser which is also an affiliate of TMFS Advisory



Services, in that both entities share a common owner; The Mutual Fund Store, LLC.

The Research Center obtains this information from the sources noted on its Form ADV, Part 2A, in addition to producing its own research from data provided by sources such as central banks, international monetary sources and proprietary sources.

The Research Center will also utilize commercially available software and/or databases to obtain further information on mutual funds and other investments. Furthermore, the Research Center may use information gathered from discussions with the managers of mutual funds (portfolio managers).

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## **Investment Strategy**

TMFS Advisory Services utilizes the asset management recommendations for the Retirement Paycheck® service which are provided by The Mutual Fund Research Center, LLC (the Research Center). There are two primary strategies to the asset management part of the Retirement Paycheck® service. One strategy is the growth component and the second strategy is the income protection component.

For the growth component, the Research Center primarily recommends mutual funds, representing various asset categories, and the percentage amounts for each asset category. The mutual funds recommended for both services are usually actively managed mutual funds.

The Research Center primarily recommends highly rated fixed income investments are recommended for the income protection component, and these highly rated investments may include highly rated bonds, FDIC insured certificates of deposit and U.S. government issued or guaranteed securities.

Periodically, the Research Center will recommend TMFS Advisory Services, rebalance portfolios or make asset category allocation revisions. To implement these recommendations, TMFS Advisory Services may purchase and sell mutual funds in their clients' accounts. Primary reasons for these recommendations are -

Rebalancing - increases or decreases in the value of one or more asset categories or mutual funds: When an asset category or mutual fund has experienced a material appreciation or decline in value, beyond the assigned percentage for that asset category or mutual fund and in comparison to other asset classes, the extra amount may be sold, and the proceeds invested in asset categories or mutual funds which have not appreciated as much, or have declined in percentage.

Asset allocation revisions - changes in recommended asset categories: Economic or market conditions may prompt the Research Center to revise its asset categories or the allocation to existing categories. When such occurs,

TMFS Advisory Services may make, as appropriate for the client, any necessary changes to client's investment portfolio, to buy or sell mutual funds, to align the client portfolio with the Research Center's recommended asset allocation model.

These recommendations may occur two times per year, or more or less, depending on previous market activity and projected future activity. Additionally, recommendations may occur if the Research Center changes its recommendation or view on a specific mutual fund or asset category. If such occurs, a recommendation to purchase or sell the subject mutual fund or asset category may occur.

The Research Center will, at least twice each year, review the income protection component in the Retirement Paycheck® service and determine whether to recommend if steps should be added or subtracted from the fixed income investment ladder in clients' accounts. Recommendations will be provided to TMFS Advisory Services. If the recommendation is to add a step or steps, the Research Center will make recommendations as to the investments which should be considered for purchase in Retirement Paycheck® service clients' accounts. TMFS Advisory Services will make the final investment decision(s) and purchase investments for Retirement Paycheck® service clients.

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## **Risk of Loss**

All investments - including mutual fund securities - have certain risks. These risks include the risk of loss. This is a risk borne by the client. TMFS Advisory Services build clients' investment portfolios and manages clients' accounts primarily using mutual funds, representing various asset categories. This diversification is intended to reduce the volatility in clients' investment portfolios when compared to a single asset category, such as large cap growth stocks or small cap value stocks. While a diversified investment portfolio, including a portfolio of mutual funds representing different asset category, can mitigate some risks, it does not and cannot prevent loss.

Below are some of the common factors, which can produce a loss in a client's account and/or in a specific mutual fund, asset category or even in all asset categories -

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Price Volatility:** The price of a mutual fund's shares may fluctuate, even significantly, in a short term period of time.

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Category or Style Risk:** During various periods of time, one category or style may underperform or outperform other categories and styles.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline, and the market value of any mutual fund holding those bonds.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

TMFS Advisory Services, in the income protection component in the Retirement Paycheck® service will primarily use highly rated fixed income investments. Even with those ratings, such investments still have risks, although the risk of loss is less. Additionally, these risks still exist: interest-rate, inflation and reinvestment risk.

## **Disciplinary Information**

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### **Disciplinary History**

TMFS Advisory Services, its employees and officers have not been involved in disciplinary events related to its clients or to past or present investment activities.

This section of Form ADV requires investment advisers (TMFS Advisory Services is a registered investment adviser) to disclose whether it or its employees and officers have been involved in disciplinary, legal or regulatory actions which include, among other things, findings or charges or convictions related to investment related rule violations.

Again, TMFS Advisory Services, and its officers, managers and employees do not have any disciplinary or legal events to report.

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

TMFS Advisory Services is not registered as, nor is it affiliated through any common ownership with, a securities broker-dealer, a futures commission merchant, a commodity pool operator or a commodity trading advisor.

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### **Affiliations**

TMFS Advisory Services, LLC (TMFS Advisory Services) is a wholly owned subsidiary of The Mutual Fund Store, LLC, which has granted franchise rights to independently-owned and -operated Mutual Fund Store franchises in cities across the United States (Franchisees). The Franchisees are investment advisers, registered with the SEC and/or appropriate states' securities regulatory authorities. The Mutual Fund Store, LLC also has affiliated investment advisers, which are company-owned and operated, as those share common owners with The Mutual Fund Store, LLC and also share common senior managers (Affiliates). The Affiliates are investment advisers and are registered with the SEC. The Franchisees and Affiliates are collectively referred to as investment advisers in The Mutual Fund Store® system.

The Franchisor (The Mutual Fund Store, LLC), for The Mutual Fund Store® system, is 100% owned by TMFS Holdings, LLC, which owns the company-owned and -operated investment advisers (Affiliates) in The Mutual Fund Store® system. Warburg Pincus, through intermediate entities, is the majority owner of TMFS Holdings, LLC.

TMFS Advisory Services has an agreement with each Franchisee and Affiliate, for the investment advice and service it provides to the Retirement Paycheck® service. Termination of that agreement could limit the ability of the impacted Franchisee or Affiliate to continue to provide investment advice and service to the Retirement Paycheck® service. Upon request, the Franchisee or Affiliate providing service to the client, or TMFS Advisory Services, will provide a listing of occurrences that could result in the termination of the agreement.

Additional affiliations: Adam S. Bold, who has an ownership interest in the company-owned and -operated registered investment advisers doing business as The Mutual Fund Store, is a material owner of the SEC registered investment adviser Smart401k, LLC.

The officers and managers of TMFS Advisory Services are also officers and managers of all the Affiliate registered investment advisers doing business as The Mutual Fund Store. These are considered Affiliates as these are company-owned (because Warburg Pincus is the primary owner of those

investment advisers). The officers and managers of TMFS Advisory Services are also officers and managers of The Mutual Fund Research Center.

The Franchisor periodically assists in the formation of new entities to acquire multiple The Mutual Fund Store franchises. This can include, without limitation, assisting in identifying prospective accredited investors to invest in the new entities, fronting certain costs of formation, including legal fees, and identifying executive candidates to manage the new entities. Any costs of formation fronted by the Franchisor are not of such a nature as to affect or impair The Mutual Fund Store's ability to meet any of its contractual commitments to clients.

For more information on The Mutual Fund Store Franchisee or Affiliate serving you, please request and review its Form ADV, Part 2A.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

TMFS Advisory Services is committed to the highest standards of ethical conduct, business practices and legal compliance. Pursuant to requirements of Rule 204A-1 of the Investment Advisers Act of 1940, TMFS Advisory Services has established a written Code of Ethics to meet those requirements and it maintains and enforces that Code. A copy of the Code of Ethics is available upon request

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### **Participation or Interest in Client Transactions**

Individuals associated with TMFS Advisory Services may buy or sell for their own accounts securities that are identical or similar to those used in the Retirement Paycheck® service. Related persons may also have an existing interest or position in a security that is purchased for Retirement Paycheck® service clients. As these situations represent the potential for a conflict of interests, TMFS Advisory Services has established the following restrictions:

- A director, officer, or employee of TMFS Advisory Services shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information also is available to the investing public on reasonable inquiry. No person of TMFS Advisory Services shall prefer his or her own interest to that of the advisory clients or for the clients of Franchisees and Affiliates of The Mutual Fund Store® system in the Retirement Paycheck® service.

- TMFS Advisory Services maintains a list of all securities holdings for itself and associated persons having access to details to transactions it effects for its advisory clients or for clients of Franchisees and Affiliates of The Mutual Fund Store® system in the Retirement Paycheck® service.
- The transactions and holdings are reviewed on a regular basis by the Chief Compliance Officer or a designee.

TMFS Advisory Service primarily utilizes mutual fund securities for the growth component of the Retirement Paycheck® service. The Investment Advisers Act of 1940 contains requirements for monitoring securities transactions of TMFS Advisory Service's employees and related persons. Mutual fund securities are not required to be monitored.

Clients of Franchisees and Affiliates of The Mutual Fund Store® system in the Retirement Paycheck® service should know that individuals associated with TMFS Advisory Services, or Franchisees and Affiliates, such as advisors, officers and employees, may buy or sell mutual fund securities in their personal accounts which are identical or similar to those mutual funds used in the Retirement Paycheck® service clients' investment portfolios. Advisors, officers or employees may also purchase, in their personal accounts, other securities, including mutual funds, which are not identical or similar to those used in the Retirement Paycheck® service clients' accounts.

Because most mutual funds are priced daily after the close of the New York Stock Exchange market, normally at 4:00 Eastern Time, and any order to purchase and sell those funds for that price date are only accepted prior to the price being computed, it is unlikely that any advisor, officer or employee transaction could or would impact the price, which is a primary reason the Investment Advisers Act of 1940 does not require monitoring of advisors, officers and employees trades in mutual fund securities. However, TMFS Advisory Services Chief Compliance Officer and/or designee does review all of the securities transactions, including mutual funds, which TMFS Advisory Services advisors, officers and employees make in their securities accounts at securities broker/dealers (e.g., Charles Schwab & Co., Inc.) to, among other things, evaluate whether such compete with the interests of clients. If such even appear conflict with the interests of clients, corrective actions will be taken to cure and prevent recurrence.

In those instances where TMFS Advisory Services utilizes a security other than a mutual fund in the Retirement Paycheck® service, e.g., the income protection component, the Chief Compliance Officer and/or designee will review those trades, in accordance with TMFS Advisory Services written Code of Ethics and as described above.

TMFS Advisory Services' Code of Ethics (the "Code") sets forth standards of conduct that are expected of its advisors, officers and employees and addresses conflicts that arise from personal trading by those persons. A copy of the Code will be provided upon request made to the Research Center's

Chief Compliance Officer, Clifford Brandt, at 7301 College Boulevard, Overland Park, Kansas 66210.

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## **Personal Trading**

The Chief Compliance Officer (CCO) of the TMFS Advisory Services is Clifford Brandt. He or another member of the Compliance staff quarterly reviews TMFS Advisory Services employees' securities transactions which are required to be reviewed by the Investment Advisers Act of 1940. The CCO's securities transactions are reviewed by the Chief Operating Officer (COO), Ted Bloomberg. The personal trading reviews verify, among other items considered, that the personal trading of advisors, officers and employees does not affect the market(s) and those mutual fund securities and other securities utilized by TMFS Advisory Services in the Retirement Paycheck® service.

## **Brokerage Practices**

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### **Recommending Brokerage Firms**

TMFS Advisory Services and Franchisees and Affiliates in The Mutual Fund Store® system recommend clients use Charles Schwab & Co., Inc. (Schwab) for brokerage and custodian services. Schwab is both the brokerage firm (where clients' securities are purchased and sold) and custodian (where clients' securities are held) recommended to clients. TMFS Advisory Services performs an annual review of the quality of Schwab services, including: products; fees; quality and quantity of services; customer service locations; and, quality of securities transactions executed on behalf of clients.

Clients should note that other broker/custodians could offer other funds, pricing, services or capabilities of which some, or many, could equal or exceed certain offerings available from Schwab.

TMFS Advisory Services may on occasion make an error in submitting a trade order on client's behalf. If such occurs, a correcting trade or adjustment will be made. If an investment gain is realized in client's account, client may retain such unless such is not permissible or client declines such. If client declines gain and such is over \$100.00, Schwab will donate such to a charity. Additionally, Schwab will retain gains of less than \$100.00 not retained by client and will fund reimbursement to client of trade error loss of less than \$100.00. TMFS Advisory Services is responsible for funding reimbursement amounts greater than \$100.00.

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## Best Execution

TMFS Advisory Services annual review noted above at *Recommending Brokerage Firms* does include Schwab's trade execution services to verify the quality of those services and the fees paid by clients are comparable to similar custodians and brokerages.

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## Benefits Received by TMFS Advisory Services

Schwab Advisor Services™ is Charles Schwab & Co., Inc.'s (Schwab) business area serving independent investment advisory firms like Franchisees and Affiliates in The Mutual Fund Store® system, as well as TMFS Advisory Services. Schwab provides The Mutual Fund Store® system advisers with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help The Mutual Fund Store® system advisers manage or administer clients' accounts; while others help manage and grow The Mutual Fund Store® system business. Because The Mutual Fund Store® system collectively manages more than \$10 million of clients' assets in accounts at Schwab, the Schwab quarterly service fees of \$1,200 is not charged.

Schwab Services That Benefit Clients in The Mutual Fund Store® system: Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which The Mutual Fund Store® system might not otherwise have access or that would require a significantly higher minimum initial investment by its clients.

Schwab Services That May Not Directly Benefit Clients in The Mutual Fund Store® system: Schwab makes available to Franchisees and Affiliates and TMFS Advisory Services, other products and services that benefit us but may not directly benefit you as a client or your account. These products and services assist us in managing and administering clients' accounts and include software and other technology that: provide access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution in individual clients' accounts as well as aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of fees from clients' account; and, assist with back-office functions, recordkeeping, and client reporting.

Schwab Services That Generally Benefit Only the TMFS Advisory Services, The Mutual Fund Research Center and Franchisees and Affiliates in The Mutual Fund Store® system: Schwab offers other services intended to help us manage and further develop our business enterprise. These services



include: software and information technology programming; educational conferences and events; consulting on technology, compliance, legal, and business needs; and, publications and conferences on practice management and business succession. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

TMFS Advisory Services, The Mutual Fund Research Center and Franchisees and Affiliates interest in Schwab's Services: The availability of these services from Schwab, especially the support for software and information technology programming, benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as The Mutual Fund Store® system clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab and because of the collective size of all clients' accounts doing business with all the investment advisers named The Mutual Fund Store, we do receive additional benefits of significance, as described above. Even with these benefits, we believe that the selection of Schwab as the recommended custodian and broker is in the best interests of clients in The Mutual Fund Store® system. Additionally, The Mutual Fund Store® system does perform an annual review of Schwab's custodial and trade execution services to verify the quality of those services and the fees paid by clients are comparable to similar custodians and brokerages.

The Mutual Fund Store® system does recommend clients use Schwab for custodial and brokerage services and TMFS Advisory Service, The Mutual Fund Research Center, Franchisees and Affiliates receive material benefits from Schwab and you, the client, should be aware of these benefits

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## **Order Aggregation**

TMFS Advisory Services provides asset management services to the Retirement Paycheck® service. The service includes a growth component and an income protection component.

The investments in the growth component will usually be mutual fund securities. Retirement Paycheck® service clients' mutual funds trades are not aggregated. This means that when a mutual fund is purchased or sold in a client's account, that transaction request is forwarded to the executing broker, Charles Schwab & Co., Inc. (Schwab) as a stand-alone transaction request. For example, a purchase of 100 shares of a mutual fund for the account of a client is transmitted, in that form, to Schwab. It is not aggregated or combined with another client's order.

The income protection component primarily utilizes fixed income investments. These may include FDIC insured bank certificates of deposit, securities

issued by national or local governments or government agencies and highly rated fixed income and related debt issued by corporations. When income protection component purchases are made, TMFS Advisory Services will determine the amount of investments needed, for all Retirement Paycheck® service clients, for each investment step in their income protection ladder. TMFS Advisory Services will then purchase the investment(s) for that step, and divide the purchase or purchases into proportional pieces for each client. Clients will not incur additional transaction costs related to the aggregation of transactions and each client will pay the same purchase price or, if applicable, receive the same sale price for transactions in the same security. Most transactions will likely be effected through Schwab, but TMFS Advisory Services may utilize other appropriately qualified brokerages for these purchases if the securities and prices are more advantageous than available through Schwab. If such occurs, any security will be forwarded by that brokerage to Schwab, for deposit in the clients' accounts.

A specific investment selected by TMFS Advisory Services might not be available to all Retirement Paycheck® service clients either because the security is not available for sale to residents of some states or because there is not enough of the security available for purchase to meet the demand in that step of the income protection ladder. When there are limitation specific to the residents of some states, TMFS Advisory Services will shop separately for those clients and purchase something that is available for sale to them. If there is insufficient supply, TMFS Advisory Services will identify two or more securities for purchase to fulfill the ladder step for all clients and if those securities have differences in the interest yield, TMFS Advisory Services will select clients' accounts to receive the highest yielding, then the second highest yield, etc., until all clients have been invested.

## **Review of Accounts**

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### **Periodic Reviews**

TMFS Advisory Services reviews all Retirement Paycheck® clients' accounts on a semi-annual basis to verify the appropriate amount of money has been moved from the growth component of its investment strategy to the income protection component of its investment strategy. This review usually coincides with the transfer of money within each client's account to fund the next semi-annual period of requested payments from the client's account to the client.

TMFS Advisory Services reviews the asset allocation model, or models, used for Retirement Paycheck® service clients' accounts on a quarterly basis, as part of the assessment of whether rebalancing to an existing model should occur or whether allocations to a new model should be made. These reviews are made by The Mutual Fund Research Center.

TMFS Advisory Services obtains and reviews weekly reports from The Mutual Fund Research Center, which detail current and past performance of those investment company securities (mutual funds) utilized by TMFS Advisory Services for the investment portion of Retirement Paycheck® service clients accounts.

TMFS Advisory Services periodically, but no less than annually, reviews a sample (randomly and/or via other selection methods) of Retirement Paycheck® service clients' accounts to verify the accounts are managed in alignment with the selected investment strategy – or strategies – which will include review of the asset allocation model or models for the accounts. These reviews are directed by the Chief Compliance Officer, Clifford Brandt.

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## **Regular Reports**

Retirement Paycheck® service clients will receive monthly or quarterly statements from the custodian, Charles Schwab & Co., Inc., in addition to confirmations of transactions in their accounts at the custodian. Additionally, Retirement Paycheck® service clients will receive quarterly reports from The Mutual Fund Store Franchisee or Affiliate about their investment portfolio, including a listing of the holdings and recent performance return information.

TMFS Advisory Services will provide Franchisees and Affiliates in The Mutual Fund Store® system with periodic reports regarding prior performance and asset allocation and asset category information regarding its management of assets in the Retirement Paycheck® service.

## **Client Referrals and Other Compensation**

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### **Referrals**

TMFS Advisory Services does not compensate anyone for client referrals. Whether referrals are from current clients, attorneys, accountants, employees, personal friends of employees or other sources, TMFS Advisory Services does not compensate referring parties for these referrals. Additionally, TMFS Advisory Services does not and will not accept compensation if it were to refer a client to an attorney, accountant or any other type of service provider.

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## **Other Compensation**

We receive an economic benefit from Charles Schwab & Co., Inc. (Schwab) in the form of the support products and services it makes available to Franchisees and Affiliates, including TMFS Advisory Services, in The Mutual Fund Store® system, which are similar and/or the same as the support products and services it makes available to other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Benefits Received by TMFS Advisory Services*).

## **Custody**

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### **Account Statements from Custodian**

Franchisees and Affiliates in The Mutual Fund Store® system recommend that all clients' in the Retirement Paycheck® service use Charles Schwab & Co., Inc. (Schwab) as the custodian for their assets. Additionally, if Schwab is not utilized, TMFS Advisory Services likely will not be able to provide its advisory services to Retirement Paycheck® service client.

Clients' assets are held at Schwab in accounts which are registered in the name of the client. Under government regulations, Franchisees and Affiliates are deemed to have custody of those clients' assets for those clients who have authorized Franchisees and Affiliates to instruct Schwab to deduct their advisory fees from clients' accounts at Schwab. While Franchisees and Affiliates can instruct Schwab to withdraw its fees, Schwab maintains the actual custody of the clients' assets.

Retirement Paycheck® service clients will receive account statements directly from Schwab, at least quarterly, which will reflect the withdrawal of any fee. These statements will be sent to the email or postal address client provided Schwab. Clients should carefully review these statements.

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### **Performance Reports from TMFS Advisory Services**

Franchisees and Affiliates in The Mutual Fund Store® system provide their Retirement Paycheck® service clients with quarterly reports about client's investment portfolio, which will include a listing of the holdings and recent performance return information. Retirement Paycheck® service clients should compare the quarterly account statements received directly from Charles Schwab & Co., Inc. to the quarterly performance report statements provided by The Mutual Fund Store.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

TMFS Advisory Services does request and obtain discretionary authority in the securities accounts of clients who the Retirement Paycheck® service. This means TMFS Advisory Services has the authority to determine, without obtaining prior client consent, the securities to be bought or sold, the amount of the securities to be bought or sold and when those securities are bought and sold.

Discretionary trading authority permits TMFS Advisory Services to make trades in Retirement Paycheck® service clients' accounts so that we may promptly implement the investment plan and make ongoing changes as we believe appropriate. Those changes may include periodic rebalancing of asset classes when one or more asset class has significantly increased or decreased in value or when changes are recommended by The Mutual Fund Research Center.

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### **Limited Power(s) of Attorney**

Franchisees and Affiliates in The Mutual Fund Store® system request their clients complete two limited power of attorney forms. One form is to permit Franchisees and Affiliates to make trades in clients' accounts and to permit Franchisees and Affiliates to request Schwab access clients' account(s) every three months and withdraw the investment management fee for providing services to clients during the prior three months.

The second limited power of attorney form is requested to be completed to permit The Mutual Fund Store, LLC and its wholly owned subsidiary, the Research Center, and their personnel to access clients' information to provide administrative services to client, such as performance statements, fee processing and other administrative and support functions issued on behalf of Franchisee and Affiliate. This also permits the Research Center to selectively review performance of clients' accounts holding mutual funds or asset allocation models recommended for use by the Research Center.

A third limited power of attorney authorization form will need to be completed by clients utilizing the Retirement Paycheck® service. This is necessary to permit and enable TMFS Advisory Services to make necessary purchase and sale transactions in the accounts of clients' utilizing the Retirement Paycheck® service.

The limited power of attorney authorization forms are included in the Schwab account paperwork which clients of Franchisees and Affiliates complete when opening investment custody accounts at Schwab.

## **Voting Client Securities**

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### **Proxy Votes**

TMFS Advisory Services does not vote proxies on any securities which clients may own in accounts managed by TMFS Advisory Services. Franchisees and Affiliates have the responsibility of voting proxies for their clients who request such and utilize the Retirement Paycheck™ service. Information regarding the Proxy Voting Policy of Franchisees and Affiliates in The Mutual Fund Store® system is available in the Form ADV, Part 2 for the Franchisee or Affiliate providing client with investment advisory services.

## **Financial Information**

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### **Financial Condition**

TMFS Advisory Services has discretionary trading authority for the accounts of clients in the Retirement Paycheck® service. As such, we are required to report any financial condition reasonably likely to impair our ability to meet our contractual obligations to these clients.

TMFS Advisory Services does not have any financial impairment which will prevent us from meeting our commitments to these clients and to the Retirement Paycheck® service.

## **Privacy Notice**

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TMFS Advisory Services follows The Mutual Fund Store® system's privacy policy. Here is the policy –

At The Mutual Fund Store, our commitment to protecting your privacy is of utmost importance to us. We value the trust you place in us and want you to understand what information we collect and how we protect and use it. We treat personal information—nonpublic data that identifies you—with respect and in accordance with our Privacy Policy. The information we collect about you generally falls into one of the following categories:

- Information, such as your address, Social Security Identification Number and investment objectives, which you provide on account applications and other forms; and
- Transactional information about your accounts, such as investment choices, account balances, and transaction history.

We use the information primarily to manage your investments. We may disclose personal information, as described above, to companies providing services to you on our behalf (e.g., The Mutual Fund Store, LLC; TMFS Advisory Services, LLC; The Mutual Fund Research Center®, LLC; and Charles Schwab & Co., Inc.), in the following types of situations:

- Providing administrative, customer assistance, clearing, operational, or other services;
- Preparing, printing, and delivering portfolio management performance reports, confirmation statements, and other documents;
- Executing securities transactions; or
- Maintaining or developing software for us.

In instances when The Mutual Fund Store must provide your personal information to a non-affiliated company, it is only as necessary to complete activities on your behalf or essential to our operation. Additionally, we require non-affiliated companies to contractually agree not to further disclose any personal customer information obtained from us. The Mutual Fund Store does not sell any personal information in any circumstance.

To further safeguard your personal information within our company, our policy allows access to information only by individuals and departments who must have it to service your account. We maintain physical, electronic, and procedural safeguards to protect this information and treat information from our former clients with the same care used for information from current clients.

You will see this notice regularly, as we are required by law to deliver this *Privacy Notice* to you annually, in writing.